Task Team Leader,
Energy Sector Capacity Building Project (ESCBP),
The World Bank,
50 Mirambo Street,
P.O.BOX 2054,
DAR ES SALAAM.

RE: SUBMISSION OF AUDITED FINANCIAL STATEMENTS OF ESCBP – PROJECT No. 126875 FOR EWURA AND MANAGEMENT LETTER FOR THE YEAR ENDED 30TH JUNE 2017

Reference is made to the heading above.

Attached with this letter are Audited Financial Statements and Management Letter for the year ended 30th June 2017 for your action and reference.

Thank you for your continuing support and cooperation.

Yours Sincerely,
ENERGY AND WATER UTILITIES REGULATORY AUTHORITY

/ Nzinyangwa E. Mchany
Ag. DIRECTOR GENERAL
REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
AUDIT OF FINANCIAL STATEMENTS OF ENERGY SECTOR CAPACITY
BUILDING PROJECT - PROJECT NUMBER 126875 FOR ENERGY AND
WATER UTILITIES REGULATORY AUTHORITY FOR THE FINANCIAL
YEAR ENDED 30TH JUNE 2017

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

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

April, 2018

AR/ESCBP-EWURA/2016/2017
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**Abbreviations**

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
</tr>
<tr>
<td>EWURA</td>
<td>Energy and Water Utilities Regulatory Authority</td>
</tr>
<tr>
<td>ISSAls</td>
<td>International Standard of Supreme Audit Institutions</td>
</tr>
<tr>
<td>IPSAS</td>
<td>International Public Sector Accounting Standards</td>
</tr>
<tr>
<td>PAA</td>
<td>Public Audit Act No.11 of 2008</td>
</tr>
<tr>
<td>PAR</td>
<td>Public Audit Regulation, 2009</td>
</tr>
<tr>
<td>MDAs</td>
<td>Ministries, Departments and Agencies</td>
</tr>
<tr>
<td>PAC</td>
<td>Public Accounts Committee</td>
</tr>
<tr>
<td>PFA</td>
<td>Public Finance Regulations, 2009</td>
</tr>
<tr>
<td>PPA</td>
<td>Public Procurement Act, 2011</td>
</tr>
<tr>
<td>PPR</td>
<td>Public Procurement Regulations, 2013</td>
</tr>
</tbody>
</table>
ENERGY AND WATER UTILITIES REGULATORY AUTHORITY  
ENERGY SECTOR CAPACITY BUILDING PROJECT- PROJECT NO. 126875-TZ

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 to be used by Government Authorities. However, upon receipt of the report by the Speaker and once tabled in Parliament, it becomes a public record and its distribution may not be limited.
1.3. Audit Objectives
To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4. Audit Scope
The audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the EWURA.

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management’s attention and actions, are set out in the management letter issued separately to EWURA.

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of EWURA.

1.5. Audit Methodology
My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity’s internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
2.0 REPORT OF THE ENERGY SECTOR CAPACITY BUILDING PROJECT (ESCBP) FOR EWURA AS AN IMPLEMENTING AGENCY

2.1 Introduction

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

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

2.2 MAIN OBJECTIVES OF THE PROJECT

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

i. Its natural gas sub-sector; and

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

To achieve these objectives, the project will finance five (5) main components;

Component A: Petroleum Policy and Legal Framework;

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

Component C: Education & Skills Development;

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

Component E: Project Coordination.
ENERGY AND WATER UTILITIES REGULATORY AUTHORITY
ENERGY SECTOR CAPACITY BUILDING PROJECT - PROJECT NO. 126875-TZ

These components are implemented jointly with MEM with beneficiary institutions which include TPDC, TANESCO, OSHA, TEITI and VETA. Implementation of these components will benefit Tanzanians both direct and indirect.

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

2.3 COMPOSITION OF PROJECT MANAGEMENT TEAM

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

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

PROJECT MANAGEMENT TEAM (PMT) COMPOSITION

<table>
<thead>
<tr>
<th>S/No</th>
<th>Name</th>
<th>Position</th>
<th>Qualifications</th>
<th>Nationality</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Thobias Rwelamila</td>
<td>Natural Gas Distribution Manager</td>
<td>Msc. (Engineering Management), MBA</td>
<td>Tanzanian</td>
<td>55</td>
</tr>
<tr>
<td>2.</td>
<td>Stella Kimario</td>
<td>Acting Manager Procurement Management</td>
<td>Msc. (Procurement and Supply Chain Management)</td>
<td>Tanzanian</td>
<td>33</td>
</tr>
<tr>
<td>3.</td>
<td>Genoveva Mponji</td>
<td>Principal Accountant Revenue</td>
<td>Msc. (Accounting and Finance)</td>
<td>Tanzanian</td>
<td>44</td>
</tr>
</tbody>
</table>
ENERGY AND WATER UTILITIES REGULATORY AUTHORITY
ENERGY SECTOR CAPACITY BUILDING PROJECT- PROJECT NO. 126875-TZ

PROJECT STEERING COMMITTEE

<table>
<thead>
<tr>
<th>S/No</th>
<th>Name</th>
<th>Position</th>
<th>Qualifications</th>
<th>Nationality</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Nzinyangwa Mchany</td>
<td>Acting Director General</td>
<td>Msc. (Economic Regulation and Competition), MBA</td>
<td>Tanzanian</td>
<td>54</td>
</tr>
<tr>
<td>2.</td>
<td>Charles Omujuni</td>
<td>Director of Natural Gas</td>
<td>Msc. (Natural Gas Engineering)</td>
<td>Tanzanian</td>
<td>57</td>
</tr>
</tbody>
</table>

Note: Mr. Nzinyangwa Mchany is acting on the position of Director General pending filling of the vacant position.

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

The project is co-financed by a CIDA Trust Fund administered by IDA. CIDA financing proportionately support all project activities by 38%.

Table 1: Project Financing and Cost by Component

<table>
<thead>
<tr>
<th>Project Components</th>
<th>Project Cost (USD)</th>
<th>IDA Financing (USD)</th>
<th>% Financing</th>
<th>CIDA Grant (USD)</th>
<th>% Financing</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Petroleum Policy and Legal Framework</td>
<td>1,000,000.00</td>
<td>620,000.00</td>
<td>62</td>
<td>380,000.00</td>
<td>38</td>
</tr>
<tr>
<td>B. Strengthening Institutional Sector Management, Coordination and Governance</td>
<td>2,500,000.00</td>
<td>1,550,000.00</td>
<td>62</td>
<td>950,000.00</td>
<td>38</td>
</tr>
<tr>
<td>E. Project Coordination</td>
<td>200,000.00</td>
<td>124,000.00</td>
<td>62</td>
<td>76,000.00</td>
<td>38</td>
</tr>
<tr>
<td>Total Financing</td>
<td>2,700,000.00</td>
<td>1,674,000.00</td>
<td></td>
<td>1,026,000.00</td>
<td></td>
</tr>
</tbody>
</table>
2.5 PRINCIPAL ACTIVITIES

The principal functions of the ESCBP are for Sub Components in Component A, B and E as per project agreement.

2.5.1 In component A, finances are in sub Components A.2 (Legal and Regulatory Framework)

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

The expected outcome of this activity is that, the regulatory framework on natural gas mid and downstream is enhanced. The activities to be financed under this part of the project include a contract for a Legal Advisor to EWURA’s Natural Gas Division. The revised budget amount is US$ 1.00 Million.

2.5.2 In component B, finances are in sub Components B.2 (Enhancing Organizational Capacity)

Activity number 1: Technical Advice, enhanced tariff modelling infrastructure and training for EWURA’s Natural Gas Division; and activity Activity number 2: Technical Advice, enhanced tariff modelling infrastructure for EWURA’s Electricity Division;

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

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

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

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

(ii) Based on the capacity assessment develop a training program on capacity enhancement;

(iii) Prepare and support the procurement process including technical design of a data simulation solution for gas transmission and distribution tariff models;

(b) Acquisition of data simulation software and hardware for a Gas T&D Tariff Model;

(c) Training of staff (in-house training conducted by Technical Advisor) in gas quality management, standards, regulations, gas production, processing, utilization and transportation; and gas projects financial Modelling.
In Activity 2 Sub Component B.2: Economic and Technical Advice, and enhanced tariff modeling infrastructure for EWURA's Electricity Division. The expected outcome of this activity was that, a technology based feed in tariff regulation is established, the revenue stream for Small Power Producers (SPP) Renewable technologies development is improved and EWURA's tariff and financial modeling capacity are strengthened. However, the electricity division solicited funds from other sources to implement the same component, hence; this component was dropped from being funded by the ESCBP.

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

2.6 PROJECT MONITORING AND EVALUATION
For the financial year 2016/2017 which ended in 30th June 2017, EWURA did not incur any expenses for ESCBP because all the consultants obtained in the procurement processes had more costs compared to the budgeted amount and thus were not procured. That situation led to the project to be dormant for a while until the budgeted amount was revised in the year 2017 and procurement processes to procure consultants for implementation of the project started again on 26th June 2017.

The revised budgets for procurement of the consultants are as follows; The processes for procuring these consultants at the end of the period on 30th June 2017 were in stage of expression of interest.

The following table shows the revised budget;

<table>
<thead>
<tr>
<th>Component Number</th>
<th>Component Name</th>
<th>Revised Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>A2</td>
<td>Legal and regulatory Framework</td>
<td>1,000,000.00</td>
</tr>
<tr>
<td></td>
<td>Enhancing organizational Capacity</td>
<td>1,500,000.00</td>
</tr>
<tr>
<td></td>
<td>Project Coordination</td>
<td>200,000.00</td>
</tr>
<tr>
<td>Total Amount</td>
<td></td>
<td>2,700,000.00</td>
</tr>
</tbody>
</table>
3.0 STATEMENT OF MANAGEMENT RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2017

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

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

To the best of the management’s knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30th June, 2017.

Management accepts responsibility for the integrity of the Financial Statements, the information they contain and their compliance with Project Agreement. Nothing has come to the attention of the Management to indicate that Energy Sector Capacity Building Project will not remain a going concern for at least the next twelve months from the date of the Statement.

[Signature]
Nzinyangwa Mchany
Acting Director General

[Date]

Office of the Controller and Auditor General
AR/ESCBP-EWURA/2016/2017
4.0 DECLARATION OF THE HEAD OF FINANCE / 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 responsible for the preparation of financial statements of the entity concerned.

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

I Genoveva Mponji, being the Project Accountant of Energy Sector Capacity Building Project at Energy and Water Utilities Regulatory Authority, hereby acknowledge my responsibility of ensuring that special purpose financial statements for the year ended 30th June, 2017 have been prepared in accordance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of the ESCBP receipt and payments as for the year ended 30th June, 2017 and that they have been prepared based on properly maintained financial records.

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

Position: ..........................................

NBAA Membership No ACPA 1864

Date: 14th MARCH - 2018
5.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

To: Chairperson of the Board of Directors,
    Energy and Water Utilities Regulatory Authority,
    P.O. Box 72175,
    DAR ES SALAAM.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF ENERGY SECTOR CAPACITY BUILDING PROJECT-PROJECT NO. 126875-TZ (ESCBP) FOR THE YEAR ENDED 30TH JUNE, 2017

Introduction
I have audited the Statement of Cash Receipts and Disbursements of Energy Sector Capacity Building Project- EWURA Project No. 126875-TZ, for the year ended 30th June, 2017 and the notes to the Statement of Cash Receipts and Disbursements, including a summary of significant accounting policies set out from page 12 to 15.

Opinion
In my opinion, the financial statements present fairly, in all material respects, the cash receipts and disbursements of Energy Sector Capacity Building Project- EWURA Project No. 126875-TZ (Credit Number 5217-TZ and Trust Fund Number 15902) for the year ended 30th June, 2017 in accordance with cash receipts and disbursements basis of accounting described in Note 8.

Basis for Opinion
I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of Energy Sector Capacity Building Project- EWURA Project No. 126875-TZ in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Basis of Accounting
Without qualifying my opinion, I draw the attention to the Note 8 to the financial statement, which describes the basis of accounting. The Financial Statements is prepared to provide information to the Government of Tanzania, EWURA, IDA and CIDA Trust Fund. As result, the statement may not be suitable for other purpose.

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 cash receipts and disbursements basis of accounting described in Note 8.1; this includes determining that cash receipts and disbursements basis of accounting is an acceptable basis for preparation of the financial statement in the circumstances, 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**

In view of my responsibility on the procurement legislation, I state that the procurement process which has been initiated regarding the procurement of consultants is in line with the requirement of the Public Procurement Act 2011 and its related Regulations of 2013.

Benjamin Mashauri
Ag. CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam, Tanzania

23rd April, 2018

Office of the Controller and Auditor General
6.0 SPECIAL PURPOSE FINANCIAL STATEMENTS

STATEMENT OF CASH RECEIPTS AND DISBURSEMENT FOR THE YEAR ENDED 30TH JUNE 2017

<table>
<thead>
<tr>
<th></th>
<th>30.06.2017</th>
<th></th>
<th>30.06.2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMOUNT (USD)</td>
<td>AMOUNT (TZS)</td>
<td>AMOUNT (USD)</td>
</tr>
<tr>
<td>RECEIPTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Balance</td>
<td>33,726.55</td>
<td>54,503,027.73</td>
<td>33,726.55</td>
</tr>
<tr>
<td>Receipts</td>
<td>22,462.00</td>
<td>44,924,000.00</td>
<td>-</td>
</tr>
<tr>
<td>Exchange Gain/(Loss)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>56,188.55</td>
<td>99,427,027.73</td>
<td>-</td>
</tr>
<tr>
<td>PAYMENTS</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subsistence Allowances</td>
<td>-</td>
<td>-</td>
<td>14,302.00</td>
</tr>
<tr>
<td>Travelling Expenses</td>
<td>-</td>
<td>-</td>
<td>8,160.00</td>
</tr>
<tr>
<td>Total Payments</td>
<td>-</td>
<td>-</td>
<td>22,462.00</td>
</tr>
<tr>
<td>Excess of Receipt Over</td>
<td>33,726.55</td>
<td>54,503,027.73</td>
<td>33,726.55</td>
</tr>
<tr>
<td>Payments</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These Special Purpose Financial Statements were approved by the Board of Directors on ___________ and signed on its behalf by:

Nzinyangwa Mchany  
Acting Director General  

Thobias Rwelamila  
Project Coordinator  

Date  

14th March 2018
7.0 NOTES TO THE STATEMENT OF RECEIPTS AND PAYMENTS

7.1 General Information

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

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

7.2 Project Objective

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

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are as set out below;

8.1 Basis of Preparation

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

8.2 Cash and Cash Equivalents

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

8.3.1 Function and presentation currency

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

8.3.2 Transactions and Balances

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

8.4 Going Concern

The accounts have been prepared on going concern basis on the assurance by the Project Management that they will continue to provide financial support for at least the next twelve months.

8.5 Contingent Liabilities

There were no contingent liabilities for the year 2016/2017.

Note 9: Receipts

During the year 2016/2017, the Project did not receive any amount and therefore no activities were performed due to under budget to procure consultants. The table below shows the analysis:

<table>
<thead>
<tr>
<th>Details</th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AMOUNT(USD)</td>
<td>AMOUNT(TZS)</td>
</tr>
<tr>
<td>IDA Credit Number 5217</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>CIDA Trust Fund Number 15902</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Total Receipt</td>
<td>22,462.00</td>
<td>44,924,000.00</td>
</tr>
</tbody>
</table>

Note 10: Bank Balance

Bank balance on Account no 9931218481 at the Tanzania Central Bank (BoT) as at 30th June 2017 was USD 33,726.55 (TZS 54,503,027.73)
Note 11: Payments
During the year 2016/2017, the Project did not spend any amount; therefore, no activities which require usage of funds were performed due to under budget to procure consultants. The analysis shown in the table below;

<table>
<thead>
<tr>
<th>Details</th>
<th>2016/2017 AMOUNT(USD)</th>
<th>2016/2017 AMOUNT(TZS)</th>
<th>2015/2016 AMOUNT(USD)</th>
<th>2015/2016 AMOUNT(TZS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsistence Allowances</td>
<td>-</td>
<td>-</td>
<td>14,302.00</td>
<td>32,403,484.60</td>
</tr>
<tr>
<td>Travelling Expenses</td>
<td>-</td>
<td>-</td>
<td>8,160.00</td>
<td>6,909,918.64</td>
</tr>
<tr>
<td>Total Payments</td>
<td>-</td>
<td>-</td>
<td>22,462.45</td>
<td>44,924,000.00</td>
</tr>
</tbody>
</table>
MANAGEMENT LETTER ON THE FINANCIAL STATEMENTS OF ENERGY SECTOR CAPACITY BUILDING PROJECT NO. 126875-TZ -ENERGY AND WATER UTILITIES REGULATORY AUTHORITY FOR THE PERIOD ENDED 30TH JUNE, 2017

The Controller and Auditor General,
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P.O. Box 9080,
11101 DAR ES SALAAM, TANZANIA
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

April, 2018
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</tr>
</thead>
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<td>2.0 CURRENT YEAR'S AUDIT FINDINGS AND RECOMMENDATIONS</td>
<td>3</td>
</tr>
<tr>
<td>3.0 ACKNOWLEDGEMENT</td>
<td>3</td>
</tr>
</tbody>
</table>
1.0 IMPLEMENTATION STATUS OF PRIOR YEARS' AUDIT RECOMMENDATIONS
1.1 Follow up on the CAG's Recommendations
During the year under audit, we reviewed the implementation status of prior year audit recommendations; table no. 1 below provides the analysis of the implementation status:

Table 1:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Financial year</th>
<th>Para Ref</th>
<th>Audit Observations &amp; Recommendations</th>
<th>Management Response</th>
<th>Auditor Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2014/15 &amp; 2015/2016 Final Audit</td>
<td>3.1</td>
<td>Non-Performing Project since its inception in the year 2013</td>
<td>Non-Performance of the Project was a result of under budget to procure consultants. The World Bank has reallocated funds to EWURA on 19th April 2017 and procurement processes restarted.</td>
<td>Under implementation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Recommendation Follow up and monitoring is highly emphasized to ensure timely implementation of the project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td>3.2</td>
<td>Non-implementation of Annual Procurement Plans for Financial Year 2014/2015 &amp; 2015/2016</td>
<td>Non-implementation of Annual Procurement plan was a result of under budget to procure consultants. Currently, the World Bank has increased the budget to EWURA components on 19th April, 2017; therefore, the procurement</td>
<td>Under implementation</td>
</tr>
</tbody>
</table>

Office of the Controller and Auditor General
ML/ESCBP-EWURA/2016/2017
<table>
<thead>
<tr>
<th>S/N</th>
<th>Financial year</th>
<th>Para Ref</th>
<th>Audit Observations &amp; Recommendations</th>
<th>Management Response</th>
<th>Auditor's Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>the annual procurement plan. processes are in progress.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.0 CURRENT YEAR'S AUDIT FINDINGS AND RECOMMENDATIONS
2.1 Audit of financial statements

2.1.1 Review of Project Performance

The Energy Sector Capacity Building Project is a Technical Assistance Credit to the Government of Tanzania from the Word Bank and IDA Trust Fund as co-financier of the project. The project is implemented by EWURA and MEM as implementing agencies. The total project amount for the financing of this project is USD 35 Million where USD 1.1 Million has already been allocated to EWURA.

During the year 2016/2017, the World Bank in consultation with EWURA came to an agreement to revise the budget from USD 1.1 Million to USD 2.7 Million after the initial procurement processes which was carried out during the year 2014/2015 in respect of procuring consultants the cost of which came out to be higher than the allocated budget. The Project financing for the year 2016/17 after being revised is as follows:

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

Our audit noted that the process of revising project budget and its work plan for the year 2016/2017 was completed in April, 2017 as the result, no project activity was implemented for the period of eleven (11) months. Moreover, we noted that the procurement processes to procure consultants for implementation of the project started again on 26th June 2017 and till the end of the year, on 30th June 2017, the process was at expression of interest stage.
Audit Recommendation
Management should fast track the procurement processes to enable the project to be implemented in line with the agreed time frame and within the original project budget.

3.0 ACKNOWLEDGEMENT
We wish to express our appreciation to management of Energy Sector Capacity Building Project (ESCPB) for the co-operation extended to the audit team during the course of audit. It is our hope that, such good working relationship will continue to be extended to our audit teams during future audits.

Benjamin Mashauri
For: CONTROLLER AND AUDITOR GENERAL