

**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 THE SUSTAINABLE MANAGEMENT  
OF MINERAL RESOURCES PROJECT (SMMRP-II) CR.5633 - TZ FOR THE  
FINANCIAL YEAR ENDED 30<sup>TH</sup> 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](mailto:ocag@nao.go.tz)  
Website: [www.nao.go.tz](http://www.nao.go.tz)

**December, 2018**

**AR/SMMRP/CG/2017/201**

## TABLE OF CONTENTS

Abbreviations.....	iii
<b>1.0 GENERAL INFORMATION.....</b>	<b>1</b>
1.1. Mandate .....	1
1.2. Vision, Mission and Core Values.....	1
1.3. Audit Objectives .....	2
1.4. Audit Scope .....	2
1.5. Audit Methodology .....	2
<b>2.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL .....</b>	<b>3</b>

## **Abbreviations**

<b>CAG</b>	Controller and Auditor General
<b>ISSAIs</b>	International Standards of Supreme Audit Institutions
<b>IPSAS</b>	International Public Sector Accounting Standards
<b>PAA</b>	Public Audit Act No.11 of 2008
<b>PAR</b>	Public Audit Regulation, 2009
<b>PFA</b>	Public Finance Regulations, 2009
<b>PPA</b>	Public Procurement Act, 2011
<b>PPR</b>	Public Procurement Regulations, 2013

## 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.
- ✓ **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 solely for the information of Ministry of Minerals (SMMRP II) and the World Bank. However, upon release by the World Bank, 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 Sustainable Management of Mineral Resources Project (SMMRP-II).

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 Sustainable Management of Mineral Resources Project (SMMRP-II).

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 Sustainable Management of Mineral Resources Project (SMMRP-II).

### **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 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 & Permanent Secretary,**  
Ministry of Minerals,  
Kikuyu Street,  
P.O. Box 422,  
DODOMA.

**Report on the Audit of Financial Statements for the Financial Year Ended 30<sup>th</sup> June, 2018**

### **Unqualified Opinion**

I have audited the accompanying Financial Statements of the Sustainable Management of Mineral Resources Project II (SMMRP-II), which comprise the Statement of Financial Position as at 30<sup>th</sup> 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 Sustainable Management of Mineral Resources Project- II (SMMRP-II) as at 30<sup>th</sup> 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 SMMRP-II 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.

### **Emphasis of Matter(s)**

Without qualifying my opinion, I draw the attention of the users of this report on the following matter (s) to the financial statements:

Note 6 of the financial statements shows accounts receivables representing the funds held for two years without proper justifications by Tanzania Investment Bank Ltd amounting TZS 1,533,436,372.07, after expiry of the contract Agreement. The Bank stated in its report to the management of Ministry of Minerals on 31<sup>st</sup> October, 2016 that the bank is waiting for directives from Ministry on the remaining balances, but the Ministry's management has not acted upon this issue to the date of finalising this audit on 4<sup>th</sup> December, 2018.

#### **Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises of the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and our 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 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, 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, SMMRP-II 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 OF THE URT

31<sup>st</sup> 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](mailto: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 and Paymaster General,  
Ministry of Finance and Planning,  
Treasury Square Building,  
18 Jakaya Kikwete Road,  
P.O. Box 2802,  
**40468 DODOMA.**

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

**MINISTRY OF MINERALS**  
**SUSTAINABLE MANAGEMENT FOR MINERAL RESOURCES PROJECT**  
**REVISED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**KIKUYU ROAD**  
**P.O.BOX 422**  
**DODOMA**

**TABLE OF CONTENTS**

Introduction .....	1
Statement by Accounting Officer.....	4
Statement of Management Responsibility .....	6
Declaration of the head of Finance.....	7
Statement of Financial Position .....	8
Statement of Financial Performance.....	9
Statement of Cash Flow .....	10
Statement of Changes in Net Assets.....	11
Statement of comparison Budget Vs Expenditure .....	12
Notes to the Financial Statements .....	13
Statement of Physical performance.....	20

## **INTRODUCTION**

The Sustainable Management of Mineral Resources Project is an IDA funded project with co-funding from Tanzania Government. The first phase of the Project (SMMRP 1) became operational in June 2009 and ended in June 2015. The primary objective of the Project was to strengthen Tanzania's capacity to manage the mineral sector and improve socio-economic impacts of large and small scale mining for Tanzania and Tanzanians, and enhance private local and foreign investment. The Project also aimed at enhancing principles of good governance so as to improve transparency of the legal and regulatory framework applicable to the mineral sector.

Following the successful implementation of SMMRP 1, the Government requested the World Bank for an Additional Financing (SMMRP II) to scale up more activities that will increase benefits of Tanzania to Mineral sector in line with the Policy priorities specifically poverty reduction in the rural mining areas. The World Bank Group's Executive Directors on 7<sup>th</sup> May, 2015, approved the Additional Financing amounting to US\$ 45 million as an IDA fund and US\$ 5 million as counterpart fund from the Government. The AF was launched on 1<sup>st</sup> September, 2015 and it is expected to end on 31<sup>st</sup> December, 2018.

## **PROJECT SCOPE AND COMPONENTS:**

SMMRP II has three core components which are:

- A. Improving the benefits of the mineral sector for Tanzania
- B. Strengthening governance and transparency in mining
- C. Project coordination and management

### ***Component A: Improving the Benefits of the Mineral Sector for Tanzania***

Under this component the Ministry through the SMMRP will establish the Center of Excellence and Demonstrating Centers in mining hot spots throughout the country which will serve to catalyze the technical, financial, environmental and social transformation of Artisanal Small Scale Miners (ASM). Also the Ministry through Geological Survey of Tanzania (GST) will undertake detailed geoscientific investigation in selected small scale mining areas proposed for establishment of centres of excellence.

## **Component B: Strengthening Governance and Transparency in Mining**

This component focuses on furthering legal reform and fiscal transparency that is aimed at supporting the ongoing review and updating of the legal and regulatory frameworks for the mineral sector in Tanzania with emphasis on harmonization of laws and supporting activities related to the implementation of Extractive Industries Transparency Initiative (EITI); building institutional capacity and strengthening linkages and coordination with other government institutions that take part in the administration of the mineral sector, and improving the Mining Cadastral Information Management System (MCIMS).

## **Component C: Project Coordination and Management**

The objective of this component is to strengthen the capacity of Ministry of Minerals for coordination and management of the project including supporting the enhancement of 1) day to day management of the project; 2) procurement; 3) monitoring and evaluation; and 4) coordination of the project exit studies to evaluate the overall performance of the project, and achievement of the project's objective, through the provision of technical advisory services and training.

The principal SMMRP Implementing Agency is the Ministry of Minerals (MoM) through the Minerals Department and the Geological Survey of Tanzania.

### **ACHIEVEMENTS:**

- Research has been done in five areas that the Government has decided to establish demonstration centres which is Katente(Bukombe), Itumbi (Chunya),Kona Z (Tanga), Masakasa Kilwa and Lwamgasa (Geita).
- Consultancies for designing of mines offices that will serve for the Centres of Excellence were completed. The offices that will be renovated and upgraded to the level of Centers of Excellence includes that of Bariadi, Musoma, Bukoba, Mpanda, Chunya, Songea, Handeni and Minerals Resources Institute in Dodoma.
- The Artisanal Small scale Mining handbooks have been prepared by the Ministry.

- Furniture and office equipments for Madini House were purchased
- Geographical field equipments for GST, Training equipments for MRI , and Portable field equipment for zonal mines offices were purchased.

#### **CHALLENGES:**

Despite of the achievements, there are number of challenges in the implementation of SMMRP;

- Long procurement procedures remain the main challenge in implementing the Project activities.
- Lack of counterpart fund.
- The mining sector is going through a period of important change whereby the Government has introduced major legislative changes to address concerns of benefit sharing and revenue flows in the sector.
- Submission of bids with high value than budget which forces review of the work and re-advertisement of the tender hence leads to time delay.

#### **WAY FORWARD**

- The procurement procedures will start in time and the project will avoid any unnecessary delays.
- The ministry should disburse counterpart fund to the project as per financing agreement.
- The project will abide with the new legislations.
- Budgets will be prepared precisely.

**STATEMENT FROM THE ACCOUNTING OFFICER FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

This report has been prepared pursuant to Section 25(4) (a) (b) of the Public Finance Act No. 6 of 2001 as amended in 2015 which requires the Accounting Officer to prepare financial statements within three months after the end of the financial year and submit the same to the Controller and Auditor General (CAG) in respect of Votes, Revenues and Monies for which he is responsible. The financial statements must be prepared in accordance with generally accepted accounting practice and in line with day-to-day instructions issued by the Accountant General and National Board of Accountants and Auditors (NBAA). In all aspects, the accounts were prepared on International Public Sector Accounting Standard (IPSAS) basis. The Project has constantly kept accurate accounting records. In that respect, accuracy of our records extracted from the system cannot be compromised.

Management of the Ministry, in furtherance of the integrity and objectivity of data in the financial statements, has maintained a comprehensive system of internal controls based on Integrated Financial Management System (IFMS). Management believes that this system of internal controls provides reasonable assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded.

On behalf of the Ministry, I accept responsibility for the Annual Financial Report and all statements attached thereto; and extracted from the system without any amendments or changes. The financial report has been prepared in accordance with the Accrual basis of IPSAS. In preparing this annual report, appropriate accounting policies have been adopted. However, prudent judgments and estimates have been applied all along.

It is my opinion that the financial statements present a true and fair view of the financial affairs of the Project for the covered period.

The Management has a reasonable expectation that the Ministry has adequate resources to carry on the existing operations of the Project for the foreseeable future, especially during the implementation of activities under Additional Financing. Accordingly, the Ministry considers it appropriate to continue to adopt the going concern basis in preparing this Annual Financial Statement.

The Project implementation has maintained the satisfactory rating on both financial, procurement, environmental and other safeguard for the entire year (2017/18) as categorized by the World Bank.

  
.....  
**ACCOUNTING OFFICER**

Date: 28/9/2018  
.....

**STATEMENT OF MANAGEMENT RESPONSIBILITIES FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

Management of the Sustainable Management of Mineral Resources Project is responsible for the preparation of the annual Financial Statements, which give a true and fair view of the entity's state of affairs and its operating results in accordance with International Public Sector Accounting Standards (IPSAS) on Accrual Basis, in conformity with the provision of the Public Finance Act No. 6 of 2001 Section 25(2) & (4) (as revised in 2015). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether on account of fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances which provide reasonable assurance that the transactions recorded are within statutory authority, and properly record the use of all public financial resources accordingly.

To the best of our knowledge, the system of internal control has operated adequately throughout the reporting period and that the records and underlying accounts provide a reasonable basis for the preparation of the Financial Statements for the year ended 30<sup>th</sup> June, 2018,

Procurement of goods, works and consultancy and non consultancy service to the extent that they are reflected in these financial statements have been done in accordance with the Public Procurement Act no. 9 of 2011 and its Regulations 2013.

We accept responsibility for the integrity of these financial statements, the information they contain and their compliance with the Public Finance Act No. 6 of 2001 (as revised in 2015) and its Regulations; International Public Sector Accounting Standards (IPSAS) Accruals basis; and Guidelines issued or may be issued from time to time by Paymaster General and Accountant General.

In our opinion, nothing has come to the attention of the management that the financial statements doesn't present fairly all material respect of the operations of the entity and will not remain a going concern for the next twelve months from the date of these statements.



.....  
**ACCOUNTING OFFICER**

Date: 28/9/2018  
.....

## **DECLARATION OF THE HEAD OF FINANCE AND ACCOUNTS SMMRP**

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/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 Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I, Suma N. Mwakipunda being the Head of Finance/Accounting of SMMRP 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 give a true and fair view position of Sustainable Management For Mineral Resources Project (SMMRP) as on that date and that they have been prepared based on properly maintained financial records.

Signed by:  .....

Position: ACCOUNTANT  
NBAA Membership No: GA 3069  
Date: 12<sup>th</sup> December, 2018

**STATEMENT OF FINANCIAL POSITION  
 AS AT 30TH JUNE, 2018**

	NOTES	2017/2018 T.SHS	2016/2017 T.SHS
<b>Non-Current Assets</b>			
Equipment		-	-
Office Furniture		-	-
Motor Vehicle		-	-
<b>Total Non-Current Assets</b>		-	-
<b>Current Assets:</b>			
Cash and Cash equivalents	13	22,427,179,043.85	5,864,702,857.41
Receivables	6	40,141,133.14	20,937,165.18
Receivables(From TIB)	6	1,533,436,372.08	0.00
<b>Total Assets</b>		<b>24,000,756,549.07</b>	<b>5,885,640,022.59</b>
<b>Current Liabilities</b>		-	
Withholding tax payable		576,928.75	-
<b>Non - Current Liabilities:</b>			
Deffered Revenue	5	16,562,476,186.44	0.00
<b>Total Net Assets</b>		<b>7,437,703,433.88</b>	<b>5,885,640,022.59</b>
<b>Net Assets/Equity</b>			
<b>Accumulated surplus/Deficit</b>		7,437,703,433.88	5,885,640,022.59
<b>Total Net Assets/Equity</b>		<b>7,437,703,433.88</b>	<b>5,885,640,022.59</b>



.....  
 Suma Mwakipunda  
**Project Accountant**



.....  
 Andrew Eriyo  
**Project Manager**

**STATEMENT OF FINANCIAL PERFORMANCE  
 FOR THE YEAR ENDED 30 JUNE, 2018**

	NOTES	2017/2018 TSHS	2016/2017 TSHS
<b>REVENUE</b>			
Government Contribution	4	-	200,000,000.00
Fund transferred from IDA	5	5,762,838,423.88	21,023,561,562.20
<b>TOTAL REVENUE</b>		<b>5,762,838,423.88</b>	<b>21,223,561,562.20</b>
<b>EXPENSES:</b>			
Consultancy fee	7	523,800,364.97	8,726,457,286.39
Training	8	132,366,984.91	78,882,353.01
Goods	9	3,093,130,272.55	8,044,913,543.92
Works	10	38,068,891.88	457,912,131.66
Operating Costs	11	1,975,171,909.57	3,727,169,340.41
Other Expenditure	12	300,000.00	213,246,894.19
Exchange gain/loss			-312,024,669.68
<b>TOTAL EXPENSES</b>		<b>5,762,838,423.88</b>	<b>20,936,556,879.90</b>
Surplus/Deficity for the period		-	287,004,682.30

  
 .....  
 Suma Mwakipunda  
**Project Accountant**

  
 .....  
 Andrew Eriyo  
**Project Manager**

**STATEMENT OF CASH FLOW  
 FOR THE YEAR ENDED 30TH JUNE 2018**

		2017/2018	2016/2017
<b>Cash flow from operating activities</b>			
<b>RECEIPTS</b>	<b>Notes</b>	<b>TZS</b>	<b>TZS</b>
Government Contribution		-	200,000,000.00
IDA	<b>5</b>	22,173,475,391.17	21,023,561,562.20
<b>TOTAL RECEIPTS</b>		<b>22,173,475,391.17</b>	<b>21,223,561,562.20</b>
<b>PAYMENTS</b>			
Consultancy fee	<b>7</b>	523,800,364.97	8,726,457,286.39
Training	<b>8</b>	132,366,984.91	78,882,353.01
Goods	<b>9</b>	3,093,130,272.55	8,044,913,543.92
Works	<b>10</b>	38,068,891.88	457,912,131.66
Operating costs	<b>11</b>	1,975,171,909.57	3,727,169,340.41
Other exp	<b>12</b>	300,000.00	213,246,894.19
Receivables	<b>6</b>	-	11,772,650.00
<b>TOTAL PAYMENTS</b>		<b>5,762,838,423.88</b>	<b>21,236,808,899.58</b>
<b>Net Cash Flow From Operating Activities</b>		<b>16,410,636,967.29</b>	<b>13,247,337.38</b>
<b>CashFlow From Investing Activities</b>			
Purchase/Construction of Non Current Assets		-	-
<b>Net Cash Flow from Investing Activities</b>		<b>-</b>	<b>-</b>
<b>CashFlow From Financing Activities</b>			
<b>Net CashFlow from Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Net Increase/Decrease in Cash and Cash Equivalents</b>		<b>16,410,636,967.29</b>	
Exchange Gain/loss	<b>13</b>	151,839,219.15	312,024,669.68
Cash and Cash Equivalent at the beginning of the period		5,864,702,857.41	5,589,470,825.10
Cash and Cash Equivalent at the end of the period		22,427,179,043.85	5,864,702,857.41

.....  
 Suma Mwakipunda  
**Project Accountant**

.....  
 Andrew Eriyo  
**Project Manager**

**STATEMENT OF CHANGES IN NET ASSET  
FOR THE YEAR ENDED 30TH JUNE 2018**

Details	2017/2018	2016/2017
	Tzs	Tzs
	Restated	Restated
Opening balance	7,419,076,394.67	5,598,635,340.28
Adjustments during the year	18,627,039.21	1,533,436,372.08
Surplus/Deficity for the year	-	287,004,682.31
<b>Closing Balance</b>	<b>7,437,703,433.88</b>	<b>7,419,076,394.67</b>



.....  
Suma Mwakipunda  
**Project Accountant**



.....  
Andrew Eriyo  
**Project Manager**

**STATEMENT OF BUDGET VS EXPENDITURE  
 FOR THE YEAR ENDED 30TH JUNE 2018**

ITEM	APPROVED BUDGET(Tzs)	ACTUAL RELEASE(Tzs)	ACTUAL EXPENDITURE(Tzs)	VARIANCE(APPR. BUDGET VS ACT. EXPENDITURE)	RATIO
<b>INCOME</b>					
Opening Balance		5,864,702,857.41		5,864,702,857.41	100
Receipts for the year :	-	-		-	0
IDA	22,173,475,391.17	22,173,475,391.17		22,173,475,391.17	100
<b>TOTAL INCOME AS AT 30TH JUNE 2018</b>	<b>22,173,475,391.17</b>	<b>28,038,178,248.58</b>		<b>28,038,178,248.58</b>	
<b>EXPENDITURE</b>					
Consultancy fee	7,172,679,600.00	7,000,000,000.00	523,800,364.97	6,648,879,235.03	7.303
Training	482,565,600.00	3,000,000,000.00	132,366,984.91	350,198,615.09	27.43
Goods	25,488,237,600.00	8,000,000,000.00	3,093,130,272.55	22,395,107,327.45	12.14
Works	15,253,459,920.00	1,173,475,391.17	38,068,891.88	15,215,391,028.12	0.25
Operating costs	4,606,308,000.00	3,000,000,000.00	1,975,471,909.57	2,630,836,090.43	42.89
<b>TOTAL EXPENDITURE</b>	<b>53,003,250,720.00</b>	<b>22,173,475,391.17</b>	<b>5,762,838,423.88</b>		



Suma Mwakipunda  
 Project Accountant



Andrew Eriyo  
 Project Manager

## **NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

### **1. GENERAL INFORMATION**

The Sustainable Management of Mineral Resources Project - AF (SMMRP) is a two year project, which became effective in the financial year 2015/2016. The objective of the project is to improve the socio-economic impact of mining for Tanzania and Tanzanian, and Government capacity to manage the mineral sector and enhance local and foreign investment.

### **2. SIGNIFICANT ACCOUNTING POLICES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

#### **2.1 Basis of Accounting**

The financial statements have been prepared in accordance with International Public Sector Accounting Standard (IPSAS) Accrual basis of Accounting.

#### **2.2 Going Concern**

The accounts have been prepared on going concern basis on assurance by the project Management that they will continue to provide financial support for the foreseeable future.

#### **2.3 Revenue Recognition**

Revenue is recognised when they are realised or earned. In the Statement of financial performance only revenue that has been spent is recognised. The differed revenue that is unspent revenue is treated in the Statement of financial position as non -current liability.

#### **2.4 Functional and presentation**

In view of the joint financing of the Project, some transactions are carried out with different functional currencies. A functional currency is the currency of the primary economic environment in which the entity operates (SMMRP). Items included in the financial statements of the Reporting Entity are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The SMMRP financial statements are presented in (TZS).

## **NOTES TO FINANCIAL STATEMENTS (Continues)**

### **Significant Accounting Policy (Continues)**

#### **2.5 Foreign Currency Translation**

Transactions and balances: Foreign currency transactions are translated into the functional currency using the prevailing exchange rate on the date of transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation to year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. The Exchange rates used are the Central Bank-ruling rate of transactions date.

#### **2.6 Cash and Cash Equivalents**

Cash and cash equivalents are carried in balance sheet at face value, For the purpose of cash flow statement cash and cash equivalents consist of cash at bank.

### **3. RISK MANAGEMENT**

The Ministry is subject to a number of financial risks which arise as a result of its routine operations. Consequently, MoM ensures that risks which it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and it has developed a risk management strategy, in accordance with the available guidance on Management of Risk. Steps have been taken to identify and assess risks to meeting objectives, to weigh and prioritise these on the basis of their assessed impact and likelihood, and then to take timely actions to manage or eliminate them through compensating internal controls.

The Ministry recognizes that risks arise from many internal and external sources and that a wide range should be considered. The effectiveness of these actions is monitored and reviewed regularly. They also help to identify areas for improving risk-based internal controls and to target the Ministry's programme.

#### **3.1 Credit risk**

Credit risk refers to the risk of a loss due to the non-performance by counterparties to discharge an obligation. Financial instruments which subject the Ministry to credit risk include bank balances, receivables, advances and investments.

### **3.2 Foreign exchange risk**

Foreign exchange risk refers to the risk of loss due to adverse movements in foreign exchange rates.

### **3.3 Liquidity risk**

Liquidity risk refers to the loss due to the lack of liquidity preventing quick or cost-effective liquidation of products, positions or portfolios. Liquidity risk is managed on an individual entity basis, which generally requires entities to hold assets of appropriate quantity and quality to meet all their obligations as they fall due.

### **3.4 Contractual risk**

Typically, this arises from failure of contractors to deliver goods or services to the agreed prices or specifications.

### **3.5 Environmental risk**

Investors in the mineral sector tend to affect the environment during mining activities; whereas small scale miners cause to contaminations, such as mercury. To ensure the risks mitigation is enhanced; there is systematic measuring and recording of physical, social and economic variables associated with project impacts before initiation of any mining activities to large companies. One of the key roles of the Sustainable Management of Mineral Resources Project is to gather information from the baseline surveys which will be used to identify gaps and challenges related to environmental and social management of the mining sector, and device strategies to improve monitoring capacity.

### **3.6 Information Communication risk**

Information Communication Risk refers to information management, data protection, and freedom of information, which lead to difficulties in collection of revenue from Mineral and Energy Sectors. The guideline on dealing with documents has been drawn, the government security agency provide vetting exercises and in-house training for handling and managing document appropriately.

### NOTES TO FINANCIAL STATEMENTS (Continues)

There are primary risks arising from financial reporting, which include fraud, loss or embezzlement of assets, improper favouring of a third party at the expense of the Ministry and other risks related to material misstatements in the valuation of assets, liabilities, revenue and expenses or deviations from the disclosure requirements. The Ministry engages a team to identify types of risks involved in each departments and unit.

#### 4. GOVERNMENT CONTRIBUTION

During financial year 2017/2018, there was no Government contribution to the project.

#### 5. IDA FUNDS

Funds received during the year	22,173,475,391.17
Funds amortised during the year as revenue	5,762,838,423.88
Balance	16,410,636,967.29
Differed revenue(Balance+Exchange Gain Note 13 )	16,562,476,186.44

#### 6. RECEIVABLES

Unretired Imprest 40,141,133.14

#### SCHEDULE

Date	CHQ NO	PAYEE	AMOUNT
06-07-17	977906	John Benedict Issangu	11,210,857.14
12-07-17	977921	Veronica Simba	1,850,000.00
14-07-17	977924	Heri Gumbo	5,720,276.00
16-08-17	977980	John Benedict Issangu	2,300,000.00
12-09-17	978000	John Benedict Issangu	8,580,000.00
22-09-17	978013	John Benedict Issangu	8,283,000.00
12-12-17	978084	Jonathan W Bruno	2,197,000.00
Total			40,141,133.14

#### FUNDS FROM TIB

THE UNITED REPUBLIC OF TANZANIA  
 MINISTRY OF MINERALS  
 SUSTAINABLE MANAGEMENT OF MINERAL RESOURCES PROJECT

S/N	Account Name	currency	Account No	USD	TZS
1.	MEM-TIB-Small Grants Program Trust	USD	5200001063402.00	121,908.01	0
2.	MEM/TIB-Small Grants Program Trust	USD	USD164000076	500,267.40	0
3.	MEM/TIB Trust Account-Technical Account	TZS	5201001058901.00	0	5,413,587.14
4.	MEM/TIB Trust Account	TZS	5200001058901.00	0	124,917,687.32
<b>Total Balance</b>				<b>USD 622175.41*2255.16</b>	<b>130,331,274.46</b>
TZS CONVERSION				<b>TZS 1,403,105,097.61</b>	<b>TZS 130,331,274.46</b>
<b>TOTAL</b>				<b>TZS 1,533,436,372.07</b>	

**7. CONSULTANCY FEE**

DESCRIPTION	2017/2018 (Tzs)	2016/2017 (Tzs)
Consultancy fee	523,800,364.97	8,726,457,286.39
<b>TOTAL</b>	<b>523,800,364.97</b>	<b>8,726,457,286.39</b>

**8. TRAINING**

DESCRIPTION	2017/2018 (Tzs)	2016/2017 (Tzs)
Training cost	132,366,984.91	78,882,353.01
<b>TOTAL</b>	<b>132,366,984.91</b>	<b>78,882,353.01</b>

**9. GOODS**

DESCRIPTION	2017/2018 (Tzs)	2016/2017 (Tzs)
Purchase of goods for MEM office	2,927,763,161.88	6,859,534,817.26
Other consumables		858,692,214.73
Office supplies	165,367,110.67	326,686,511.93
<b>TOTAL</b>	<b>3,093,130,272.55</b>	<b>8,044,913,543.92</b>

**10. WORKS**

DESCRIPTION	2017/2018 (Tzs)	2016/2017 (Tzs)
Rehabilitation	38,068,891.88	403,317,552.11
Minor works	-	54,594,579.55
<b>TOTAL</b>	<b>38,068,891.88</b>	<b>457,912,131.66</b>

## 11. OPERATING COSTS

DESCRIPTION	2017/2018 (Tzs)	2016/2017 (Tzs)
Repair & Maintenance of Vehicle	90,349,989.82	47,215,622.08
Air Ticket	37,885,964.30	93,889,684.47
Accommodation	-	516,000.00
Advertisement	17,382,000.00	61,526,170.22
Conference Facilities	441,596,818.29	1,062,160,421.66
Office Entertainment	16,499,865.18	22300000
Car parking	1,760,000.00	2,035,000.00
Repair & Maintenance of Equipment	5,482,763.00	26655759.29
Telephone & Faxes	1,270,433.86	2,161,382.21
Special Allowance	-	23,647,463.60
Night Allowance	194,824,237.34	1,031,329,459.81
Supervision	-	34,508,051.46
Office Consumable	362,644,842.80	375,123,697.64
Registration	18,000,000.00	4,475,000.00
Withholding Tax	-	306,845,321.31
Travelling cost	138,640,000.00	12,843,000.00
Salaries	47,160,540.00	58,365,978.68
Electricity	53,913,073.56	95,014,922.25
Diesel	48,324,291.00	-
Office Rent	425,162,118.76	434,275,820.93
Service charge	70,860,371.66	-
Leave travel	3,414,600.00	3,802,600.00
PAYE	-	28,477,984.80
<b>Total</b>	<b>1,975,171,909.57</b>	<b>3,727,169,340.41</b>

## 12. OTHER EXPENSES

DESCRIPTION	2017/2018 (Tzs)	2016/2017 (Tzs)
Office supplies	-	124,261,510.27
Arusha Gem Fair	-	87,985,383.92
Other operating costs	300,000.00	1,000,000.00
<b>TOTAL</b>	<b>300,000.00</b>	<b>213,246,894.19</b>

### 13. CASH AND CASH EQUIVALENTS AS AT 30/06/2017

SN	ACCOUNT NO	CURRENCY	AMOUNT	EXCHANGE RATE	AMOUNT IN TZS
01.	9921156501	TZS	1,428,402.25	1	1,428,402.25
02	9931206401	USD	2,642,245.31	2,219.05	5,863,274,455.16
<b>TOTAL</b>					<b>5,864,702,857.41</b>

### CASH AND CASH EQUIVALENT AS AT 30/6/2018

SN	ACCOUNT NO	CURRENCY	AMOUNT	EXCHANGE RATE	Balances translated using BOT rate as at 30 June 2018 (a)	Balances available in the Cash Book (b)	Exchange loss (a-b)
1	9921156501	TZS	282,301,953.34	1	282,301,953.34	282,301,953.34	
2	9931206401	USD	9,819,647.87	2,255.16	22,144,877,090.51	21,993,517,564.01	
<b>TOTAL</b>					<b>22,427,179,043.85</b>	<b>22,275,819,517.35</b>	<b>151,359,526.50</b>

### COMMITMENTS

The contingent liabilities amounting to Tzs 537,618,806.39 which were declared in the last financial year are yet to be paid. The contingent liabilities comprised of liabilities incurred during SMMRP I for which the balance was refunded to the World Bank and hence there was no funds for settlement of the liabilities.

THE UNITED REPUBLIC OF TANZANIA  
 MINISTRY OF MINERALS  
 SUSTAINABLE MANAGEMENT OF MINERAL RESOURCES PROJECT

CONTRACTORS CLAIMS & OUTSTANDING DEBTS ON SBMRP I PROJECTS AS OF DECEMBER, 2017									
SN	PROJECT NAME ISSUE	CONTRACTOR'S NAME	CONTRACT SUM (TZS)	REVISED CONTRACT SUM (TZS)	INTERIM PAYMENTS (TZS)			TOTAL AMOUNT PAID (TZS)	REMARKS
					CERT No	AMOUNT (TZS)	VAT (TZS)/ REMARKS		
1	REHABILITATION OF EXISTING TANZANIA GEMOLOGICAL CENTER-ARUSHA (ME/OOS/SBMRP/W/02;	KIURE ENGINEERING CO. LTD	994,941,000.00 Additional work	994,941,000.00 287,876,400.00 1,282,817,400.00	1	149,241,150.00		1,142,772,341.05	Final Account Paid Amount Total Amount Pa
					2	93,373,430.00			
					3	83,818,813.00			
					4	90,009,960.16			
					5	241,200,866.00	43,116,185.88		
					6	301,358,672.90	41,662,552.12		
					7	42,177,035.50			
					8	206,492,472.00			
					10	85,078,708.00			
					TOTAL	1,142,772,341.05	85,078,708.00		
2	REHABILITATION OF RESIDENTS MINE OFFICE AT MORIH (ME/OOS/SBMRP/OC-W/02;	LIGHT BUILDERS CO. LTD	165,718,998.00		1	34,857,849.70		181,583,102.40	Final Account Paid Amount Total Amount Pa
					2	138,215,047.85			
					3	28,208,204.85			
					TOTAL	181,583,102.40			
3	REHABILITATION OF GFT LABORATORY BUILDING; (ME/OOS/SBMRP/W/03);	CHICHI ENGINEERING CO LTD	600,108,400.00		1	93,016,260.00		600,108,399.03	Final Account Paid Amount Total Amount Pa
					2	97,749,058.56			
					3	61,293,825.71			
					4	106,903,074.42			
					5	53,492,383.27			
					6	140,621,430.00			
					7	38,632,417.03			
					TOTAL	600,108,399.03			
4	PROFORM REHABILITATION OF THE EXISTING GEOLOGICAL SURVEY OF TANZANIA IN DODOMA (ME/OOS/SBMRP/W/04);	PACHA CONSTRUCTION CO. LTD	2,797,381,762.50 Additional work	2,797,381,762.50 155,388,853.03 2,952,770,615.53	1	419,697,364.37		2,583,802,483.40	Final Account Certified Amount Balance Payab Amount Unpaid Cert Total Payab
					2	163,978,058.28			
					3	281,792,871.14			
					4	203,636,425.00			
					5	121,005,780.00			
					6	183,211,410.00			
					7	119,171,274.83			
					8	701,654,305.68			
					9	801,298,616.76			
					10	87,385,875.00			
					SUB TOTAL	2,583,802,483.40			
11	229,069,044.00	not paid							
TOTAL	2,812,871,527.40								
5	REFURBISHMENT OF MMI ADMINISTRATION BLOCK, STUDENTS CANTEN AND LIBRARY CENTER; (ME/OOS/SBMRP/W/07);	CHICHI ENGINEERING CO LTD	997,909,244.00		1	132,685,386.60	22,833,316.60	969,363,339.32	Final Account Paid Amount Balance Payab
					2	101,504,993.74	15,849,014.30		
					3	108,336,727.58			
					4	68,814,838.00			
					5	87,283,751.00			
					6	59,861,045.00			
					7	23,442,598.00			
					8	122,325,762.00			
					9	173,703,254.40			
TOTAL	969,363,339.32	38,682,330.90							
6	REHABILITATION OF THE EXISTING OFFICE AT RESIDENTS MINES OFFICE-MIRROGOGORO FOR DATA RECOVERY CENTER; (ME/OOS/SBMRP/W/09);	O.E ENGINEERING CO LTD	997,009,244.00 Additional work	997,009,244.00 396,054,693.80 1,393,063,937.80	1	178,846,872.00		1,033,258,722.00	Final Account Paid Amount Total Amount Pa
					2	95,621,051.00			
					3	74,255,366.63			
					4	372,302,670.39	17,652,623.41		
					5	105,636,614.00			
					6	169,605,847.00			
TOTAL	1,033,258,722.00								
7	REFURBISHMENT OF NACHINWEEA MINES OFFICE;(ME/OOS/SBMRP/W/10);	JAROT ENGINEERING SERVICES AND CONSTRUCTION CO. LTD	187,010,346.00		1	38,651,552.00		187,010,346.00	Final Account (Anti- Certified Amount Sub Total With held Amount Total Amount Pa
					2	65,459,422.00			
					3	70,763,415.00			
					4	34,241,359.00			
					5	4,675,359.00	not paid		
TOTAL	203,181,247.00								
8	REHABILITATION OF TUNDUHU MINES OFFICE; (ME/OOS/SBMRP/W/10-1);	MKONGO BUILDING CONTRACTORS CO. LTD.	448,975,003.00		1	67,346,200.00		448,975,003.00	Final Account (Anti- Certified Amount Sub Total With held Amount Total Amount Pa
					2	110,528,876.00			
					3	83,205,642.00			
					4	12,422,086.00	not paid		
					5	15,987,326.00	not paid		
TOTAL	293,889,180.00								
9	REFURBISHMENT AND EXPANSION OF MTWARA MINES OFFICE; (ME/OOS/SBMRP/W/11);	MALCOM INVESTMENT CO. LTD	1,006,720,800.00		1	181,038,120.00		1,006,720,800.00	Final Account (Anti- Certified Amount Paid Amount Total Amount Pa
					2	77,803,799.00			
					3	309,580,153.00			
					4	37,741,507.00			
					5	309,783,108.00			
					6	48,381,958.00			
					7	46,125,397.00			
TOTAL	1,021,426,222.00								

Total Amount pay

**STATEMENT OF PHYSICAL PERFORMANCE  
 FOR THE YEAR ENDED 2018**

		BUDGET (TZS)	ACTUAL EXPENDITURE (TZS)	%	STATUS
<b>Component A- Improving the Benefits of the Mineral Sector for Tanzania</b>					
A.1	Center of Excellence	16,495,331,880.00	590,818,928.22	3.58	1. Consultancies for designing of mines offices that will serve for the Centres of Excellence were completed. The offices that will be renovated and upgraded to the level of Centers of Excellence includes that of Bariadi, Musoma, Bukoba, Mpanda, Chunya, Songea, Handeni and Minerals Resources Institute in Dodoma. 2. Furniture and office equipments for Madini House were purchased.
A.2	Geological Works	3,924,000,000.00	-	-	
A.3	Small Grants	2,470,665,940.00	-	-	
A.4	Value Addition	1,017,331,880.00	-	-	
A.5	Mainsreaming/Integration with LGAs	944,665,940.00	-	-	
<b>Sub total</b>					
<b>Component B -Strengthening Governance and Transparency in Mining</b>					
B.1	Filling policy, legal and regulatory gaps for ASM	3,180,000,000.00	3,144,332,701.00	98.88	1.Geographical field equipments for GST were purchased. 2. Training equipment at MRI were supplied and installed 3. Portable field equipment for zonal mines offices were purchased 4. Consultancy for development of guidelines for a simplified Environmental Protection Plan (EPP) for ASM was completed.
B.2	Strengthen Transparency	90,000,000.00	-	-	
<b>Sub total</b>					
<b>Component C-Training and Project Coordination</b>					
C	<b>Project Coordination and Management - IDA</b>	4,578,000,000.00	2,027,686,794.66	44.29	1. Rent and service charge for project office for the year 2017/18 were covered. 2. Operating costs for the project for FY 2017/2018 were covered
		<b>32,699,995,640.00</b>	<b>5,762,838,423.88</b>		