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REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS OF RURAL ENERGY AGENCY-WORLD BANK FINANCED PROJECTS FOR FINANCIAL YEAR ENDED 30 JUNE 2018

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December, 2018

AR/REA/WB/2017/2018

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ABBREVIATIONS

IESBA Code	International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants
IPSAS	International Public Sector Accounting Standards
ISSAIs	International Standards of Supreme Audit Institutions
NAO	National Audit Office
REA	Rural Energy Agency

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 United Republic Tanzania of 1977 (revised 2005) and in Section 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, National Audit Office (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.

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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 Rural Energy Agency (REA) World Bank Projects.

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 REA.

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 REA.

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 in order to ensure that proper action has been taken in respect of all matters raised.

2.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board of Directors,
Rural Energy Agency,
P. O. Box 7990,
DAR ES SALAAM.

Report on the Audit of Financial Statements of Rural Energy Agency World Bank Financed Projects for the Financial Year Ended 30th June 2018

Unqualified Opinion
I have audited the accompanying Financial Statements of Rural Energy Agency World Bank Financed Projects, which comprise the Statement of Financial Position as at 30 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 set out in the audited Financial Statements.

In my opinion, the accompanying Financial Statements present fairly in all material respects, the financial position of REA World Bank financed projects as at 30 June 2018, and their financial performance and their 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 REA World Bank financed projects 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.

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 ISAs 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, Section 10 (2) of the Public Audit Act No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act 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, REA World Bank financed projects 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

31 December, 2018

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Permanent Secretary,
Ministry of Energy,
Kikuyu Avenue,
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World Bank Representative,
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P.O. Box 2054,
DAR ES SALAAM.

THE UNITED REPUBLIC OF TANZANIA

RURAL ENERGY AGENCY

Energising Rural Transformation

FINANCIAL STATEMENTS OF THE RURAL ENERGY AGENCY WORLD BANK FINANCED PROJECTS FOR THE YEAR ENDED 30TH JUNE, 2018

November, 2018

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Definition and Abbreviations

a) Financial Statements means

The following Statements, Notes and Supporting Schedules of the Rural Energy Agency World Bank Financed Projects for the year ended 30th June, 2018 were prepared according to the IPSAS requirement (Accrual Basis). A complete set of Financial Statements comprises of:

i. Statement of Financial Position
ii. Statement of Financial Performance
iii. Statement of Cash flows (Using the direct Method)
iv. Statement of Change In Net Assets/Equity
v. Statement of Comparison of Budget and Actual Amounts in Net Asset/Equity
vi. Notes to the Financial Statements

b) Abbreviations

IDA	-	International Development Association
IPSAS	-	International Public Sector Reporting Standards
REA	-	Rural Energy Agency
REEP	-	Rural Electrification Expansion Program
REF	-	Rural Energy Fund
SREP	-	Scaling up Renewable Energy Programme
TEDAP	-	Tanzania Energy Development and Access Expansion Project
TF	-	Trust Fund
TREEP	-	Tanzania Rural Electrification Expansion Programme
SCF	-	Strategic Climate Fund

1.0 DIRECTORS' REPORT

1.1 Introduction

This Report presents Financial Statements of the Rural Energy Agency World Bank Financed Projects for the year ended 30th June, 2018 for the four projects which are;-

a) IDA Credit No. 47260 (Additional Financing)
b) TF No 19390 Rural Electrification Expansion Program
c) IDA Credit No. 58940 Tanzania Rural Electrification Expansion Programme TREEP
d) TF No Strategic Climate Fund

1.2 Establishment of Rural Energy Agency

The Rural Energy Agency (REA) was established by Act No.8 of 2005 as an autonomous institution to promote and facilitate access to modern energy services in rural areas of Mainland Tanzania. The Agency is governed by the Rural Energy Board (REB), which is also entrusted to oversee administration of the Rural Energy Fund (REF). The main function of the Agency is to facilitate provision of modem energy services in rural areas of Mainland Tanzania by providing grants, subsidies, technical assistance, training and capacity building to rural energy project developers. The Agency also works with key partners from the Government, development partners, private sector, non-governmental organizations (NGOs) and community-based organizations (CBOs) to mobilize resources for its work.

1.3 Rural Energy Fund

The Rural Energy Fund (REF) provides capital subsidies for the development of rural energy projects. Approved subsidies to qualified project developers are disbursed through the Trust Agent. Funding from REF is intended to buy down the capital investment costs of rural energy projects with a view to enable a significant number of rural households and institutions to afford energy services and products supplied to them. REF provides resources for:

a) Training and capacity building;

b) Capital investments of projects implemented by a qualified developers;

c) Investments in innovative pilot and demonstration projects, and

d) Provision of technical assistance to qualified project developers.

1.3 Operation and Objectives of REA

The main function of REA is to promote and facilitate rural energy development in Tanzania to increase energy access to all rural inhabitants and improved productive use of energy to stimulate rural economic and social development.

Pursuant to Section 16 of the Rural Energy Agency Act No. 8 of 2005, the functions of the REA among others include:-

(a) To act as the executive body and Secretariat to the Board and keep all records of the affairs and the meetings of the Board and ensure implementation of its decisions and directives.
(b) To propose criteria for selection of the Trust Agent (TA) of the Fund in accordance with Section 23 of the Act and recommend such an agent to the Board following a competitive selection process.
(c) To prepare application procedures, guidelines, selection criteria, standards and terms and conditions for grants and submit to the Board for approval.
(d) To select projects for evaluation and contract suitably qualified persons to evaluate their social and economic impacts.
(e) To recommend to the Board projects for approval.
(f) To prepare proposals to the Board for additional means and sources of finance to be used for the benefit of rural energy service provision.
(g) To ensure timely collection of all funds specified in the Act and deposit in the account of the Fund.
(h) To promote itself and the Fund to appropriate local and national government authorities, and facilitate co-ordination of its activities with other rural development activities.
(i) To facilitate provision of capacity building activities as appropriate in the preparation, installation, operation and management of rural energy systems
(j) To facilitate provision of technical assistance to qualified developers by the use of private entities related to technical design, management, financial analysis, project finance and sound business practices.
(k) To facilitate preparation and appraisal of projects applying for grants.

1.4 Financing

The source of funds is World Bank

1.5 Management Structure

The Director General is the Chief Executive Officer of Agency and Fund. A management team comprising of Directors, Managers and Heads of sections form the Management Team that supports the Director General. The organization structure of the Agency is comprised of five directorates namely, Finance and Resources Mobilization; Human Resources and Administration; Market Development and Technologies; Planning, Policy and Research; and Technical Services .

1.6 Vision, Mission and Core Values

The **Vision** of the Agency is transformation of rural livelihoods through provision of modern energy services; while the **Mission** is to promote and facilitate availability and access to modern energy services in rural Mainland Tanzania. The Agency's core values include integrity, honest and transparency as here under described:

Integrity: We treat our customers and other stakeholders fairly and with courtesy. We are ethical in the course of discharging our duties and uphold confidentiality.

Honesty: We are determined to treat customers honestly. We build value-added relationship with customers and stakeholders.
Transparency: We are transparent and accountable for what we do; Goals and objectives are aligned and clearly articulated; our actions are open to the public scrutiny; and we are honest about our performance.

1.7 Internal Controls

1.7.1 Accounting System.

The Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) which apply to the accrual basis of accounting.
During the Financial Year under review, the Agency applied a computerized accounting package called Sage Accpac.

1.7.2 Internal Audit

The Public Finance Regulations 28 requires the Accounting Officers to establish an effective Internal Audit Unit. The Internal Audit Unit is required to appraise the soundness and application of accounting, financial and operational controls within the Agency. The Agency has the Internal Audit Unit which functionally reports to Audit Committee and administratively reports to Director General.

1.7.3 Audit Committee

Regulation 30 of the PFR 2001 requires the Accounting Officer to establish an effective Audit Committee. The Rural Energy Agency established an Audit Committee. The Commitee as at 30th June, 2017 was composed of the following Members:

S/N	NAME	POSITION	ORGANISATION	PROFESSIONAL
1.	Jones Olotu	Chairman	REA	Electrical Engineer
2.	Amina Lwayasye	Member	REA	Lawyer
3.	Frank Mugogo	Member	REA	IT Engineer
4.	Dickson Austin	Member	MoF&P	Accountant

1.7.4 Tender Board

The Public Procurement Act No.07 of 2011 Sections 31 and 37requires the Accounting Officer to form a Tender Board and establish a Procurement Management Unit (PMU) respectively. The Rural Energy Agency established both the Tender Board and the Procurement Management Unit on 21st August 2008. The current Tender Board was appointed in January 2017.

1.7.5 Statutory Audit

The Rural Energy Act 2005 provides under Sec 24 (1) that Annual Accounts of the Fund including expenditure of the Agency shall be audited by a competent and qualified external Auditor appointed by the Board after receiving a recommendation from the Auditor General. Since its establishment Financial Statements of the Fund have been audited by Controller and Auditor General.

1.7.6 Trust Agent

Section 23 (1) of the Rural Energy Act, 2005 empowers Rural Energy Board to appoint a Trust Agent. The Trust Agent is responsible for disbursement of grant payments from Rural Energy Fund to project developers and ensuring that the developers meet the pre-conditions set by the Board for making grant payments. The current Trust Agent is M/s CRDB Bank in consortium with M/s.INTERFINi.

1.8 The Rural Energy Board

The REB is mandated to manage the Rural Energy Fund and Agency as stipulated by the Rural Energy Act, 2005. The Board is comprised of representatives from the Ministries responsible for Energy, Finance and Regional Administration and Local Government; Private Sector; Civic Society; Tanzania Bankers' Association; Consumers and Development Partners as an observer. The Board as at 30th June, 2017 was composed of the following Members:

1. Dr. Gideon H. Kaunda - Board Chairman
2. Eng. Amos Maganga - Board Secretary
3. Eng. Innocent Luoga - Board Member
4. Ms.Happiness Mhina - Board Member
5. Mr. Theobald Sabi - Board Member
6. Ms. Amina H. Chinja - Board Member
7. Ms.Scolastica H. Jullu - Board Member
8. Mr. Michael P.Nyagoga - Board Member
9. Ms. Stella Cosmas Mandago - Board Member

1.9 Staff and Recruitment

As at the 30th June 2018, the Agency had a total of 49 employees out of which 17 are female (34.6%) and 31 are male (65.3%). The number dropped after the recent Government exercise of verifying the employees' secondary education certificates which resulted in terminating employment of five employees of the Agency who were found with forged certificates. Further, two operational staff who failed to fulfill the condition of acquiring secondary education had also to be terminated and one employee passed away. The Agency recruits staff on competitive and transparent basis to fill vacant positions in order to ensure that functions of the Agency are performed efficiently and effectively. During the end of the financial year, The Agency through National Recruitment Agency Conducted interviews to fill 29 vacant positions as per current establishment.

1.10 PROJECTS PERFORMANCE FOR 2016/17 FINANCIAL YEAR

During the Financial Year 2017/18, the Agency continued to promote, facilitate, finance and supervise implementation of planned projects. The projects that were implemented were under IDA Credit No. 47260 (Additional Financing) and Rural Electrification Expansion Program TF No 19390. These projects were financed by the World Bank

1.11 FUTURE OUTLOOK

The Agency looks forward for more challenging years ahead as a result of new developments reforms in the energy sector, and the government target to provide access to electricity to all villages in Mainland Tanzania by 2021. The Agency aims to take all necessary steps toward achieving its mission of promoting and facilitating availability and access to modern energy services in rural Mainland Tanzania. For the next Financial Year (2016/17-2020/21), the Government target is to have all villages in Tanzania Mainland electrified either through grid extension of off-grid renewable energy.

In order to achieve this target, several initiatives have been developed and some of them are in various stages of implementation. These include expansion of the national grid, development of decentralized (small) networks using renewable sources of energy and installation of stand-alone systems, development of mini and micro grids, and installation of stand-alone systems. At present, a total of 4,395 villages out of 12,268 which is about 36% have been connected to electricity. The plan is to provide access to electricity to 7,873 remaining villages by 2021.

For the envisage targets to be achieved, the Agency is set to tap on all opportunities available and take all necessary measure to address challenges that will be encountered. Some measures will include:

a) To put concerted efforts to mobilize more funds to the Rural energy Fund.

   To achieve this, the new orgamiosational structure will be enforced.

b) Continued collaborate with the Ministry of Finance and Planning, and the Ministry of Energy to get tax and duties exemption for goods and services to be used for rural electrification projects.

c) Collaborate with the Ministr y of Energy, Ministry of Finance and Planning and Developement Partiners to ensure timely disbursement of approved funds to REF and Special Purporse Accounts and

BY ORDER OF THE BOARD

Signed by Board Chairman

04.11.2018

Date

FINANCIAL STATEMENTS

STATEMENTS OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

These Financial Statements have been prepared by the management of Rural Energy Agency 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 Principles as required by the said Act and are presented in a manner consistent with the International Public Sector Accounting Standards (IPSAS) - Accrual basis.

The Management of REA 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 Rural Energy Agency.

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 2017/2018 Financial Year.

I accept responsibility for the integrity of the Financial Statements, the information they contain and their compliance with the Public Finance Act No. 6 of 2001(revised 2004) and instructions issued by Treasury and the World Bank in respect of the year under review.

Signed by Accounting Officer

04.11.2018

Date

STATEMENT OF RESPONSIBILITY ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017

The National Board of Accounts 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/Accounting responsible for the preparation of Financial Statements of the entity concerned.

It is the duty of a Professional Accountant to assist the Board of Directors/Governing Body/Management to discharge the responsibility of preparing Financial Statements of an entity showing true and fair view of the entity position and performance in accordance with applicable international Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of Financial Statements rests with the Management as under Management Responsibility statement on an earlier page.

I, **CPA George M.J Nchwali** being the Director of Finance and Administration of Rural Energy Agency, hereby acknowledge my responsibility of ensuring that Financial Statements for the year ended 30th June 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I, thus, confirm that the Financial Statements are correct in all material respects of the Word Bank Financed Project administered by REA as on that date and that they have been prepared based on properly maintained financial records.

Signed by: ....

Position: DIRECTOR OF FINANCE AND ADMINISTRATION

NBAA Membership No: ACPA 631

RURAL ENERGY AGENCY
WORLD BANK FINANCED PROJECTS
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30TH, 2018

	Notes	2017/2018 TZS (000)	2017/2018 USD (000)	2016/2017 TZS (000)	2016/2017 USD (000)
ASSETS					
Current assets:					
Cash and Cash Equivalents	2	122,878,726	54,488	6,679,667	2,980
Accounts Receivable	3	2,550,903	1,131	3,034,817	1,354
Total Current assets		**125,429,630**	**55,619**	**9,714,484**	**4,334**
Non Current assets:					
Accounts Receivable	4	3,629,768	1,610	4,756,246	2,122
Total Non Current assets		**3,629,768**	**1,610**	**4,756,246**	**2,122**
Total Assets		**129,059,397**	**57,229**	**14,470,731**	**6,457**
Current Liabilities	5	1,278,048	567	35,405	16
Total Current Liabilities		**1,278,048**	**567**	**35,405**	**16**
Non Current Liabilities					
		-	-	-	-
Total Non Current Liabilities		-	-	-	-
Total Liabilities		**1,278,048**	**567**	**35,405**	**16**
Net Assets		**127,781,349**	**56,662**	**14,435,326**	**6,441**
Net Assets/ Equity					
Accumulated Surpluses		127,781,349	56,662	14,435,326	6,441
Total Net Assets/ Equity		**127,781,349**	**56,662**	**14,435,326**	**6,441**

.....
BOARD CHAIRMAN
Date: 04.11.2018

.....
SECRETARY OF THE BOARD
Date: 04.11.2018

RURAL ENERGY AGENCY
WORLD BANK FINANCED PROJECTS
STATEMENT OF FINANCIAL PERFORMANCE
AS AT JUNE 30, 2018

	Notes	2017/2018 TZS (000)	2017/2018 USD (000)	2016/2017 TZS (000)	2016/2017 USD (000)
Fund received	6	115,685,894	51,990	-	-
Exchange rate Gain	7	1,561,777	-	67,266	-
Interest from Credit Line Loan Repayments	8	564,108	250	452,778	202
		117,811,779	**52,240**	**520,044**	**202**
EXPENDITURE					
Operational Costs	9	(129,855)	(74)	(189,013)	(83)
Grants	10	(3,691,603)	(1,641)	-	-
TOTAL EXPENDITURE		**(3,821,457)**	**(1,715)**	**(189,013)**	**(83)**
SURPLUS/(DEFICIT) FOR THE PERIOD		**113,990,321**	**50,524**	**331,031**	**119**

.....
BOARD CHAIRMAN
Date: 04.11.2018

.....
SECRETARY OF THE BOARD
Date: 04.11.2018

RURAL ENERGY AGENCY
WORLD BANK FINANCED PROJECTS
CASH FLOW STATEMENT
AS AT JUNE 30, 2018

	2017/2018 TZS (000)	2017/2018 USD (000)	2016/2017 TZS (000)	2016/2017 USD (000)
CASH FLOW FROM OPERATING ACTIVITIES				
Cash Receipt from REA-SREP Designated Account	434,032	193	-	-
Cash Receipt from REA-TREEP Designated Account	110,179,559	49,546		
Cash Receipt from REA-SCF Designated Account	5,072,302	2,250		
Cash Receipt from TIB (PFIs via Credit line Facility)	1,323,046	337	2,331,469	1,467
Cash Paid to finance Operational expenses	(33,336)	81	(103,975)	(745)
Cash Paid to finance Grants and TIB administration Cost	(2,902,430)	(1,149)		
Cash Paid Back to WB	-	-	(18,203,297)	(8,313)
CASH GENERATED FROM OPERATIONS	**114,073,174**	**51,257**	**(15,975,804)**	**(7,591)**
CASH FLOW FROM INVESTMENT ACTIVITIES				
Interest from Credit line Loan repayments	564,108	250	-	-
CASH GENERATED FROM INVESTMENT ACTIVITIES	**564,108**	**250**	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	**114,637,282**	**51,508**	**(15,975,804)**	**(7,591)**
Cash and Cash Equivalents at beginning of Period	6,679,667	2,980	22,655,471	10,571
Exchange rate gain	1,561,777	-	-	-
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**122,878,726**	**54,488**	**6,679,667**	**2,980**

.....
BOARD CHAIRMAN
Date: 04.11.2018

.....
SECRETARY OF THE BOARD
Date: 04.11.2018

RURAL ENERGY AGENCY
WORLD BANK FINANCED PROJECTS
STATEMENT OF CHANGE IN NET ASSET/EQUITY
FOR THE YEAR ENDED JUNE 30, 2018

	Note	Accumulated surplus TZS (000)	Accumulated surplus USD (000)
Balance as at 30th June, 2017		**14,435,326**	**6,441**
Surplus net Changes for 2017/18 FY		(644,298)	(303)
Restated Balance		**13,791,028**	**6,137**
Charges for 2017/2018 FY		113,990,321	50,524
Balance as at 30th June, 2018		**127,781,349**	**56,662**

.....
BOARD CHAIRMAN
Date: 04.11.2018

.....
SECRETARY OF THE BOARD
Date: 04.11.2018

RURAL ENERGY AGENCY
WORLD BANK FINANCED PROJECTS
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS IN NET ASSET/EQUITY
FOR THE YEAR ENDED JUNE 30, 2018
BUDGET ON ACCRUAL BASIS

BUDGET ITEM	ACTUAL 2016/2017 TZS (000)	ACTUAL 2016/2017 USD (000)	ORIGINAL & FINAL BUDGET 2016/2017 TZS (000)	ORIGINAL & FINAL BUDGET 2016/2017 USD (000)	%
REVENUE					
Fund received	115,685,894	47,509	107,140,000	47,509	108
Exchange rate Gain	1,561,777	-	1,561,777	-	100
Interest from Credit Line Loan Repayments)	564,108	250	564,108	250	100
TOTAL REVENUE	**117,811,779**	**47,759**	**109,265,885**	**47,759**	**108**
EXPENDITURE					
Operational Costs	(129,855)	(74)	(129,855)	(74)	100
Grants	(3,691,603)	(1,641)	(3,691,603)	(1,641)	100
TOTAL EXPENDITURE	**(3,821,457)**	**(1,715)**	**(3,821,457)**	**(1,715)**	**100**

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NOTES TO THE 2017/2018 FINANCIAL STATEMENTS

The principal accounting policies adopted in the preparation of these Financial Statements are set below:

1: Accounting Policies

1.1 Basis of Preparation

The Financial Statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) which apply to the accrual basis of accounting. The Financial Statements are presented in United States Dollar (USD) and Tanzanian shillings (TZS) currencies, rounded to nearest thousands and prepared under the historical cost conversion. The Transaction Curries are also both United States Dollar (USD) and Tanzanian shillings (TZS). The Financial Statements have been audited by National Audit Office (NAO). The reporting date of the Finacial statement is 1st July 2017 to 31st June 2018 and the Financial Statements Authorised for issue by the Rural Energy Board on 2nd November 2018.

Fundamental Assumptions:

1.1.1 The Fund adopted the following fundamental assumptions.

a) Going Concern
b) Accrual basis of Accounting
c) Consistency

Financial Regulations:

1.1.2 Policies as detailed in the Financial Regulations were developed taking into account the following criteria.

a) Prudence
b) Substance over form
c) Relevance and materiality

1.2 Summary of Significant Accounting Policies for the Year Ended 30th June 2018

1.2.1 Property, Plant and Equipment

No property, plant or equipment acquired during the period under review.

1.2.2 Cash and Cash Equivalents

For the purpose of Cash Flow Statement, Cash and Cash Equivalents comprise of cash at bank. No cash in hand nor short term investment was available during the reporting period.

1.2.3 Revenue Recognition

Revenue is recognized when cash is received and its nature is non-exchange revenue

1.2.4 Advances

Advances and Receivables are included in current assets in the Statement of Financial Position.

1.2.5 Comparatives

The Financial Statements for 2016/2017 Financial Year have been presented as comparative figures.

2 Cash and Cash Equivalents

	2017/2018 TZS	2017/2018 USD)	2016/2017 TZS	2016/2017 USD
REA-SREP (USD) BOT	3,686,823.16	1,634.84	74,104,359.36	33,064.00
REA STRATEGIC CLIMATE FUND (USD) BOT	5,074,106,400.00	2,250,000.00	-	-
REA-REF (TZS) BOT	5,858,538,305.39	2,597,837.10	3,684,038,305.39	1,643,750.02
REA OPERATIONS (USD) BOT	854,524,237.56	378,919.83	2,921,524,585.76	1,303,530.45
REA TREEP (USD) BOT	111,087,870,655.66	49,259,453.64	-	-
TOTAL	**122,878,726,421.77**	**54,487,845.41**	**6,679,667,250.51**	**2,980,344.47**

3 Current Accounts Receivable

	2017/2018 TZS	2017/2018 USD)	2016/2017 TZS	2016/2017 USD
NBC Bank - Loans to PFIs	-	-	196,567,236.72	87,704.68
CRDB Bank - Loans to PFIs	1,126,478,571.40	499,511.60	1,126,478,571.40	502,613.99
Tanzania Investment Bank - Principal Receivable	1,424,424,630.18	631,629.08	1,258,993,184.04	561,739.57
Tanzania Investment Bank - Interest Receivable	-	-	452,777,983.85	202,021.20
TOTAL	**2,550,903,201.58**	**1,131,140.67**	**3,034,816,976.01**	**1,354,079.43**

4 Non Current Accounts Receivable

	2017/2018 TZS	2017/2018 USD)	2016/2017 TZS	2016/2017 USD
NBC Bank - Loans to PFIs	-	-	-	-
CRDB Bank - Loans to PFIs	3,629,767,857.20	1,609,538.95	4,756,246,428.60	2,122,149.54
TOTAL	**3,629,767,857.20**	**1,609,538.95**	**4,756,246,428.60**	**2,122,149.54**

5 Current Liabilities

	2017/2018 TZS	2017/2018 USD	2016/2017 TZS	2016/2017 USD
Tanzania Investment Bank	-	-	35,404,559.00	15,796.51
M/S Genex Technology	92,534,892.00	41,032.52	-	-
M/S Esri Eastern Africa	220,644,697.86	97,839.93	-	-
M/S Mars Communication Ltd	107,300,000.00	47,579.77	-	-
M/S Sekela	40,000,000.00	17,737.10	-	-
M/S Christopher Awina	88,000,000.00	39,021.62	-	-
M/S Johannes G. Lottering	114,568,812.20	50,802.96	-	-
Multconsult Asa	615,000,000.00	272,707.92	-	-
TOTAL	**1,278,048,402.06**	**566,721.83**	**35,404,559.00**	**15,796.51**

6 Fund Received

	TZS	USD
Trust/Credit Number		
SREP PROJECT - TF No 19390	434,032,295.29	193,487.00
STRATEGIC CLIMATE FUND	5,072,301,900.00	2,250,000.00
TREEP PROJECT	110,179,559,358.25	49,546,020.90
TOTAL	**115,685,893,553.54**	**51,989,507.90**

7 **Exchange rate Gain**

This is a gain caused by increase of value of foreign currency when reported at TZS reporting currency using the closing rate. Four USD Bank Accounts maintained at the Bank of Tanzania generated a total TZS 1.5 6 Billion as exchange rate gain as per table below

Account Name	USD Amount at Closing Date	Equivalent TZS Amount as at 31st June 2018	Equivalent TZS Amount as at 31st June 2019 using the Closing Rate	Exchange rate Gain in TZS Amount
BOT REA OPERATIONS USD ACCOUNT	378,919.83	849,415,118.06	854,524,237.55	5,109,119.49
REA TANZANIA RURAL ELECTR.. EXP.. PROG..(TREEP) USD ACCOUNT	49,259,453.64	109,533,453,496.05	111,087,870,655.66	1,554,417,159.61
REA-SREP BOT USD ACCOUNT	1,634.84	3,240,248.32	3,686,823.16	446,574.84
BOT REA STRATEGIC CLIMATE FUND (SCF)	2,250,000.00	5,072,301,900.00	5,074,106,400.00	1,804,500.00
Total Exchange Rate gain				**1,561,777,353.94**

8 **Interest from Credit Line Loan Repayments**

The Government of Tanzania and World Bank signed the Credit Line Facility number IDA Credit No. 47260 (Additional Financing) in the year 2010 with a purpose to enable and sensitize the local financial institutions to provide long term loans to project developers engaged in developing electricity generation plants using renewable energy sources. The Facility refinanced long term loans provided by banks to be repaid within 15 years with an interest. During a Financial year, a Total of Tshs 564.1 Million recognised as interest received from Credit Line Loan Repayments from Four Project Developers as per table below.

PROJECT DEVELOPER	INTEREST COLLECTED BY TIB FROM 1ST JULY 2017 TO 30TH JUNE 2018
Mwenga Hydro Power Plant	188,915,638.68
Darakuta Hydro Power Plant	103,205,168.26
Ngombeni Biomass Power Project	7,916,543.52
Andoya Hydro Electric (Facility I)	161,732,564.07
Andoya Hydro Electric (Facility II)	102,337,739.64
TOTAL	**564,107,654.17**

9 **Operational Expenses**

	2017/2018 TZS	2017/2018 USD	2017/2018 TZS	2017/2018 USD
TEDAP CREDIT LINE Operational Exp	96,519,426.87	58,935.60	35,606,669.00	15,889.16
SREP Preparation Expenses	33,335,523.40	14,918.40	153,406,065.60	66,936.00
Total	**129,854,950.27**	**73,854.00**	**189,012,734.60**	**82,825.16**

10 Grants

	2017/2018 TZS	2017/2018 USD	2016/2017 TZS	2016/2017 USD
SREP Preparation Grants	1,104,156,885.19	504,957.67	0.00	0.00
TREEP GRANT	647,260,160.00	286,567.26	0.00	0.00
TEDAP CREDIT LINE Grants	1,940,185,481.82	849,878.16	0.00	0.00
Total	**3,691,602,527.01**	**1,641,403.09**	-	-

The details of the Grants amount of Tshs 3,691,602,527.01 equivalent to USD 1,641,403.09 as per note 8 above are as per table below:-

S/N	SUPPLIER/CONSULTANT	PROJECT NAME	TF/CR NO	GRANT AMOUNT (TZS)	GRANT AMOUNT (USD)
1	M.KALOKOLA	SREP	TF 1930	48,000,000.00	26,853.51
2	C.AWINIA	SREP	TF 1930	108,900,000.00	48,867.14
3	J. LOTTERING	SREP	TF 1930	114,568,812.20	50,803.00
4	SHEDRACK WILLILO	SREP	TF 1930	50,321,605.05	30,000.00
5	GENEX TECHNNOLOGY	SREP	TF 1930	123,340,780.00	54,928.26
6	DAVID NGULA	SREP	TF 1930	142,825,000.00	64,527.96
7	DIG SILENT BUYISA (RTY) LTD - EURO 56,739.68	SREP	TF 1930	148,255,990.08	65,820.88
8	ESRI EASTERN AFRICA	SREP	TF 1930	220,644,697.86	97,840.00
9	MARS COMMUNICATION LTD	SREP	TF 1930	107,300,000.00	47,579.81
10	SEKELA	SREP	TF 1930	40,000,000.00	17,737.11
11	MULTCONSULT ASA	TREEP	CR 58940	647,260,160.00	286,567.26
12	TEXPOL DEVELOPMENT CO. LTD-IFUPA	TEDAP ADDITIONAL FINANCE	CR 47260	62,754,720.00	28,000.00
13	TURIAN HYDRO POWER CO. LTD	TEDAP ADDITIONAL FINANCE	CR 47260	110,147,981.04	49,146.00
14	KARITAS ELECTRIC POWER-IBULA	TEDAP ADDITIONAL FINANCE	CR 47260	62,166,394.50	27,737.50
15	IKONDO-MATEMBWE VILLAGE	TEDAP ADDITIONAL FINANCE	CR 47260	238,692,060.00	106,500.00
16	LUMAMA- MAWENGI -ENERGIE BUREAU	TEDAP ADDITIONAL FINANCE	CR 47260	134,474,400.00	60,000.00
17	MUFINDI HYDRO PLANTS/NYALAWA	TEDAP ADDITIONAL FINANCE	CR 47260	67,666,442.28	30,191.52
18	LUNG'ALI NATURAL RESORCES/KILOLO/MADEGE	TEDAP ADDITIONAL FINANCE	CR 47260	672,372,000.00	300,000.00
19	ST BENEDICT NJOMBE-IMILIWAHA-LUPALI	TEDAP ADDITIONAL FINANCE	CR 47260	326,996,916.00	145,900.00
20	ISIGULA-KISANGANI BLACKSMITH AND RENEWABLE TECHNOLOGY CO. LTD	TEDAP ADDITIONAL FINANCE	CR 47260	264,914,568.00	118,200.00
	TOTAL			**3,691,602,527.01**	**1,657,199.95**

11 EVENTS AFTER REPORTING DATE

There was no material event to report after reporting date.

12 TEDAP- CREDIT LINE STATUS AS AT 30TH JUNE 2018

The Government of Tanzania and World Bank signed the Credit Line Facility number IDA Credit No. 47260 (Additional Financing) in the year 2010 with a purpose to enable and sensitize the local financial institutions to provide long term loans to project developers engaged in developing electricity generation plants using renewable energy sources. The Facility refinanced long term loans provided by banks to be repaid within 15 years with a grace period of up to five years. The status of the loans as at 30th June 2018 is as per table below.

S/N	BENEFICIARIE'S NAME	BANK	LOAN AMOUNT		PAID AMOUNT		LOAN BALANCE	
			USD 000	TZS 000	USD 000	TZS 000	USD 000	TZS 000
1	Mwenga Hydro Ltd	CRDB	3,062	4,804,100	1,997	2,402,050	1,065	2,402,050
2	Andoya Hydroelectric Company Ltd	CRDB	1,704	2,694,500	957	1,010,438	747	1,684,063
3	Ngombeni Project	NBC	574	904,209	574	904,209	0	0
4	Andoya Hydroelectric Company Ltd	CRDB	225	399,500	70	49,938	155	349,563
5	Darakuta Hydro Power Company Ltd	CRDB	210	374,000	68	53,429	142	320,571
TOTAL TEDAP CREDIT LINE - CREDIT NO 47260			**5,775**	**9,176,309**	**3,666**	**4,420,063**	**2,109**	**4,756,246**