



**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



NATIONAL HEALTH INSURANCE FUND (NHIF)

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT
OF FINANCIAL STATEMENTS AND COMPLIANCE AUDIT FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2022**

Controller and Auditor General,
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March 2023

AR/PA/NHIF/2021/22

About the National Audit Office

Mandate

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

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:

- 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.

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Abbreviations

CHF	Community Health Fund
DSE	Dar es Salaam Stock Exchange
ECL	Expected Credit Losses
FVTOCI	Fair Value Through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
IFRSs	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
NHIF	National Health Insurance Fund
OCI	Other Comprehensive Income
PA	Public Authority
PAR	Public Audit Regulation, 2009
PFA	Public Finance Regulations, 2009
ROUA	Right of Use Assets
SACCOS	Savings and Credit Co- Operative Society
TFRS 1	Tanzania Financial Reporting Standard No.1
TUGHE	Tanzania Government and Health Workers Union

GENERAL INFORMATION

REGISTERED OFFICE

NHIF Head Office
NHIF House, Tambukareli Street
P.O. Box 1437
Dodoma.

REGIONAL OFFICES

NHIF - Ilala Office
P.O. Box 7195
Dar es Salaam

NHIF - Mbeya Office
P.O. Box 6137
Mbeya

NHIF - Mwanza Office
P.O. Box 1187
Mwanza

NHIF - Mtwara Office
P.O. Box 484
Mtwara

NHIF - Dodoma Office
P.O. Box 2221
Dodoma

NHIF - Morogoro Office
P.O. Box 955
Morogoro

NHIF - Arusha Office
P.O. Box 16110
Arusha

NHIF - Iringa Office
P.O. Box 2486
Iringa

NHIF - Kilimanjaro Office
P.O. Box 8998
Moshi

NHIF - Tanga Office
P.O. Box 5486
Tanga

NHIF - Tabora Office
P.O. Box 1654
Tabora

NHIF - Rukwa Office
P.O. Box 225
Sumbawanga

NHIF - Singida Office
P.O. Box 762
Singida

NHIF - Zanzibar Office
P.O. Box 4888
Zanzibar

NHIF - Kigoma Office
P.O. Box 1165
Kigoma

NHIF - Lindi Office
P.O. Box 51
Lindi

NATIONAL HEALTH INSURANCE FUND (NHIF)

NHIF - Kagera Office
P.O. Box 1950
Bukoba

NHIF - Shinyanga Office
P.O. Box 230
Shinyanga

NHIF - Ruvuma Office
P.O. Box 160
Songea

NHIF - Mara Office
P.O. Box 1348
Musoma

GENERAL INFORMATION (CONTINUED)

NHIF - Manyara Office
P.O. Box 430
Babati

NHIF - Temeke Office
P.O. Box 45777
Dar es Salaam

NHIF - Njombe Office
P.O. Box 1085
Njombe

NHIF - Pwani Office
P.O. Box 30438
Kibaha

NHIF - Kinondoni Office
P.O. Box 32668
Dar es Salaam

NHIF - Songwe Office
P.O. Box 186
Songwe

NHIF - Simiyu
P.O. Box 471
Bariadi, Simiyu

NHIF - Geita Office
P.O. Box 482
Geita

NHIF - Katavi Office
P.O. Box 223
Mpanda, Katavi

MAIN BANKERS
NMB Bank Plc
Bank House Branch
P.O. Box 9031
Dar es Salaam

CRDB Bank Limited Plc
Tower Branch
P.O. Box 2302
Dar es Salaam

Bank of Tanzania
Dodoma Branch
P. O. Box 2303
Dodoma

National Bank of Commerce
Limited
NBC House Azikiwe Street/
Sokoine Drive
P. O Box 1863
Dar es Salaam

Azania Bank Limited
Mawasiliano Tower
Head Office
P. O. Box 32089
Dar es Salaam

Tanzania Commercial Bank
Limited
LAPF Towers
Bagamoyo Road
P. O. Box 9300
Dar es Salaam

TAX CONSULTANT

Auditax International
PPF Tower, 7th Floor
Garden Avenue/Dhio Street
P.O. Box 77949
Dar es Salaam

EXTERNAL AUDITOR

Controller and Auditor General
National Audit Office
Audit House
4 Ukaguzi Road
P.O. Box 950
41101 Tambukareli
Dodoma

GENERAL INFORMATION (CONTINUED)

PARENT MINISTRY:

Ministry of Health
Government City, Mtumba
P. O. Box 743
Dodoma

REGULATOR:

Bank of Tanzania
Dodoma Branch
P. O. Box 2303
Dodoma

ULTIMATE CONTROLLING ENTITY:

The Government of the Republic of Tanzania

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

The Chairman,
Board of Directors,
National Health Insurance Fund (NHIF),
P.O. Box 1437,
Dodoma,
Tanzania.

1.1 REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of National Health Insurance Fund (the "Fund"), which comprise the statement of financial position as at 30 June 2022, and the statement of surplus or deficit and other comprehensive income, statement of changes in reserves and cash flow statement 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 National Health Insurance Fund as at 30 June 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the National Health Insurance Fund Act Cap. 395.

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 section below entitled, "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements". I am independent of the National Health Insurance Fund 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 other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matters

I draw attention to the matters below. My opinion is not modified in respect of these matters.

Solvency of the Fund

I draw attention to Note 4 which indicate that, the growth of benefit expenses continued to be higher than the ability of the Fund to grow its contribution income. During the year, the Fund incurred a net deficit amounting to TZS 132.58 billion (2021:

TZS 59.03 billion) from dealing with members. The trend from 2021 indicates a growth in contribution income at an average rate of 12.9% while benefit expenses grew at 24.6%. Due to this trend, the Fund has been generating negative cash flows from its operating activities. The actuarial report (30 June 2021) indicates that the total income of the Fund will continue to remain lower than total expenditure in the future and that the Fund will deplete the accumulated surplus, causing it to decrease to negative by 2025.

Long outstanding loan receivables from Government Institutions TZS 210 billion

I draw attention to Note 15 which shows that, as at 30 June 2022 the Fund has loan receivables amounting to TZS 228 billion. Out of these, TZS 210 billion is from four Government Institutions which were guaranteed by the Government through the Ministry of Finance and Planning. However, during the year ended 30 June 2022, there was no any repayment made for these loans which is contrary to repayment plans indicated in the respective contracts.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significant in my audit of the financial statements of the current period. These matters are addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide separate opinion on these matters.

Key Audit Matter	How My Audit Addressed the Key Audit Matter
Unquoted investments - Refer to Note 11 to the financial statements.	
As at 30 June 2022, the Fund had unquoted investment amounting to TZS 51.04 billion. The valuation of unquoted investments is a key audit matter due to the inherent complexity and subjectivity involved in determining their fair value. Unquoted investments are investments in companies that are not listed on a stock exchange and are therefore not readily tradable. As a result, determining the fair value of unquoted investments often involves significant judgment and estimates, which can increase the risk of material misstatement. The valuation can be influenced by a range of factors, including the performance of the investee	My audit procedures in this area included, among others: • Assessing the appropriateness of the valuation methodology used by the management, including the assumptions and inputs used in the valuation model. • Evaluating the reasonableness of the assumptions used by the management in the valuation model, including the key assumptions such as revenue growth rates, and discount rates. • Assessing the consistency of the valuation methodology used by the management with industry practice and relevant accounting standards. • Involving internal valuation specialists to independently recompute the value of shares as at 30 June 2022 and compare to the one recorded by management; • Obtaining sufficient evidence to support the inputs and assumptions used in the valuation model, such as external market data, comparable transactions. • Assessing the adequacy of the disclosures in the

Key Audit Matter	How My Audit Addressed the Key Audit Matter
company, market conditions, and the availability of comparable transactions.	financial statements in accordance with IFRS 9 regarding the valuation of unquoted investments, including the key assumptions and risks involved.

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 which I obtained prior to the date of this auditor's report.

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 IFRSs and in the manner required by the National Health Insurance Fund Act, Cap 395 and for such internal controls 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 Fund'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 the Directors either intend to liquidate the Fund or to cease operations, or have 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 ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken based on 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 expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.
- 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 Fund'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 Fund 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 the 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 requires me to state in my annual audit report whether or not the audited entity has generally complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with 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 National Health Insurance Fund for the financial year 2021/22 as per the Public Procurement Laws in Tanzania.

Conclusion

Based on the audit work performed, I state that, except for the matter described below, procurement of works, goods and services of National Health Insurance Fund is generally in compliance with the requirements of the Public Procurement Laws in Tanzania.

Irregularities in signing and commencement of contract for provision of cleaning services

Tender number PA/07/2021-2022/NC/12 for provision of cleaning services with M/s Kishengweni Enterprises was accepted on 27 April 2022 for TZS 214,499,820.24 (VAT inclusive). However, the contract was signed on 04 July 2022, 67 days after the acceptance of the tender. This contravenes Regulation 233(1) of the Public Procurement Regulation of 2013, as amended by Regulation 75 of the Public Procurement Regulation

of 2016, which requires contracts to be signed within 14 days after the acceptance of the tender and fulfillment of all conditions.

Additionally, M/s Kishengweni Enterprises commenced providing the cleaning services 64 days before the contract was signed. The services started on 02 May 2022, but the contract was not signed until 04 July 2022. This raises concerns about the procurement process and the adherence to the regulations, as the supplier was providing the service without a valid contract for a significant period of time.

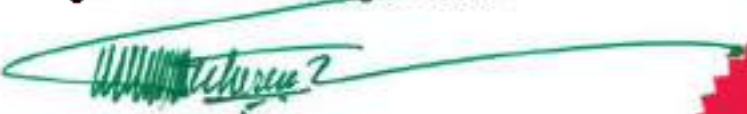
1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject Matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the National Health Insurance Fund for the financial year 2021/22 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that Budget formulation and execution of National Health Insurance Fund is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.


Charles E. Kichehe,
Controller and Auditor General,
Dodoma, United Republic of Tanzania.

March 2023



2.0 REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2022

The Board of Directors is pleased to submit their report together with the financial statements of the National Health Insurance Fund (hereafter referred as “the Fund” or “NHIF”) for the year ended 30 June 2022 in accordance with Section 37 (2) of the National Health Insurance Fund Act Cap 395 (“the Act”) and Tanzania Financial Reporting Standard No.1 (TFRS 1) –“Report by Those Charged with Governance”. The Board of Directors of the Fund represents those charged with Governance as required by TFRS 1.

2.1 ESTABLISHMENT

The National Health Insurance Fund (NHIF) was established under the National Health Insurance Fund Act CAP 395.

2.2 VISION STATEMENT

To be the leading health insurance scheme of choice in the sub-Saharan Africa region.

2.3 MISSION STATEMENT

Dedicated to expanding coverage and providing quality health insurance to beneficiaries.

2.4 CORE VALUES

NHIF will achieve its vision through a developed corporate culture that has the following core values:

- **Integrity:** We are dedicated to be fair and honest in all our dealings with stakeholders.
- **Accountability:** We count our activities, accept responsibilities and disclose the result in a transparent manner.
- **Innovativeness:** We create more effective processes and ideas.
- **Courtesy:** We intend to be polite in attitude and behavior in our dealing with stakeholders.
- **Promptness:** We are dedicated to timely respond to stakeholders' demands.
- **Pro-activeness:** We intend to be ahead of our stakeholders' expectations.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)**2.5 PRINCIPAL ACTIVITIES**

The Fund's principal activities are: to register members, collect contributions, certify health care providers, invest members' funds prudently and pay certified health care providers for services rendered to beneficiaries of the scheme. Benefits offered by the Fund are Outpatient and Inpatient Care Services including:

- Registration and consultation;
- Medicines and medical supplies;
- Investigations;
- Surgical Services;
- Intensive Care Unit (ICU) and High Dependency Unit (HDU) services;
- Physiotherapy and rehabilitation services;
- Ophthalmological services;
- Dental and Oral health Services; and
- Medical/Orthopedic Appliances.

2.6 CORPORATE GOVERNANCE

The Board of Directors takes overall responsibility for the Fund, including monitoring on investment decisions, significant financial matters, and reviewing the performance of management business plans and budget. The Board of Directors is also responsible for ensuring that a comprehensive system of internal control policies and procedures are operative, and for compliance with sound corporate governance principles.

The Fund is committed to the highest standards of corporate governance. Its governance structure is flexible to adopt changes in the internal and external operational environment and strives to regularly review its policies, processes, procedures, rules, guidelines and overall management of its operations. The Fund has established and maintains an Internal Audit Unit, Anti-Fraud Unit, Actuarial, Research and Risk Unit, ICT Directorate, Management's Audit and Risk Committee, Tender Board and Procurement Management Unit to enhance its operational efficiency.

2.7 COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors is the governing body of the Fund, which consists of nine (9) non-executive members including the Chairman who are all Tanzanians. The Board Chairman was appointed on 16 June 2021 while rest of the Board Members were appointed on 23 June 2021.

NATIONAL HEALTH INSURANCE FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

Table 1: Composition of board members

No.	Name	Position	Age	Qualification
1	FCPA. Juma A. Muhimbi	Chairman	69	Master of Social Science in Accounting and Finance, CPA(T)
2	CPA. Anne C. Mbughuni	Member	63	Master of Social Science (Accounting and Finance), CPA(T)
3	Mr. Edward N. Mbanga	Member	59	Master of Science in Community Economics Development
4	Dr. Samuel O. Ogilo	Member	53	Bachelor of Medicine
5	Ms. Violet Mordichai	Member	48	Bachelor of Business Administration
6	Dr. Paul C. Chaote	Member	46	Master of Public Health
7	CPA. Aziz H. Kifile	Member	58	Master of Business Administration, CPA(T)
8	Mr. Shaban A. Kabunga	Member	47	Post graduate Diploma in Legislative Drafting
9	Mr. Deus G. Seif*	Member	47	Master of Arts

* Automatically disqualified to be a member after he was dismissed as the Secretary General of CWT.

Director General is the Secretary to the Board.

The Board conducted four ordinary meetings and one special meeting during the financial year ended 30 June 2022 and individual members of the Board attended as provided in table below;

Table 2: Board members attendance

No.	Name	Number of ordinary meeting attended	Number of special meeting attended
1	FCPA. Juma A. Muhimbi	4	1
2	CPA. Anne C. Mbughuni	4	1
3	Mr. Edward N. Mbanga*	2	1
4	Dr. Samuel O. Ogilo	4	1
5	Ms. Violet Mordichai	4	1
6	Dr. Paul C. Chaote	4	1
7	CPA. Aziz H. Kifile*	2	1
8	Mr. Shaban A. Kabunga*	2	1
9	Mr. Deus G. Seif**	1	1

*Absent from some of the other meetings with apologies.

** Mr. Deus Seif failed to attend Board meetings after he was dismissed as Secretary General of CWT which automatically disqualified him from being the Board Member of NHIF.

During the period under review the Board of Directors discussed the following:-

- i. Annual Performance Report of the Fund;
- ii. Proposed Plan and Budget for the year 2022/23;

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

- iii. Annual Performance Report for Procurement Unit;
- iv. Proposed Medical Equipment Loans to Njombe, Mwananyamala, Temeke RRH, KCMC Hospital, St Elizabeth Hospital and Arusha Lutheran Medical Centre;
- v. Performance Report of Directorate of Human Resource and Administration;
- vi. Staff Matters;
- vii. Annual Internal Audit Report 2020/21 and 2021/22;
- viii. Internal Audit Annual Risk Based Plan;
- ix. Reports on Anti Fraud activities;
- x. Risk Management Plan and Risk Register; and
- xi. Performance Reports of Risk Management

Pursuant to Sec 29 of the National Health Insurance CAP.395, the Board of Directors is mandated to administer operations of the Fund. As such, in order to execute its legal obligations, the Board through its Charter has established various Committees including Audit and Risk Management Committee. Thus, all risk management issues are discussed under Audit and Risk Management Committee and the same is submitted to the Board on quarterly basis for discussions and deliberations. Further to that, the Board handles Integrity issues through an Integrity Committee established within the Fund as per the Government Policy.

The Board is structured with three committees as follows:

(a) Finance and Operations Committee

The Committee is mandated to oversee the financial and operational processes of the Fund and to ensure its performance is in accordance with the applicable laws, Regulations, Guidelines, Practices and Procedures. During the period under review the Committee conducted four meetings. Table No. 3 shows the members composition and number of meetings attended.

Table 3: Finance and Operations Committee members and meetings attended

No.	Name	Position	Number of ordinary meeting attended
1	Dr. Samuel O. Ogilo	Chairman	4
2	Ms. Violet Mordichai	Member	4
3	Dr. Paul C. Chaote	Member	4
4	CPA. Astz H. Kifile*	Member	2
5	Mr. Edward N. Mbanga*	Member	1

*Absent from some of the other meetings with apologies.

The Director General is the Secretary to the Finance and Operations Committee, which reports to the Board of Directors.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

During the year the following agenda items were deliberated by the Committee:

- i. Plan and Budget for the year 2021/22 and 2022/23;
- ii. Quarterly performance report for the year 2021/22;
- iii. Annual procurement plan for the year 2022/23; and
- iv. Blueprint of the Board of Directors for the year 2021/22-2023/24.

(b) Audit and Risk Management Committee

The Committee in relation to audit, is mandated to oversee the financial reporting process to ensure balance, transparency and integrity published financial information. In relation to risk management, the Committee is mandated to assist the Board of Directors to fulfil its risk management responsibilities. Furthermore the Committee is also mandated to oversee that anti-fraud activities are well performed.

During the period under review the Committee conducted four ordinary meetings and one special meeting. Table 4 below shows the Members composition and number of meetings attended.

Table 4: Audit and Risk Management Committee members and meetings attended

No.	Name	Position	Number of ordinary meeting attended	Special meeting attended
1	CPA. Anne C. Mbughuni	Chairman	4	1
2	Dr. Paul C. Chaote	Member	4	1
3	Ms. Violet Mordichai	Member	4	1
4	CPA. Aziz H. Kifile*	Member	1	1
5	Mr. Shaban A. Kabunga*	Member	2	1

*Absent from some of the other meetings with apologies.

The Legal Services Manager is the Secretary to the Audit and Risk Management Committee, which reports to the Board of Directors.

The following agenda items were deliberated by audit and risk management committee:

- i. Quarterly Anti-Fraud Performance reports for the year 2021/22;
- ii. Annual Internal Audit plan for the year 2021/22;
- iii. Quarterly Internal Audit reports for the year 2021/22;
- iv. Quarterly Risk Management performance reports for the year 2021/22; and
- v. Risk Management plan and risk register for the year 2021/22.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)**(c) Staff Welfare and Development Committee**

The Committee is mandated to oversee all matters relating to welfare. During the period under review the Committee conducted four meetings. Table 5 below shows the Members composition and number of meetings attended.

Table 5: Staff Welfare and Development Committee members and meetings attended

No.	Name	Position	Number of ordinary meeting attended
1	Dr. Paul C. Chaote	Chairman	4
2	CPA. Anne C. Mbugumi	Member	4
3	Mr. Samuel O. Ogilo	Member	4
4	Mr. Shaban A. Kabunga*	Member	2
5	Mr. Deus G. Seif**	Member	1

*Absent from some of the other meetings with apologies.

** Mr. Deus Seif failed to attend most Committee meetings because he lost his position of Secretary General of CWT which automatically disqualified him from being a Board Member of NHIF.

The Director General is the Secretary to the Staff Development and Welfare Committee, which reports to the Board of Directors.

The following agenda items were deliberated: -

- Quarterly performance report of the Directorate of Human Resource Management and Administration for the year 2021/22;
- Report on the status of staff loans;
- Specific staff matters; and
- Job description for executive and scheme of service.

2.8 REMUNERATION OF BOARD OF DIRECTORS

The Directors fees together with any other payment to the Board members are usually approved by the Treasury Registrar. During the year under review, the Directors fees paid to the Board members amounted to TZS 84.99 million. Other expenses incurred by the Board together with management compensation are disclosed on Note 31(a).

2.9 MANAGEMENT TEAM OF THE FUND**2.9.1 Management structure**

Pursuant to section 6 of NHIF Act CAP 395, The Board of Directors has delegated day to day operations of the Fund to the Management under the Leadership of the Director General. The Director General is the Chief Executive Officer of the Fund and is responsible for ensuring that the Fund's operations are efficiently and competently carried out.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

The Director General is assisted by six Directors and six Heads of Units as briefly explained hereunder: -

- i. Director of Membership Services is responsible for management and coordination of all matters pertaining to membership, compliance, marketing and customer services;
- ii. Director of Medical and Technical Services is responsible for administering accessibility of quality health services to members and service providers;
- iii. Director of Information and Communication Technology is responsible for providing expertise in ICT usage in the Fund;
- iv. Director of Human Resources Management and Administration is responsible for providing expertise and services on human resources management and administrative matters;
- v. Director of Finance is responsible of providing expertise on financial management and accounting standards;
- vi. Director of Planning and Investments is responsible for management of corporate planning and investments portfolio of the Fund;
- vii. Manager for Actuarial, Research and Risk Management is responsible for management of risk and safeguarding sustainability of the Fund;
- viii. Manager for Anti-Fraud Unit is responsible for preventing and controlling fraud and provide advisory services on such matters;
- ix. Chief Internal Auditor is responsible for providing assurance and advisory services with respect to the governance, risk management and internal control to the Senior Management and the Board
- x. Manager for Procurement Management Unit is responsible for providing expertise and services in procurement, storage and supply of goods and services;
- xi. Manager for Legal Service Unit is responsible for provision of legal expertise and services; and
- xii. Manager for Public Relations Unit is responsible for provision of support and services in public relations and dialogue with the public.

2.9.2 Management composition

The Management of the Fund consists of thirteen (13) Executive Members including the Director General. The executive members are as follows;

Table 6: Executive management members

No	Name	Position	Qualification
1	Mr. Bernard H. Konga	Director General	Master of Science in Economics.
2	Mr. Celestine L. Muganga	Director of Planning and Investment	Master of Business Administration.
3	Mr. Lameck A. Kabeho	Acting Director of Human Resources and	Master of Science in Human Resource Management (International Development).

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REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

No	Name	Position	Qualification
		Administration	
4	Dr. David R. Mwenesano	Director of Medical and Technical Services	Master of Medicine, Masters of Science.
5	Mr. Christopher G. Mapunda	Director of Membership Services	Master of Arts in Economics Policy Management, Post Graduate Diploma in Insurance and Risk Management.
6	Mr. Alexander M. Sanga	Director of Information and Communication Technology	Master of Business Administration, Certified in Governance of Enterprise IT (CGEIT), Certified in Information Systems Audit (CISA), Certified Information Security Manager (CISM) and Certified in Risk and Information Systems Control (CRISC).
7	CPA. Grace A. Temba	Director of Finance	Master of Science in Finance, Associate Certified Public Accountant (ACPA), Certified Internal Auditor (CIA), Certification in Risk Management Assurance (CRMA)
8	Mr. Baraka J. Maduhu	Actuarial, Research and Risk Management Manager	Master of Arts in Economics, Professional Certified in Risk Management in accordance with ISO 31000 (CRM).
9	CPA. Thadeus R. Mchume	Acting Chief Internal Auditor	Master of Science in Corporate Risk and Security Management, Post Graduate Diploma in Insurance and Risk Management, Certified QMS Lead Auditor ISO 9001, Certified Enterprise Risk Manager, Certificate in IFRS, Associate Certified Public Accountant in Public Practice.
10	Dr. Rose A. Mtundu	Anti-Fraud Manager	Master of Science in Health Monitoring and Evaluation, Certified Fraud Examiner (CFE).
11	Ms. Leonia A. Masmin	Procurement Unit Manager	Master of International Business, Certified Procurement and Supplies Professional (CPSPI)
12	Ms. Anjela A. Mziray	Public Relation Manager	Master of Business Administration in Marketing.
13	Mr. Benjamin N. Mwalugaja	Acting Legal Services Manager	Bachelor of Laws (LLB) and Master of Entrepreneurship and Enterprise Development (MEED).

2.10 HUMAN AND FINANCIAL RESOURCES

At the end of the year 30 June 2022, the Fund had 693 staff compared to the year 2020/21 where it had 698 staff placed in various operational areas. This provides assurance to the Fund for attainment of its key strategic goals. The Fund had sufficient funds to fulfill its financial obligations during the year (For gender parity see Section 25).

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)**2.11 KEY STRENGTHS OF THE FUND**

The key strengths of the Fund include internal capacities which have positive impact on the operations of the Fund at strategic levels. These strengths give the Fund ability to effectively implement its core objectives. Key strength areas are as follows:

- i. Human Resources**
 - Adequate knowledge on management of social health insurance to scale up the Fund within the country.
 - Decentralized Management System that supports sharing of knowledge.
 - Leadership that promotes personal development by organizing regular trainings and allow staff to improve their skills.
 - Low level of staff turnover which is a result of satisfaction with conducive working conditions and social climate within the Fund.
- ii. ICT Technological development**
 - Presence of a robust ICT Systems which supports the Fund's business processes end to end.
 - Flexibility of the Fund to adopt ICT technological changes related to the Fund's operations.
- iii. Members services and public relations**
 - Presence of regional offices in every region of Tanzania mainland and Zanzibar.
 - Diversity of health insurance products which meets a wide range of health Insurance needs and preferences of members.
 - A Benefit Package which provide a wide range of medical services.
 - Wide network of certified health care facilities which are accessible both in Tanzania Mainland and Zanzibar.
 - Robust customer care system which support close communication with our esteemed clients.
 - Wide market share in the health insurance industry within the country.
- iv. Finances, investments and ability to develop**
 - Effective budgeting and cost controls, thus enabling making investment decisions.
 - Substantial level of capital reserves, invested in safe and liquid investments with relatively high rate of return.
 - Major source of the funds originate from Government employees' contributions.
- v. Management systems and business processes**
 - ISO Certified focusing on customer satisfaction.
 - Structure of the Fund supports the Implementation of its objectives.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

2.12 RISK MANAGEMENT AND INTERNAL CONTROL

The Management accepts final responsibility for the Risk Management and Internal Control Systems of the Fund while the Board provides an oversight role on Risk Management and Internal Controls. It is the task of the 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:

- i. The effectiveness and efficiency of operations;
- ii. The safeguarding of the Fund's assets;
- iii. Compliance with applicable laws and regulations;
- iv. The reliability of accounting records;
- v. Business sustainability under normal as well as adverse conditions; and
- vi. Responsible behaviors towards all stakeholders.

The Management assessed the internal control systems throughout the Financial Year ended 30 June 2022 and is of the opinion that they met acceptable criteria.

2.13 SOLVENCY

The Board of Directors confirms that these financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) on a going concern basis and in the manner required by the National Health Insurance Fund Act CAP 395. The Board of Directors has reasonable expectations that the Fund has adequate resources to continue in operation in the foreseeable future.

2.14 TENDER BOARD

The Fund has established its Tender Board in order to govern on all procurement issues. The Tender Board has been composed as stipulated in the second schedule of the Public Procurement Act 2011 as amended in 2016. The Tender Board performs all the duties as stipulated in section 33 of the Public Procurement Act 2011 as amended in 2016. There are seven (7) members including a Chairperson. The Secretary to the Tender Board is the Head of Procurement Management Unit.

2.15 OPERATING AND FINANCIAL REVIEW

(a) Membership position

As at 30 June 2022, the Fund had 1,353,535 contributing members compared to 1,212,412 for the previous year which translates to 4,821,233 beneficiaries and 4,550,207 for previous year which is equivalent to 8% of total Tanzania population. The number of registered employers by the Fund as at 30 June 2022 stood at 5,273 compared to 5,157 recorded in the previous year.

NATIONAL HEALTH INSURANCE FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

Table 7: Details of principal members by category as at 30 June 2022:

S/N	Member Category	Number of Contributing Members	% to Total Members
1	Public Employees	578,562	43%
2	Private Employees	148,168	11%
3	Members of Parliament	395	0%
4	Councillors	5,165	0%
5	Bodaboda Afya	83	0%
6	Intern Doctors	1,117	0%
7	Madereva Afya	202	0%
8	Najali Afya	34,100	3%
9	Private Individuals	132	0%
10	Students	344,565	25%
11	Timiza Afya	11,879	1%
12	Toto Afya Kadi	205,796	15%
13	Umoja Afya	3,080	0%
14	Ushirika Afya	41,617	1%
15	Wekeza Afya	8,674	1%
	Total	1,353,535	100%

(b) Contributions

During the year ended 30 June 2022, contributions income increased to TZS 552.58 billion from TZS 489.48 billion in the prior year. The increase of 13% in contributions income was caused by the increase in recruitment of new members from different sectors of the economy.

(c) Other income

Other income decreased to TZS 2.46 billion in the year 2021/22 from TZS 3.16 billion in the prior year. Other income included income from ID replacement, accreditation fees, commissions from supplementary package, interest on staff loans, equipment loan application fees, and sundry income. The reason for decrease is due to decrease in commission from supplementary services, certification (accreditation) fees, loan application fees and reclassification on interest on staff loan to interest income.

(d) Benefits expenses

Total benefits expenses for 2021/22 was TZS 674.25 billion compared to TZS 540.55 billion recorded in the prior year. The increase of 25% in benefits expenses was as a result of increase in utilization of services among beneficiaries due to increase in the number of members and beneficiaries, increase in health seeking behavior by insured beneficiaries, increase in non-communicable diseases, increase on medical costs for retirees, impact of the Covid-19 pandemic among beneficiaries and their related treatment costs as well as increase in the use of modern medical equipment by certified facilities. The number of certified health care facilities has also risen to 9,178 in the year ended 30 June 2022 from 8,482 in the year ended 30 June 2021.

NATIONAL HEALTH INSURANCE FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

(e) Members Service Expenses

During the year under review members service expenses was TZS 10.91 billion compared to TZS 7.96 billion recorded in the prior year. The increase of 37% was resulted by increase in expenses related to printing forms and ID's for members

(f) Administrative expenses

During the period under review, administrative expenses stood at TZS 74.14 billion which is 11.87% of the Fund's total income, as compared to TZS 69.89 billion which was 12.27% of the Fund's total income in the prior year. This percentage complies with the NHIF Act CAP 395 which requires the administrative expense not to exceed 15 per centum of the total income of the Fund. The increase is due to the increase in employment benefit expenses to TZS 51.54 billion from TZS 44.88 billion.

(g) Cash flows

As at 30 June 2022, the Fund had cash and cash equivalents amounting to TZS 41.15 billion compared to TZS 106.42 billion in the previous year. The decrease has been contributed by the increase in benefits payment during the year under review.

(h) Cash and bank balances

During the period under review, cash and bank balances stood at TZS 12.91 billion compared to TZS 54.36 billion in the prior year. The decrease is mainly due to the increase in cash used in operating activities during the year.

(i) Investment in term deposits and call

During the year under review, investment in term deposits and call balances stood at TZS 248.42 billion compared to TZS 238.33 billion in the prior year. The increase is due to matured Government securities which were invested on term and call deposits to manage operating cash flows.

(j) Investment in shares

During the period under review, investment in shares balances stood at TZS 150.64 billion compared to TZS 148.61 billion in the prior year. The increase is due to a net increase in fair value of shares for the shares invested in various companies.

NATIONAL HEALTH INSURANCE FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

(k) Investment in Government security

During the period under review, investment in Government Security balances stood at TZS 282.53 billion compared to TZS 372.16 billion in the prior year. The decrease is due to non re-Investment of matured bonds amounting to TZS 87.27 billion during the year.

(l) Contributions and other receivable

During the period under review, contribution and other receivable balances stood at TZS 81.47 billion compared to TZS 40.69 billion in the prior year. The increase of 100% is due to the increase in contribution receivables and the advance payments to service providers.

(m) Other loans receivable

During the period under review, other loans receivables balances stood at TZS 38.85 billion compared to TZS 35.83 billion in the prior year. The increase is due to increasing number of staff qualifying for loans.

(n) Intangible assets

During the period under review, intangible assets balances stood at TZS 29.71 million compared to TZS 51.39 million in the prior year. The decrease is due to amortization charge during the year.

(o) Benefits and other payables

During the period under review, benefits and other payables stood at TZS 309.59 billion compared to TZS 180.68 billion in the prior year. The increase is due to accrued tax amounting to TZS 48.92 following TRA assessment of unpaid tax on bonds and increase of number of unpaid claims for the year.

(p) Lease liability.

During the period under review, lease liability stood at TZS 1.84 billion compared to TZS 2.30 billion in the prior year. The decrease is due to decrease of rent payment and finance cost during the year.

(q) Defined benefit obligation

During the period under review, defined benefit obligation stood at TZS 22.78 billion compared to TZS 18.17 billion in the prior year. The increase is due to decrease of benefits paid, increase in interest cost and current service cost.

NATIONAL HEALTH INSURANCE FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

(r) Accumulated surplus

During the period under review, accumulated surplus stood at TZS 718.67 billion compared to TZS 923.92 billion in the prior year. The decrease is due to deficit after tax made during the year.

(s) Treasury Policy and Objective

The Fund treasury activities are guided by an Investment Policy which is a policy document providing guidance on the investment activities of the Fund. The Policy, aims at attaining a positive real rate of return and maintaining a well-diversified investment portfolio capable of handling the Fund's obligations on a sustainable basis. The objectives of the Investments Policy include to ensure there is sufficient liquidity to meet maturing obligations in relation to both the provision of health services to members and administering the Fund.

During the year, the concentration of the Fund's investments were mainly in short term avenues particularly on fixed and call deposits.

(t) Investment performance

The investment of the Fund by its nature is a short-term undertaking. The investment policy of the Fund was duly approved by the Board of Directors and was lastly reviewed in May 2020 to take into account new investment guidelines issued by the Bank of Tanzania (BOT), which set limits on various permissible areas of investment for social security schemes.

Table 8: The Fund's investment portfolio as at 30 June 2022.

Particulars	Investment in 2021/22		Investment in 2020/21		Approved allocation
	TZS'000	%age	TZS'000	%age	
Investment in term deposits	248,423,209	27%	238,334,799	32%	0-35%
Loans receivables*	228,031,684	25%	230,618,518	22%	0-10%
Investment in Government securities	282,534,118	31%	372,163,624	31%	20-70%
Investment in corporate bonds	1,003,837	0%	1,003,895	1%	0-20%
Investment in shares	150,641,857	17%	148,611,350	14%	0-20%
Total	910,634,405	100%	990,732,186	100%	

* Loans receivables portfolio exceeded the benchmark of 10% required by the regulator. However, the Fund obtained a special approval from BOT to maintain the ratio of direct loan above the allowable maximum limit of 10% of the total assets.

During the period under review, the Fund recorded income from investments amounting to TZS 69.45 billion compared to TZS 77.11 billion in the previous year. The amount has

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

decreased by 10% compared to last year. The major factors that contributed to the decrease was the decrease in investable funds and volatility of investment interest rates as a result of monetary policy stance.

2.16 IMPACT OF COVID 19

During the year 2021/22, COVID-19 continued to be a global pandemic and affected public health systems in many countries including Tanzania. As such, the Country experienced significant reductions in income in the private sector, unemployment, disruptions in the tourism sector and consequences of the disease outbreaks in the society. The National Health Insurance Fund being the major health care financing mechanism in the country was also affected.

Following this impact, the performance of the Fund for the Financial Year 2021/22 was also affected by the pandemic especially on benefit payments. The increase in benefit payments was due to increase in attendance of patients in certified health facilities, increase in amount paid for medicines especially vitamins, zinc, antibiotics and other medicines related to the pandemic. Hospital admissions also increased with high payments in High Dependency Units (HDU) and Intensive Care Units (ICU). In addition, during the year under review the COVID-19 pandemic continued to affect employment mostly in the tourism sector in which the Fund strives to extend its market share.

2.17 ADMINISTRATIVE EFFICIENCY

All statutory payments such as Pay As You Earn (PAYE), pension contributions and other statutory deductions from staff salaries were made promptly to the relevant authorities. Most of the properties of the Fund have requisite certificates of ownership and adequately insured. No loss of assets was sustained during the year under review. The existing management systems are invariably complied with. This has resulted in smooth operations of the Fund.

2.18 MANAGEMENT OF DONOR FUNDED PROJECT

The Fund used to partner with donors in various projects geared towards preventing maternal and new born deaths in the country. At the end of the Financial Year 2021/22, there was no any new implemented project. However, following completion of negotiations between the Government of Tanzania and the Government of Germany, the two parties expect to start implementation of KfW Phase IV during the financial year 2022/23. In addition, the Fund continues to make follow up on outstanding claims originated from Phase III by Euro 870,498.73 (TZS 2,231,088,255.30) and KfW has settled part of the payment while the remaining balance will be discussed during implementation of Phase IV.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)**2.19 ACTUARIAL VALUATION**

Section 39A of the NHIF Act, CAP 395, requires the Fund to undertake actuarial valuation of its assets and liabilities at an interval of three years or at any other intervals as the Authority may direct with a view to determining surplus or deficit on the Fund. The valuation is aiming at providing recommendations to ensure solvency and sustainability of the Fund. The last actuarial valuation was carried out as at 30 June 2021 by an independent external Consultant, Zamara Actuaries, Administrators and Consultants Limited.

The report recommended the following;

a) Membership Related Issues

- i. Move all voluntary products except Private employees to Vifurushi product adopting all the same controls.
- ii. Annually conduct pricing reviews of the Vifurushi benefits and adjust pricing and benefits in line with findings.
- iii. Underwrite the Toto Afya and Student benefits on a mandatory basis if a flat rate premium is to be maintained. This will ensure that the Fund has more efficient risk pooling mechanisms that allow for minimal exposure to poor performing risks and fraudulent claims.
- iv. Where individuals are unable to afford to purchase Toto Afya or Student cover on a mandatory basis, the report has further recommended that:
 - a. Arrangements are made with the Government to develop subsidization solutions.
 - b. Premium financing solutions are developed with banks and/or telecommunication services to aid with collection.
- v. Extend mandatory contribution period from 10 years to 15 years for retirees.
- vi. Introduce mandatory premium collection of 3% of pension to be collected from the source of the pensions once payment of 15 years of credits has been achieved.
- vii. Cover the principal retiree and their spouses to a death of the principal member.
- viii. Use a Chronic Disease Management Program to manage the cost and frequency of consultations, diagnostics and medication provided to retirees with chronic illness.
- ix. Do not onboard private sector retirees until the Fund has stabilized and an actuarial valuation has been done.
- x. Partner with the revenue authority and/or national pension scheme in data validation of salaries through system integration.
- xi. No enhancement of specialised services and all other benefit packages are provided until the Fund is able to achieve a stable annual surplus.

b) Data and IT related items

- i. Conduct an IT audit to develop a business process harmonization strategy.
- ii. Conduct data cleaning exercise and verification of members' records.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

- iii. Incorporate close of business process into business process to allow for daily reconciliation between data and financials.
- iv. Upskill data team by enrolling them in annual data science courses to increase team's capacity to conduct robust data analytics.
- v. Unbundle the diagnosis and interpretation of diagnosis so the system allows for separate comments by multiple doctors for single tests done on an individual within a single treatment period.
- vi. Adopt a data protection law following consultation with the Ministry of Information and Communication Technology to avoid disruption when law is enacted.
- vii. Start exploring solutions that provide members with ownership of their data.

c) Provider Management

- i. Introduce a co-pay of 15% on the whole bill where direct consultation is sought at higher tier hospitals without going through the referral system.
- ii. Engage telemedicine providers to develop a strategy and pilot the use of telemedicine solutions to encourage the use of primary care for primary health procedures.
- iii. Work with MOH to determine a suitable provider rating framework.
- iv. Implement biometric identification at point of services.
- v. Finalize study on payment mechanisms to establish:
 - a. Estimate number of visits per provider
 - b. Cost of care per visit for different providers
 - c. Capacity of providers to provide services
 - d. Parameters to be monitored to assess the quality of healthcare
 - e. Facilities to pilot the capitation model
- vi. Collect easily translatable feedback from consumers using USSD codes on CRM system post -visit to develop a rating that includes their view of providers' quality of care.

d) Assets and Liabilities

- i. Do not issue any more direct loans to the Government.
- ii. Develop payment structure for existing loans.
- iii. Structure loans to Government in the form of standard bills or bond for future investments going forward.
- iv. Considering the liquidity strain of the loss-making position of the Fund, the report recommend that no investments in real estate and industrial are made until the Fund stabilizes.
- v. Government to consider exempting NHIF from tax requirements given that it is a social security scheme.
- vi. Minimum investment rating for deposits, commercial papers, promissory notes and corporate bonds be set explicitly to investment grade (Standard and Poor's BBB or Moody's Baa) or higher. For companies that are not rated, we recommend an alternative specific measure of creditworthiness be set with input from the BOT.
- vii. Do not make new investments in any industries until at least the next actuarial valuation.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)**2.20 FUND STRATEGIES AND DEVELOPMENT PLANS**

The Fund continues to implement its strategies towards attainment of set objectives stipulated in the *Medium-Term Strategic Plan of 2020/21 - 2024/25*. The objectives are as follows:-

- HIV/AIDS and NCDs reduced and supportive services enhanced;
- Implementation of national Anti-corruption strategy enhanced and sustained.
- Membership coverage of the Fund expanded;
- Access and quality of services provided to beneficiaries enhanced;
- Revenue collection and Fund sustainability enhanced; and
- Institutional capacity enhanced;

Following challenges and experiences recorded in the healthcare financing system in the country, the Government has approved and determined to enact the Universal Health Insurance (UHI) Bill before the end February 2023 upon endorsement by the Parliament of the United Republic of Tanzania. The design of the proposed UHI Bill, intends to take on board all formal public institutions and private companies in which the Government has at least 30% shares to the public health insurance scheme (NHIF) on mandatory basis. The UHI Act will provide options for the remaining groups of people to enroll between the Public and Private health Insurance schemes. Despite of options available for some groups, the UHI Act will be implemented in phases starting with some strategic groups (public servants, private employees, students in colleges and universities) and intends to ensure the entire population is covered by the end of June 2030.

In addition, to ensure the effect of adverse selection and the concept of social solidarity among members are being addressed, the UHI Act has tied up health insurance with some social services such as business license, insurance for motorcycles or vehicles, visa for foreigners and enrollment of students in colleges and universities. This means that, such social services will be provided to people if and only if they have health insurance else they will first be obliged to seek for it.

The enactment of the UHI Bill is expected to boost membership coverage approximately to 15% (9.4million) of the total population from both formal and informal sectors by the end of first year of implementation starting from 1st July 2023 compared to 8% (4.5million) coverage recorded as at 30th June 2022 while total income has been projected to increase from TZS 624.49 billion to TZS 1.13 trillion during the same period. With the projected trend, the financial soundness of the scheme is expected to stabilize for the forthcoming years after implementation of the UHI Act.

To ensure the health insurance market in the country is regulated, the proposed Universal Health Insurance Bill has mandated the Tanzania Insurance Regulatory Authority (TIRA) with role of regulating health insurance services including setting up of medical prices after consultation with the Ministry of Health. Impliedly that, provision

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

of legal mandate to TIRA is expected to control unjustifiable escalation of medical prices in the country subsequently ensure sustainability of health insurance schemes including the Public Health Insurance Scheme (NHIF).

2.21 MAJOR ACHIEVEMENTS DURING THE YEAR

For the Financial Year 2021/22, the Fund has accomplished some of its goals as provided in the activity plan that was approved by the Board. Some of the major achievements are as highlighted below:

Recruitment of 707,844 new and renewed members out of 652,077 members targeted, which is equivalent to 109% of the annual target. At 30 June 2022, the Fund had a total of 1,353,535 members and 4,821,233 beneficiaries;

- Digitalization of operations of the Fund such as registration of members, remittance of contributions, identification of members on point of services, certification of healthcare facilities, Management of Complaints, claims submission and Internal documentation system;
- Capacity building to internal staff to enhance managing health insurance operations in the competitive environment whereby 69% of staff attended training during the year;
- Improve access to quality healthcare services to beneficiaries by certifying a cumulative of 9,178 health care facilities;
- Rolled over Quality Management Systems (ISO 9001:2015) to five more offices of the Fund to improve service provision to the Fund's beneficiaries and stakeholders;
- Improved service provision to customers of the Fund in line with ISO 9001:2015 standards. During the period, the Fund recorded a customer satisfaction level of 92%;
- Provision of Medical Equipment and Facility Improvement (MEFI) loans to 34 health facilities for the purpose of enhancing health services provision in health facilities. The MEFI loans provided in the review period amounted to TZS 2,700.99 million; and
- Enhanced anti-fraud investigations to members, employers and service providers for the purpose of fighting against fraudulent activities. As a result, a total of TZS 7.9 billion is expected to be recovered.

Summary of key performance indicators during the year 2021/22 is shown in Table 09 below:-

Table 09: Summary of KPIs of the Fund

OBJECTIVE	KPIs	TARGET 2021/22	ACTUAL PERFORMANCE
i. HIV/AIDS and NCDs reduced and supportive services enhanced;	Number of new HIV cases	0	2 new HIV cases reported as per testing undertaken to staff.
	Prevalence rate of NCDs	40%	Prevalence rate of NCDs was at 32% as per testing undertaken to staff

NATIONAL HEALTH INSURANCE FUND

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

OBJECTIVE	KPIS	TARGET 2021/22	ACTUAL PERFORMANCE
			compared to 41% in the previous year.
	Percentage of staff LHV provided with care	100%	No staff was given support as no staff revealed their status to the employer.
ii) Implementation of national Anti-corruption strategy enhanced and sustained.	Number of staff corruption cases	-	There were no cases related to staff corruption reported during the period.
iii) Membership coverage of the Fund expanded;	Recruitment of new members and retaining of yearly renewable membership.	652,077	707,844 (new-141,123) and (renewed-566,721) members recruited equivalent to 109% of the target.
	Percentage of population covered	11%	8% of total Tanzania population.
iv) Access and quality of services provided to beneficiaries enhanced;	Level of satisfaction with quality and access to services	87%	Due to un-availability of funds, the Fund did not undertake an external customer satisfaction survey to inform on this. However, the overall satisfaction level as per internal survey was 92%.
v) Revenue collection and Fund sustainability enhanced;	Funding ratio	2.5 years	1.5 funding ratio compared to 1.9 recorded in the previous year.
	Revenue growth rate	38%	10% revenue growth rate.
	Fraud level	20% to 18%	Fraud level was recorded at 9%.
vi) Institutional capacity enhanced;	Staff retention rate	99%	99.9% staff retention rate.
	% of trained staff as per approved Training Programme	58%	78% staff trained as per the approved Training Programme.

CHALLENGES DURING THE YEAR

The Fund, as it is for other entities, has faced a number of challenges in its day to day operations. Some of the challenges include:

- Voluntary nature of joining the Fund for private employees and informal sector;
- Long outstanding loan receivable from the Government amounting to TZS 210.29 billion;
- Lack of regulatory body for medical services prices;
- Non-adherence to referral system in treatment;
- Increase in cost of non-communicable diseases; and
- Increased medical cost for retirees and their spouses.
- Fraudulent practices perpetuated by some of the Facility/Service Providers, employers and beneficiaries.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

2.22 KEY RISKS FACING THE FUND

(i) Credit risk

The Fund's principal financial assets are investment in government securities, loans to government institutions, investment in term deposits and investment in shares. To minimize credit risk the Fund:

- sets limits on different categories of investments;
- sets exposure limits for each bank where it makes placements of funds.
- requires guarantees from top rated banks or the Government for credits.
- invests in well established markets particularly in listed shares at the Dar es Salaam Stock Exchange.
- carrying out in-depth credit analysis of projects to establish viability.

(ii) Liquidity risk

The Fund manages liquidity risk by maintaining a pool of short term placements with banks which is adequate to meet its obligations for benefit payments as well as investment commitment and administrative expenses. In addition, the Fund carries out monthly cash flow projections for management decision making.

(iii) Market risk

The Fund is exposed to market risk in its long term investments in fixed income assets resulting from movement in interest rates. The Fund is also exposed to market risk in equities as a result of movement in market prices. Market risk is categorized as follows:

a) Interest rate risk

The Fund holds significant fixed income securities and therefore subjected to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Fund mitigates the risks by investing in safe but high yielding investments. In addition, the Fund monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios.

b) Price risk

The Fund is exposed to equity securities price risks because of its investments in shares which are valued at fair value and therefore susceptible to market price fluctuations. To manage the price risk arising from investments in equity, the Fund invests in a diverse portfolio. The equity holdings are diversified across companies in different sectors of the economy and concentration in one company are limited by parameters established by Management (Investment Policy of the Fund). All quoted shares held by

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

the Fund are traded on the Dar es Salaam Stock Exchange (DSE) and are classified as FVOCI.

c) Currency risk

The Fund's financial assets and liabilities are primarily denominated in Tanzania Shillings, which is the Fund's transaction and presentation currency; this mitigates the foreign currency exchange rate risk. The Fund does not have significant financial instruments that are denominated in foreign currency.

d) Operational risk

The Fund has identified operational risks in the area of ICT security system, staff behaviour, adverse selection in member's recruitment and fraudulent practices which are likely to affect its operations. In addressing the related risks the Fund:-

- carries out regular preventive and detective antifraud activities internally and externally;
- enhances system controls to suit the predetermined member enrolment and service access requirements;
- undertakes staff awareness on integrity matters as a permanent agenda in every staff training and conference to embed the required culture and for ensuring the interest of the Fund are safeguarded collectively;
- conducts various stakeholders' awareness programs through private and public media platform as a strategy to minimizing operational risks related to attitude, behaviours, perceptions and deeds of stakeholders; and
- Undertakes disaster recovery tests on regular basis.

2.23 RELATED PARTY TRANSACTIONS

Related party transactions and balances are disclosed under Note 37 to these financial statements. Board of Directors' remuneration is determined and approved by the Treasury Registrar and remuneration of key management personnel is determined and approved by the Board of Directors and approved by the Permanent Secretary (Establishment).

2.24 EMPLOYEE WELFARE**a) Relationship between management and employees**

Good relationship between employees and management of the Fund was observed and a cordial relationship continues to exist between Management and Trade Unions.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

b) Medical facilities

The Fund meets the extra cost of medical consultation and treatment on top of NHIF benefits for its employees and their immediate families.

c) Training facilities

The Fund implements on the job training programme and has developed Training Needs Assessment (TNA) programme for her staff members and ensure employees are adequately trained at all levels.

d) Retirement benefits

The Fund pays contributions to the Public Service Social Security Fund (PSSSF) and Zanzibar Social Security Fund (ZSSF) to provide social security benefits upon retirement or death of employees. It also has training programs which include pre-retirement programs to all its employees and pays repatriation benefits to retired employees with their family members to their place of domicile.

e) Financial assistance to staff

Loans are available to all confirmed employees based on existing NHIF Loan Policy approved by the Board and the assessment of and the discretion of the Management as to the need and circumstances. At the end of the Financial Year a total of TZS 38.85 billion was outstanding loans to staff compared to TZS 35.83 billion for previous year. Management has also established a Savings and Credit Co- Operative Society (SACCOS) to assist in promoting the welfare of its employees.

f) Contribution to NHIF

The Fund contributes 3% for its employees to cater for their health insurance contributions in accordance with the NHIF Act. During the year, the Fund contributed TZS 771.13 million compared to TZS 709.99 million in the previous year.

g) Disabled persons

The Fund is an equal opportunity employer whereby it gives equal opportunities to persons with disabilities in recruitment, appointment, confirmation, promotion and training development.

h) Gender parity

The Fund gives equal opportunity to all Tanzanians during recruitment and filling of the Management positions provided that they have the required qualifications and capabilities regardless of their gender. The Fund had 693 employees, out of which 444 (equivalent to 64%) were male and 249 (equivalent to 36%) were female. In the

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

preceding year 2020/2021 there were 698 employees whereby males were 447 (64%) and females were 251 (36%).

i) Fight against HIV/AIDS

The Fund has an HIV/AIDS policy for members and its employees. The employees are taken care by the Fund including cost of providing treatment for opportunistic infections.

2.25 RELATIONSHIP BETWEEN MANAGEMENT AND OTHER STAKEHOLDERS

The Fund has continued to maintain a good relationship with its stakeholders including regulators, authorities, suppliers, contractors, employers, members, service providers, Central Bank, commercial banks and Tanzania Revenue Authority. It has different ways of communicating with its stakeholders including, stakeholders' forums, website, social medias, exhibitions and call center with toll free number 199.

2.26 POLITICAL AND CHARITABLE DONATIONS

The Fund donated to charitable organizations a total amount of TZS 305.88 million during the year compared to TZS 833.12 million in the previous year. The decrease is due to the reclassification of contribution to Government whereby, instead of treating it as a donation expense, the amount is charged against accumulated surplus in the Statement of Changes in Reserves. The Fund did not donate to political organizations.

2.27 CORPORATE SOCIAL RESPONSIBILITY

The Fund continued to provide direct support to the community in which it operates in form of social and financial support, mainly in the area of education, health and social calamities.

2.28 ACCOUNTING POLICIES

The NHIF Act CAP 395 gives the responsibility to the Board of Directors on the selection of the relevant and suitable accounting policies that are reasonable and prudent. The significant accounting policies have been summarized in Note 5 to the financial statements.

2.29 CAPITAL MANAGEMENT

The Fund capital includes revaluation reserves and accumulated surpluses which stood at TZS 718.67 billion for the financial year 2021/22 compared to TZS 923.92 billion for the financial year 2020/21. The primary objective of the Fund's capital management is to ensure that it maintains a strong asset base in order to support its objectives and

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

optimize the achievement of stakeholders' expectations. No changes were made in the objectives during the financial year ended 30 June 2022.

2.30 ANTI-CORRUPTION

The Fund accepts no corruption and recognizes the fight against corruption as a National crosscutting agenda. This is reflected in the Fund's Strategic Plan "Objective B" and hence in the Fund's operations. Strategies of the Fund in the fight against corruption include enhancing Good Governance and Anti-Corruption programmes whereby staff awareness on anti-corruption matters is emphasized as well as establishment of the Integrity Committee to coordinate anti-corruption activities of the Fund. In addition to that, the Fund has whistle-blowing mechanisms in place to spearhead the efforts. As a result, no corruption incidence has been recorded during the year 2021/22. The Fund has a toll free number 0800111163 for receiving corruption and related fraud incidences from the public.

2.31 ENVIRONMENTAL PROTECTION

In supporting the conservation and environmental protection efforts, the Fund ensures that, all of its construction projects are undertaken by complying with the statutory environmental impact assessment requirements.

2.32 EVENTS AFTER END OF THE REPORTING PERIOD

There were no material events, adjusting or non-adjusting, which have occurred between the reporting date and the date when the financial statements were authorized for issue.

2.33 COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 30 June 2022 there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No.1 (TFRS 1) on Directors report.

2.34 PREJUDICIAL MATTERS

Management and Directors confirm that there were contingent liabilities of TZS 1 billion related to civil cases and TZS 265.04 million related to usage of data from NIDA as at reporting date as disclosed in Note 39.

2.35 STATEMENT OF COMPLIANCE

The Directors' Report has been prepared in full compliance with Tanzania Financial Reporting Standard No.1 (TFRS 1) - The report by those charged with governance and the requirements of the NHIF Act CAP 395.

REPORT BY THOSE CHARGED WITH GOVERNANCE (CONTINUED)

2.36 STATUTORY AUDITORS

The Controller and Auditor General is the statutory independent auditor of the Fund by virtue of Article 143 of the Constitution of the United Republic of Tanzania of 1977 (revised 2005) and as amplified under section 10 of the Public Audit Act, Cap 418 (R.E 2021). However, in accordance with section 33 of the same Act, the Controller and Auditor General carried out the audit of the Financial Statements of the National Health Insurance Fund for the year ended 30 June 2022, together with M/s KPMG in order to enable him to form an audit opinion.

BY ORDER OF THE BOARD

These financial statements of the Company were approved by the Board of Directors and authorized for issue on and are signed on its behalf by:



FCPA. Juma A. Muhimbi
Board Chairman

Date: 09-03-2023



Mr. Bernard H. Konga
Director General

Date: 09/03/2023

3.0 STATEMENT OF MANAGEMENT'S AND DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 30 JUNE 2022

The Management of the National Health Insurance Fund is responsible for preparation of financial statements that give a true and fair view of the National Health Insurance Fund. The financial statements comprise the statement of financial position of the Fund as at 30 June 2022, statement of surplus or deficit and other comprehensive income, statement of changes in reserves and statement of cash flows for the year ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory information, in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the National Health Insurance Fund (NHIF) Act, CAP 395. Directors are responsible for overseeing the Fund's financial reporting process.

Directors are also responsible for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors also accept the responsibility for the maintenance of accounting records, which may be relied upon in preparation of these financial statements as well as adequate system of internal financial controls including effective Risk Management.

Directors have made an assessment on the ability of the Fund to continue as going concern and have no reason to believe that the business will not be a going concern at least for the next twelve months from the date of approval of these financial statements.

During the year, COVID-19 continued to be a global pandemic and affected public health systems in many countries including Tanzania. Although the impact of COVID-19 has been significantly reduced recently, yet its impact was experienced on medical costs incurred by the Fund. As such, the Fund being the major health care financing mechanism in the country continued to reimburse medical costs related to COVID-19 cases for her esteemed beneficiaries. In addition, during the year under review the COVID-19 pandemic continued to affect employment, and mostly in the tourism sector in which the Fund strives to extend its market share. The Directors believe the effect of the pandemic will continue to have impact on the Fund's financial performance but will not have a significant impact on the Fund's ability to continue as a going concern in a foreseeable future.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework and statutory requirements.

NATIONAL HEALTH INSURANCE FUND (NHIF)

Approval of the financial statements

The Financial Statements of National Health Insurance Fund as identified in the first paragraph were approved by the Board of Directors and signed by:



FCPA. Juma A. Muhimbi
Board Chairman

Date: 09-03-2023



Mr. Bernard H. Konga
Director General

Date: 09/03/2023

4.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE, 2022

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 Statement of Declaration issued by a person responsible for the preparation of Financial Statements of the National Health Insurance Fund ("NHIF" or the "Fund").

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 Fund's financial position and performance in accordance with International Financial Reporting Standards (IFRSs) and the statutory financial reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors as under the Statement of Directors' Responsibilities on an earlier page.

I, Grace A. Temba, being the Director of Finance of National Health Insurance Fund, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2022 have been prepared in compliance with International Financial Reporting Standards (IFRSs) and statutory requirements.

I thus confirm that the financial statements comply with applicable accounting standards and statutory requirements as on that date and that they have been prepared based on properly maintained financial records.



ACPA. Grace A. Temba

Position: Director of Finance

NBAA Membership No: ACPA 3870

9/03 2023

NATIONAL HEALTH INSURANCE FUND

5.0 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		2021/2022	2020/2021
	Notes	TZS'000	TZS'000
ASSETS			
Cash and bank balances	9	12,909,071	54,362,117
Investment in call deposits	10(a)	28,241,317	52,057,369
Investment in term deposits	10(b)	220,181,892	186,277,430
Investment in shares	11	150,641,557	148,611,350
Investment in Government securities	12	282,534,118	372,163,624
Investment in corporate bonds	13	1,003,837	1,003,895
Contribution and other receivables	14	81,466,164	40,688,364
Loans receivables	15	228,031,684	230,618,518
Other loan receivables	16	38,850,249	35,825,756
Inventories	17	4,931,798	6,723,435
Investment property	18	663,654	693,057
Current tax asset	25	4,004,252	-
Deferred tax asset	26	436,278	-
Intangible assets	19	29,711	51,386
Right of use asset	20(a)	1,449,425	2,324,609
Property and equipment	21	42,282,718	44,015,191
Total assets		1,097,657,725	1,175,416,101
LIABILITIES AND RESERVES			
LIABILITIES			
Benefits and other payables	22	309,589,034	180,680,232
Lease liability	20(b)	1,837,429	2,297,730
CHF matching fund payable	23	298,646	298,882
Defined benefit obligation	24	22,777,000	18,172,000
Current tax liability	25	-	4,069,251
Deferred tax liability	26	-	1,976,303
		334,502,109	207,494,398
RESERVES			
Fair value reserve - Equity Investment	11	41,083,767	39,662,622
Fair value reserve - Defined benefit obligation	24	3,405,039	4,337,930
Accumulated surplus		718,666,810	923,921,151
		763,155,616	967,921,703
Total liabilities and reserves		1,097,657,725	1,175,416,101

The financial statements were approved and authorized for issue by the Board of Directors on and were signed by:


FCPA Juma A. Muhimbi
Board Chairman


Mr. Bernard H. Konga
Director General

NATIONAL HEALTH INSURANCE FUND (NHIF)

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

		2021/22	2020/21
	Notes	TZS '000	TZS '000
CONTRIBUTIONS AND BENEFITS			
Contributions income	27	552,580,226	489,479,553
Benefits expenses	22	(674,234,930)	(540,550,503)
Members services expenses	28	(10,908,203)	(7,957,860)
Net deficit from dealing with members		<u>(132,582,907)</u>	<u>(59,028,810)</u>
RETURN ON INVESTMENTS			
Dividend income	29	2,743,694	6,236,390
Interest income	30(a)	64,840,423	69,134,236
Rental income	30(b)	1,862,836	1,740,276
Total investment income		<u>69,446,953</u>	<u>77,110,902</u>
Administrative expenses	31(a)	(74,140,650)	(69,893,354)
Impairment expenses	31(b)	(5,916,563)	(45,026,427)
Other expenses	31(c)	(48,918,936)	-
Other income	32	2,462,490	3,161,571
Deficit before tax		<u>(189,649,613)</u>	<u>(93,676,118)</u>
Income tax expense	33	(15,004,728)	(16,037,124)
Deficit for the year		<u>(204,654,341)</u>	<u>(109,713,242)</u>
Other comprehensive income:			
Items that will not be reclassified subsequently to profit and loss:			
Actuarial (loss)/gain from re-measurement of defined benefit obligation	24	(1,332,702)	1,161,000
Deferred tax charge	24	399,811	(348,300)
Net of tax		<u>(932,891)</u>	<u>812,700</u>
Items that will be reclassified subsequently to profit and loss:			
Fair value gain on equity investment (FVOCI)	11	2,030,207	1,816,367
Deferred tax charge	11	(609,062)	(544,910)
Net of tax		<u>1,421,145</u>	<u>1,271,457</u>
Total other comprehensive income for the year, net of income tax		<u>488,254</u>	<u>2,084,157</u>
Total comprehensive deficit for the year		<u>(204,166,087)</u>	<u>(107,629,085)</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 30 JUNE, 2022

	Fair value reserve - Equity investment TZS'000	Fair value reserve - Defined benefit obligation TZS'000	Accumulated surplus TZS'000	Total TZS'000
At 1 July 2020	38,391,165	3,525,230	1,033,634,393	1,075,550,788
Deficit for the year	-	-	(109,713,242)	(109,713,242)
Other comprehensive for the year:				
Fair value gain on equity investment	1,271,457	-	-	1,271,457
Gain on remeasurement of defined benefit obligation	-	812,700	-	812,700
Total other comprehensive income for the year	1,271,457	812,700	-	2,084,157
At 30 June 2021	39,662,622	4,337,930	923,921,151	967,921,703
At 1 July 2021	39,662,622	4,337,930	923,921,151	967,921,703
Contribution to consolidation fund	-	-	(600,000)	(600,000)
Deficit for the year	-	-	(204,654,341)	(204,654,341)
Other comprehensive for the year:				
Fair value gain on equity investment	1,421,145	-	-	1,421,145
Loss on re-measurement of defined benefit obligation	-	(932,891)	-	(932,891)
Total other comprehensive income for the year	1,421,145	(932,891)	-	488,254
At 30 June 2022	41,083,767	3,405,039	718,666,810	763,155,616

NATIONAL HEALTH INSURANCE FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022

		2021/22	2020/21
	Notes	TZS '000	TZS '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members contributions	14	541,038,572	478,797,972
Receipts from other income	32	2,462,492	3,161,571
Payment to health facilities	22	(608,898,237)	(513,503,888)
CHF payment during the year	23	-	(62,651)
Payment to suppliers and employees	35	(82,877,370)	(74,501,043)
Interest on lease payment	20(b)	(228,458)	(369,593)
Tax paid during the year	25	(23,986,576)	(16,167,109)
Net cash used in operating activities		(172,489,577)	(122,644,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment	21	(1,080,751)	(2,605,626)
Proceeds from disposal of property and plant	32	200,578	27,762
Payments for purchase of investment property	18	-	(41,561)
Term deposits received	34	207,091,941	357,055,641
Term deposits disbursed	34	(241,000,000)	(286,500,000)
Receipts from matured Government securities	12	87,272,622	99,483,998
Payment to acquire Government securities during	12	-	(81,234,394)
Receipts of corporate bond	13	-	5,001,134
Loans disbursed during the year	15	(3,638,860)	(27,198,764)
Loans repayment received during the year	15	6,225,794	29,677,202
Staff and NHIF SACCOS loans disbursed during the year	16	(11,331,421)	(11,353,907)
Staff and NHIF SACCOS loans repaid during the year	16	8,877,083	7,231,332
Dividend received	29	2,743,694	6,236,390
Rent received	30(b)	1,862,836	1,740,276
Interest received	36	51,638,917	51,906,686
Net cash generated from investing activities		108,862,433	149,426,169
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payment	20(b)	(1,041,953)	(1,048,039)
Contribution to the government		(600,000)	-
Net cash used in financing activities		(1,641,953)	(1,048,039)
(Decrease)/Increase in cash and cash equivalents		(65,269,098)	25,733,389
Cash and cash equivalent at the beginning of the year		106,419,486	80,686,097
Cash and cash equivalent at the end of the year		41,150,388	106,419,486
Represented by:			
Bank balances	9	12,908,503	54,361,533
Cash at hand	9	568	584
Call deposits	10(a)	28,241,317	52,057,369
		41,150,388	106,419,486

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022**1. THE REPORTING ENTITY**

The National Health Insurance Fund (NHIF or the 'Fund') was established under the National Health Insurance Fund Act, Cap 395 (hereafter "the Act"). The registered office is at NHIF House, Tambukareli Street, and P. O. Box 1437 Dodoma. The primary objective of NHIF is to provide health care benefits to members in the public service. NHIF administers a contributory scheme. The National Health Insurance Fund was established for achieving the following:

- To enhance efficiency in the provision of health services at all levels from dispensary level to the referral hospitals;
- To bridge the gap in the health budget in the country;
- To have in place a reliable mechanism to ensure that public servants have unrestricted access to affordable health services at different categories of health facilities;
- To involve members of the public in contributing to and managing the provision of health services in the country; and
- To promote Private-Public Partnership in the provision of health services in the country.

(a) Eligibility

The National Health Insurance Fund operates a defined contribution plan covering public employees and other groups of:

- The Central Government;
- The Local Government;
- The Government Agencies; and
- The Public Institutions;
- The Private Institutions; and
- Private member such as students, children under the age of 18 years and private individuals

Membership in the Fund is compulsory for all eligible public employees.

(b) Members of the Fund

The Fund currently caters for central Government employees, local Government, Government Agencies, Public and Private Institutions, Private individuals including their spouses and up to four children and / or legal dependants. Thus, the Fund covers up to six people in a family. The Minister responsible for health matters may determine any other category of members from time to time with a view of enhancing the membership.

(c) Funding of the Fund

The Fund is a contributory scheme. Insured persons are required to contribute 3% of the monthly salary and contributing employers are also required to contribute 3% of monthly salary of insured person.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

1. THE REPORTING ENTITY (CONTINUED)

(d) Fund's Investments

The Fund's investments are made in accordance with section 33 of the Act as amended in 2010. The Fund invests in both short term and long-term investment, which aim at improving the health sector in Tanzania. The Fund also invest in Government securities, corporate bonds, fixed/call deposits, Shares/equity, Government projects, loans towards improving health services delivered in Tanzania and any other profitable investment.

(e) Certified health care facility and number of registered employers

By the end of June 2022, the Fund had 9,178 certified health care facilities across the country has and registered a total of 5,273 employers.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the fair value of some financial instruments as stated in specific accounting policies. The summary of significant accounting policies adopted are set out in notes 5 to the financial statements.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the National Health Insurance Fund Act, CAP 395. Additional information required by regulatory bodies is included where appropriate.

Functional and presentation currency

These financial statements are presented in Tanzanian Shillings (TZS), which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousands (TZS '000'), except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

Changes resulted from the new or revised standards, interpretations, amendments to the existing standards, interpretations and improvements to the IFRSs that were effective for the current year from 1 July 2020 did not have significant impact on the accounting policies, financial position or performance of the Fund.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. An entity shall apply IFRS 17 Insurance Contracts to:

- a) Insurance contracts, including reinsurance contracts, it issues;
- b) Reinsurance contracts it holds; and
- c) Investment contracts with discretionary participation features it issues provided the entity also issues insurance contracts.

IFRS 17 requires an entity that issues insurance contracts to report them on the statement of financial position as the total of:

- a) The fulfilment cash flows—the current estimates of amounts that the entity expects to collect from premiums and pay out for claims, benefits and expenses, including an adjustment for the timing and risk of those amounts; and
- b) The contractual service margin—the expected profit for providing insurance coverage. The expected profit for providing insurance coverage is recognised in surplus or deficit over time as the insurance coverage is provided.

IFRS 17 requires an entity to recognise profits as it delivers insurance services, rather than when it receives premiums, as well as to provide information about insurance contract profits that the Fund expects to recognise in the future. IFRS 17 requires an entity to distinguish between groups of contracts expected to be profit making and groups of contracts expected to be loss making. Any expected losses arising from loss-making, or onerous, contracts are accounted for in profit or loss as soon as the Fund determines that losses are expected. IFRS 17 requires the entity to update the fulfilment cash flows at each reporting date, using current estimates of the amount, timing and uncertainty of cash flows and of discount rates.

The entity:

- a) Accounts for changes to estimates of future cash flows from one reporting date to another either as an amount in profit or loss or as an adjustment to the expected profit for providing insurance coverage, depending on the type of change and the reason for it; and
- b) Chooses where to present the effects of some changes in discount rates—either in profit or loss or in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONTINUED)

Relevant new standards, amendments and interpretations issued but not yet effective and not early adopted (Continued)

IFRS 17 also requires disclosures to enable users of financial statements to understand the amounts recognised in the entity's statement of financial position and statement of surplus or deficit and other comprehensive income, and to assess the risks the Fund faces from issuing insurance contracts.

IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 is effective for financial periods commencing on or after 1 January 2023. An entity shall apply the standard retrospectively unless impracticable. A Fund can choose to apply IFRS 17 before that date, but only if it also applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The Fund is currently evaluating the potential impact of the new standard on the Fund's Financial Statements.

4. SOLVENCY OF THE FUND

The National Health Insurance Fund was established in July 2001 with a vision of becoming the leading health insurance scheme in the Sub-Saharan region, and providing support to a large number of beneficiaries to access health services. It was established by Parliamentary Act No 8 of 1999, which was amended repeatedly in the years 2002, 2005, 2009, 2010, 2012 and 2015.

Section 39 of the NHIF Act, CAP 395 requires the Fund to undertake actuarial valuation for its assets and liabilities for an interval of not more than three years, by an independent qualified Actuary with a view to determining surplus or deficit on the Fund and thus provide a review of the financial management, Fund's funding position and an analysis of its long-term financial sustainability of the Fund.

The last Actuarial valuation was carried as of 30 June 2021 by an independent external Consultant, Zamara Actuaries, Administrators and Consultants Limited.

Based on the actuarial valuation report, that was carried out as at 30 June 2021 and report issued in September 2022 by Zamara Actuaries, Administrators & Consultants Limited, an independent firm of actuaries, the total income of the Fund will continue to remain lower than total expenditure in future and that the Fund will deplete the accumulated surplus, causing it to decrease to negative by 2025.

The solvency position of the Fund was examined using:

- (i) Projection of the Fund's future cash flows for a period of at least fifteen years to determine the long-term sustainability of the Fund; and
- (ii) To model the future claims and contributions of the Fund, the evolution of NHIF Tanzania membership was modelled and this formed the basis for projecting the future primary cash flows of the Fund (contribution inflows and benefits outflow). The primary cash flows were

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

4. SOLVENCY OF THE FUND (CONTINUED)

then used to model the assets of the Fund, taking into consideration projections of future investment returns, taxes and expenses of the Fund.

Summary of core actuarial basis for 2021 valuation:

Membership growth rate	11.2%	Investments return	8.5%
Withdrawal rates of members	50%	Taxation rate	20.5%
Inflation rate	4%	Claims growth rate	10%
Members salary increment rate	6.3%		

The initial data did not allow for any meaningful analysis of the Fund's actual mortality or withdrawal experience. Thus modified independent rates of decrement for retirement, death and withdrawal were used to obtain the overall dependent rate of decrement applied to the individual members at each age.

During the year, the Fund incurred a net deficit amounting to TZS 132.06 billion (2021: TZS 59.03 billion) from dealing with members. The trend from 2021 indicates a growth in contribution income at an average rate of 12.9% while benefit expenses grew at 24.6%. Due to this trend, the Fund has been generating negative cash flows from its operating activities.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these Financial Statements are set out below.

- a) Revenue recognition
- (i) Member contributions

The Fund recognizes revenue from member's contributions as consideration price for health insurance services. Member contributions are recognized in the statement of surplus or deficit and other comprehensive income as and when payment for health insurance cover falls due in accordance with the terms of the membership conditions. Membership conditions outline the performance obligations to be discharged by the members and the Fund. Member contributions are recognized from the cover date over the period of the contract. The cover date is from when the insurer accepts the risk from the member, under the insurance contract. Member contributions are measured at the value of the consideration received and revenue is recognized on a systematic basis in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of the contribution received or receivable not earned in the income statement at the reporting date is recognized in the statement of financial position as unearned contribution liabilities. Any non-current portion is discounted based on expected settlement dates.

- (ii) Interest income

Interest income and expense for all interest-bearing financial instruments are recognized in profit or loss using the effective interest method as per IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) Revenue recognition (Continued)

(ii) Interest income (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

(iii) Dividend income

Revenue is recognized when the right to receive payment is established.

(iv) Other income

Other income comprises of application fees for loan equipment facility and accreditation, fees for tender documents, replacement of IDs and commission from supplementary services. The Fund recognizes other income to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Fund expects to be entitled in exchange for those goods or services.

b) Employees benefits

Defined Contribution Plan (DC)

The Fund contributes to the publicly administered pension plans on a mandatory basis. The Fund has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefits expense when they are due. The Fund's contributions to the defined contribution schemes are charged to profit or loss in the year in which they fall due. The Fund has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and previous periods.

Defined Benefit Plans (DB)

The Fund maintains a defined benefit plan for its employees, which is non-contributory and is unfunded. Under this plan amount of retirement benefit which are to be paid are determined by reference to a formula usually based on employees' earnings and/or years of service.

The cost of the defined benefit plan and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Employees benefits (Continued)

Defined Benefit Plans (DB) (Continued)

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation.

The latest actuarial valuation was carried out as at 30 June 2021 by Zamara Actuaries, Administrators & Consultants Limited in Nairobi - Kenya. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method. Under IAS 19, measurement of scheme liabilities must be calculated under the projected unit credit method, which requires certain demographic and financial assumptions, including an assumption about future salary growth.

The estimated monetary liability for employees accrued leave entitlement as at the statement of net assets available for benefits' date is recognized as an expense accrual. Provision is made for the estimated liability in respect of annual leave accrued on reporting date.

c) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to the working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Borrowing costs (if any) related to the acquisition or construction of qualifying assets is recognized in statement surplus or deficit as incurred. When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in statement of surplus or deficit under other operating income.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated.

Asset Description	Useful life
Buildings	50 years
Equipment and Computers	3 years
Furniture and Fittings	8 years
Motor Vehicles	4 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

d) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured using the cost model less accumulated depreciation. All of the Fund's property interests held under leases to earn rentals or for capital appreciation purposes are accounted for as investment properties and are measured using the cost model approach. Depreciation rate charged against the carrying amount of the investment property is based on the useful life of the investment property. The Fund's investment properties are buildings whose useful life is 50 years.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

e) Leases

At inception of a contract, the Fund assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration - i.e the customer has the rights to obtain substantially all of the economic benefits from using the assets and the rights to direct the use of the asset.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Fund recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Fund by end of the lease term or the cost of the right-of-use asset reflects that the Fund will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurement of the lease liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leases (Continued)

As a lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Fund uses its incremental borrowing rate as the discount rate.

The Fund determines its incremental borrowing rate by obtaining interest rates from external financing sources and make adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Fund is reasonably certain to exercise, lease payments in an optional renewal period if the Fund is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Fund is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Fund's estimate of the amount expected to be payable under a residual value guarantee, if the Fund changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Fund has applied judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewal options. The assessment of whether the Fund is reasonably certain to exercise such options impacts the lease term, which may significantly affect the amount of lease liabilities and right-of-use assets recognized.

As a lessor

At inception or on modification of a contract that contains a lease component, the Fund allocates the consideration in the contract to each lease component on the basis of their relative standalone prices.

When the Fund acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Leases (Continued)

As a lessor (Continued)

To classify each lease, the Fund makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Fund considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Fund is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Fund applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Fund applies IFRS 15 to allocate the consideration in the contract.

The Fund applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Fund further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Fund recognises lease payments received under operating leases as income on a straightline basis over the lease term as part of 'Return on investment as rental income'.

Impairment

The Fund has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired since inception of this standard.

Short term leases and leases of low-value assets

The Fund has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets (less than TZS 10 Million) and short-term leases (less than 12 months). The Fund recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

f) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is charged in the profit or loss in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Intangible assets (Continued)

Intangible assets are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization is calculated on a straight-line basis over the estimated useful lives. The Fund's intangible assets have finite useful life of 3 years.

Impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment of intangible assets. The carrying value of intangible assets as at the year-end is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

g) Inventories

Inventories include stocks and stores, which are stated at the lower of cost and net realizable value. Cost is determined on a first in first out basis (FIFO). Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Any obsolete items are provided for in full in the year they are detected.

h) Financial Instruments

Financial assets

Initial recognition

On initial recognition, financial assets are classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Fund's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient, the Fund initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Fund has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurement

Financial assets are classified into the following specified categories;

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and;

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial Instruments (Continued)

Subsequent measurement (Continued)

- Financial assets at fair value through profit or loss.

The Fund's principal financial assets are loan receivables, investment in corporate bonds, investment in shares, investment in Government securities contribution and other receivables, investment in term deposits and cash and cash equivalents.

Financial assets are recognized and derecognized on trade date where the purchase or sale of the financial asset is under a contract whose terms require delivery of the instrument within the timeframe established by the market concerned.

All financial assets are initially measured at amortized cost or fair value, depending on the classification of financial assets.

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

Contribution and other receivables

Trade and other receivables are stated at invoice amounts less provision for impairment. A provision for impairment is established using a provision matrix based on the Fund's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial Instruments (Continued)

Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include cash on hand, in banks and investments in money market instruments which will mature within three months.

Impairment of financial assets

The Fund recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund applies a simplified approach in calculating ECLs for trade and other receivables. Therefore, the Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Fund considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Fund may also consider a financial asset to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Contributions receivable, loan investments, interest receivables, deposits with financial institutions and cash and cash equivalents in fall in this category. They are both measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

De-recognition of financial assets

The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Fund recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the Fund continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial Instruments (Continued)

Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

The Fund's financial liabilities include trade and other payables (Value Added Tax, accruals and provisions excluded), related party payables and borrowings. The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Fund has not designated any financial liability as at fair value through profit or loss.

Financial liabilities measured subsequently at amortized cost

Financial liabilities that are not contingent consideration of an acquirer in a business, held for trading, or designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Trade payables

Trade payables and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h) Financial Instruments (Continued)

Financial liabilities (Continued)

De-recognition of financial liabilities

The Fund de-recognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in profit or loss.

Offset

Where a legally enforceable right of offset exists for recognized financial assets and financial liabilities and there is an intention to settle the liability and realize the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

i) Provisions

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

j) Foreign currency transactions

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Tanzania Shillings (TZS) which is the Fund's functional and presentation currency, rounded to the nearest thousand (TZS'000).

(ii) Transactions and balances

Transactions in foreign currencies during the year are converted into Tanzania Shillings at rates prevailing at the transaction dates. Monetary items denominated in foreign currency are translated using the closing exchange rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

k) Current and deferred tax

Current income tax is the amount of income tax payable on the taxable investment income for the year determined in accordance with the Tanzania Income Tax Act, 2004. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The current applicable tax rate is 30%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

k) Current and deferred tax (Continued)

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are generally recognized for all taxable temporary differences.

However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax liability is settled.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

1. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

The preparation of the Fund's financial statements 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 reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next Financial Year are discussed below.

a) Useful life of property and equipment

Critical estimates are made by the directors in determining useful lives for property and equipment. The useful lives are set out in Note 5 above.

b) Impairment of assets

The Fund assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)

c) Calculation of Expected Loss Allowance

When measuring expected credit losses (ECL), the Fund uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Fund would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

d) Contribution and loan receivables

At the end of each reporting period, the Fund reviews the carrying amounts of its trade receivables that mainly include contribution receivables, loan receivables from Government institutions and estimates the loss allowance specific to these asset classes as using the calculation of Expected Loss Allowance approach mentioned above.

e) Actuarial valuation

The present value of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

a) Taxes

The Fund is subjected to various taxes and levies by various Government and quasi-Government regulatory bodies. As a rule of thumb, the Fund recognizes liabilities for the anticipated tax /levies payable with utmost care and diligence. However, significant judgment is usually required in the interpretation and applicability of those taxes /levies.

Should it come to the attention of management, in one way or the other, that the initially recorded liability was erroneous, such differences will impact on the income and liabilities in the period in which such differences are determined.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)**6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (CONTINUED)****b) Fair value measurement**

The Fund measures financial instruments, such as, derivatives, and non-financial assets at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either; in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Fund. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 Valuation techniques for which the lowest level input that significant to the fair value measurement is directly or indirectly observable
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Independent external valuers are involved for valuation of significant assets, such as property and equipment. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to a variety of financial risks which arise out of a variety of its activities. The Fund's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Fund's regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors has overall responsibility for the establishment and oversight of the Fund's risk management framework. As part of its governance structure the Board of Directors has embedded a comprehensive risk management framework for measuring, monitoring, controlling and mitigation of the Fund's risks. The policies are integrated in the overall management information system of the Fund's and supplemented by a management reporting structure.

The Audit Committee of the Board of Directors is responsible for monitoring compliance with the Fund's risk management policies and procedures, and review of the adequacy of risk management framework in relation to the risks faced by the Fund. This committee is assisted in these functions by Technical Committee of management which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board.

The most important type of risks are:

- Credit risk
- Liquidity risk
- Market risk
- Interest rate risk
- Price risk
- Currency risk

The notes below provide detailed information on each of the above risks and the Fund's objectives, policies and processes for measuring and managing risk.

(i) Risk management

The Fund provides health insurance schemes to the insured persons of the Fund and that it has specific price list for all services provided to the members of the Fund. Thus the benefits provided to the insured members of the Fund are defined. The Fund assumes risks of funding when it happens that the Fund's assets are inadequate to cover the promised medical services and that insured members will live longer in future than in the past. The Fund has a fully-fledged Directorate of Actuarial Services and Statistics, which in collaboration with certified Actuaries undertake actuarial valuation for the Fund after every three years. The valuation determines inter alia the funding options for the sustainability of the Fund.

(ii) Credit risk management

Credit risk is the risk that the counterpart to any financial transaction may not be able to fulfil its obligation on due date. The Fund's principal financial assets are investment in government

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Credit risk management (Continued)

securities, loans to government institutions, investment in term deposits and investment in shares. To minimize credit risk the Fund has set limits on different categories of investments; the Fund has also set exposure limits for each bank where it makes placements of funds. To address lending risk the Fund requires guarantees from top rated banks or the Government for credits other than, credits to well establish employer based Savings and Credit Societies (SACCOS). On equity, the Fund mitigates risks by investing in well established markets particularly in listed shares at the Dar es Salaam Stock Exchange. In granting loans the Fund carries out in-depth credit analysis of the project to establish viability.

The amount that best represents the Fund's maximum exposure to credit risk as at 30 June 2022 is as follows:

	12 month or lifetime ECL	Internal Credit Rating	Gross Carrying Amount TZS '000	Loss Allowance TZS '000	Net carrying amount TZS '000
Investment in Government Security	12 month ECL	Performing	282,534,118	-	282,534,118
Investment in Corporate Bond	12 month ECL	Performing	1,003,837	-	1,003,837
Loan receivable	Lifetime ECL	Performing	232,861,684	4,830,000	228,031,684
Other loan receivables	Lifetime ECL	Non- Performing	40,971,661	2,121,412	38,850,249
Investment in term deposits	12 month ECL	Non- performing	270,001,304	21,578,095	248,423,209
Contribution and other receivables	Lifetime ECL	Non- performing	87,499,738	6,033,574	81,466,164
Bank balances	12 month ECL	Performing	12,908,503	-	12,908,503
			<u>927,780,845</u>	<u>34,563,081</u>	<u>893,217,764</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(ii) Credit risk management (Continued)

The amount that best represents the Fund's maximum exposure to credit risk as at 30 June 2021 is as follows:

	12 month or lifetime ECL	Internal Credit Rating	Gross Carrying Amount TZS '000	Loss Allowance TZS '000	Net carrying amount TZS '000
Investment in Government Security	12 month ECL	Performing	372,163,624	-	372,163,624
Investment in Corporate Bond	12 month ECL	Performing	1,003,895	-	1,003,895
Loan receivable	Lifetime ECL	Performing	235,448,518	4,830,000	230,618,518
Other loan receivables	Lifetime ECL	Non- Performing	38,517,323	2,691,567	35,825,756
Investment in term deposits	12 month ECL	Non- performing	259,027,773	20,692,974	238,334,799
Contribution and other receivables	Lifetime ECL	Non- performing	44,644,088	3,955,724	40,688,364
Bank balances	12 month ECL	Performing	54,361,533	-	54,361,533
			<u>1,005,166,754</u>	<u>32,170,265</u>	<u>972,996,489</u>

(iii) Liquidity risk management

Liquidity risk is the risk of failing to meet obligations when they fall due. The Fund manage liquidity risk by maintaining a pool of short term placements with banks which is adequate to meet its obligations for benefit payments as well as investment commitment and administrative expenses. The Fund carries out monthly cash flow projection, which is discussed by Investment committee for placement/investment decisions. The Fund's sources of fund include monthly contributions from its contributing members and government employees. Other sources are investment income and other income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(iii) Liquidity risk management (Continued)

Maturity profile of non-derivative financial liabilities based on the contractual cash flows, "undiscounted" is as follows:

	Carrying amount TZS'000	Contractual cash flows TZS'000	Within 1 year TZS'000	1 year and above TZS'000
As at 30 June 2022				
Non-derivative financial liabilities				
Benefits and other payables	260,670,098	260,670,098	260,670,098	-
CHF matching fund payable	298,646	298,646	298,646	-
Lease liability	1,837,429	2,650,924	1,098,731	1,552,193
	<u>262,806,173</u>	<u>363,619,668</u>	<u>262,067,475</u>	<u>1,552,193</u>
As at 30 June 2021				
Non-derivative financial liabilities				
Benefits and other payables	180,680,232	180,680,232	180,680,232	-
CHF matching fund payable	298,882	298,882	298,882	-
Lease liability	2,297,730	2,454,263	1,677,906	678,445
	<u>183,276,844</u>	<u>183,433,377</u>	<u>182,657,020</u>	<u>678,445</u>

iv) Market risk

Market risks is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates will affect the Fund's income or the value of its holdings of financial instruments. The Fund is exposed to market risk in its long term investments in fixed income assets resulting from movement in interest rates. The Fund is also exposed to market risk in equities as a result of movement in market prices.

a) Interest rate risk

The Fund holds significant fixed income securities and therefore subjected to exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates. The Fund mitigates the risks by investing in safe but high yielding investments. The Fund's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of plus 2 percentage points in all yield curves of financial assets and financial liabilities. A 1% increase/decrease in interest yields would result in additional surplus/loss for the year of 4,981,310,930 (2021: TZS 470,742,772)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

b) Price risk

The Fund is exposed to equity securities price risks because of its investments in shares which are valued at fair value and therefore susceptible to market price fluctuations. To manage its price risk arising from investments in equity, the Fund invests in a diverse portfolio. The equity holdings are diversified across companies in different sectors of the economy and concentration in one company are limited by parameters established by Management (Investment policy of the Fund). All quoted shares held by the Fund are traded on the Dar es Salaam Stock Exchange (DSE) and are classified as FVOCI. A 2% sensitivity analysis is performed by the Fund's management. A 2% increase or decrease in the DSE prices at the reporting date would have increased or decrease the equity by TZS 1,850,435,921.60 (2021: 1,825,788,000) after tax.

c) Currency risk

Foreign exchange currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in foreign exchange rates. The Fund's financial assets and liabilities are primarily denominated in Tanzania Shillings which is the Fund's transaction and presentation currency, which mitigate the foreign currency exchange rate risk. The Fund do not have significant financial instruments that are denominated in foreign currency.

(v) Operational risk

Operational risks refers to the risks when processes of contribution collection and provider's benefit payment obligations are impaired. The Fund has identified integrity of ICT system, staff behaviour, adverse selection in member's recruitment and fraud to be key areas of risks that may affects its operations. In addressing the related risks, the Fund has carries out regular preventive and detective antifraud activities internally and externally also enhancing system controls to suit the predetermined member enrolment and service access requirements. Staff awareness on integrity matters has been a permanent agenda in every staff trainings and conference sessions to imbued required culture and for ensuring the interest of the Fund are safeguarded collectively. The Fund has been conducting various stakeholders' awareness programs through private and public media platform as a strategy of minimizing operational risks that relates to attitude, behaviours, perceptions and deeds of stakeholders.

8. ACCOUNTING CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS & LIABILITIES

IFRS 13 requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Fund specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

7. ACCOUNTING CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS & LIABILITIES (CONTINUED)

sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy;

30 June 2022

	Level 1	Level 2	Level 3	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Investment in shares	99,605,829	-	51,035,728	150,641,557
	<u>99,605,829</u>	<u>-</u>	<u>51,035,728</u>	<u>150,641,557</u>

30 June 2021

	Level 1	Level 2	Level 3	Total
Financial assets	TZS '000	TZS '000	TZS '000	TZS '000
Investment in shares	96,094,113	-	52,517,237	148,611,350
	<u>96,094,113</u>	<u>-</u>	<u>52,517,237</u>	<u>148,611,350</u>

Valuation technique used for level 3 are summarized in the table below:

		Valuation technique	
		2022	2021
Level 3			
Azzania Bank Limited		Price to book value	Price to book value
Watumishi Housing Company Real Estate Investment Trust		Net Asset Value	Net Asset Value
Watumishi Housing Company Limited		Net Asset Value	Net Asset Value
Type of financial instrument	Fair values at 30 June TZS'000	Significant unobservable input	Fair value measurement sensitivity to unobservable inputs
Unlisted equity investment	51,035,729 (2021: 52,517,237)	Specific discount of 10% and liquidity discount of 15% on the equity value	The estimated fair value would increase or (decrease) if the discount rates are lower (higher)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

8. ACCOUNTING CLASSIFICATION AND FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS & LIABILITIES (CONTINUED)

The following table shows financial assets and liabilities not measured at fair value. The carrying values of these financial assets and liabilities are reasonable approximation of fair value due to their short term nature.

	Financial assets at amortised cost TZS '000	Other financial liabilities TZS '000	Total TZS '000
30 June 2022			
Investment in Government securities	282,534,118	-	282,534,118
Investment in corporate bonds	1,003,837	-	1,003,837
Loan receivables	228,031,684	-	228,031,684
Other loan receivables	38,850,249	-	38,850,249
Investment in term and call deposits	248,423,209	-	248,423,209
Contribution and other receivables	81,466,164	-	81,466,164
Cash and bank balances	12,909,071	-	12,909,071
	893,218,332	-	893,218,332
Benefits payables	-	218,002,453	218,002,453
Accruals	-	2,474,029	2,474,029
Other payables	-	40,193,616	40,193,616
CHF matching fund payable	-	298,646	298,646
	-	260,968,744	260,968,744
30 June 2021			
Investment in Government securities	372,163,624	-	372,163,624
Investment in corporate bonds	1,003,895	-	1,003,895
Loan receivables	230,618,518	-	230,618,518
Other loan receivables	35,825,756	-	35,825,756
Investment in term and call deposits	238,334,799	-	238,334,799
Contribution and other receivables	39,564,069	-	39,564,069
Cash and bank balances	54,362,117	-	54,362,117
	971,872,778	-	971,872,778
Financial liabilities			
Benefits payables	-	152,645,760	152,645,760
Accruals	-	2,629,005	2,629,005
Other payables	-	25,405,467	25,405,467
CHF matching fund payable	-	298,882	298,882
	-	180,979,114	180,979,114

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
9. CASH AND BANK BALANCES		
Bank balances	12,908,503	54,361,533
Cash at hand	568	584
	<u>12,909,071</u>	<u>54,362,117</u>
10(a). INVESTMENT IN CALL DEPOSITS		
Call deposits	28,241,317	52,057,369
	<u>28,241,317</u>	<u>52,057,369</u>

These are short terms deposits that are available for withdraw at anytime and has been classified as cash and cash equivalent in the statement of cash flows.

10(b). INVESTMENT IN TERM DEPOSITS

	2021/22 TZS '000	2020/21 TZS '000
Maturing within 3 months	85,974,170	87,518,550
Maturing between 3 months to 1 year	155,785,817	119,451,855
Less: Expected credit loss provision	(21,578,095)	(20,692,975)
	<u>220,181,892</u>	<u>186,277,430</u>

Deposits with banks are categorized and measured at amortized cost. The weighted average effective interest rate on deposits with banks as at 30 June 2022 was 9.6% (2021: 10.30%).

11. INVESTMENT IN SHARES

	2021/22 TZS '000	2020/21 TZS '000
Listed equity investment ¹	99,605,829	96,094,113
Non listed equity investment ²	51,035,728	52,517,237
	<u>150,641,557</u>	<u>148,611,350</u>
Movement in Investment in shares:		
At 1 July	148,611,350	146,794,984
Fair value gain	2,030,206	1,816,366
At 30 June	<u>150,641,557</u>	<u>148,611,350</u>
Listed equity investment²		
Tanzania Portland Cement Company Limited	941,246	910,883
NMB Bank Plc	2,686,152	2,014,614
CRDB Bank Plc	12,816,016	9,451,812
Tanzania Breweries Limited	52,912,632	52,912,632
Mwalimu Commercial Bank Plc	3,950,000	5,000,000
DCB Commercial Bank Plc	1,140,000	1,440,000
Vodacom Tanzania Plc	18,075,750	18,075,750
Unit Trust of Tanzania	7,084,033	6,288,422
	<u>99,605,829</u>	<u>96,094,113</u>
Non listed equity investment²		
Watumishi Housing Company	388,265	120,975
Watumishi Housing Company Real Estate Investment Trust	12,274,583	12,285,000
AZANIA BANK LTD	38,372,880	40,111,262
	<u>51,035,728</u>	<u>52,517,237</u>
Total	<u>150,641,557</u>	<u>148,611,350</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

11. INVESTMENT IN SHARES (CONTINUED)

The movement during the year of TZS 3.5t billion in listed investments relates to a net fair value gain during the year. The movement in unlisted shares is due to the net fair value loss amounting to TZS 1.48 billion. Hence a net fair value gain of TZS 2.03 billion in investment in shares.

Investment in Watumishi Housing Company was made in response to the Government's initiative in accordance with the directive by the office of the President of the United Republic of Tanzania of June 2012. The directive required all social security schemes and the National Housing Corporation (NHC) to form an independent Unit Trust Company by contributing a certain sum of money for land acquisition and housing constructions project in all regions of Tanzania. These houses will later be sold at affordable prices to public servants. Shares in the company are transferable. The Fund's share of holding in the Watumishi Housing Company is approximately 23% with no control over the company.

The Fund uses the net assets valuation methodology in determining the fair value of unlisted equity investment. The methodology requires the use of estimates and significant judgements on unobservable inputs such as discount rate, inflation rates, gross domestic products (GDP) forecasts, cash flow forecasts, future expenditure costs.

	2021/22 TZS '000	2020/21 TZS '000
Movement of fair value reserves:		
At 1 July	39,662,622	38,391,165
Fair value gain during the year net of deferred tax	1,421,145	1,271,457
Total	<u>41,083,767</u>	<u>39,662,622</u>

12. INVESTMENT IN GOVERNMENT SECURITIES

Treasury bills*	-	41,601,425
Treasury bonds	282,534,118	330,562,199
	<u>282,534,118</u>	<u>372,163,624</u>

Movement of bonds during the year		
Cost of bonds	257,608,211	297,662,483
Amortized cost	24,925,907	32,899,716
	<u>282,534,118</u>	<u>330,562,199</u>

As at 1 July	372,163,624	327,278,279
Payment to acquired government security	-	81,234,394
Receipt from matured government security	(87,272,622)	(47,426,629)
Interest earned during the year	36,994,112	41,172,845
Interest received during the year	(39,350,996)	(30,095,265)
As at 30 June	<u>282,534,118</u>	<u>372,163,624</u>

The maturity analysis of Treasury bonds is as follows:

Maturing within 12 months	94,485,843	69,448,041
Maturing after one year but within 2 years	10,854,157	74,380,198
Maturing after 2 years but within 5 years	70,413,142	80,123,912
Maturing after 5 years but within 10 years	30,740,292	30,665,321
Maturing after 10 years	76,040,684	75,944,727
	<u>282,534,118</u>	<u>330,562,199</u>

* Treasury bills were purchased in the year ended 30 June 2021 and matured in the year ended 30 June 2022 and no reinvestment made.

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
13. INVESTMENT IN CORPORATE BONDS		
Tanzania Mortgage Refinance Company Limited (TMRC)	1,003,837	1,003,895
	<u>1,003,837</u>	<u>1,003,895</u>
<i>Movement during the year:</i>		
Cost of bond	1,000,000	1,000,000
Amortized cost	3,837	3,895
	<u>1,003,837</u>	<u>1,003,895</u>
The maturity analysis of Corporate bonds is as follows:		
Maturing within 12 months	1,003,837	-
Maturing after one year but within 2 years	-	1,003,895
Total	<u>1,003,837</u>	<u>1,003,895</u>

The Fund acquired corporate bonds issued by Tanzania Mortgage Refinance Company Limited (TMRC), at 11.79% interest per annum, with maturity date of June 2023. At maturity, the Fund will receive TZS 1 billion from TMRC. During the year ended 30 June 2021, the Fund received matured Corporate bond investment at NMB Bank amounting to TZS 5,001,134,000.

14. CONTRIBUTION AND OTHER RECEIVABLES

	2021/22 TZS' 000	2020/21 TZS' 000
Contribution receivables	50,845,093	34,994,500
Less: Expected credit loss provision	<u>(6,033,574)</u>	<u>(1,724,636)</u>
	<u>44,811,519</u>	<u>33,269,864</u>
Other receivables:		
Staff advances	189,382	-
Prepayments	1,543,940	1,124,296
Tumaini la Mama Project	2,231,088	2,231,088
Fraud recovery	2,526,078	4,648,358
Claims verification receivable	1,075,411	-
Rent receivables	766,951	31,897
Withholding tax receivable	1,618,699	-
Supplementary	6,865,197	889,014
Other debtors	96,118	55
Dividend receivables	36,754	704,880
Claims advances	21,936,115	-
Total other receivables	<u>38,885,734</u>	<u>9,649,588</u>
Less: Bad debt provision- Tumaini la Mama Project	<u>(2,231,088)</u>	<u>(2,231,088)</u>
	<u>36,654,646</u>	<u>7,418,500</u>
Total trade and other receivables	<u>81,466,164</u>	<u>40,688,364</u>
<i>Movement of contribution receivables:</i>		
Contribution receivables as at 1 July	33,269,864	22,588,283
Contribution income during the year	552,580,226	489,479,553
Contribution receivable as at 30 June	<u>(44,811,519)</u>	<u>(33,269,864)</u>
Receipts from members contribution during the year	<u>541,038,572</u>	<u>478,797,972</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
14. CONTRIBUTION AND OTHER RECEIVABLES (CONTINUED)		
<i>The movement in expected credit loss</i>		
At 1 July	3,955,724	2,990,429
Addition during the year (Note 31.b)	4,308,938	965,295
At 30 June	<u>8,264,662</u>	<u>3,955,724</u>
15. LOAN RECEIVABLES		
(i) LOAN TO THE GOVERNMENT INSTITUTIONS		
Ministry of Home affairs	45,445,479	45,445,479
Benjamin William Mkapa Hospital	129,351,401	129,037,052
Muhimbili Orthopedic Institute	18,164,741	17,883,275
National Identification Authority	17,329,682	17,329,681
	<u>210,291,303</u>	<u>209,695,487</u>
(ii) LOAN TO HEALTH FACILITIES		
Medical equipment loans	2,235,364	4,450,232
Facility improvements loans	20,335,017	21,302,799
SUB TOTAL OF FACILITY LOANS	<u>22,570,381</u>	<u>25,753,031</u>
Total loan receivable	<u>232,861,684</u>	<u>235,448,518</u>
Less: allowance for doubtful penalty receivable	<u>(4,830,000)</u>	<u>(4,830,000)</u>
	<u>228,031,684</u>	<u>230,618,518</u>
Movement of loan receivables		
At 1 July	235,448,518	236,428,239
Loans disbursed during the year	3,638,860	27,198,764
Loans repayment received during the year	(6,225,794)	(29,677,202)
Accrued interest	100	1,498,717
	<u>232,861,684</u>	<u>235,448,518</u>

The loans given to Government Institutions are guaranteed and supposed to be repaid by the Government through the Ministry of Finance and Planning. The interest rate ranges from 13.5% -14.5%. The repayment period ranges from 7-10 years.

Medical equipment and facility improvement loans were given to the various accredited health providers buying various equipment and improving the health centres for better health services. The loans have interest rates ranging from 8% - 10%. The guarantee for these loans is the equipment bought or improved facility. The loans are repayable through the agreed amount which is deducted on monthly basis through the benefit payable (claims) submitted by the accredited health provider.

The carrying values of these loans to Government Institutions are reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

16. OTHER LOAN RECEIVABLES

	2021/22	2020/21
	TZS '000	TZS '000
Staff loan	40,971,661	38,364,948
Loan to NHIF SACCOS	-	152,375
	<u>40,971,661</u>	<u>38,517,323</u>
Less: Expected credit loss provision	<u>(2,121,412)</u>	<u>(2,691,567)</u>
	<u>38,850,249</u>	<u>35,825,756</u>
 Movement of other loans receivables:		
At 1 July	38,517,323	34,394,748
Loans disbursed during the year	11,331,421	11,353,907
Loans repaid during the year	<u>(8,877,083)</u>	<u>(7,231,332)</u>
	<u>40,971,661</u>	<u>38,517,323</u>
Less: Expected credit loss provision	<u>(2,121,412)</u>	<u>(2,691,567)</u>
	<u>38,850,249</u>	<u>35,825,756</u>
 Movement in expected credit loss provision		
1 July	2,691,567	-
(Recovered)/addition during the year	<u>(227,780)</u>	<u>2,691,567</u>
Writte off during the year	<u>(342,275)</u>	<u>-</u>
	<u>2,121,412</u>	<u>2,691,567</u>

Types of loans issued to staff are housing loans, transport facility loans, training loans, ICT loans, domestic appliance loans and salary advance. The interest rate for all types of loans mentioned, except training loans, is 3% which is payable on monthly basis.

Housing loans and transport facility loans are limited to TZS 150,000,000 each. ICT Loans and Domestic appliance loans are limited to four times the basic salary, training loan is limited to cost associated with particular training, and salary advance is limited to three times the basic salary and should paid within the Financial Year.

Regardless of the number of loans staff has, one third of the staff salary must be retained. The repayment period for housing loan is ten (10) years, ICT loans and Domestic appliance loans is three (3) years, Transport facility loans is six (6) years and training loans is six (6) years. Securities for staff housing loan are title deed and securities for transport loan are registration cards.

NHIF SACCOS is an independent arrangement of the Fund to assist members. The membership to the SACCOS is not mandatory. SACCOS may request loan from the Fund for servicing credits to its members, where the Fund earn principle plus interest from loan issued to NHIF SACCOS.

The carrying values of these financial assets and liabilities are reasonable approximation of fair value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22	2020/21
	TZS '000	TZS '000
17. INVENTORY		
Stationery	255,088	321,453
Cleaning and sanitation materials	565	255
Promotional materials	-	27,130
Printed matters	924,133	1,091,928
ICT consumables	3,737,529	5,245,442
Other consumables	14,483	37,226
	<u>4,931,798</u>	<u>6,723,434</u>
18. INVESTMENT PROPERTY		
Cost		
At 01 July	745,287	703,726
Additions	-	41,561
At 30 June	<u>745,287</u>	<u>745,287</u>
Depreciation		
At 01 July	52,230	36,282
Charge for the year	29,403	15,948
At 30 June	<u>81,633</u>	<u>52,230</u>
Carrying value:		
At 30 June	<u>663,654</u>	<u>693,057</u>

Investment property refers to purchased buildings for renting or ongoing renovations for renting.

19. INTANGIBLE ASSETS	2021/22	2020/21
	TZS '000	TZS '000
Cost		
At start of year	2,082,130	2,082,130
Additions	-	-
At end of year	<u>2,082,130</u>	<u>2,082,130</u>
Amortization		
At start of year	2,030,744	2,009,068
Charge for the year	21,675	21,676
At end of year	<u>2,052,419</u>	<u>2,030,744</u>
Carrying value at 30 June	<u>29,711</u>	<u>51,386</u>

The intangible assets disclosed above are computer software

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22	2020/21
	TZS '000	TZS '000
20. LEASES		
(a) RIGHT OF USE ASSETS		
As at 1 Jul	4,586,557	4,372,235
Addition	382,124	214,322
Re-measurement	(23,270)	.
At 30 June	<u>4,945,412</u>	<u>4,586,557</u>
Depreciation		
As at 1 Jul	2,261,948	939,918
Re-measurement	8,037	.
Depreciation charge	1,226,002	1,322,030
At 30 June	<u>3,495,987</u>	<u>2,261,948</u>
Carrying value:	<u>1,449,425</u>	<u>2,324,609</u>
(b) LEASE LIABILITY		
As at 1 July	2,297,730	2,042,802
Addition	382,124	214,324
Re-measurement	(28,930)	719,050
Lease payments	(1,041,953)	(1,048,039)
Interest expense - recognized in surplus/deficit	<u>228,458</u>	<u>369,593</u>
As at 30 June	<u>1,837,429</u>	<u>2,297,730</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

21. PROPERTY AND EQUIPMENT

Cost	Land TZS'000	Buildings* TZS'000	Motor vehicles TZS'000	Furniture and fittings TZS'000	Office equipment TZS'000	Work in progress TZS'000	Total TZS'000
At 01 July 2020	7,930,739	30,675,287	8,902,589	4,003,669	14,020,789	4,241,528	69,774,601
Transfer to prepayments	-	-	-	-	-	(21,422)	(21,422)
Additions	65,320	102,348	592,285	645,361	796,366	3,946	2,605,626
Disposal	-	-	-	(292,493)	(1,535,161)	-	(1,827,654)
At 30 June 2021	<u>7,996,059</u>	<u>30,777,635</u>	<u>9,894,874</u>	<u>4,356,537</u>	<u>13,281,994</u>	<u>4,224,052</u>	<u>70,531,151</u>
At 01 July 2021	7,996,059	30,777,635	9,894,874	4,356,537	13,281,994	4,224,052	70,531,151
Write off	-	-	-	-	-	(602,448)	(602,448)
Additions	-	96,819	-	139,103	844,829	-	1,080,751
Disposal	-	-	(434,287)	-	-	-	(434,287)
At 30 June 2022	<u>7,996,059</u>	<u>30,874,454</u>	<u>9,460,587</u>	<u>4,495,640</u>	<u>14,126,823</u>	<u>3,621,604</u>	<u>70,575,167</u>
Depreciation							
At 01 July 2020	-	2,640,378	7,637,606	2,168,446	13,000,294	-	25,446,724
Charge for the year	-	659,026	944,822	500,433	725,556	-	2,829,837
Eliminated on disposal	-	-	-	(255,588)	(1,505,013)	-	(1,760,601)
At 30 June 2021	-	<u>3,299,404</u>	<u>8,582,428</u>	<u>2,413,291</u>	<u>12,220,837</u>	-	<u>26,515,960</u>
At 01 July 2021	-	3,299,404	8,582,428	2,413,291	12,220,837	-	26,515,960
Charge for the year	-	603,669	462,921	402,846	741,340	-	2,210,776
Eliminated on disposal	-	-	(434,287)	-	-	-	(434,287)
At 30 June 2022	-	<u>3,903,073</u>	<u>8,611,062</u>	<u>2,816,137</u>	<u>12,962,177</u>	-	<u>28,292,149</u>
Carrying value:							
At 30 June 2022	<u>7,996,059</u>	<u>26,971,381</u>	<u>849,525</u>	<u>1,679,503</u>	<u>1,164,646</u>	<u>3,621,609</u>	<u>42,282,718</u>
At 30 June 2021	<u>7,996,059</u>	<u>27,478,231</u>	<u>1,312,446</u>	<u>1,943,246</u>	<u>1,061,157</u>	<u>4,224,052</u>	<u>44,015,191</u>

*Part of these buildings were leased to various customers and during the year, the Fund earned a rental income amounting to TZS 1.86 billion (2021: TZS 1.74 billion). The buildings did not meet the requirement of IAS 40 to be reclassified as investment property.

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

21. PROPERTY AND EQUIPMENT (CONTINUED)

Cash receipts on disposed of full depreciated motor vehicle was TZS 200.58 million (2021: TZS 27.76 million for disposed furniture fittings and office equipment). During the period under review there was no property, plant and equipment which is still in use with fully depreciated gross carrying amount. Also, there was no any property, plant and equipment retired from active use and not classified as held for sale.

	2021/22 TZS '000	2020/21 TZS '000
22. BENEFITS AND OTHER PAYABLES		
Benefit payables	218,002,453	152,645,760
Accruals	2,474,029	2,629,005
Other payables	89,112,552	25,405,467
	<u>309,589,034</u>	<u>180,680,232</u>
Payment to health facilities during the year		
Benefit payables balance as at 1 July	152,645,760	125,599,145
Benefit expense during the year	674,254,930	540,550,503
Benefit payables as at 30 June	<u>(218,002,453)</u>	<u>(152,645,760)</u>
Payment to health facilities during the year	<u>608,898,237</u>	<u>513,503,888</u>
23. CHF MATCHING FUND PAYABLE		
At 1 July	298,882	361,533
Bank charges	(236)	-
Matching fund disbursed during the year	-	(62,651)
	<u>298,646</u>	<u>298,882</u>

Community Health Fund (CHF) relate to the remaining balance of the amount received from members of CHF in prior years. The Memorandum of Understanding expired in 2018 and NHIF remained with the role of providing technical support.

24. DEFINED BENEFIT OBLIGATION

	2021/22 TZS '000	2020/21 TZS '000
Opening balance	18,172,000	17,590,000
<i>Included in surplus or deficit:</i>		
Interest cost	2,198,812	2,691,967
Past service gain	-	(2,157,000)
Current service cost	1,186,000	1,347,000
	<u>3,384,812</u>	<u>1,881,967</u>
<i>Included in OCI</i>		
Actuarial loss(gain)	<u>1,332,702</u>	<u>(1,161,000)</u>
Benefit paid during the year	<u>(112,514)</u>	<u>(138,967)</u>
Balance at 30 June	<u>22,777,000</u>	<u>18,172,000</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

24. DEFINED BENEFIT OBLIGATION (CONTINUED)

The present value of the accrued liability in respect of retirement benefit scheme as at 31 December 2022 was TZS 22.78 billion (2021: TZS 18.17 billion).

Actuarial Assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

- Discount rate of 12.10% (2021: 15.4%) per annum;
- Future salary growth 10.00% (2021: 13.00%) per annum;
- Future inflation rate 4.4.00% (2021: 5.00%) per annum;
- Retirement age 60 years (2021: 60 years)

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Current discount rate at 12.1% and inflation rate 4.4% per annum	Discount rate less 1% at 11.1% and inflation rate at 3.4% per annum
	TZS'000	TZS'000
Present value of obligation	22,777,000	19,866,000

	2021/22 TZS '000	2020/21 TZS '000
Movement of fair value reserves on actuarial gain		
At 1 July	4,337,930	3,525,230
Actuarial (loss)/gain during the year	(1,332,702)	1,161,000
Deferred tax at 30%	399,811	(348,300)
Total	<u>3,405,039</u>	<u>4,337,930</u>

25. CURRENT TAX ASSET (LIABILITY)

1 July	(4,069,251)	1,905,615
Adjustment of prior year balance	-	86,761
Tax paid for the year- instalments	23,986,576	16,167,109
Withholding tax recovered	1,713,487	3,510,378
Current tax expense	<u>(17,626,560)</u>	<u>(25,739,114)</u>
Balance at 30 June	<u>4,004,252</u>	<u>(4,069,251)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

26. DEFERRED TAX (ASSET)/LIABILITY

Deferred income taxes are calculated on all temporary differences under the liability/asset method using the enacted tax rate of 30%

The net deferred tax liability is attributable to the following:

	2021/22 TZS '000	2020/21 TZS '000
Accelerated capital allowances	1,146,344	887,765
Provisions	(12,685,311)	(10,976,951)
IFRS 16- Leases liability	(71,002)	52,751
Defined benefit reserve	(6,899,708)	(5,451,599)
Revaluation gain	18,073,399	17,464,337
	<u>(436,278)</u>	<u>1,976,303</u>

The movement in the deferred tax account during the year is as follows:

	Opening balance TZS '000	Recognized in P&L TZS '000	Recognized in OCI TZS '000	Closing balance TZS '000
30 June 2022				
Accelerated capital allowances	887,765	258,579	-	1,146,344
Provisions	(10,976,951)	(1,708,360)	-	(12,685,311)
IFRS 16- Leases liability	52,751	(123,753)	-	(71,002)
Defined benefit reserve	(5,451,599)	(1,048,298)	(399,811)	(6,899,708)
Revaluation gain	17,464,337	-	609,062	18,073,399
	<u>1,976,303</u>	<u>(2,621,832)</u>	<u>209,251</u>	<u>(436,278)</u>
30 June 2021				
Accelerated capital allowances	775,657	112,108	-	887,765
Provisions	(2,606,990)	(8,369,961)	-	(10,976,951)
IFRS 16- Leases liability	245,826	(193,075)	-	52,751
Defined benefit reserve	(4,635,598)	(1,164,301)	348,300	(5,451,599)
Revaluation gain	16,919,427	-	544,910	17,464,337
	<u>10,698,322</u>	<u>(9,615,229)</u>	<u>893,210</u>	<u>1,976,303</u>

27. CONTRIBUTION INCOME

	2021/22 TZS '000	2020/21 TZS '000
Employer and employee contribution	516,129,693	458,368,682
Private members contributions	7,884,712	15,035,339
Students contributions	16,184,500	9,606,016
Toto Afya contributions	9,457,903	3,410,302
Other members contributions	2,923,418	3,059,214
	<u>552,580,226</u>	<u>489,479,553</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

28. MEMBERSHIP EXPENSES

	2021/22	2020/21
	TZS '000	TZS '000
Accreditation process	2,350	185,595
Actuarial valuation	120,561	34,748
Clients and Advocacy meetings	16,910	2,604,230
Facility Inspection	3,408	1,228,153
Health Promotion**	-	252,123
Consumable Medical supplies	25,073	-
Diesel	459,832	-
Printing of Forms and Identity cards	2,009,177	997,771
Research and development**	-	6,180
Ground travel (bus, railway taxi, etc.)	146,156	-
Review of NHIF policies	-	4,155
Trade Fairs & Exhibitions	51,182	191,114
Storage of Membership Records	-	3,440
HIV/ Aids**	-	52,964
Per Diem - Domestic - MS	6,755,295	-
Per Diem - Foreign	47,314	-
Agency fees - Brokerage Fees/Commissions	249,629	-
Publicity	245,514	342,560
Fraud Investigation**	-	257,909
Motor Vehicles and Water Craft	607,188	-
Food and refreshment	133,738	-
Claims processing expenses	660	-
Computerization expenses	32,816	618,199
Business continuity plan expenses**	-	78,252
Claims verification expenses**	1,400	1,100,467
	<u>10,908,203</u>	<u>7,957,860</u>

** These expenses have been categorized in the following items; Per Diem - Domestic - MS, Diesel, Food and Refreshment, and Motor Vehicles and Water Craft

29. DIVIDEND INCOME

	2021/22	2020/21
	TZS '000	TZS '000
TANZANIA BREWERIES LIMITED	1,237,864	776,699
WATUMISHI HOUSING SCHEME-UNITS	87,154	26,047
VODACOM TANZANIA PLC	-	4,479,734
NMB PLC	166,556	117,950
CRDB PLC	1,153,441	704,881
TWIGA CEMENT	98,679	98,679
DCB COMMERCIAL BANK PLC	-	32,400
	<u>2,743,694</u>	<u>6,236,390</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
30(a).INTEREST INCOME		
Government securities	36,996,947	41,634,643
Fixed deposit and call accounts	26,919,641	26,000,876
Loans to health facilities	466,051	660,437
Government loans	-	838,280
Other interest income	457,784	-
	<u>64,840,423</u>	<u>69,134,236</u>
30(b).RENTAL INCOME		
Rental on buildings	1,862,836	1,740,276
	<u>1,862,836</u>	<u>1,740,276</u>
31(a).ADMINISTRATIVE EXPENSES		
Employee benefit expenses:		
Salaries and wages	27,517,735	24,047,328
Staff medical expenses	84,796	185,630
Pension/Gratuity	4,246,072	3,687,401
Skills and development levy	1,647,253	1,486,662
NHIF Contribution	771,133	709,986
Housing Allowance	7,506,177	6,859,560
Transport Allowance	3,752,330	3,593,525
Utility Allowance	358,100	367,225
Travelling on leave	2,077,210	1,888,097
Workers Compensation	194,998	173,118
Defined Benefit Cost	3,384,812	1,881,967
Total employment cost	<u>51,540,616</u>	<u>44,880,499</u>
Other administrative expenses		
Entertainment expenses	13,100	-
Recruitment expenses**	-	62,283
Special duty expenses	674,309	681,465
Travelling(Moving)expenses	350,520	3,778,511
Planning and budget Expenses**	-	16,815
Office rent	426,043	674,220
Office expenses	5,778,756	6,409,555
Maintenance & running expenses	1,303,754	1,763,678
Insurance	288,066	250,864
Training expenses	133,339	933,861
Advertisement	-	44,850
Distressed Customers	-	7,937
Audit fees - statutory audit	430,826	470,000

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

31(a). ADMINISTRATIVE EXPENSES (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
Other administrative expenses (Continued)		
Audit expenses	38,825	70,195
Board meeting expenses	55,738	42,155
Board of directors fees*	84,985	-
Board Members Training*	138,480	-
Gifts and donations	305,880	833,117
Subscriptions to professional boards	168,693	10,209
Consultancy fees	876,481	681,323
Office security	389,704	273,954
Honoraria	22,857	5,000
Tendering expenses**	-	67,544
Master workers/Senior officers conferences**	-	873,067
Internet connectivity	1,493,258	1,054,565
Management meetings	18,000	134,696
TUGHE**	-	185,965
Annual party	-	111,414
Board of Survey**	-	12,411
Charges and commissions	81,172	595,809
Property Taxes	-	4,507
Stamp Duty	-	1,317
Interest expense on lease	228,458	369,593
Integrity committee Expenses**	-	565
Field (Practical Allowance)	73,947	-
Sitting Allowance	76,335	-
Outfit Allowance	1,000	-
Per Diem - Domestic - Admin	3,110,114	-
Conference Facilities	89,844	-
Tuition Fees	497,481	-
Remuneration of Instructors	54,520	-
Tuition fees - Foreign	24,042	-
Air Travel Tickets	358,943	-
Software and license Expenses	829,699	-
Temporary staff	412,800	-
Seminars, Workshops & Conferences	7,949	-
Tax-management car loan	174,038	-
Taxes Levied by another Level of Government	78,222	-
Total other administrative expenses	19,090,178	20,421,445
Total expenses before establishment	70,630,794	65,301,944

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

31(a).ADMINISTRATIVE EXPENSES (CONTINUE)

	2021/22 TZS '000	2020/21 TZS '000
ESTABLISHMENT EXPENSES		
Amortization of intangible assets	21,675	21,676
Depreciation on property and equipment	2,240,179	2,845,785
Amortization of Right of use Asset	1,226,002	1,322,030
Furniture Grant	22,000	50,387
	-	351,532
	<u>3,509,856</u>	<u>4,591,410</u>
Total administrative expenses	<u>74,140,650</u>	<u>69,893,354</u>

*There was no Board of Directors for the year ended 30th June 2021.

**These expenses have been categorized in the following items; Per Diem - Domestic - Admin, Food and Refreshment, Conference Facilities, and Motor Vehicles and Water Craft.

31 (b).IMPAIRMENT EXPENSES	2021/22 TZS '000	2020/21 TZS '000
Increase in expected credit loss in trade and other receivables	4,308,938	965,295
Impairment for term deposit*	885,120	19,823,352
Impairment provision on staff loans	(227,780)	2,691,567
Trade receivable write off	-	4,418,892
VAT receivable write off**	950,285	17,127,321
	<u>5,916,563</u>	<u>45,026,427</u>

* This term deposited matured in May 2017 and was rolled over for three consecutive years. During the year ended 30 June 2021, the Fund made a provision for impairment of this deposit due to failure of the bank to honour the matured payment due to its unfavourable liquidity position. Provision for impairment of this term deposit was also performed in the financial year ended 30 June 2022

**VAT receivable was written off following the assessment made by the Fund's tax advisor and the Tanzania Revenue Authority.

31 (c).OTHER EXPENSES	2021/22 TZS '000	2020/21 TZS '000
Prior year tax liabilities**	<u>48,918,936</u>	-
	<u>48,918,936</u>	-

**These relates to tax assessed by the Tanzania Revenue Authority (TRA) mostly relating to treasury bonds for the years from 2015 to 2020 that was not paid by the Fund. The assessment was concluded and issued on 22 August 2022. The Fund has agreed to pay the principal and interest amounting to TZS 48.9 billion.

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
32. OTHER INCOME		
Accreditation fees	122,611	136,680
Interest on staff loans	-	160,453
Gain on foreign exchange	-	1,970
Gain/(loss) on disposal of property and equipment	200,578	(43,263)
Income from IDs replacement	838,060	678,296
Sundry income	1,299,822	2,225,735
Equipment loan application fees	1,419	1,700
	<u>2,462,490</u>	<u>3,161,571</u>

33. INCOME TAX EXPENSE

Current tax expense	17,626,560	25,739,114
Over provision of current tax in prior year	-	(86,761)
Deferred tax credit (Note 26)	<u>(2,621,832)</u>	<u>(9,615,229)</u>
	<u>15,004,728</u>	<u>16,037,124</u>

The tax on the Fund's deficit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2021/22 TZS '000	2020/21 TZS '000
Current tax expense		
Deficit before tax	(189,649,613)	(93,676,118)
Tax calculated at the rate of 30%	(56,894,884)	(28,102,835)
Tax effect on:		
Expenditure permanently disallowed	7,101,232	31,688,565
Members contribution income	(165,774,068)	(146,843,866)
Members benefits expenses	202,276,479	162,165,151
Final withholding payment	(1,713,487)	(2,783,130)
Over provision in prior year	-	(86,761)
	<u>(15,004,728)</u>	<u>16,037,124</u>

34. TERM DEPOSITS

Term deposits received	207,091,941	357,055,641
Term deposits disbursed	<u>(241,000,000)</u>	<u>(286,500,000)</u>
Net (payment)/ receipt on term and call deposits	<u>(33,908,059)</u>	<u>70,555,641</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

	2021/22 TZS '000	2020/21 TZS '000
35. PAYMENT TO SUPPLIERS AND EMPLOYEES		
Accrual balance as at 1 July	2,629,005	2,240,326
Other payables balance as at 1 July	25,405,467	18,919,431
Add: Expenses incurred during the year		
Administrative expenses	74,140,650	69,893,350
Members services Expenses	10,908,203	7,957,860
Tax expense + Audit	48,918,936	-
Less: Non cash expenses		
Depreciation property & equipment	(2,210,776)	(2,829,837)
Depreciation investment property	(29,403)	(15,948)
Amortization intangible assets	(21,675)	(21,675)
Amortization of ROUA	(1,226,002)	(1,322,030)
Less:		
Accrual balance as at 30 June	(2,474,029)	(2,629,005)
Other payables as at 30 June	(89,112,552)	(25,405,467)
Impact of other balances affecting expenses		
less: Prepayment balance as at 1 July	(1,124,296)	-
Add: Prepayment balance as at 30 June	1,543,940	1,124,296
Less: Inventory balance as at 1 July	(6,723,435)	(3,357,171)
Add: Inventory balance as at 30 June	4,931,798	6,723,435
Less: Advance to staff as at 1 July	-	(1,000)
Add: Advance to staff as at 30 June	189,382	-
Less: Tumaini la Mama project balance as at 1 July	(2,231,088)	(2,231,088)
Add: Tumaini la Mama project balance as at 30 June	2,231,088	2,231,088
Add: Fraud recovery balance as at 30 June	3,601,489	4,648,358
Less: Fraud recovery balance as at 1 July	(4,648,358)	(1,423,879)
Less: Value Added Tax recoverable 1 July	-	(13,536,887)
Prior year Value Added Tax recoverable write off	-	13,536,887
Increase(decrease) Claim advances & supplementary deposits	18,179,026	-
As at 30 June	<u>82,877,370</u>	<u>74,501,043</u>
36. INTEREST RECEIVED		
Interest from treasury bills	35,575	1,583,075
Interest from treasury bond	29,323,268	32,527,935
Interest from fixed deposits	17,697,859	6,179,175
Interest from corporate bonds	117,841	454,214
Interest on service providers	496,642	660,437
Interest from call account	3,498,846	9,655,986
Interest from corporate body	2,835	7,584
Interest from Government loans	466,051	838,280
	<u>51,638,917</u>	<u>51,906,686</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022 (CONTINUED)

37. RELATED PARTY TRANSACTIONS

The Fund is controlled by the Government of the United Republic of Tanzania. The related parties to the Fund are the key management personnel and the Board of Directors. The following are the related party transactions which took place during the year under review:

	2021/22 TZS '000	2020/21 TZS '000
(a) Transactions with related parties		
Board of Directors fees	84,985	-
Key Management basic salary	3,850,956	3,818,500
Key Management allowances	2,287,917	1,999,425
	<u>6,223,858</u>	<u>5,817,925</u>
(b) Balances with key management personnel		
Loans to key management	3,238,328	4,475,769
Car loan tax benefit to key management	174,038	351,531
	<u>3,412,366</u>	<u>4,827,300</u>

Loan to key management comprises of housing loan, transport facility loan and educational loan. The housing and transport facility loans attract 3% interest while education loan is interest free. The maximum loan repayment period is 120 months. Tax benefit is paid by the Fund on behalf of the key management in respect of the motor car purchased.

38. COMPARATIVE FIGURES

Where necessary comparative figures have been reclassified to conform to changes in presentation in the current year.

39. CONTINGENT LIABILITIES

Contingent liabilities are possible obligations that are not probable. They arise in respect of litigation, investigations by competition, regulatory and fiscal authorities. At the reporting date there were several ongoing litigations and claims against the Fund in respect of unfair termination of staff and claim for recovery for unpaid staff loan guaranteed by the Fund. The Total litigation relating to the civil case approximately TZS 1 billion. There was contingent liabilities from National Identification Authority relating to usage of data by NHIF for verification of members during registration and medical treatment amounting to TZS 265.04 million. Management and directors do not believe that there is material liability which is needed to be provided apart from those already provided for as a result of these litigations.

40. CAPITAL COMMITMENTS

At the year-end, the Fund had a capital commitment of TZS 4.5 billion for rehabilitation of Morogoro Office building and construction of Pwani Regional Office.

41. EVENTS AFTER REPORTING DATE

As at the date of signing the financial statements, Management and Directors are not aware of any other matter or circumstance arising since the end of the Financial Year, not otherwise dealt with in these Financial Statements, which significantly affected the financial position of the Fund and results of its operations.