



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS AND COMPLIANCE AUDIT OF TANZANIA
FERTILIZER REGULATORY AUTHORITY (TFRA) FOR THE FINANCIAL
YEAR ENDED 30 JUNE 2021

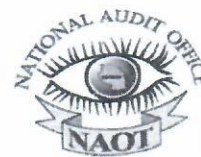
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March 2022

AR/PA/TFRA/2020/21



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NATIONAL AUDIT OFFICE



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YEAR ENDED 30 JUNE 2021**

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Mandate

The statutory mandate and responsibilities of the Controller and Auditor-General are provided for under Article 143 of the Constitution of the URT of 1977 and in Section 10 (1) of the Public Audit Act, Cap 418.

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto: "Modernizing External Audit for Stronger Public Confidence"

Core values

In providing quality services, NAO is guided by the following Core Values:

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit

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 adequate working tools and facilities that promote independence.

© This audit report is intended to be used by Tanzania Fertilizer Regulatory Authority and may form part of the annual general report, which once tabled to National Assembly, becomes a public document; hence, its distribution may not be limited.

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ABBREVIATIONS

Board	Board of Directors of TFRA
BOT	Bank of Tanzania
CAG	Controller and Audit General
GPSA	Government Procurement Services Agency
IITA	International Institute of Tropical Agriculture
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards on Supreme Audit Institutions
NAO	National Audit Office
NBAA	National Board of Accountant and Auditors
SUA	Sokoine University of Agriculture
TBS	Tanzania Bureau of Standards
TFRA	Tanzania Fertilizer Regulatory Authority
TFRS	Tanzania Financial Reporting Standard
TORITA	Tobacco Research Institute of Tanzania
TPRI	Tropical Pesticides Research Institute
TRIT	Tea Research Institute of Tanzania

1.0 DIRECTORS' REPORT

1.1 Introduction

In compliance with the Public Corporations Act, 1992 and the Tanzania Financial Reporting Standard No. 1 on Directors' Report, the Board of Directors are pleased to submit their report and audited financial statements of Tanzania Fertilizer Regulatory Authority (TFRA) for the year ended 30 June 2021.

1.2 Establishment

TFRA was established by the Fertilizer Act, No 9 of 2009 and started its functions in August 2012 with the purpose of making provisions for regulating the manufacturing, importation, exportation, distribution, sale and utilization of agricultural fertilizers to repeal the Fertilizer and Animal Food Stuffs Act of 1962, Cap. 378 and provide for other related matters. Since its inception TFRA deliberate efforts has been made to create a conducive working environment that will support the Institutional mandates provided in the Act.

1.3 Vision

To Become a centre of excellence in regulating, supply and use of fertilizers and fertilizer supplements for sustainable agriculture in Tanzania.

1.4 Mission

To promote sustainable and profitable agricultural production through judicious application of quality fertilizers by farmers for green revolution.

1.5 Principal Activities

- a. To regulate all matters relating to quality of fertilizers and sterilizing plants;
- b. To conduct registration of all fertilizer and fertilizer supplements dealers and their premises;
- c. To license fertilizer dealers;
- d. To provide permits for importation and exportation of fertilizer and fertilizers supplements;
- e. To inspect fertilizer and fertilizer supplements for quality assurance;
- f. To conduct regular training of stakeholders on fertilizer matters; and
- g. To provide technical advice to the government and other institutions on all matters relating to fertilizer and fertilizer supplements management and control.

1.6 Composition of the Board of Directors

The Board of Directors comprised of 12 members including the Executive Director as co-opted member. The chairman of the Board is Prof. Anthony M. Mshandete who was appointed on 9 September 2019.

The Chairman of the Authority is appointed by the President of the United Republic of Tanzania, for a term of three years. The Executive Director of the Authority is appointed by the President on the advice of the Minister of Agriculture from among

persons who possess relevant qualifications and competence to manage efficiently and effectively the affairs of the Authority.

The current members of the Board of Directors were appointed by the Minister of Agriculture on 9 September 2019 who will serve for three years are indicated below:

Table 1: Board of Directors

S/N	Name	Title	Age	Qualification	Nationality
1	Prof. Anthony M. Mshandete	Chairman	58	PhD in Applied Microbiology	Tanzanian
2	Ms. Tabu A. Likoko	Member	58	Masters in Sociology	Tanzanian
3	Mr. Sospeter W. Mtemi	Member	55	MSc Soil and Physical resources Management.	Tanzanian
4	Mr. Charles Chenza	Member	58	Masters in Economics	Tanzanian
5	Ms. Veronica J. Sophu	Member	52	Standard Seven	Tanzanian
6	Mr. Albert Mnali	Member	76	Masters of Arts in Economic Development	Tanzanian
7	Mr. Lawrence B. Chenge	Member	36	Masters in Food Quality and safety assurance	Tanzanian
8	Dr. Menan Jangu	Member	52	PhD in Natural resources Management	Tanzanian
9	Mr. Machibya A. Machibya	Member	39	Masters in Nuclear and quantum Engineering	Tanzanian
10	Dr. Abdul K. Biyusa	Member	44	PhD in Agriculture	Tanzanian
11	Dr. Catherine Senkoro	Member	59	PhD in soil Science	Tanzanian
12	Dr. Stephan Ngailo	Secretary	51	PhD in Plant Breeding	Tanzanian

During the year under review, a total of eight board meetings were conducted, of which four were ordinary and four were extra ordinary. Among other issues, the following were discussed:

- Investment in fertilizer industry and construction of TFRA lab
- Draft on Bulk Procurement System regulation
- Report of the Controller and Auditor General on the Financial Statements for the financial year ended 30th June, 2021.
- Status of the strategic plan and TFRA draft financial regulations
- Status of the available fertilizers in the country and in the future
- Report on human resource management

1.7 Committees of the Board of Directors

To ensure effective and efficient implementation of the Authorities' activities, the Board formed two committees namely as Technical Committee and the Audit Committee. The committees are responsible for reviewing various activities of the Authority and advise the Board for decision making. The members of each committee are as follows:

1.7.1 Technical Committees of the Board of Directors

Section 6(2) of the Act requires the Board to establish a Technical Committee consisting of such number of competent persons in fertilizer matters as it may deem

necessary. The members who served in the committee since January 2020 are as follows:

Table 2: Members of the Technical committee

S/N	Name	Title	Age	Qualification	Nationality
1	Mr. Albert Mnali	Chairman	76	Masters of Arts in Economic Development	Tanzanian
2	Ms. Veronica Sophu	Member	52	Standard Seven	Tanzanian
3	Mr. Sospeter Mtemi	Member	55	MSc. Soil and Physical resources Management.	Tanzanian
4	Mr. Anthony Machibya	Member	39	Masters in Nuclear and quantum Engineering	Tanzanian
5	Mr. Lawrence Chenge	Member	36	Masters in Food Quality and safety assurance	Tanzanian

During the year under review, a total of five (5) meetings were conducted. Among other issues, the following were discussed:

- Internal audit reports and fertilizer inspection reports
- Procurement implementation report
- Project proposal to donors for funding
- TFRA various SOPs

1.7.2 Audit Committee

The members who served in the committee since 7 March 2020 were as follows:

Table 3: The members of the Audit committee

S/N	Name	Title	Age	Qualification	Nationality
1	Mr. Charles Chenza	Member	58	Masters in Economics	Tanzanian
2	Dr. Catherine Senkoro	Member	58	PhD in soil Science	Tanzanian
3	Ms. Tabu Likoko	Member	58	Masters in Sociology	Tanzanian
4	Dr. Abdul Biyusa	Member	48	PhD in Agriculture	Tanzanian
5	Dr. Menan Jangu	Member	52	PhD in Natural resources Management	Tanzanian

The committee held six (6) meetings during the current year and among other issues, deliberated on the risk, control and compliance frameworks of the Authority and provided independent assurance and assistance to the Board of Directors.

1.8 Corporate Governance

The Board takes overall responsibility for the Authority, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters and reviewing the performance of management plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet at least four times in a year. The overall management of the Authority is vested to the Board of Directors, while the day-to-day affairs of the Authority are looked after by the Executive Director. Where necessary, the management team is invited to attend board meetings and facilitate effective control of all Authority's operational activities, acting as a medium of communication and coordination between all the various business units.

1.9 Management Team

During the period under review, management of the Authority was under the Executive Director assisted by;

- a) Director of Regulatory Services;
- b) Director of Domestic Manufacturing and Bulk Procurement System;
- c) Director of Corporate Services;
- d) Manager Public Procurement Unit;
- e) Manager Legal services;
- f) Manager Internal Audit; and
- g) Manager Information Technology and Statistics.
- h) Zonal Managers (Northern, Lake & Southern Highlands)

1.10 Performance for the year ended 30 June 2021

Registration, Licensing and Issuance of Permits for Fertilizer Import and Export

TFRA is mandated to register, license and issue permits for export and import of fertilizers and fertilizer supplements. In 2020/21, a total of 1,000 (2019/20: 1,025) new fertilizer dealers were registered and issued with license to carry out fertilizer and fertilizer supplement business, being a decrease of 2.43% and 1,107 (2019/20: 866) renewed their licenses making a total of 2,107 active agro-dealers during the year under review. The Authority does not charge registration fee for new dealer's licenses or renewals. Similarly, 399 (2019/20: 386) permits to import and 94 (2019/20: 106) permits to export fertilizers were issued to fertilizer dealers, being an increase by 3.36% and a decrease by 10.37% respectively. Also, during the year under review a total of 504,122 (2019/20: 537,506) metric tonnes of fertilizer were imported and 172,254 (2019/20: 151,640) metric tonnes of fertilizer were exported, being a decrease of 6.21% in imports and an increase of 9.35% in exports respectively.

Fertilizer Inspection

In order to control the quality of fertilizers for end users, regular inspections were carried out to 2,386 (2019/20: 941) fertilizer dealers in regions of Tanzania mainland for 2020/21. The inspection involved; warehouses and shops owned by fertilizer companies and agro dealers. It was revealed that some of agro dealers had inadequate knowledge and skills on storage and handling fertilizers and thus they were provided with training as corrective measures for strengthening working premises.

Creating awareness to the public on sound application and management of fertilizers and fertilizer supplements

Proper application and management of fertilizer is very important in agricultural production and productivity. Creation of fertilizers' stakeholders' awareness on fertilizer application was carried out during Mbolea Day in Morogoro and Nane Nane exhibitions in the regions of Simiyu, Arusha, Lindi, Morogoro and Mbeya.

Furthermore, TFRA used Radio, Televisions and Magazines such as Radio One, TBC Taifa, MEGA FM, Abood FM Tanzania Broadcasting Corporation (TBC), Independent Television (ITV), Channel Ten, Azam TV, Abood TV, Star TV, Mwananchi, Uhuru, Habari Leo, Majira, The Citizen, Nipashe, The Guardian and Daily News to increase awareness to the Public.

Results

During the year ended 30 June 2021, TFRA had a surplus of TZS 415.88 million compared to a surplus of TZS 918.89 million for the year 2019/20. A decrease of 53% in surplus was caused by increase of expenses by 33%. Moreover, the increase in expenses was highly contributed by a commencement of 3 Zonal operational offices and an increase in the number of staff by 23 (41%) from previous year.

1.11 Principal risks and uncertainties

The Board accepts final responsibility for the risk management and internal control systems of the Authority.

It is the task of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- a) Effectiveness and efficiency of operations;
- b) Safeguarding of the Authority's assets;
- c) Compliance with applicable laws and regulations;
- d) Reliability of accounting records;
- e) Business sustainability under normal as well as adverse conditions; and
- f) Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the Authority is designed to provide the Board with reasonable assurance that the procedures in place are operating effectively. The Board assessed the internal control systems throughout the financial year ended 30 June 2021 and is of the opinion that they met accepted criteria. The Board carries risk and internal control assessment through the Board Committee.

1.12 Going concern assumption

The Directors confirm that the applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Board of Director's has reasonable expectation that Authority has adequate resources to continue in operational existence for the foreseeable future.

1.13 Employees' Welfare

Management and Employees' Relationship

The Authority has an approved establishment of 80 staff. During financial year 2020/21, a total of 23 staff were transferred to TFRA thus bringing the number of staff to 61. The increase was mostly driven by the operation of zonal offices and improvement of service delivery.

The TFRA is an equal opportunity employer. It does not discriminate employees in respect of sex, religious, disability, age or marital status. TFRA recognizes the need for ensuring fair employment practices in recruitment and selection, and the retention, learning and career development of staff. The recruitment process is transparent, non-discriminatory and open to all Tanzanians who are eligible and qualify.

Medical Assistance

Authority's employees enjoy a wide range of medical care benefits provided by National Health Insurance Fund (NIHF) under a compulsory health insurance scheme to which the Authority makes contribution. Services not offered under the scheme are paid for by the Authority through a cost sharing system. Special medical cases and burial expenses are fully paid for employee and spouse.

Health and Safety

The Authority has a strong health and safety policy, which ensures that a strong culture of hygiene and safety prevails at all times. A safe working environment is ensured for all employees and contractors by providing adequate and proper personal protective equipment, training and supervision as per safety requirements requirements laid down under Occupational Health and Safety Act 2003.

Employees Benefit Plans

The Authority pays contributions to publicly administered Pension Funds as required by law.

Persons with Disabilities

TFRA does not discriminate persons with disability. In the event a member of staff has become disabled, every effort is made to ensure that their employment with the Authority continues and appropriate training and working environment is arranged.

Gender Equity

It is the Authority's policy to give equal opportunities to persons of the feminine gender in both employment and training. As at 30 June 2021, the Authority had the following staff by gender:

Gender	2020/21	2019/20
Female	21	16
Male	<u>40</u>	<u>15</u>
Total	<u>61</u>	<u>31</u>

1.14 Related party transactions and balances

All related party transactions and balances are disclosed in Note 6.23 to these financial statements. Transactions with related parties were conducted at terms and conditions similar to those offered to other entities.

1.15 Corporate social responsibility

Tanzania Fertilizer Regulatory Authority values responsible corporate citizenship, amongst the initiatives and endeavours that the Authority's participation includes support of Government and Non-Governmental Organizations. During the year under review, the Authority did not engage in any corporate social responsibility activity (2019/20: TZS 5,000,000).

1.16 Relationship with stakeholders

The Authority continued to maintain a good relationship with all stakeholders such as TARI, SUA, TBS, GCLA, TRIT, TORITA, IITA, TPRI etc.

1.17 Environmental Conservation

In order to conserve the environment, the Authority is keen to ensure that all waste generated are safely disposed-off. Moreover, TFRA has been conducting environment assessment before the start of new projects.

1.18 Accounting policies and critical judgement and estimates

Results of the entity are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of the financial statements. When preparing the financial statements, it is the Directors' responsibility under the Director's Incorporation Ordinance (Cap. 375) of 1956 to select suitable accounting policies and to make judgments and estimates that are reasonable and prudent. The accounting policies that are deemed critical to our results and financial position, in terms of the materiality of the items to which the policies are applied and the high degree of judgment involved, including the use of assumptions and estimation, are described in Notes 6.2 to the financial statements.

1.19 Fiduciary responsibility

Members of the Board as stewards of public trust always acted for the good of the Authority rather than for the benefit of themselves throughout the period. Reasonable care was exercised in all decisions taken by the Authority without placing the Authority under unnecessary risks.

1.20 Subsequent events

There are no subsequent events, which require disclosure in or adjustment of the financial statements.

1.21 Independent Auditors

The Controller and Auditor General (CAG) is the statutory auditor of Tanzania Fertilizer Regulatory Authority by virtue of Article 143 of the constitution of the United Republic of Tanzania (URT), as amplified by section 32 (4) of the Public Audit Act, Cap 418 (R.E. 2021). However, CAG authorized M/s Techno Auditors, Certified Public Accountants of Hanang' Street Mikocheni B, P.O. Box 3758, Dar es Salaam to carry out the audit of Tanzania Fertilizer Regulatory Authority for the financial year ended 30 June 2021 on his behalf.

Approved by Board of Directors for issue and signed on its behalf by:



Prof. Anthony M. Mshandete
Board Chairman

Date: 22-03 2022

2.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

The provisions of the Directors' Incorporation Ordinance (Cap. 375) of 1956 requires the Directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the entity as at the end of the financial year and of its profit or loss. The Directors are also obliged to ensure that the entity keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the entity. They are also responsible for safeguarding the assets of the entity.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS). The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the entity and of its loss in accordance with International Public Sector Accounting Standards (IPSAS). The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Director's to indicate that the entity will not remain a going concern for at least twelve months from the date of this statement.

Approved by Board of Directors for issue and signed on its behalf by:

Amshandete

Prof. Anthony M. Mshandete
Board Chairman

Date: 22-03 2022

3.0 DECLARATION OF THE HEAD OF ACCOUNTING

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/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, **CPA David Allan Dotto**, being the Head of Finance/Accounting of Tanzania Fertilizer Regulatory Authority hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2021 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 Tanzania Fertilizer Regulatory Authority as on that date and that they have been prepared based on properly maintained financial records.

Signed by: David Allan Dotto

Position: Acting Manager Finance and Accounts

NBAA Membership No.: ACPA2011

Date: 22/03/2022

4.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board of Directors,
Tanzania Fertilizer Regulatory Authority,
P.O. Box 732,
Dar es Salaam.

4.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS**Opinion**

I have audited the financial statements of Tanzania Fertilizer Regulatory Authority, which comprise the statement of financial position as at 30 June 2021, and the statement of financial performance, statement of changes in net assets and 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 Tanzania Fertilizer Regulatory Authority as at 30 June 2020, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual Basis.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of Tanzania Fertilizer Regulatory Authority 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.

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. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and my audit 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 I obtained prior to the date of this audit report, I conclude 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.

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 IPSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

Responsibilities of the Controller and Auditor General 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 audit 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 ISSAI 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.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 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, 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

4.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

Compliance with the Public Procurement Laws.

Subject matter: Compliance audit on procurement of works, goods and services

I performed a compliance audit on procurement of works, goods and services in the Tanzania Fertilizer Regulatory Authority for the financial year 2020/21 as per the Public Procurement Laws.

Conclusion

Based on the audit work performed, I state that, procurement of works, good and services of the Tanzania Fertilizer Regulatory Authority is generally in compliance with the requirements of the Public Laws.



Charles E. Kichere
Controller and Auditor General
Dodoma, United Republic of Tanzania.
March 2022



5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	NOTES	30.06.2021 TZS	30.06.2020 TZS
Current Assets			
Cash and Cash Equivalents	6.5	1,009,347,058	1,329,976,800
Staff Imprest		0	28,740,300
Prepayments	6.6	196,314,687	585,544,464
Inventory	6.7	24,012,519	34,927,897
Total Current Assets		1,229,674,264	1,979,189,461
Non-Current Assets			
Intangible Assets	6.8	542,996	1,085,993
Property, Plant and Equipment	6.9	1,189,485,807	583,807,885
Work in Progress	6.10	720,439,993	53,999,999
Total Non-Current Assets		1,910,468,796	638,893,877
TOTAL ASSETS		3,140,143,060	2,618,083,338
LIABILITIES			
Current Liabilities			
Employees Benefits Accrued	6.11	96,768,000	0
Payables	6.12	64,384,104	54,974,558
Total Current Liabilities		161,152,104	54,974,558
NET ASSETS			
Accumulated Surplus		2,978,990,956	2,563,108,780
Total Net Assets		2,978,990,956	2,563,108,780
TOTAL EQUITY AND LIABILITIES		3,140,143,060	2,618,083,338

The accompanying notes are integral part of the financial statements.

These financial statements were approved by the Board of Directors for the issue on 22-03 2022 and were signed on their behalf by:

Amhandete

Prof. Anthony M. Mshandete
Board Chairman

[Signature]
Dr. Stephan E. Ngailo
Executive Director

5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	NOTES	2020/21 <u>TZS</u>	2019/20 <u>TZS</u>
REVENUES			
Revenue from Exchange transactions			
Fees, fines & penalties	6.13	4,440,891,400	4,603,214,718
Other Income	6.14	254,281,184	38,182,004
Revenue from non-exchange transaction			
Government Subvention	6.15	<u>669,123,622</u>	<u>21,418,763</u>
Total Revenue		<u>5,364,296,206</u>	<u>4,662,815,485</u>
EXPENSES			
Wages, salaries and employment benefits	6.16	(1,430,221,137)	(312,081,724)
Supplies & Consumables	6.17	(2,241,871,027)	(1,635,899,119)
Transfer to Treasury	6.18	(600,000,000)	(1,400,000,000)
Maintenance Expenses	6.19	(387,563,368)	(226,952,216)
Depreciation Expenses	6.9	(288,215,501)	(168,444,916)
Amortization expenses	6.8	<u>(542,997)</u>	<u>(542,997)</u>
Total expenses		<u>(4,948,414,030)</u>	<u>(3,743,920,972)</u>
Surplus for the year		<u>415,882,176</u>	<u>918,894,513</u>

The accompanying notes are integral part of the financial statements.

5.3 STATEMENT OF CHANGE IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Revaluation Reserves TZS	Accumulated Surplus/(Deficit) TZS	Total TZS
Year ended 30 June, 2021			
Balance as at 1 July 2020	0	2,563,108,780	2,563,108,780
Surplus for the year	0	415,882,176	415,882,176
Balance as at 30 June 2021	0	2,978,990,956	2,978,990,956
Year ended 30 June 2020			
Balance as at 1 July 2019	57,193,450	4,837,761,902	4,894,955,352
Prior year adjustment	(57,193,450)	23,161,478	(34,031,972)
Contribution to Consolidated Fund	0	(3,216,709,113)	(3,216,709,113)
Surplus for the year	0	918,894,513	918,894,513
Balance as at 30 June 2020	0	2,563,108,780	2,563,108,780

The accompanying notes are integral part of the financial statements.

5.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

		2020/21	2019/20
		<u>TZS</u>	<u>TZS</u>
Cash Flow from Operating activities	Notes		
Receipts			
Fees, fines & penalties	6.13	4,440,891,400	4,603,214,718
Other Income	6.14	254,281,184	38,182,004
Government Subventions	6.15	<u>669,123,622</u>	<u>21,418,763</u>
Total Receipts		<u>5,364,296,206</u>	<u>4,662,815,485</u>
Payments;			
Wages, Salaries, and employment benefits	6.21	(1,333,453,137)	(312,081,724)
Supplies & Consumables	6.22	(2,291,852,270)	(1,720,085,289)
Transfer to Treasury	6.18	(600,000,000)	(1,400,000,000)
Contribution to Consolidated Fund	5.3	0	(3,216,709,113)
Maintenance Cost	6.19	<u>(387,563,368,)</u>	<u>(226,952,216)</u>
Total Payments		<u>(4,612,868,775)</u>	<u>(6,875,828,342)</u>
Net cash inflow/(outflow) from operating activities		<u>751,427,431</u>	<u>(2,213,012,857)</u>
Cash flow from Investing activities			
Purchase of PPE	6.9	(331,261,231)	(78,408,258)
Work in Progress	6.10	(666,439,994)	0
Purchase of Intangible Assets		0	(55,628,989)
Prepayment on PPE	6.6	<u>(74,355,948)</u>	<u>(562,632,192)</u>
Net Cash used in Investing activities		<u>(1,072,057,173)</u>	<u>(696,669,439)</u>
Net decrease in Cash and Cash equivalents		<u>(320,629,742)</u>	<u>(2,909,682,296)</u>
Cash and Cash equivalents at the beginning		<u>1,329,976,800</u>	<u>4,239,659,096</u>
Cash and cash equivalents at the end	6.5	<u>1,009,347,058</u>	<u>1,329,976,800</u>

The accompanying notes are integral part of the financial statements.

5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	Final Budget	Actual Amounts On comparable basis	Variance Budget vs Actual	Variance %
Receipts:	TZS	TZS	TZS	TZS	TZS
Government subvention	970,161,979	970,161,979	669,123,622	(301,038,357)	(31)
Fees, fines & penalties	4,967,382,726	4,967,382,726	4,440,891,400	(526,491,326)	(11)
Tender documents	32,617,274	32,617,274	31,368,241	(1,249,033)	(4)
Other (forex gain, projects)	340,610,000	340,610,000	222,912,943	(117,697,057)	(35)
Total Receipts	6,310,771,979	6,310,771,979	5,364,296,206	(946,475,773)	
Payments					
Wages, salaries and employment benefits	970,161,979	970,161,979	1,333,453,137	363,291,158	37
Supplies & Consumables	3,473,913,000	3,167,071,822	2,679,415,638	(487,656,184)	(15)
Laboratory	786,750,000	1,066,750,000	565,269,993	(501,480,007)	(47)
Property, Plant & Equipment	479,947,000	405,618,178	405,618,178	0	0
Intangible Assets	0	101,170,000	101,170,001	1	0
Transfer to Treasury	600,000,000	600,000,000	600,000,000	0	0
Total payments	6,310,771,979	6,310,771,979	5,684,926,947	(625,845,032)	
Surplus (Deficit) for the period	0	0	(320,630,741)	(320,630,741)	

*The accompanying notes are integral part of the financial statements.

*The Statement of Comparison of Budget and Actual performance is prepared on cash basis.

6.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

6.1 General Information

Tanzania Fertilizer Regulatory Authority (TFRA) was established by the Fertilizer Act of 2009 and came into operation on 28 August 2012. The Authority is the regulatory body of the fertilizers industry in Tanzania, with objective of increasing agricultural production and productivity through provision of good quality fertilizers and fertilizer supplements. Its registered office address at Head quarters is located at Kilimo I Complex Building, Mandela Road, Temeke Veterinary in Dar es Salaam. Apart from its Head Office in Dar es Salaam, the Authority has three (3) zonal operational offices in Southern Highland, Northen and Lake areas.

6.2 Basis of preparation and accounting policies

The accompanying financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS), Tanzania Financial Reporting Standards (TFRS) No. 1 and Fertilizer Act of 2009. The financial statements have been prepared under the historical cost convention. No adjustments have been made for inflationary factors affecting the financial statements. The financial statements have been prepared on the basis of historical cost except where otherwise stated in the accounting policies. The cash flows statement is prepared using the direct method.

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are separately disclosed in the notes.

6.3 Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key judgments Management has made in preparing the financial statements are as follows:

- i. The useful lives and residual values of intangible assets and Property, Plant and Equipment are assessed using the following indicators to inform potential future use and value from disposal:
 - a. The condition of the asset;

- b. The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
 - c. The nature of the processes in which the asset is deployed;
 - d. Availability of funding to replace the asset;
 - e. Changes in the market in relation to the asset.
- ii. Provisions were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.
- iii. Key estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

6.4 Principal Accounting Policies

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

6.4.1 Foreign Currency Translations

Functional and Presentation Currency

The financial statements are presented in Tanzania Shillings, which is the Authority's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into Tanzanian shillings at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities at the year-end expressed in foreign currencies are translated into Tanzanian shillings using BOT prevailing rates of exchange at the end of the financial year which was USD/TZS 2,309.38. The resultant gains/losses on exchange rate translations are dealt with in the Statement of Financial Performance.

6.4.2 Revenue recognition

Revenue comprises of the fair value of Government Subvention, Import & Export permit fees and other Revenue.

Revenue is recognized as follows:

Government Subvention

Funds disbursed by the Government to the Authority to assist in carrying out its functions are recognized as income when received by crediting the amount to the statement of financial performance.

Import and Export Fees

Funds collected by the Authority from issuing import/ export fertilizer permits to fertilizer dealers.

Other Revenue

Other revenue is recognized in the accounting period in which they relate on accrual basis.

6.4.3 Property, plant and equipment.

Property, plant and equipment are initially recorded at historical cost which includes expenditure that is directly attributable to the acquisition of the items. Subsequently, property, plant and equipment are valued at cost amounts, less subsequent depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate only when it is probable that the future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives are as follows: -

Motor Vehicles	5 years
Computer Equipment	4 years
Office Equipment	5 years
Motor Cycles	7 years
Furniture, fittings and fixtures	5 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

6.4.4 Impairment of Assets

Assets that are subject to the depreciation are reviewed for impairment in accordance with IPSAS 21 and IPSAS 26 whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable service amount. A non-cash-generating asset is impaired when the carrying amount of the Asset exceeds its recoverable service amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash generating units).

6.4.5 Cash and Cash Equivalents

Cash and cash equivalents are carried in the Statement of Financial Position at face value. For the purpose of Cash Flow Statement, cash and cash equivalents comprise cash in hand; deposits held on call and fixed deposits.

6.4.6 Provisions

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past event for which it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

6.4.7 Employee benefits

Short term employee benefits

Short term employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employee renders the related service.

Post-employment benefits

Post-employment benefits are benefits (other than terminal benefits and short-term employee benefits) that are payable after the completion of employment.

(i) Other long-term benefits

Other long-term benefits are benefits other than short-term employment benefits, post-employment benefits and termination benefits. No outstanding for this category.

(ii) Termination benefits

Termination benefits are benefits provided in exchange for the termination of an employee's employment as a result of either: -

- a) An entity's decision to terminate an employee's employment before the normal retirement date; or
- b) An employee's decision to accept an offer of benefits in exchange for the termination of employment.
- c) No outstanding for this category.

	30.06.2021	30.06.2020
	<u>TZS</u>	<u>TZS</u>
6.5 Cash and cash equivalents		
NMB6849 -Current & Operational TZS	611,099,113	1,811,479
NMB1639 -Current & Operational TZS	7,097,139	0
NMB4337 - Revenue Account USD	0	4,819,555
BOT1211 - Current & Operational TZS	12,698,156	170,367,178
BOT5971 - Current & Operational USD	<u>378,452,650</u>	<u>1,152,978,588</u>
TOTAL	<u>1,009,347,058</u>	<u>1,329,976,800</u>
6.6 Prepayments		
GPSA - Motor Vehicles	74,355,948	562,632,192
GPSA - Petrol/Diesel	<u>121,958,739</u>	<u>22,912,272</u>
TOTAL	<u>196,314,687</u>	<u>585,544,464</u>
6.7 Inventories		
Consumables	18,617,859	32,490,688
Kitchen Supplies	1,020,167	2,437,209
Cleaning Supplies	4,139,493	0
Spare parts	<u>235,000</u>	<u>0</u>
TOTAL	<u>24,012,519</u>	<u>34,927,897</u>
6.8 Intangible Assets	Computers	
	Software	
	<u>TZS</u>	
Cost		
Balance as at 1 July 2020	1,628,990	
Additions	<u>0</u>	
Balance as at 30 June 2021	<u>1,628,990</u>	
Accumulated Amortization		
Balance as at 1 July 2020	542,997	
Charge for the year	<u>542,997</u>	
Balance as at 30 June 2021	<u>1,085,994</u>	
Net carrying values as at 30 June 2021	<u>542,996</u>	
Net carrying values as at 30 June 2020	<u>1,085,993</u>	

TANZANIA FERTILIZER REGULATORY AUTHORITY (TFRA)

6.9 Property, Plant and Equipment

Reporting Period 30 June 2020	Motor Vehicle	Computers	Office Equipment	Furniture & Fittings	Motor Cycles	Total
	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>
Gross Carrying Value, 1 July 2020	527,154,717	177,409,019	25,138,386	87,233,599	29,694,000	846,629,721
Additions	541,592,244	84,370,000	92,526,579	96,220,600	79,184,000	893,893,423
Total	<u>1,068,746,961</u>	<u>261,779,019</u>	<u>117,664,965</u>	<u>183,454,199</u>	<u>108,878,000</u>	<u>1,740,523,144</u>
Acc. Depreciation at 1 July 2020	160,353,700	69,524,548	8,900,204	19,803,080	4,240,303	262,821,836
Charge for the year	179,888,857	52,145,909	15,728,035	27,731,790	12,720,910	288,215,501
As at 30 June 2021	<u>340,242,557</u>	<u>121,670,457</u>	<u>24,628,239</u>	<u>47,534,871</u>	<u>16,961,213</u>	<u>551,037,337</u>
Net Carrying Values 30 June 2021	<u>728,504,404</u>	<u>140,108,562</u>	<u>93,036,726</u>	<u>135,919,328</u>	<u>91,916,787</u>	<u>1,189,485,807</u>
Reporting Period 30 June 2020						
Gross Carrying Value, 1 July 2019	416,739,052	131,392,925	17,008,480	70,164,790	0	635,305,247
Prior Year Adjustment	(50,000,000)	(2,840,980)	2,894,905	(7,247,374)	0	(57,193,449)
Additions	160,415,665	48,857,074	5,235,001	24,316,183	29,694,000	268,517,923
Total	<u>527,154,717</u>	<u>177,409,019</u>	<u>25,138,386</u>	<u>87,233,599</u>	<u>29,694,000</u>	<u>846,629,721</u>
Acc. Depreciation, 1 July 2019	74,922,757	31,746,918	3,587,065	7,281,658	0	117,538,398
Prior Year Adjustment	(20,000,000)	(1,420,490)	1,157,962	(2,898,950)	0	(23,161,478)
Charge for the year	105,430,943	39,198,120	4,155,177	15,420,372	4,240,303	168,444,916
Acc. Depreciation 30 June 2020	<u>160,353,700</u>	<u>69,524,548</u>	<u>8,900,204</u>	<u>19,803,080</u>	<u>4,240,303</u>	<u>262,821,836</u>
Net Carrying Values 30 June 2020	<u>366,801,017</u>	<u>107,884,471</u>	<u>16,238,182</u>	<u>67,430,519</u>	<u>25,453,697</u>	<u>583,807,885</u>

Note: The total additions for Motor Vehicles and Cycles are TZS 620,776,244; however, out of it TZS 562,632,192 were prepaid in year 2019/20 and received in the current period while TZS 58,144,052 was purchased during 2020/21.

NB: OFFICE BUILDING

The Authority is working in the building belonged to the Parent Ministry of Agriculture, and as at the date of this report, the Ministry had neither transferred nor shown intention to transfer the building to the Authority. As the value is recorded in the Ministry's books, no value of the same building is shown in the books of Authority.

6.10 Work in Progress

Reporting Period 30th June 2021	Lab - W.I.P	*Work in Progress (FIS)	Total
	<u>TZS</u>	<u>TZS</u>	<u>TZS</u>
Balance as at 1/07/2020	0	53,999,999	53,999,999
Additions during the year	565,269,993	101,170,001	666,439,994
Balance as at 30/07/2021	<u>565,269,993</u>	<u>155,170,000</u>	<u>720,439,993</u>

*Work in Progress balance of TZS 155,170,000 relate to procurement of the Fertilizer Information System (FIS) which was under development in the year under review. The FIS is in use starting from the beginning of the financial period 2021/22.

6.11 Employees Benefits

During the year under review, TFRA accrued civil servants' benefits amounting to TZS 96,768,000 relating to moving expenses for new transferred staff to TFRA.

6.12 Payables	30.06.2021 <u>TZS</u>	30.06.2020 <u>TZS</u>
Audit Fee	57,500,000	49,962,800
Fertilizer Dealers	4,976,758	4,976,758
NHIF Contributions	35,000	35,000
Withholding Tax	1,872,346	0
Total	<u>64,384,104</u>	<u>54,974,558</u>

6.13 Fees, Fines and Penalties	2020/21 <u>TZS</u>	2019/20 <u>TZS</u>
Import fee	3,525,865,896	4,522,139,261
Export fee	915,025,504	71,075,457
Fine & penalties	0	10,000,000
Total	<u>4,440,891,400</u>	<u>4,603,214,718</u>

6.14 Other Income

Tender fees	31,368,241	33,946,639
Miscellaneous Receipts	48,539,644	0
Foreign exchange gain	173,373,299	4,235,365
Total	<u>254,281,184</u>	<u>38,182,004</u>

6.15 Government Subvention

Government Subvention balance of TZS 669,123,622 (2019/20: TZS 21,418,763) represents funds paid by the Treasury for TFRA's civil servants' payroll. The increase is due to 23 new staff that joined the Authority during the year under review.

6.16 Wages, Salaries and employment benefits.	2020/21	2019/20
	<u>TZS</u>	<u>TZS</u>
Wages and Salaries	703,135,009	53,367,163
Special duty allowances	356,303,500	150,298,500
Other staff Allowances	81,339,889	54,848,900
Leave Travel	25,748,600	18,933,161
Honoraria	45,254,039	20,880,000
Moving Expenses	218,440,100	13,754,000
Total	<u>1,430,221,137</u>	<u>312,081,724</u>

6.17 Supplies & Consumables

Advertising and Publication	48,082,500	52,676,974
Travelling Expenses	1,340,005,798	1,024,492,556
Audit fees	57,500,000	49,962,800
Bank charges	520,000	1,595,084
Staff Welfare	6,400,000	8,129,578
Food & Refreshments	183,201,786	92,933,171
Office Consumables	48,496,554	26,648,951
Computer Expenses	11,828,860	13,311,434
Conference Facilities	64,781,139	38,273,466
Consultancy Service Fees	89,971,724	86,425,069
Utilities	18,580,789	7,253,280
Communication expenses	52,694,311	21,195,670
Postal & Courier Services	3,213,200	0
Directors' fee	133,638,000	70,666,663
Printing expenses	5,733,987	5,863,950
Training costs	61,408,000	23,791,240
Donations, Gifts & Prizes	8,500,000	5,000,000
Board Meeting expenses	83,743,036	72,995,000
Subscriptions, Newspapers and Magazine	4,603,750	299,000
Uniforms & Protective gears	10,825,393	34,385,233
Exhibition, Festivals	8,142,200	0
Total	<u>2,241,871,027</u>	<u>1,635,899,119</u>

6.18 Transfer to Treasury

During the year under review, the Authority transferred TZS 600,000,000 to the Government Treasury Registrar as a contribution to Government Consolidated Fund as directed by Treasury office (2019/20: TZS 1,400,000,000).

6.19 Maintenance Expenses	2020/21 TZS	2019/20 TZS
Office Building Maintenance	10,339,500	0
Office Equipment Repairs	9,798,668	0
Petrol/Diesel	258,338,018	153,829,534
Motor Vehicle Repairs	<u>109,087,182</u>	<u>73,122,682</u>
Total	<u>387,563,368</u>	<u>226,952,216</u>

6.20 COVID-19 Expenses

During the COVID-19 pandemic period, the Authority spent TZS 3,400,000 (2019/20: 6,550,000) to buy protective personal protective equipment prevent its employees from contracting the virus. The expenditure is included in staff welfare expenses

6.21 Reconciliation of Cash Flows of Wages, salaries and employment benefits

Wages, salaries and employment benefits	1,430,221,137	312,081,724
Accrued civil servant benefits	<u>(96,768,000)</u>	<u>0</u>
Total	<u>1,333,453,137</u>	<u>312,081,724</u>

6.22 Reconciliation of Cash Flows of Supplies & Consumables

Opening balance: Payables	54,974,558	54,741,758
Supplies & Consumables	2,241,871,027	1,862,851,335
Change in Staff imprest	<u>(28,740,300)</u>	<u>26,578,800</u>
Prepayment - Fuel	121,958,739	0
Change in Inventory	<u>(33,827,650)</u>	<u>57,840,169</u>
Closing balance: Payable	<u>(64,384,104)</u>	<u>(54,974,558)</u>
Total	<u>2,291,852,270</u>	<u>1,947,037,505</u>

6. 23 Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

In the normal course of business, a number of transactions are entered into with related parties, i.e. key management personnel, Directors and Management personnel. The volume of related party transactions for the year and the outstanding amounts at the year-end was as follows:

Key management personnel compensation

Key management personnel comprise the Board of directors, the Executive Director and heads of departments who are reporting directly to the Executive Director. The remuneration of key management personnel during the year was as follows:

	2020/21 <u>TZS</u>	2019/20 <u>TZS</u>
Key Management remunerations	50,395,200	32,774,000
Directors' fees	<u>133,638,000</u>	<u>70,666,663</u>
Total	<u>184,033,200</u>	<u>103,440,663</u>

Purchases from other Government's Institutions

During the year under review, TFRA purchased goods and services from other Government's institutions amounting to TZS 360,136,007 the analysis of this amount was as follows:

	2020/21 <u>TZS</u>	2019/20 <u>TZS</u>
TEMESA	13,657,462	8,657,728
GPSA	223,212,474	622,632,192
Tanzania Broadcasting Corporation (TBC)	8,954,600	0
Tanzania Electric Supply Ltd (TANESCO)	16,020,789	0
National Institute for Medical Research (NIMR)	900,000	0
Tanzania Public Services College (TPSC)	3,900,000	0
Tanzania Bureau Standards (TBS)	7,817,400	0
SUMA JKT	<u>85,673,282</u>	<u>0</u>
Total	<u>360,136,007</u>	<u>631,289,920</u>

6.24 Comparatives

Except when a standard or an interpretation permits or requires otherwise, all amounts reported or disclosed with comparative information. Where necessary, comparative figures adjusted to conform changes in presentation in the current year.

6.25 Events after the reporting date

There is no known event after reporting date that has significant impact on the results for the year and the statement of financial position.

6.26 Cash generated from operations

	2020/21 <u>TZS</u>	2019/20 <u>TZS</u>
Receipts		
Fees, fines & penalties	4,440,891,400	4,603,214,718
Other Income	254,281,184	38,182,004
Government Subventions	<u>669,123,622</u>	<u>21,418,763</u>
Total Receipts	<u>5,364,296,206</u>	<u>4,662,815,485</u>

6.26 Cash generated from operations (Cont'd)

	2020/21 <u>TZS</u>	2019/20 <u>TZS</u>
Payments;		
Wages, Salaries and employment benefits	(1,333,453,137)	(312,081,724)
Supplies & Consumables	(2,291,852,270)	(1,720,085,289))
Maintenance Costs	(387,563,368)	(226,952,216)
Transfer to Treasury	(600,000,000)	(1,400,000,000)
Contribution to Consolidated Fund	0	(3,216,709,113)
Total Payments	<u>(4,612,868,775)</u>	<u>(6,875,828,342)</u>
Net cash flow from operating activities	<u>751,427,431</u>	<u>(2,213,012,857)</u>

Reconciliation of Cash Flows from Operating activities to surplus/(deficit)

Surplus for the year	415,882,176	918,894,513
Adjustments for:		
Depreciation expense	288,215,501	168,444,916
Amortization of intangible assets	542,997	542,997
Contribution to Consolidated Fund	0	3,216,709,113
Changes in working capital:		
Staff imprest	28,740,300	(26,578,800)
Prepayment - Fuel	(121,958,739)	0
Inventory	33,827,650	(57,840,169)
Payables	<u>106,177,546</u>	<u>232,799</u>
Cash generated from operations	<u>751,427,431</u>	<u>(2,213,012,857)</u>

6.27 Explanations of variance between budget and actual amounts

The Authority actual revenue for the year 2020/21 was below the budgeted amount TZS 6.310 billion by TZS 946 million, a decrease of 15%. The significant decrease in revenue was attributed by the decrease in fertilizer importation by TZS 526 million (11%) resulting from COVID 19. The expenditure for the Authority amounted to TZS 5.68 billion, which is TZS 320 million below the budget of TZS 6.31 billion. The details of overspending and under spending are provided below;

	Original Budget	Final Budget	Actual Amounts On comparable basis	Variance Budget vs Actual	Comment
Receipts:	TZS	TZS	TZS	TZS	
Government subvention	970,161,979	970,161,979	669,123,622	(301,038,357)	Actual payroll deductions received from Treasury due staff shortage.
Fees, fines & penalties	4,967,382,726	4,967,382,726	4,440,891,400	(526,491,326)	Decrease in fertilizer importation due to COVID 19.
Tender documents	32,617,274	32,617,274	31,368,241	(1,249,033)	Actual from tendering activities.
Other (forex gain, projects)	340,610,000	340,610,000	222,912,943	(117,697,057)	Depreciation of TZS against USD during the period, lack of donor project funds.
Total Receipts	6,310,771,979	6,310,771,979	5,364,296,206	(946,475,773)	

6.27 Explanations of variance between budget and actual amounts (Cont'd)

	Original Budget TZS	Final Budget TZS	Actual Amounts On comparable basis TZS	Variance Budget vs Actual TZS	Comment
Payments					
Wages, salaries and employment benefits	970,161,979	970,161,979	1,333,453,137	363,291,158	Increase in staff from 31 to 61 and opening of zonal offices which increased extra duty and staff allowances.
Supplies & Consumables	3,473,913,000	3,167,071,822	2,679,415,638	(487,656,184)	Effective cost control and economical use of Authority's assets.
Laboratory	786,750,000	1,066,750,000	565,269,993	(501,480,007)	Due to delayed construction of fertilizer laboratory.
Property, plant & Equipment	479,947,000	405,618,178	405,618,178	0	Actual expenditure of the Authority's assets added during the period.
Intangible Assets	0	101,170,000	101,170,001	1	Fertilizer information system software under development.
Transfer to Treasury	600,000,000	600,000,000	600,000,000	0	Transferred to the Government Treasury Registrar as a contribution to Government Consolidated Fund as directed by Treasury office.
Total payments	6,310,771,979	6,310,771,979	5,684,926,947	(625,845,032)	
Surplus/ (Deficit) for the period	0	0	(320,630,741)	(320,630,741)	