



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



ISO 9001:2015 Certified

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 2023**

Controller and Auditor General,
National Audit Office,
Audit House,
4 Ukaguzi Road,
P.O. Box 950,
41101 Tambukareli,
Dodoma, Tanzania.
Tel: +255 (026) 2161200,
Fax: +255 (026) 2123245,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

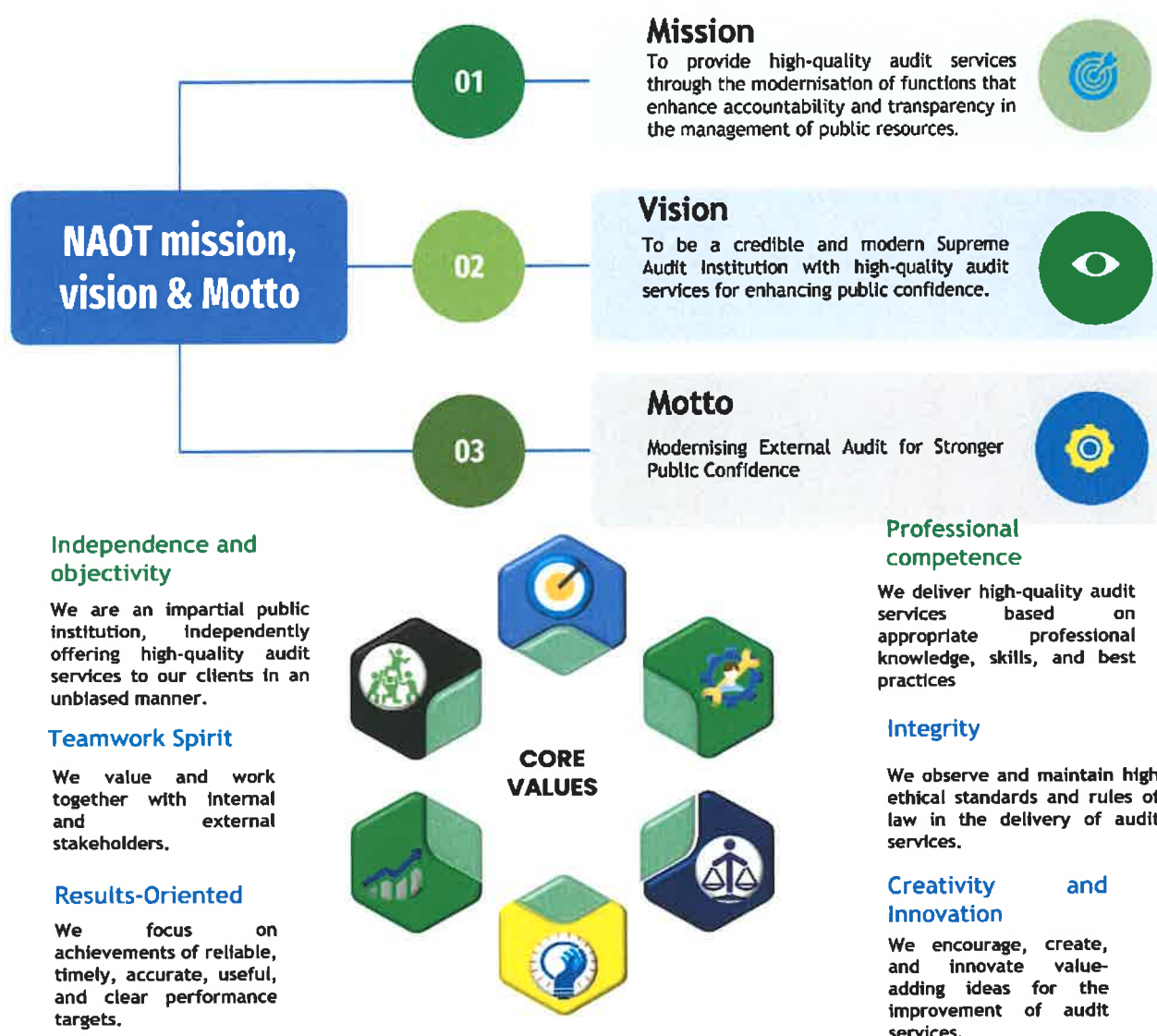
February 2024

AR/PA/NHIF/2022/23

About the National Audit Office

Mandate

The statutory mandate and responsibilities of the Controller and Auditor General are provided under Article 143 of the Constitution of the United Republic of Tanzania, 1977 and in Section 10 (1) of the Public Audit Act, Cap 418 [R.E 2021]



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ABBREVIATIONS

AR	Audit Report
CAG	Controller and Auditor General
CHF	Community Health Fund
DSE	Dar es Salaam Stock Exchange
ECL	Expected Credit Losses
ERMS	Enterprise Resource Management Suite
FVTPL	Fair Value Through Profit or Loss
GIZ	Gesellschaft für Internationale Zusammenarbeit
IAG	Internal Auditor General
ICT	Information Communication Technology
IFRSs	International Financial Reporting Standards
ISSAI	International Standards of Supreme Audit Institutions
KCMC	Kilimanjaro Christian Medical Centre
NAO	National Audit Office
NHIF	National Health Insurance Fund
OCI	Other Comprehensive Income
PAA	Premium Allocation Approach
QMS	Quality Management System
ROUA	Right of Use Assets
SACCOS	Savings and Credit Co-operative Society.
TFRS 1	Tanzania Financial Reporting Standard No.1
UHI	Universal Health Insurance

GENERAL INFORMATION

REGISTERED OFFICE

NHIF Head Office
NHIF House, Tambukareli Street
P.O. Box 1437
Dodoma.
Telephone: +255 26 2963887/8
Email: info@nhif.or.tz

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/Ohio 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

CONTRACTED AUDITOR

KPMG
2nd Floor, The Luminary,
Plot No. 574 Haile Selassie,
P. O. Box 1160,
Dar es Salaam, Tanzania.
Tel: +255 22 2600330/90

PARENT MINISTRY:

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

REGULATOR:

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

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 2023, and the statement of surplus or deficit and other comprehensive income, statement of changes in reserves and statement of cash flows 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 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the the Public Finance Act, Cap. 348.

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 119.99 billion (2022: TZS 132.58 billion) from dealing with members. The trend from 2022 indicates a growth in contribution income at an average rate of 14.6% while benefit expenses grew at 10.2%. The Fund also incurred a deficit

for the year amounting to TZS 156.77 billion (2022: TZS 205.95 billion). 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 loans receivable from Government Institutions TZS 208.32 billion

I draw attention to Note 15 which shows that, as at 30 June 2023 the Fund had loan receivables amounting to TZS 208.32 billion from four Government Institutions. These loans were guaranteed by the Government through the Ministry of Finance and Planning. However, during the year ended 30 June 2023, there was no any repayment of these loans contrary to respective loan repayment plans for those with written contracts.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance 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 2023, the Fund had unquoted investment amounting to TZS 48.74 billion. I considered this as a key audit matter as the valuation of unquoted investments 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, non-cash expenditure and a small change in the assumptions can have a material impact in the financial statements.	My audit procedures in this area included, among others: Involving internal valuation specialists to assess the appropriateness of the methodology and assumptions used to account for the unquoted investments. This included the comparison of key data with market benchmarks and to challenge the methodology used by using an alternative approach based on my knowledge and experience of the investee; Involving internal valuation specialists to independently recompute the value of shares as at 30 June 2023 and compare to the one recorded by management; Assessing the assumptions used in the valuations by checking that the assumptions used were consistent with my internally developed range of discount rates, by comparing the cash flows to historical results and considering the impact of other external information; Testing the accuracy of the calculations and assessed whether the assumptions used were in line with other

Key Audit Matter	How My Audit Addressed the Key Audit Matter
	market participants and reflected the particular status of the investment shareholding; and Assessing the adequacy of the disclosures in the financial statements in accordance with the requirement of IFRS 9 Financial instruments.

Other Information

Management is responsible for the other information. The other information comprises General Information, Report by Those Charged by Governance 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 Fund'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; and
- 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 (as amended in 2016) 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 No. 7 of 2011 and its Regulations (as amended in 2016).

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 2022/23 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.

Delays on vetting processes of the contract

I noted that, there was a delay of 10 days in vetting tender No. PA/071/2022/2023/HQ/NC/07 amounting to TZS 18.39 million for maintenance of central cooling system contrary to Regulation 60(2) of the Public Procurement Regulations of 2013 that requires the legal officer of the procuring entity to vet the draft contracts and provide comments to the accounting officers within fourteen days.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject Matter: Budget formulation and execution

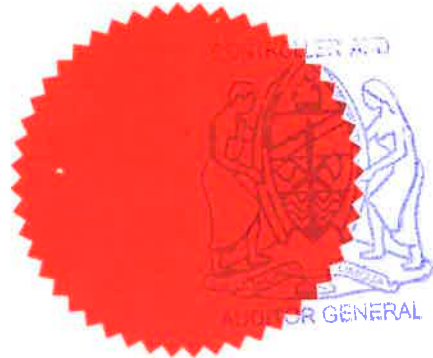
I performed a compliance audit on budget formulation and execution in the National Health Insurance Fund for the financial year 2022/23 as per the Budget Act and other Budget Guidelines.

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. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
February 2024



2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023

The Board of Directors is pleased to submit this 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 2023 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 National Health Insurance 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 embraces 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.

2.5 PRINCIPAL ACTIVITIES

The Fund's principal activities are: to register members, collect contributions, certify health care providers, invest members’ funds prudently, pay certified health care providers for services rendered to beneficiaries of the scheme, undertake actuarial valuation, quality assurance for medical services rendered and public education. 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 adapt 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 the rest of the Board Members were appointed on 23 June 2021 except for one member who was appointed on 13 June 2023.

Table 1: Composition of board members

No.	Name	Position	Age	Qualification
1	F CPA. Juma A.M. Muhimbi	Chairman	70	Master of Social Science in Accounting and Finance, F CPA
2	CPA. Anne C. Mbughuni	Member	64	Master of Social Science in 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	47	Master of Public Health
7	CPA. Aziz H. Kifile	Member	59	Master of Business Administration, CPA(T)
8	Mr. Shaban A. Kabunga	Member	48	Post graduate Diploma in Legislative Drafting
9	CPA. Maganga M. Japhet*	Member	46	Master of Real Estate, CPA(T)

*Appointed on 13 June 2023

The Director General is the Secretary to the Board.

The Board conducted four ordinary and one special meetings during the financial year ended 30 June 2023 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.M. Muhimbi	4	1
2	CPA. Anne C. Mbughuni	4	1
3	Mr. Edward N. Mbanga*	2	1
4	Dr. Samuel O. Ogilo*	4	-
5	Ms. Violet Mordichai*	3	1
6	Dr. Paul C. Chaote*	3	1
7	CPA. Aziz H. Kifile*	2	-
8	Mr. Shaban A. Kabunga*	3	-
9	CPA. Maganga M. Japhet**	-	-

*Absent from some of the meetings with apologies.

** Appointed on 13 June 2023 and not a member during the meeting dates.

During the year under review the Board of Directors discussed the following among others:

- i. Position of Long-Term Contributions Arrears Analysis by Aging as of 30 June 2022;
- ii. Enterprise Resource Management Suite (ERMS) Implementation as of 30 June 2022;
- iii. Report on Stakeholders Meeting at Singida, Geita and Mwanza Regions for the 4th Quarter of the Financial Year (FY) 2021/22;
- iv. Proposal for Changes of Loan Usage Approved to Muhimbili National Hospital and Temeke Regional Referral Hospital;
- v. Appraisal of Loan for Facility Improvement to St. Elizabeth Hospital;
- vi. Proposed Financial Policy of the National Health Insurance Fund;
- vii. Revised Research Policy;
- viii. Action Plan for Implementation of the Recommendations of Actuarial Valuation Report of the Fund for the year ended 30 June 2021;
- ix. Performance of Medical Equipment, Facility Improvement, Medicine and Medical Consumable Loans as of 30 September 2022;
- x. Status of the Implementation of the Actuarial Valuation Recommendations as at 30 June 2021 ;
- xi. Request to Change Usage of Approved Facility Improvement Loan to KCMC;
- xii. Status of Cases Against the Fund as at 31 March 2023;
- xiii. Report on Government Debts Repayment Plan as of 30 September 2022;
- xiv. Proposed Plan and Budget for the FY 2023/24;
- xv. Proposed Cessation of Quality Management Systems (QMS) ISO 9001:2015 by using External Consultant;
- xvi. Proposed change of Benefits of Toto Afya Kadi;
- xvii. Report on suspension of Online Claim Submission by 31 May 2023;
- xviii. The Report of the Board Visit to Tabora, Rukwa, Katavi, Songwe and Mbeya Regions,
- xix. Financial Statements of the Fund for the year 2021/22;

- xx. Follow up on implementation of Internal Audit Reports as at 30 July 2022;
- xxi. Internal quality Assessment Report for FY 2021/22;
- xxii. Annual Fraud Report for the FY 2021/22;
- xxiii. Three Quarterly Performance Reports of the Fund for the Financial Year 2022/23;
- xxiv. Three Quarterly Performance Reports of Procurement Management for the Financial Year 2022/23;
- xxv. Three Quarterly Internal Audit Unit Reports for the Financial year 2022/23;
- xxvi. Three Quarterly Performance Reports on Anti-Fraud Activities for the Financial year 2022/23;
- xxvii. Three Quarterly Performance Reports of the Risk Management for the Financial year 2022/23;
- xxviii. Three Quarterly Performance Report of Human Resources Management and Administration for the FY 2022/23;
- xxix. Annual Audit Report for the financial year 2021/2022;
- xxx. Risk Management Plan and Risk Register for the FY 2022/23;
- xxxi. Revised Risk Management Policy;
- xxxii. Management letter on Audit of Human Resources Management (extended coverage) for the FY ended 30 June 2022;
- xxxiii. Results and Action Plan for the External Quality Assessment on Internal Audit Functions Performed by IAG & GIZ;
- xxxiv. Interim Financial Statements of the Fund for the half year ended 30 June 2023;
- xxxv. Reviewed Anti-Fraud Policy for Year 2023;
- xxxvi. The Annual Risk Based Audit Plan for the FY 2023/24;
- xxxvii. Revised Internal Audit Charter 2023;
- xxxviii. Proposed Modality for the Staff Loans Revolving Fund;
- xxxix. Directives from Minister of Health;
- xl. Proposed Staff Regulations and Incentive Scheme 2023; and
- xli. The Status of Managerial Vacant Positions.

Pursuant to Sec 29 of the National Health Insurance Act 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 deliberations and decision making. 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 year under review the Committee conducted four ordinary meetings and one special meeting. 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	Special meeting attended
1	Dr. Samuel O. Ogilo	Chairman	4	1
2	Ms. Violet Mordichai	Member	4	1
3	Dr. Paul C. Chaote*	Member	3	-
4	CPA. Aziz H. Kifile*	Member	3	1
5	Mr. Edward N. Mbanga*	Member	2	-

*Absent from some of the meetings with apologies.

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

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

- i. Annual Performance Report of the Fund for the Financial Year 2021/22 (Actuarial Valuation Report as of 30 June, 2021;
- ii. Position of Long-Term Contributions Arrears Analysis by Aging as of 30 June 2022;
- iii. Annual Procurement Management Unit Report for Financial Year 2021/22;
- iv. Enterprise Resource Management Suite (ERMS) Implementation as of 30 June 2022;
- v. Report on Stakeholders Meeting at Singida, Geita and Mwanza Regions for the 4th Quarter of the Financial Year (FY) 2021/22;
- vi. Proposal for changes of loan usage approved to Muhimbili National Hospital and Temeke Regional Referral Hospital;
- vii. Appraisal of loan for facility improvement to St. Elizabeth Hospital;
- viii. Proposed Financial Policy of the National Health Insurance Fund;
- ix. Revised Research Policy;
- x. Three Quarterly Performance Reports of the Fund for the Financial Year 2022/23;
- xi. Performance of Medical Equipment, Facility Improvement, Medicine and Medical Consumable Loans as of 30 September, 2022;
- xii. Three Quarterly Performance Reports of the Procurement Management for the Financial Year 2022/23;
- xiii. Proposed amendments in the Reviewed Investment Policy;
- xiv. Action Plan for Implementation of the Recommendations of Actuarial Valuation Report of the Fund for the year ended 30 June 2021;
- xv. Status on the Implementation of Actuarial Valuation as at 30 June, 2021 and Recommendations;
- xvi. Request to Change Usage of Approved Facility Improvement Loan to KCMC;
- xvii. Status of Cases Against the Fund as at 31 March 2023;
- xviii. Report on Government Debts Repayment Plan as of 30 September 2022;
- xix. Proposed Plan and Budget for the FY 2023/24;
- xx. Proposed Annual Procurement Plan of the Fund for the FY 2023/24;
- xxi. Proposed Cessation of Quality Management Systems (QMS) ISO 9001:2015 by using External Consultant;
- xxii. Proposed Change of Benefits of Toto Afya Kadi;
- xxiii. Report on suspension of Online Claim Submission by 31 May 2023; and
- xxiv. The Report of the Board Visit to Tabora, Rukwa, Katavi, Songwe and Mbeya Regions.

(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 of the 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 year 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	Number of special meeting attended
1	CPA. Anne C. Mbughuni	Chairman	4	1
2	Dr. Paul C. Chaote	Member	4	1
3	Ms. Violet Mordichai*	Member	3	1
4	CPA. Aziz H. Kifile*	Member	3	1
5	Mr. Shaban A. Kabunga*	Member	2	1
6	CPA. Maganga M. Japhet**	Member	-	-

*Absent from some of the meetings with apologies.

**Appointed on 13 June 2023 and not a member during the dates of the meetings.

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. Financial Statements of the Fund for the year 2021/22;
- ii. Internal Audit Report for the Fourth Quarter ended 30 June 2022;
- iii. Follow up of the Previous Audit Report as at 31 July 2022;
- iv. Annual Audit Report for the financial year 2021/2022;
- v. Annual Fraud Report for the financial year 2021/22;
- vi. Internal Quality Assessment Report;
- vii. Risk Management Report as of 30 June, 2022;
- viii. Risk Management Plan and Risk Register for the Financial year 2022/23;
- ix. Revised Risk Management Policy;
- x. Three Quarterly Internal Audit Unit Reports for the Financial year 2022/23;
- xi. Three Quarterly Performance Reports of the Anti-Fraud Activities for the Financial year 2022/23;
- xii. Three Quarterly Performance Reports of the Risk Management for the Financial year 2022/23;
- xiii. Management letter on Audit of Human Resources Management (extended coverage) for the Financial Year ended 30 June 2022;
- xiv. Results and Action Plan for the External Quality Assessment on Internal Audit Functions Performed by IAG & GIZ;

- xv. Interim Financial Statements of the Fund for the half year ended 30 June 2023;
- xvi. Reviewed Anti-Fraud Policy for the Year 2023;
- xvii. The Annual Risk Based Audit Plan for the FY 2023/24;
- xviii. Revised Internal Audit Charter 2023; and
- xix. Proposed Modality for the Staff Loans Revolving Fund.

(c). Staff Welfare and Development Committee

The Committee is mandated to oversee all matters relating to welfare. During the year 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. Mbughuni*	Member	3
3	Dr. Samuel O. Ogilo	Member	4
4	Mr. Shaban A. Kabunga*	Member	1
5	CPA. Maganga M. Japhet**	Member	-

*Absent from some of the meetings with apologies.

** Appointed on 13 June 2023 and not a member during the dates of the meeting.

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: -

- i. Performance of the Human Resource Management and Administration from July 2021 to June 2022;
- ii. Specific Staff Matters;
- iii. Directives from Minister of Health;
- iv. Three Quarterly Performance Report of Human Resources Management and Administration for the FY 2022/23;
- v. Proposed Staff Regulations.

2.8 REMUNERATION OF THE 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 99.41 million (2022:Tzs 84.99). Other expenses incurred by the Board together with the compensation of the Management 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.

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 providing advisory services on matters related to prevention and combatting fraud practices facing the Fund;
- 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 Services Unit is responsible for provision of legal expertise and services; and
- xii. Manager for Public Relations Unit is responsible for provision of support 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. Celestin L. Muganga	Director of Planning and Investment	Master of Business Administration. Post Graduate

NATIONAL HEALTH INSURANCE FUND

No	Name	Position	Qualification
			Diploma in Scientific Computing, Post Graduate Diploma in Financial Management.
3	Mr. Lameck A. Kabeho	Acting Director of Human Resources and Administration	Master of Science in Human Resource Management (International Development).
4	Dr. David R. Mwenesano	Director of Medical and Technical Services	Master of Medicines (Internal Medicine), Master of Sciences.
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. Machume	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. Ntundu	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 (CPSP)
12	Ms. Anjela A. Mziray	Public Relations Manager	Master of Business Administration in Marketing.
13	Mr. Matamus A. Fungo	Acting Legal Services Manager	Master of Laws (LLM), Postgraduate Diploma in Legal Practice, Advocate of the High Court and Subordinate Courts and Bachelor of Laws (LLB)

2.10 HUMAN AND FINANCIAL RESOURCES

During the year ended 30 June 2023, the Fund had 695 staff compared to the year 2021/22 where it had 693 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).

2.11 KEY STRENGTHS OF THE FUND

The key strengths of the Fund are 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

- Diverse expertise on management of social health insurance.
- Decentralized Management System that supports regional settings to serve members; and
- 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 highly engaged ICT team that supports the Fund's business processes end to end; and
- Flexibility of the Fund to adopt ICT technological changes related to the Fund's business.

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 in both Tanzania Mainland and Zanzibar;
- Robust customer care systems which support close communication with our esteemed clients confirmed with ISO certifications; and
- Wide market share in the health insurance industry within the country.

iv. Finances, investments and ability to develop

- Effective budgeting and costs controls, thus enabling making sound investment decisions;
- Capital reserves invested in safe and liquid investments with relatively high rate of return; and
- Major source of the funds is from Government employees' and employers' contributions.

v. Management systems and business processes

- ISO Certified focusing on customer satisfaction; and
- Structure of the Fund supports the implementation of its objectives.

2.12 RISK MANAGEMENT AND INTERNAL CONTROL

The Management and Board of Directors 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:

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

The Management and Directors have assessed the internal control systems throughout the financial year ended 30 June 2023 and are of the opinion that they met acceptable criteria.

2.13 SOLVENCY

The Management and the Board of Directors of the Fund 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 Management of the Fund 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 pursuant to the Public Procurement Act 2011 as amended in 2016. Its composition has been done as stipulated in the second schedule of the Public Procurement Act. 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 2023, the Fund had 1,368,314 contributing members compared to 1,353,535 for the previous year. This figure translates to 4,978,856 beneficiaries for the year under review compared to 4,821,233 beneficiaries for the previous year equivalent to 8% of the population of the United Republic of Tanzania of around 59,851,375 people.

The number of registered employers by the Fund as at 30 June 2023 stood at 5,307 compared to 5,273 recorded in the previous year which is the increase of 0.6%. By the end of 30 June 2022. Details of members is shown in the table below:

Table 07: Details of principal members by category as at 30 June 2023

S/N	Member Category	2022/23	Proportion
1.	Public Employees	603,565	44.11%
2.	Students	338,384	24.73%
3.	Toto Afya Kadi	185,021	13.52%
4.	Private Employees	158,358	11.57%
5.	Najali Afya	43,403	3.17%
6.	Timiza Afya	12,074	0.88%
7.	Ushirika Afya	7,943	0.58%
8.	Wekeza Afya	10,227	0.75%
9.	Councilors	5,132	0.38%
10.	Umoja Afya	2,204	0.16%
11.	Intern Doctors	1,032	0.08%
12.	Members of Parliament	396	0.03%
13.	Baraza la Wawakilishi	77	0.01%
14.	Madereva Afya	262	0.02%
15.	Private Individuals	117	0.01%
16.	Bodaboda Afya	119	0.01%
	Total	1,368,314	100%

(b) Total assets

The total assets stood at TZS 959.91 billion (2022: TZS 1,106.45 billion, 2021: TZS 1,185.51 billion). The 13% decrease was attributed by changes in investments in term deposits, investment properties, corporate bonds, government securities, contributions, other receivables, and inventories, as detailed below:-

i. Cash and bank balances

Cash and bank balances amounted to TZS 66.88 billion (2022: TZS 12.91 billion). The notable increase of 418% was caused by the transfer of fund balances from commercial banks for the year-end contributions payment.

ii. Investment in term deposits and calls

Investment in term deposits reached TZS 189.64 billion (2022: TZS 248.42 billion). This decrease of 24% was attributed by matured term deposits that were not reinvested. The reason for this non-reinvestment was a shortage of available funds for investment, which in turn was caused by an increase in benefit expenses.

iii. Investment in shares

Investment in shares amounted to TZS 150.71 billion (2022: TZS 150.64 billion). The increase of 1% is due to a net gain of share prices for the shares invested in various companies. There was an increase in listed shares value by TZS 2.37 billion while there was decrease in unlisted shares value by TZS 2.29 billion, hence a net increase of TZS 71.77 million.

iv. Investment in Government Securities

Investment in Government securities amounted to TZS 190.65 billion (2022: TZS 282.53 billion). This 33% decrease was attributed by absence of new investments during the year and the maturity of certain securities that were not reinvested.

v. Investment in Corporate Bonds

No new investments were made in corporate bonds throughout the year. In 2022, there was an investment of TZS 1.00 billion, which was consistent with the amount invested in 2021. However, in the current year, there has been a decrease of 100%. This reduction was attributed by the maturity of Tanzania Mortgage Refinance Company(TMRC) securities and an unplanned shift in investment focus towards this particular category. This change was necessitated by the lack of available funds for investment in other avenues.

vi. Contributions and other receivables

The balance of contributions and other receivables reached TZS 54.36 billion in the current year (2022: TZS 81.47 billion). This decrease of 33% was attributed by reductions in claims verification receivables, staff advances, and advanced payments to service providers.

vii. Loans receivable

The outstanding loan receivables amounted to TZS 207.48 billion in 2023, compared to TZS 228.03 billion in 2022. This 9% decrease is attributed to the provision for interest on a Government loan and the written-off penalties. Interest on Government loans is provided because the Government has committed to paying solely the principal amount of TZS 180.03 billion.

viii. Other loans receivable

Other loans receivable amounted to TZS 40.52 billion (2022: TZS 38.85 billion). This 4% increase was attributed by a rise in the number of staff members qualifying for loans.

Going forward the Board has decided to operate a Staff Loans Revolving Fund which will systematically reduce the loans to TZS 20 billion by the year 2032/2033.

ix. Inventories

The inventory amounted to TZS 1200.36 million (2022: TZS 4,931.80 million). The 76% decrease was attributed by decrease in ID materials closing balance and the outsourcing of ICT consumable costs to external suppliers during the year.

x. Investment property

The Investment Property amounted to TZS 421.99 million as of the current year, compared to TZS 432.05 million(2022). This 2% decrease was caused by annual depreciation.

xi. Property and equipment

Property and equipment reached TZS 50.96 billion (2022: TZS 51.30 billion, 2021: TZS 54.36 billion). This 1% decrease was attributed by depreciation charges for the year.

During the year ended 30 June 2023, Management and the Board of Directors noted that depreciation on property and equipments had been computed basing on inaccurate useful lives. Management and the Board of Directors decided to perform a thorough review of the useful lives of its property and equipment. The exercise resulted to a need to restate the carrying value of property and equipment and show comperatives from financial year ended 30 June 2021.

(c) Total liabilities

The total liabilities amounted to TZS 342.25 billion (2022: TZS 334.53 billion. This 2% increase was attributed by the rise in benefits, other payables, and defined benefit obligations as indicated below:-

i. Benefit and other payables

The balance of benefits and other payables stood at TZS 335.86 billion (2022: TZS 309.61 billion). The 8% increase was attributed by increased benefit expenses during the year as compared to prior year.

ii. Defined benefit obligations

The defined benefit obligations amounted to TZS 3.91 billion (compared to TZS 22.78 billion in 2022). This decrease was attributed by the abolishment of two key benefits that were based on an employee's services (Severance pay of one month's salary for each year of service and gratuity of 5% of annual salary for each year of service).

(d) Total reserves

The total reserves decreased to TZS 617.66 billion in 2023 from TZS 771.92 billion in 2022 and TZS 977.98 billion in 2021, due to a net deficit of TZS 154.26 billion incurred during the year.

(e) Contributions income

The contributions income stood at TZS 633.51 billion, compared to TZS 552.58 billion in 2022. This 15% increase was attributed by several factors, including the rise in the recruitment of new members under the employer category, salary increments for public employees, diligent employer follow-ups on contributions collection, and an increase in registrations of Vifurushi members.

(f) Benefit expenses

Benefit payments reached TZS 743.28 billion as at 30 June 2023 compared to TZS 674.25 billion paid in 2021/22 equivalent to growth rate of 10%. The reasons for increase in benefit payments among other things include; increased claims payments for retirees who are

covered by the Fund with their spouses without contributing whose expenditure stood at 84.70 billion in 2022/23 equivalent to 11% of the total benefit payments, increase in costs for Non Communicable Diseases amounting to TZS 137.80 billion attributed to advancement of medical technology for diseases which up to 2015 was being paid through the Ministry of Health, while from 2016 onwards the same is being met by the Fund.

Moreover, the use of benefit package price fee schedules for 2016 whereby some of the items do not reflect the prevailing market prices and adverse selection causing by voluntary nature to join the Fund for some of members groups.

(g) Members service expenses

Members service expenses amounted to TZS 10.22 billion in the current year (2022: TZS 10.91 billion). The 6% decrease was driven by reduced expenditures in areas such as printing forms and IDs for members, actuarial valuation expenses, and computerization expenses.

(h) Investment income

Investment income stood at TZS 58.98 billion in 2023, compared to TZS 69.45 billion in 2022. The 15% decrease in investment income was attributed by a reduction in the availability of investible funds.

(i) Administrative expenses

The administrative and establishment expenses total amounted to TZS 58.03 billion, accounting for 8.2% of the Fund's total income (compared to TZS 75.45 billion in 2022, which represented 12% of the Fund's total income in the preceding year). This percentage aligns with the requirement stipulated in the NHIF Act CAP 395, which mandates that administrative expenses must not surpass 15% of the total income of the Fund.

The decrease in administrative expenses was a result of adjustment made on defined benefit obligations which was expensed in previous years and cost containment measures in various areas such as maintenance and running expenses, gifts and donations, subscriptions to professional boards, consultancy fees, honoraria, office consumables, uniforms and ceremonial dresses, tuition fees, air travel tickets, and sporting supplies.

(j) Impairment expenses

The impairment expenses total amounted to TZS 27.89 billion, (compared to TZS 5.92 billion in 2022). The increase of 371% was significantly attributed by impairment of Government Loans.

(k) Other expenses

Other expenses total amounted to TZS 0.14 billion, (compared to TZS 48.92 billion in 2022). The decrease was significantly attributed by prior years (2015:2020) tax expenses raised under audit which was booked in 2022 however no significant amount raised in 2023.

(l) Other income

Other income increased to TZS 4.23 billion (2022: TZS 2.47 billion). This growth of 71% was attributed by several factors, including income generated from ID replacements, recoveries of doubtful bad debts, gains from foreign exchange transactions, the reclassification of income originating from the CHF Fund, and a rise in commissions earned from supplementary services.

(m) Accumulated reserves

The accumulated surplus (reserves) has decreased to TZS 570.66 billion (2022: TZS 727.43 billion, 2021: TZS 933.98 billion) in the preceding year, which was attributed by a deficit for the year amounting to TZS 156.77 billion. However, based on the measures taken by the Fund and supported by the Government the deficit has decreased from TZS 205.95 in the year 2021/22 to TZS 156.77 billion in the year 2022/23.

(n) Net cash in operating activities

The net cash from operating activities amounted to negative TZS 142.05 billion in the current year (2022: TZS 178.53 billion). The improvement was attributed to the higher cash collected from contributions income, totaling TZS 641.78 billion (2022: TZS 535.00 billion). Additionally, an increase in other sources of income and a reduction in payments made to suppliers and employees, as compared to the previous year, further contributed to this decrease.

(o) Net cash from investing activities

The net cash from investing activities has increased to TZS 209.43 billion in 2023 compared to TZS 114.67 billion in 2022. This growth was attributed by an increase in the actual cash collected from investments and loans repayments received throughout the year.

(p) Cash and cash equivalent

The cash and cash equivalent balance (including investment in call deposits) has risen to TZS 107.48 billion compared to TZS 41.15 billion in 2022. This increase was attributed by investment income received, the maturity of TMRC securities, more investments in calls and the transfer of fund balances from commercial banks for year-end contributions payments.

(q) 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 was mainly in short term avenues particularly on fixed and call deposits.

(r) 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 December 2022 to incorporate new investment guidelines issued by the Bank of Tanzania (BOT), which set limits on various permissible areas of investment for social security schemes.

Table 08: The Fund's investment portfolio as at 30 June 2023.

Particulars	Investment as at 30 June 2023		Investment as at 30 June 2022		Approved allocation
	TZS'000	%age	TZS'000	%age	
Investment in term and call deposits	189,641,849	26%	248,423,209	28%	0-35%
Government Loans*	208,316,618	28%	210,291,303	23%	0-10%
Investment in Government securities	190,649,507	26%	282,534,118	32%	20-70%
Investment in corporate bonds	-	0%	1,003,837	0%	0-20%
Investment in shares	150,713,332	20%	150,641,557	17%	0-20%
Total	739,321,306	100%	892,894,024	100%	

* Government Loans 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 loans to the Government above the allowable maximum limit of 10% of the total assets.

During the year ended 30 June 2023, the Fund recorded income from investments amounting to TZS 58.98 billion compared to TZS 69.45 billion in the year ended 30 June 2022.

2.16 LIQUIDITY POSITION OF THE FUND

The Fund's current ratio for the fiscal year 2022/23 stands at 1.02:1 in comparison to the previous year's ratio of 1.48:1 in 2021/22. This indicates that the Fund remains adequately liquid, with its current assets capable of meeting its current liabilities. Additionally, the Net Working Capital for the year 2022/23 is reported at TZS 7.02 billion, as compared to TZS 149.17 billion recorded in the year 2021/22.

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. The existing management systems are invariably complied with and this has resulted in smooth operations of the Fund.

2.18 MANAGEMENT OF DONOR FUNDED PROJECTS

The Fund used to collaborate with donors in various projects geared towards preventive maternal and newborn death in the country. At 30 June 2023, there were no any new implemented project. However, following completion of negotiation between the Government of Tanzania and Germany, the two parties expect to implement the ICT project

with the objective of improving the Fund's ICT systems. The project implementation is expected to start in FY 2023/24. In addition, the Germany Government has committed funds for the implementation of Tumaini la Mama Project Phase IV that is in initial preparation stages.

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 in the areas of membership, data and IT, service providers management and assets and liabilities as follows;

a) Membership related issues

i. Membership categories under Students, Toto Afya and non-Vifurushi related Individual solutions have consistently utilized over 200% of their contributions in accessing their benefits, the report recommended the following;

- a. To move all voluntary products except Private employees to Vifurushi product adopting all the same controls; or
- b. To underwrite the Toto Afya and Students 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.

ii. Retirees, who do not contribute to the scheme, had an average costs per principal member that are higher than all other demographics except members of parliament. The average monthly pension for public sector retirees was approximately TZS 560,000.

Hence there is merit in collecting contributions from them. The report recommended the following;

- a. To extend mandatory contribution period from 10 years to 15 years;
- b. To introduce mandatory premium collection of 10% of pension to be collected from the source of the pensions once payment of 15 years of credits has been achieved;
- c. To use a Chronic Disease Management Program to manage the cost and frequency of consultations, diagnostics and medication provided to retirees with chronic illness; and
- d. Do not on board private sector retirees until the Fund has stabilized and an actuarial valuation has been done.

iii. Private employees often understate their salaries leading to lower than required level of contributions. The Fund should partner with the revenue authority and/or national pension scheme in data validation of salaries through system integration.

- iv.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. Data and financials have reconciliation differences and there are data gaps observed in trying to match claims to membership data. The report recommended the following;
 - a.To conduct an IT audit to develop a business process harmonization strategy that would allow internal systems to be more aligned;
 - b.To conduct data cleaning exercise and verification of members' records;
 - c.Incorporate close of business process into business process to allow for daily reconciliation between data and financials; and
 - d.Assess how to unbundle the diagnosis and interpretation of diagnosis so the system allow for separate comments by multiple doctors for single tests done on an individual within a single treatment period.
- ii. Data practices are not governed by any law and no data protection act has been adopted in the country. Therefore, the report recommended the following;
 - a.To adopt a data protection law following consultation with the Ministry of Information and Communication Technology to avoid disruption when law is enacted; and
 - b.To explore solutions that provide members with ownership of their data.

The data protection Act,2022 was passed on 1 November 2022 and adopted by the Fund.

c) Service providers management

- i.The referral system is ineffective with individuals often seeking direct care from higher level facilities. The report recommended the following;
 - a.To 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;
 - b.To 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; and
 - c.To work with MOH to determine a suitable provider rating framework.
- ii.The Fund is exposed to overcharging by providers because of lack of standardized treatment protocols, fraud and collusion between providers and members. In this regard, the following were recommended;
 - a. To implement biometric identification at point of services.
 - b. To finalize study on payment mechanism to establish;
 - Estimated number of visits per provider;
 - Cost of care per visit for different providers;
 - Capacity of providers to provide services;
 - Parameters to be monitored to assesses the quality of healthcare; and
 - Facilities to pilot the capitation model

iii. The Fund should collect easily translatable feedback from consumers using USSD codes on CRM system post -visit to develop a rating that includes member's view of providers' quality of care.

d) Assets and liabilities

- i. Investments in all asset classes aside from direct loans to Government were within the prescribed thresholds in the Revised Investments Policy 2017 with the exception of Government loans which were in excess of TZS 208.32 billion and not paid to the Fund. In order to improve solvency of the scheme, the report recommended the following;
 - a. Do not issue any more direct loans to the Government;
 - b. To develop payment structure for existing loans; and
 - c. Ensure no new investments in real estate and industrial are made until the Fund stabilizes.
- ii. There is a significant tax burden on NHIF. The Government to consider exempting NHIF from tax requirements given that it is a social security scheme;
- iii. 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, it is recommended an alternative specific measure of creditworthiness be set with input from the BoT; and
- iv. Do not make new investments in any industries until at least the next actuarial valuation.

The number of recommendations put forward in the Actuarial Valuation Report were 16, out of which, by the end of June 2023, six (6) were implemented equivalent to 38% of the recommendations, while eight (8) were partially implemented equivalent to 50% of the total recommendations. In addition, the remaining two (2) recommendations have not been implemented due to the fact that their timelines for implementation are yet. The Fund continues with the implementation of the prepared action plan of the recommendations put forward in the actuarial valuation.

2.20 FUND STRATEGIES AND FUTURE 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;

As a key participant in the Government's health financing strategy, the Fund aims to increase health insurance coverage for both formal and informal sectors by implementing

creative and innovative market strategies and by fostering relationships with stakeholders. To address adverse selections and promote the concept of social solidarity among members, the

Fund has reviewed enrollment procedures for some packages such as Toto Afya, cooperatives and Organized Groups.

Subsequent to the year end, in December 2023, the Government signed the UHI Act which will enforce the concept of social solidarity and address adverse selections problem. The Fund is set to continue with preparations to implement the envisaged UHI Act by undertaking enhancement in areas of ICT systems in collaboration with Development Partners, organization structure and capacity building.

2.21 MAJOR ACHIEVEMENTS DURING THE YEAR

For the year ended 30 June 2023, 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 634,464 new and renewed members out of members targeted, which is equivalent to 89% of the annual target of 715,471 new members. At 30 June 2023, the Fund had a total of 1,368,314 members and 4,978,856 beneficiaries;
- Increase in contributions income from TZS 552.58 billion in the financial year 2021/2022 to 633.51 billion in the year 2022/2023 equivalent to an increase of 15%.
- 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;
- The Fund granted permission to 150 staff to attend trainings out of which 65 (2 staff in full time studies and 63 in part time studies) were attending long term training and 85 attended short term training. Furthermore, the Fund continued to facilitate 15 staff (11 on full time studies and 4 on part time studies) who were in long course training in their second and third years of their studies. This makes a cumulative total of 165 staff who attended training during the financial year 2022/23.
- Improve access to quality healthcare services to beneficiaries by certifying a cumulative of 9,186 health care facilities;
- Improved service provision to customers of the Fund in line with ISO 9001:2015 standards. During the year, the Fund recorded a customer satisfaction level of 92%;
- Provision of Medical Equipment and Facility Improvement (MEFI) loans to 29 health facilities for enhancing health services provision in health facilities. The MEFI loans provided in the review year amounted to TZS 13.30 billion; and
- Enhanced anti-fraud investigations to members, employers and service providers for fighting against fraudulent activities. As a result, a total of TZS 7.26 billion is expected to be recovered for the year ended 30 June 2023.

Summary of key performance indicators during the year ended 30 June 2023 is shown in Table 09 below:-

Table 9: Summary of KPIs of the Fund for the year ended 30 June 2023

OBJECTIVE	KPIS	TARGET	ACTUAL PERFORMANCE
i. HIV/AIDS and NCDs reduced	Number of new HIV cases	-	0 - No staff has voluntarily declared their status.

NATIONAL HEALTH INSURANCE FUND

OBJECTIVE	KPIS	TARGET	ACTUAL PERFORMANCE
supportive services enhanced	Prevalence rate of NCDs	<=35%	43% - NCDs prevalence is higher compared to 33% recorded in the similar period in the previous year. Awareness and sensitization programs are ongoing.
	Percentage of staff LHIV provided with care	100%	0% - No staff declared their status.
ii) Implementation of national Anti-corruption strategy enhanced and sustained.	Number of staff corruption cases	-	0% - There were no cases related to staff corruption reported during the year.
iii) Membership coverage of the Fund expanded	Recruitment of new members and retaining of yearly renewable membership.	715,471	634,464- Fairly good performance of 89% is attributed to high recruitment in public sector as the Government increased new employments.
	Percentage of population covered	12%	8% -Low coverage is attributed to voluntary nature for joining health insurance schemes in the country.
iv) Access and quality of services provided to beneficiaries enhanced	Level of satisfaction with quality and access to services	95%	92% - High satisfaction rate is due to improved quality of services, including the comprehensive benefit package and customer care.
v) Revenue collection and Fund sustainability enhanced	Funding ratio	2.9	0.9 - Low funding ratio is attributed to higher rate of benefit payment growth compared to revenues.
	Revenue growth rate	17%	12%- Low revenue growth rate is attributed to low recruitment of members.
vi) Institutional capacity enhanced	Staff retention rate	99%	100%- High performance is due to high satisfaction rate of staffs and efficient retention schemes.
	% of trained staff as per approved Training Programme	100%	100% - The Fund granted permission to 150 staff to attend trainings out of which 65 (2 staff in full time studies and 63 in part time studies) were attending long-term training and 85 attended short-term training. Furthermore, the Fund continued to facilitate 15 staff (11 on full time studies and 4 on part time studies) who were in long course training. This makes a cumulative 165 staff who attended training during the year 2022/23.

2.22 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:

- i. Increased medical costs for retirees and their spouses that increased from TZS 78.6 Billion in 2021/22 to TZS 83.7 billion in 2022/23 and not monthly matched with contributions;
- ii. The Benefits Package currently in use is of 2016 which was not reflecting the market reality with some of the items remaining higher with outdated controls;
- iii. Long outstanding loans to the Government amounting to TZS 208.32 that has adversely impacted investments activities;
- iv. Advancement in medical technology with significant increase of medical costs coupled with increased non-communicable diseases; and
- v. Voluntary nature of joining the scheme by members from the private sector hence the effects of adverse selections.

2.23 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; and
- 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 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 behavior, 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, behaviors, perceptions and deeds of stakeholders; and
- Undertakes disaster recovery tests on regular basis.

2.24 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).

2.25 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.

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 Loans Policy approved by the Board and the assessment of and the discretion of the Management as to the need and circumstances. At the year, ended 30 June 2023 a total of TZS 40.84 billion was outstanding loans to staff compared to TZS 38.85 billion for year ended 30 June 2022. Management has also established a Savings and Credit Co- Operative Society (SACCOS) to assist in promoting the welfare of its employees.

f) Contributions 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 838.71 million compared to TZS 771.13 million in the year ended 30 June 2022.

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 695 employees, out of which 442 (equivalent to 63.6%) were male and 253 (equivalent to 36.4%) were female.

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.

2.26 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. In the year the Fund executed 6 stakeholder meetings which included among others members, medical service providers, employers and media people as well as participating in 5 exhibitions among them being Sabasaba and Nanenane exhibitions. Other strategies used in communicating with its stakeholders included social media, electronic media, print media, Fund's website and call center with a 24/7 toll free number 199.

2.27 POLITICAL AND CHARITABLE DONATIONS

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 health and social matters. During the year 2022/23 the Fund donated to charitable organizations a total amount of TZS 118.68 million. The Fund did not donate to any political organization.

2.28 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.

2.29 ACCOUNTING POLICIES

The NHIF Act CAP 395 gives the responsibility to Management under the oversight of 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.

2.30 CAPITAL MANAGEMENT

The Fund capital includes revaluation reserves and accumulated surplus which stood at TZS 570.66 billion for the year ended 30 June 2023 compared to TZS 727.43 billion for the year ended 30 June 2022. 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 optimize the achievement of stakeholders' expectations. No changes were made in the objectives during the year ended 30 June 2023.

2.31 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 year ended 30 June 2023. The Fund has a toll-free number 0800111163 for receiving corruption and related fraud incidences from the public.

2.32 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. Furthermore, the Fund has embarked on technology integration by ensuring that all processes are automated and therefore, do away with paper work aiming to protect the environment. At present, the Fund continues to facilitate certified health facilities in submitting their monthly claims through the online system, consequently reducing paperwork.

2.33 EVENTS AFTER END OF THE REPORTING YEAR

Following the subsequent enactment of the Universal Health Insurance Act 2023, among other things, it is expected that a significant number of the Tanzanian population will be taken on board in the health insurance system. Consequently, it is expected that the implementation of the UHI Act will greatly have an impact on the National Health Insurance Fund, since the Fund is one of the key players responsible for the implementation of the Act.

According to the UHI Act, membership coverage for the National Health Insurance has been extended to include other categories of members who shall join on a mandatory basis.

In this regard, the Fund will not only cover public servants but also other categories of members including employees from the private companies in which the Government or its agent has share has at least 30%. In addition, all poor households which according to Population Census Report for Year 2022, 26.4% of Tanzania total population lives below the poverty line. In covering this group, the Government has already specify sustainable sources of financing in which their contributions will be channelled direct to the National Health insurance Fund for service provision. Furthermore, apart from additional categories of members to the Fund, the Act also allows the remaining categories of members from formal and informal private sector to choose health insurance scheme of their choice including the National Health Insurance Fund. In this regard, considering various ongoing interventions on cost containment measures taken by the Fund, implementation of the UHI Act is expected to ensure the sustainability of the scheme.

2.34 COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 30 June 2023 there were no serious prejudicial matters to report as required by Tanzania Financial Reporting Standard No.1 (TFRS 1) on report by those charged with governance.

2.35 PREJUDICIAL MATTERS

The Management and Directors confirms that there were contingent liabilities of TZS 12.78 billion related to civil cases and TZS 612 million related to usage of data from NIDA as at reporting date. More details are disclosed in Note 39.

2.36 STATEMENT OF COMPLIANCE

This 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.

2.37 STATUTORY AUDITOR

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 2023, together with M/s KPMG in order to enable him to form an audit opinion.

2.38 RESPONSIBILITY OF THE AUDITOR

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.

2.39 RESPONSIBILITIES OF THE MANAGEMENT AND DIRECTORS

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 for the year ended 30 June 2023 to the date of approval of the financial statements, , 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. More details of the responsibilities of Management and the Directors are shown on page 36.

Approved by the Board of Directors on 2024 and signed by:


FCPA. Juma A. Muhimbi
Board Chairman

Date:

23/02/2024


Mr. Bernard H. Konga
Director General

Date:

22/02/2024

3.0 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2023

The Management of the National Health Insurance Fund is responsible for preparation and submission of financial report that give a true and fair view of the National Health Insurance Fund. The financial statements comprised of the statement of financial position of the Fund as at 30 June 2023, 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 the International Financial Reporting Standards (IFRSs) and in the manner required by the National Health Insurance Fund (NHIF) Act, CAP 395. The Board of Directors is responsible for overseeing the Fund's financial reporting process.

Management and Directors are also responsible for such internal controls as their assessments are necessary to enable preparation of the 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.

Management and 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 purchaser of health care services in the country continued to disburse medical costs related to COVID-19 cases for her esteemed beneficiaries. Following various intervention at national and international level the Directors believe that impact of covid will be insignificant on the Fund's financial performance on the 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.

Approval of the financial statements

The Financial Statements of the 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: 23/02/2024



Mr. Bernard H. Konga

Director General

Date: 22/02/2024

4.0 DECLARATION OF THE HEAD OF FINANCE FOR THE YEAR ENDED 30 JUNE 2023

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 Management 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.

I, **Grace A. Temba**, being the Director of Finance of the National Health Insurance Fund, hereby acknowledge my responsibility of ensuring that financial statements as at 30 June 2023 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

Date 22/02/2024

5.0 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

		2022/23 TZS'000	2021/22 Restated* TZS'000	2020/21 Restated* TZS'000
ASSETS	Notes			
Non-Current Assets				
Investment in shares	11	150,713,332	150,641,557	148,611,350
Investment in Government Securities	12	179,618,760	188,048,275	302,715,583
Investment in corporate bonds	13	-	-	1,003,896
Loans receivable	15	200,602,098	223,753,148	225,376,447
Other loans receivable	16	31,359,340	29,219,757	28,359,678
Right of use assets	20(a)	2,083,065	1,449,425	2,324,609
Deferred tax asset	26	-	436,278	-
Intangible assets	19	29,711	29,711	51,386
Investment property*	18	421,989	432,054	442,119
Property and equipment*	21	50,963,063	51,301,719	54,358,104
		<u>615,791,358</u>	<u>645,311,924</u>	<u>763,243,172</u>
Current Assets				
Cash and bank balances	9	66,883,172	12,909,071	54,362,117
Investment in call deposits	10(a)	40,596,336	28,241,317	52,057,369
Investment in corporate bonds	13	-	1,003,837	-
Investment in term deposits	10(b)	149,045,513	220,181,891	186,277,430
Contribution and other receivables	14	54,362,831	81,466,164	40,688,366
Investment in Government Securities	12	11,030,747	94,485,843	69,448,041
Loans receivable	15	6,873,093	4,278,535	5,242,071
Other loans receivable	16	9,155,963	9,630,492	7,466,077
Current tax asset	25	4,974,457	4,004,252	-
Inventories	17	1,200,358	4,931,796	6,723,434
		<u>344,122,470</u>	<u>461,133,198</u>	<u>422,264,905</u>
TOTAL ASSETS		<u>959,913,828</u>	<u>1,106,445,122</u>	<u>1,185,508,077</u>
EQUITY AND LIABILITIES				
Reserves				
Fair value reserve - Equity investment	11	41,134,009	41,083,767	39,662,622
Fair value reserve - Defined benefit obligation	24	5,866,837	3,405,039	4,337,930
Accumulated reserve		570,658,241	727,428,958	933,981,750
		<u>617,659,087</u>	<u>771,917,764</u>	<u>977,982,302</u>
Liabilities				
Non-Current Liabilities				
Deferred tax liability	26	216,707	-	1,976,303
Lease liability	20(b)	1,019,906	795,477	1,249,691
Defined benefit obligation	24	3,912,290	22,777,000	18,172,000
		<u>5,148,903</u>	<u>23,572,477</u>	<u>21,397,994</u>
Current Liabilities				
Benefits and other payables	22	335,859,597	309,614,282	180,711,609
Current tax liability	25	-	-	4,069,251
Lease liability	20(b)	1,246,241	1,041,953	1,048,039
CHF matching fund payable	23	-	298,646	298,882
		<u>337,105,838</u>	<u>310,954,881</u>	<u>186,127,781</u>
Total Liabilities		<u>342,254,741</u>	<u>334,527,358</u>	<u>207,525,775</u>
TOTAL EQUITY AND LIABILITIES		<u>959,913,828</u>	<u>1,106,445,122</u>	<u>1,185,508,077</u>

The financial statements on pages 38 to 92 were approved and authorised for issue by the board of directors on and signed by:

FCPA. Juma A. Muhimbi
Board Chairman

Mr. Bernard H. Konga(Director General)
Director General

The notes on pages 42 to 92 are an integral part of these financial statements.

Auditor report on pages 2 to 7.

*See Note 38 for explanation of restatement adjustments.

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

		2022/23	2021/22
	Notes	TZS '000	Restated* TZS '000
CONTRIBUTIONS AND BENEFITS			
Contribution income	27	633,508,831	552,580,226
Benefit expenses	22	(743,277,534)	(674,254,930)
Members services expenses	28	(10,216,433)	(10,908,203)
Net deficit from dealing with members		(119,985,136)	(132,582,907)
RETURN ON INVESTMENTS			
Dividend income	29	3,682,181	2,743,694
Interest income	30(a)	53,429,718	64,840,423
Rental income	30(b)	1,866,491	1,862,836
Total investment income		58,978,390	69,446,953
Administrative expenses	31(a)	(53,077,733)	(70,630,796)
Establishment expenses	31(b)	(4,947,630)	(4,814,432)
Impairment expenses	31(c)	(27,897,297)	(5,916,563)
Other expenses	31(d)	(144,282)	(48,918,936)
Other income	32	4,234,978	2,468,617
Deficit before tax		(142,838,710)	(190,948,064)
Income tax expenses	33	(13,932,006)	(15,004,728)
Deficit for the year		(156,770,716)	(205,952,792)
Other comprehensive income:			
Items that will not be reclassified subsequently to Surplus or deficit:			
> Gain/(loss) from re-measurement of defined benefit obligation	24	3,516,855	(1,332,702)
> Deferred tax (charge)/credit relating to items that will not be reclassified subsequently	26	(1,055,057)	399,811
Net of tax		2,461,798	(932,891)
Items that will be reclassified subsequently to surplus or deficit:			
> Fair value gain on equity investment	11	71,775	2,030,207
> Deferred tax charge relating to items that will be reclassified subsequently	26	(21,533)	(609,062)
Net of tax		50,242	1,421,145
Total other comprehensive income for the year, net of income tax		2,512,040	488,254
Total comprehensive deficit for the year		(154,258,676)	(205,464,538)

*See Note 38 for explanation of restatement adjustments

Notes and related statement forming part of these financial statements appears on pages 42 to 92.

FCPA. Juma A. Muhimbi
Board Chairman

Date: 23/02/2024

Mr. Bernard H. Konga
Director General

Date: 22/02/2024

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Fair value reserve - Equity investment TZS'000	Fair value reserve - Defined benefit obligation TZS'000	Accumulated Reserve TZS'000	Total TZS'000
At 1 July 2021 as previously reported	39,662,622	4,337,930	923,921,151	967,921,703
Adjustment in depreciation charge and motor vehicle granted*	-	-	10,060,598	10,060,598
At 1 July 2021 as restated	<u>39,662,622</u>	<u>4,337,930</u>	<u>933,981,749</u>	<u>977,982,301</u>
Contribution to the Government	-	-	(600,000)	(600,000)
Deficit for the year as previously reported	-	-	(204,654,341)	(204,654,341)
Adjustment in depreciation charge and motor vehicle granted*	-	-	(1,298,451)	(1,298,451)
Deficit for the year as restated			<u>(205,952,792)</u>	<u>(205,952,792)</u>
Other comprehensive income 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	<u>1,421,145</u>	<u>(932,891)</u>	<u>-</u>	<u>488,254</u>
At 30 June 2022 as restated	<u>41,083,767</u>	<u>3,405,039</u>	<u>727,428,957</u>	<u>771,917,763</u>
At 1 July 2022 as restated	41,083,767	3,405,039	727,428,957	771,917,763
Deficit for the year	-	-	(156,770,716)	(156,770,716)
Other comprehensive income for the year:				
Fair value gain on equity investment	50,242	-	-	50,242
Gain on remeasurement of defined benefit obligation	-	2,461,798	-	2,461,798
Total other comprehensive income for the year	<u>50,242</u>	<u>2,461,798</u>	<u>-</u>	<u>2,512,040</u>
At 30 June 2023	<u>41,134,009</u>	<u>5,866,837</u>	<u>570,658,241</u>	<u>617,659,087</u>

*See Note 38 for explanation of restatement adjustments

Notes and related statement forming part of these financial statements appears on pages 42 to 92.

FCPA. Juma A. Muhimbi
Board Chairman

Date 23/02/2024

Mr. Bernard H. Konga
Director General

Date 22/02/2024

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Note	2022/23 TZS '000	2021/22 TZS '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from members contribution	14	641,784,388	535,004,998
Receipts from other income	32	4,100,248	2,462,492
Payment to health facilities	22	(716,778,876)	(608,898,237)
CHF payment during the year	23	(298,615)	-
Payment to suppliers and employees	35	(58,665,387)	(82,883,495)
Interest on lease payment	20(b)	(189,124)	(228,458)
Tax paid during the year	25	(12,000,000)	(23,986,576)
Net cash used in operating activities		(142,047,366)	(178,529,276)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for purchase of property and equipment	21	(3,448,485)	(1,080,751)
Proceeds from disposal of property and plant	21	5,281	200,578
Payments for purchase of investment property	18	-	-
Term and call deposits received	34	229,424,133	207,091,941
Term and call deposits disbursed	34	(168,000,000)	(241,000,000)
Receipts from matured Government securities	12	94,592,000	87,272,622
Payment to acquire Government securities	12	-	-
Receipt from corporate bonds	13	1,003,837	-
Loans disbursed during the year	15	(13,302,850)	(3,638,860)
Loans repayment received during the year	15	13,306,932	6,225,794
Staff loans disbursed during the year	16	(14,223,822)	(11,331,421)
Staff loans repaid during the year	16	11,524,519	8,877,083
Dividend received	29	3,682,181	2,743,694
Rent received	30(b)	1,866,491	1,862,836
Interest received	36	53,003,386	57,450,157
Net cash generated from investing activities		209,433,603	114,673,673
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease payment - principal portion	20(b)	(1,057,117)	(813,495)
Contribution to the Government		-	(600,000)
Net cash used in financing activities		(1,057,117)	(1,413,495)
Increase/(decrease) in cash and cash equivalents		66,329,120	(65,269,098)
Cash and cash equivalent at the beginning of the year		41,150,388	106,419,486
Cash and cash equivalent at the end of the year		107,479,508	41,150,388
REPRESENTED BY:			
Bank balances	9	66,883,172	12,908,503
Cash at hand	9	-	568
Call deposit	10	40,596,336	28,241,317
		107,479,508	41,150,388

Notes and related statement forming part of these financial statements appears on pages 42 to 92.

FCPA. Juma A. Muhimbi
Board Chairman

Date 23/02/2024

Mr. Bernard H. Konga
Director General

Date 20/02/2024

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023**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 contributions plan covering public employees and other groups of:

- The Central Government;
- The Local Government;
- The Government Agencies;
- 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 for public employees. Insured persons are required to contribute 3% of the monthly salary and contributing employers are required to contribute

3% of monthly salary of insured person. For other products premium are determined and reviewed from time to time.

(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 to health services providers towards improving health services delivered in Tanzania and any other profitable Investment.

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

During the year ended 30 June 2023, the Fund had 9,186 certified health care facilities across the country and has registered 5307 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 IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 of the year ended 30 June 2023.

Changes resulted from the new or revised standards, interpretations, amendments to the existing standards, interpretations and improvements to the IFRS Standards that were effective for the current year from 1 July 2022 did not have significant impact on the accounting policies, financial position or performance of the Fund.

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

IFRS 17 - Insurance Contracts

The Fund will apply IFRS 17 for the first time on 1 July 2023 (financial year 2023/24). The standard will bring significant changes to the accounting for health insurance contracts and is expected to have a material impact on the Fund's financial statements in the period of initial application.

Readiness for IFRS 17

During the year ended 30 June 2023, the Fund progressed well with the activities required for adoption of IFRS 17. The implementation team has started the development of systems design, data requirements, policy and methodology decisions. The Fund is at final stage on the appointment of a Consultant who will join the team on implementation of the IFRS 17 implementation.

The policy and methodology decisions, key judgements and significant estimations and assumptions relating to products are expected to be finalised in March 2024, and transition values calculated on this basis.

Impact is expected on the Fund's Financial Statements for financial year 2023 with necessary adjustments to be made retrospectively for financial years 2020/2021 and 2021/22 at transition. The Fund will continue to assess the impact based on 30 June 2023 results.

Full end-to-end testing of the IFRS 17 policies and systems/models will be carried out by running year-to-date 30 June 2023 results. Tests will highlight some system and data quality issues which will be addressed, in preparation for a subsequent parallel run of the 30 June 2024 results. Trainings of all impacted stakeholders was carried out and will continue to be carried out in parallel to equip stakeholders with the understanding of the expected impact of IFRS 17 on financial results, and to refine and embed the new reporting processes, including the on-boarding of management teams, audit committees and board.

The Fund's implementing team is expecting to complete the IFRS 17 programme and hand over to the business at the end of the third quarter of 2023/2024. The Fund is expecting to perform and finalise the following in 2024:

- Comparative results and disclosures, including the audit.
- Comparative information restatement.
- Regular reviews of IFRS 17 systems and models.

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. For the purpose of the Fund, IFRS 17 is applicable for the period from 1 July 2023.

Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts.

IFRS 17 - Insurance Contracts

When identifying contracts in the scope of IFRS 17, in some cases the Fund will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For medical insurance contracts, the Fund does not expect significant changes arising from the application of these requirements.

Level of aggregation

Under IFRS 17, insurance contracts are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines are expected to be in different portfolios. Each portfolio is then divided into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the portfolio.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Fund's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

When a contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a contractual service margin (CSM), against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary

requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17. For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- The Fund has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Fund has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Measurement - Overview

On initial recognition, the Fund shall measure a group of insurance contracts at the total of: the fulfilment cash flows, which comprise of estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows, and a risk adjustment for non-financial risk and the contractual service margin (CSM).

Subsequent measurement: The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage comprising of the fulfilment cash flows related to future service allocated to the group at that date, the contractual service margin of the group at that date, and the liability for incurred claims, comprising the fulfilment cash flows related to past service allocated to the group at that date.

The Fund shall recognise income and expenses for the following changes in the carrying amount of the liability for remaining coverage:

- (a) insurance revenue—for the reduction in the liability for remaining coverage because of services provided in the period;
- (b) insurance service expenses—for losses on groups of onerous contracts, and reversals of such losses; and
- (c) insurance finance income or expenses—for the effect of the time value of money and the effect of financial risk.

Also a Fund shall recognise income and expenses for the following changes in the carrying amount of the liability for incurred claims:

- (a) insurance service expenses—for the increase in the liability because of claims and expenses incurred in the period, excluding any investment components;

- (b) insurance service expenses—for any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses; and
- (c) insurance finance income or expenses—for the effect of the time value of money and the effect of financial risk.

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

The Fund expects that it will apply the PAA to all contracts because the following criteria are expected to be met at inception;

- a. The coverage period of each contract in the group is one year or less; and
- b. The Fund reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the general approach.

Presentation and disclosure

IFRS 17 will significantly change how insurance contracts are presented and disclosed in the Fund's financial statements.

Under IFRS 17, portfolios of insurance contracts that are assets and those that are liabilities are presented separately in the statement of financial position. All rights and obligations arising from a portfolio of contracts will be presented on a net basis; therefore, balances such as insurance receivables and payables and policyholder loans will no longer be presented separately. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows) will also be presented in the same line item as the related portfolios of contracts.

Under IFRS 17, amounts recognised in the statement of surplus or deficit and OCI are disaggregated into:

- (a) an insurance service result, comprising insurance revenue and insurance service expenses; and
- (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

IFRS 17 requires extensive new disclosures about amounts recognised in the financial statements, including detailed reconciliations of contracts, effects of newly recognised contracts and information on the expected CSM emergence pattern, as well as disclosures about significant judgements made when applying IFRS 17. There will also be expanded disclosures about the nature and extent of risks from insurance contracts, reinsurance contracts and investment contracts with DPF. Disclosures will generally be made at a more granular level than under IFRS 4 providing more transparent information for assessing the effects of contracts on the 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 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.

According to the actuarial valuation report, as at the valuation date, annual benefit expenditure exceeded annual contribution income. In addition, year on year subsequent deficits over the first four years of the projection period are expected to deplete the accumulated reserves, causing it to decrease to a level below zero by 2025. However, in order to ensure solvency and sustainability of the Fund, the Government has taken measures such as the commitment to start repayment of the outstanding loans and exempting the Fund from tax on investments income. The Fund continue with its effort to control escalation of benefit payments by deploying measures such as stationing staff at the selected strategic facilities to verify beneficiaries and provision of services and the use of biometric members identification (finger print and facial recognition) at facility, reviewing its loss making health insurance products and proposing alternative financing for the retirees who are covered by the Fund with their spouses without contributing.

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 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 data provided 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 119.19 billion (2022: TZS 132.58 billion) from dealing with members. The Fund also incurred a deficit for the year amounting to TZS 156.77 billion (2022: TZS 205.95 billion).

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 contributions received or receivables not earned in the income statement at the reporting date is recognized in the statement of financial position as unearned contributions 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.

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 loans equipment facility and certification, 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 Contributions 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 years.

The Fund maintains a non-contributory defined benefit plan for its employees, which remains unfunded. According to Regulation 101 of the Staff Regulations of 2014, the Fund offers terminal benefits to both permanent and pensionable staff, as well as contract staff. These benefits are outlined as follows:

- (a) The Director General is entitled to receive one month's gross salary;
- (b) Other staff members are entitled to receive their basic salary, which covers transportation expenses for both the staff member and their family to their place of domicile;
- (c) Personal effects of the staff member will be transported to their place of domicile;
- (d) Management members will receive a mileage allowance for travel to their place of domicile;
- (e) A subsistence allowance will be provided for the staff member, their spouse, and up to four children below 18 years of age;
- (f) Accrued annual leave days will be compensated;
- (g) A packing allowance is provided; and
- (h) The Director General is eligible for a gratuity payment.

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.

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 2023 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. Actuarial gain/loss is recognised in other comprehensive income.

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 year in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as shown below. Land is not depreciated.

Asset Description	Useful life in years
Buildings	30 to 50
Equipment	3 to 22
Furniture and Fittings	8 to 14
Motor Vehicles	4 to 14
Computers	3 to 9

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 is calculated on the straight line basis and the 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 between 5 to 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 year 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.

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 adjust 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.

e) Leases

As a lessee

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.

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 straight-line 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.

e) 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.

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

- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at fair value through profit or loss.

The Fund's principal financial assets are loans receivable, investment in corporate bonds, investment in shares, investment in Government securities, contributions 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 Fair Value Through Other Comprehensive Income (FVTOCI)

Contributions 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.

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 from the date of deposit.

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 considering 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 receivables, loans 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.

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 payables 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.

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 taxes charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The current applicable tax rate is 30%.

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.

l) Government Grants

Government grants are recognized in the financial statements when there is reasonable assurance that the Fund will comply with the conditions attached to the grants and the grants will be received as per IAS 20. Government grants are classified into two categories: grants related to income and grants related to assets.

(a) Grants Related to Income

Government grants related to income, such as grants that compensate the Fund for expenses incurred or losses suffered, are recognized in the income statement as other income over the periods necessary to match the grants with the related costs that they are intended to compensate. The grants are presented separately from other income.

(b) Grants Related to Assets

Government grants related to assets, such as grants that support the acquisition or construction of assets, are recognized initially at their fair value when there is reasonable assurance that the Fund will comply with the conditions attached to the grant and the grant will be received. These grants are presented as deferred income in the balance sheet and are recognized in the income statement over the useful life of the related asset as a credit to the depreciation expense or as a reduction of the carrying amount of the asset.

6. 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. During the year ended 30 June 2023, Management and the Board of Directors noted that depreciation on property and equipments had been computed basing on inaccurate useful lives. Management and the Board of Directors decided to perform a thorough review of the useful lives of its property and equipment. The exercise resulted to a need to restate the carrying value of property and equipment and show comperatives from financial year ended 30 June 2021. See Note 38 for details of the restatement.

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.

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, considering 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) Contributions and loans receivables

At the end of each reporting period, the Fund reviews the carrying amounts of its trade receivables that mainly include contributions receivables, loans 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 of defined benefit obligation

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.

f) 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.

g) 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 considers 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; and
- 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.

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 Management of the Fund and 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; and
- 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 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 2023 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 Securities	12 month ECL	Performing	190,649,507	-	190,649,507
Loans receivable	Lifetime ECL	Performing	207,475,191	28,283,593	179,191,598
Other loans receivable	Lifetime ECL	Non-Performing	44,096,676	3,581,373	40,515,303
Investment in call and term deposits	12 month ECL	Non-Performing	211,717,481	22,075,632	189,641,849
Contribution and other receivables	Lifetime ECL	Non-Performing	61,372,735	7,009,904	54,362,831
Cash & bank balances	12 month ECL	Performing	66,883,172	-	66,883,172
Total			<u>782,194,762</u>	<u>60,950,502</u>	<u>721,244,260</u>

(ii) Credit risk management

The amount that best represent 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 Securities	12 month ECL	Performing	282,534,118	-	282,534,118
Investment in Corporate Bond	12 month ECL	Performing	1,003,837	-	1,003,837
Loans receivable	Lifetime ECL	Performing	232,861,684	4,830,000	228,031,684
Other loans	Lifetime ECL	Non-	40,971,661	2,121,412	38,850,249

receivable		Performing			
Investment in term	12 month ECL	Non-	270,001,304	21,578,095	248,423,209
deposits		performing			
Contribution and	Lifetime ECL	Non-	87,499,738	6,033,574	81,466,164
other receivables		performing			
Bank balances	12 month ECL	Performing	12,908,503	-	12,908,503
Total			<u>927,780,845</u>	<u>34,563,081</u>	<u>893,217,764</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.

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

	Carrying amount	Contractual Cashflows	Within 1 year	1 year and above
	TZS'000	TZS'000	TZS'000	TZS'000
As at 30 June 2023				
Benefit and Other Payables	335,859,599	335,859,599	335,859,599	-
CHF matching fundpayable	-	-	-	-
Lease liability	2,266,147	2,455,271	1,246,241	1,209,030
Total	<u>338,125,746</u>	<u>338,314,870</u>	<u>337,105,840</u>	<u>1,209,030</u>
As at 30 June 2022				
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
Total	<u>262,806,173</u>	<u>363,619,668</u>	<u>262,067,475</u>	<u>1,552,193</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 (2022: TZS 470,742,772)

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 3,014,266,000 (2022:3,012,831,000) 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.

d) Operational risk

Operational risks refer to the risks when processes of contributions 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 is 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 sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy;

30 June 2023	Level 1	Level 2	Level 3	Total
Financial Assets	TZS'000	TZS'000	TZS'000	TZS'000
Investment in shares	101,972,374	-	48,740,958	150,713,332
	<u>101,972,374</u>	<u>-</u>	<u>48,740,958</u>	<u>150,713,332</u>

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>

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

Level 3				Valuation technique	
				2022/23	2021/22
Azania Bank Limited				Price to book value	Price to book value
Watumishi Housing Company	Real Estate			Net Asset Value	Net Asset Value
Investment Trust					
Watumishi Housing Company Limited				Net Asset Value	Net Asset Value

Type of financial instrument	Fair values at 30 June 2023 TZS'000	Significant unobservable input	Fair value measurement sensitivity to unobservable inputs
Unlisted equity investment	48,740,958 (2022: 51,035,728)	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)

The following table shows financial assets and liabilities not measured at fair value. The carrying value 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 2023			
Investment in Government Securities	190,649,507	-	190,649,507
Loans receivable	207,475,191	-	207,475,191
Other loans receivable	40,515,303	-	40,515,303
Investments in call and term deposit	189,641,849	-	189,641,849

Contribution and other receivables	54,362,831	-	54,362,831
Cash and bank balances	66,883,172	-	66,883,172
	<u>749,527,853</u>	<u>-</u>	<u>749,527,853</u>
Financial Liabilities			
Benefits payable	-	244,501,110	-
Accruals	-	603,695	-
Other payables	-	90,754,794	-
	<u>-</u>	<u>335,859,599</u>	<u>-</u>
30 June 2022			
Investment in Government Securities	282,534,118	-	282,534,118
Investment in corporate bonds	1,003,837	-	1,003,837
Loans receivable	228,031,684	-	228,031,684
Other loans receivable	38,850,249	-	38,850,249
Investments in call and term deposit	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
	<u>893,218,332</u>	<u>-</u>	<u>893,218,332</u>
Financial Liabilities			
Benefits payable	-	218,002,453	-
Accruals	-	2,474,029	-
Other payables	-	40,193,616	-
CHF matching fund payable	-	298,646	-
	<u>-</u>	<u>260,968,744</u>	<u>-</u>

The table below summarizes the carrying amounts and incorporates the Fund's estimate of fair values of those financial assets not presented on the Fund's statement of financial position at fair value as at 31 December 2023 and 2022.

	Carrying amount TZS '000	Fair values TZS '000
30 June 2023		
Loans receivable	207,475,191	261,510,223
Other loans receivable	40,515,303	43,813,246
	<u>247,990,494</u>	<u>305,323,469</u>
30 June 2022		
Loans receivable	228,031,684	287,420,468
Other loans receivable	38,850,249	42,012,657
	<u>266,881,933</u>	<u>329,433,125</u>

9. CASH AND BANK BALANCES

	2022/23 TZS'000	2021/22 TZS'000
Bank balances	66,883,172	12,908,503
Cash at hand	-	568
	<u>66,883,172</u>	<u>12,909,071</u>

10 INVESTMENT IN CALL AND TERM DEPOSITS

(a). INVESTMENT IN CALL DEPOSITS

Call deposit	40,596,336	28,241,317
	<u>40,596,336</u>	<u>28,241,317</u>

Call deposits 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.

(b) INVESTMENT IN TERM DEPOSITS

	2022/23 TZS'000	2021/22 TZS'000
Maturing within 3 months	63,116,166	85,974,170
Maturing between 3 months to 1 year	108,004,979	155,785,816
	171,121,145	241,759,986
Less: Expected credit loss provision	(22,075,632)	(21,578,095)
	149,045,513	220,181,891

Deposits with banks are categorized and measured at amortized cost. The weighted average effective interest rate on deposits with banks as at 30 June 2023 is 8.7% (2022: 9.6%)

11. INVESTMENT IN SHARES

	2022/23 TZS'000	2021/22 TZS'000
Listed equity investment*	101,972,374	99,605,828
Non listed equity investment**	48,740,958	51,035,729
	150,713,332	150,641,557
Movement in investment in shares:		
At 1 July	150,641,557	148,611,350
Net fair value gain	71,775	2,030,207
At 30 June	150,713,332	150,641,557
	2022/23 TZS'000	2021/22 TZS'000
Listed equity investment*		
Tanzania Portland Cement Company Limited	1,012,092	941,246
NMB Bank Plc	2,996,092	2,686,152
CRDB Bank Plc	15,058,819	12,816,016
Tanzania Breweries Limited	52,912,633	52,912,632
Mwalimu Commercial Bank Plc	3,200,000	3,950,000
DCB Commercial Bank Plc	840,000	1,140,000
Vodacom Tanzania Plc	18,075,750	18,075,750
Unit Trust of Tanzania	7,876,988	7,084,032
	101,972,374	99,605,828
Non listed equity investment**		
Watumishi Housing Company	225,999	388,265
Watumishi Housing Company Real Estate Investment Trust	12,596,749	12,274,583
Azania Bank Ltd	35,918,210	38,372,880
	48,740,958	51,035,728
Total	150,713,332	150,641,557

The movement of investments in listed shares during the year of TZS 2.37 billion relates to a fair value gain during the year. The movement of investment in unlisted shares is due to the fair value loss amounting to TZS 2.29 billion. Hence a net fair value gain of investments in shares of TZS 71.77 million 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. The company is expected to go public after attaining its initial targets.

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.

Movement of fair value reserves of equity investment:

	2022/23 TZS'000	2021/22 TZS'000
At 1 July	41,083,767	39,662,622
Fair value gain during the year net of deferred tax	50,242	1,421,145
Total	41,134,009	41,083,767

12. INVESTMENT IN GOVERNMENT SECURITIES

	2022/23 TZS'000	2021/22 TZS'000
Treasury bond	190,649,507	282,534,118
	190,649,507	282,534,118
Movement during the year		
Cost of Bond	177,502,284	257,608,211
Amortized cost	13,147,223	24,925,907
	190,649,507	282,534,118
As at 1 July	282,534,118	372,163,624
Receipt from matured Government Securities	(94,592,000)	(87,272,622)
Interest earned during the year	29,895,236	36,994,112
Interest received during the year	(27,187,847)	(39,350,996)
As at 30 June	190,649,507	282,534,118

	2022/23 TZS'000	2021/22 TZS'000
Maturity analysis of treasury bonds is as follows:		
Maturing within 12 months - Current asset	11,030,747	94,485,843
	11,030,747	94,485,843
Maturing after one year but within 2 years	54,531,294	10,854,157
Maturing after 2 years but within 5 years	42,286,447	70,413,142
Maturing after 5 years but within 10 years	42,135,226	30,740,292
Maturing after 10 years	40,665,793	76,040,684
Total maturing after one year- non current asset	179,618,760	188,048,275
Total investment in Government securities	190,649,507	282,534,118

13. INVESTMENT IN CORPORATE BOND

Tanzania Mortgage Refinance Company Limited (TMRC)	-	1,003,837
	-	1,003,837
Movement during the year		
Cost of Bond	-	1,000,000
Amortized cost	-	3,837
	-	1,003,837
The maturity analysis of Corporate bonds is as follows:		
Maturing within 12 months	-	1,003,837
Total	-	1,003,837

The Fund acquired corporate bonds issued by Tanzania Mortgage Refinance Company Limited (TMRC), at 11.79% interest per annum. The investment matured on 30 June 2023 and the total amount received.

14. CONTRIBUTIONS AND OTHER RECEIVABLES

	2022/23 TZS'000	2021/22 TZS'000
Contribution receivables	42,569,536	50,845,093
Less: Expected credit loss provision	(4,890,796)	(6,033,574)
	37,678,740	44,811,519
Staff advances	42,179	189,382
Prepayments	907,258	1,543,940
Tumaini la Mama Project	2,119,108	2,231,088
Withholding Tax - receivable	634,487	1,618,699
Fraud recovery	4,498,193	2,526,078
Claims verification receivable	580,315	1,075,411
Rent receivable	484,630	766,951
Supplementary	8,886,469	6,865,197
Other debtors	571,512	96,118

Dividend receivables	-	36,754
Claims advances	79,048	21,936,115
	18,803,199	38,885,733
Less: Bad debt provision- Tumaini la Mama Project	(2,119,108)	(2,231,088)
Total trade and other receivables	54,362,831	81,466,164

Movement of contribution receivables:

contribution receivables as at 1 July	50,845,093	33,269,865
Contribution income during the year	633,508,831	552,580,226
Contribution receivable as at 30 June	(42,569,536)	(50,845,093)
Receipts from members' contribution	641,784,388	535,004,998

The movement in expected credit loss on contribution receivable is as follows:

	2022/23 TZS'000	2021/22 TZS'000
At 1 July	6,033,574	1,724,635
Additions during the year (Note 31(c))	2,003,919	4,308,939
Recovery during the year	(1,142,778)	-
Write off during the year	(2,003,919)	-
At 30 June	4,890,796	6,033,574

15. LOANS RECEIVABLE

(a) NON-CURRENT	2022/23 TZS'000	2021/22 TZS'000
(i) LOAN TO GOVERNMENT INSTITUTIONS		
Ministry of Home affairs	45,445,479	45,445,479
Benjamin William Mkapa Hospital	129,351,401	129,351,401
Muhimbili Orthopaedic Institute	16,190,057	18,164,741
National Identification Authority	17,329,681	17,329,681
Total Loans to Government Institutions	208,316,618	210,291,302
Less: Allowance for doubtful loans receivable*	(28,283,593)	(4,830,000)
	180,033,025	205,461,302
(ii) LOANS TO HEALTH FACILITIES		
Medical equipment loans	3,505,741	423,956
Facility improvements loans	17,063,332	17,867,890
	20,569,073	18,291,846
Total non-current loans	200,602,098	223,753,148
(b) CURRENT		
Medical equipment loans	4,407,133	1,811,408
Facility improvements loans	2,465,960	2,467,127
Total current loans	6,873,093	4,278,535
Total Loans to health facilities	27,442,166	22,570,382
TOTAL LOANS RECEIVABLE	207,475,191	228,031,684

Movement of loans receivable:		
At 1 July	232,861,684	235,448,518
Loans disbursed during the year	13,302,850	3,638,860
Loans repayment during the year	(13,306,932)	(6,225,794)
Accrued interest	2,901,182	100
	<u>235,758,784</u>	<u>232,861,684</u>
Less: allowance for doubtful loans receivable*	<u>(28,283,593)</u>	<u>(4,830,000)</u>
At 30 June	<u>207,475,191</u>	<u>228,031,684</u>

* This relates to interest on loan to Government Institutions amounting to TZS 23.45 billion that was not confirmed as receivable (2022: Provision for penalties for delay in payment of the loans to Government Institutions).

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% to 14.5%. The government through the Ministry of Finance confirmed to repay these loans in the financial year ending 30 June 2025. Hence classified as non current.

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 payables (claims) submitted by the accredited health provider.

16. OTHER LOANS RECEIVABLE

	2022/23 TZS'000	2021/22 TZS'000
Staff loan	44,096,676	40,971,661
Less: Expected credit loss provision	<u>(3,581,373)</u>	<u>(2,121,412)</u>
	<u>40,515,303</u>	<u>38,850,249</u>
Classification of other loan receivable:		
Receivable within 12 months - Current	9,155,963	9,630,492
Receivable in more than 12 months - Non current	<u>31,359,340</u>	<u>29,219,757</u>
	<u>40,515,303</u>	<u>38,850,249</u>
Movement of other loans receivable		
At 1 July	40,971,661	38,517,323
Loans disbursed during the year	14,223,822	11,331,421
Loans repaid during the year	(11,524,519)	(8,877,083)
Accrued Interest	425,712	-
	<u>44,096,676</u>	<u>40,971,661</u>
Less: Expected credit loss provision	<u>(3,581,373)</u>	<u>(2,121,412)</u>
	<u>40,515,303</u>	<u>38,850,249</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 200,000,000 and TZS 150,000,000 respectively each. ICT Loans and Domestic appliance loans are limited to four times the basic salary, training loans is limited to cost associated with particular training, and salary advance is limited to three times the basic salary and should be 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 loans 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 loans are title deed and securities for transport loans 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 loans from the Fund for servicing credits to its members, where the Fund earn principle plus interest from loans issued to NHIF SACCOS.

The carrying values of these loans receivable from Staff are reasonable approximation of fair value.

17. INVENTORY

	2022/23 TZS'000	2021/22 TZS'000
Item		
Stationery	229,892	255,088
Cleaning & sanitation materials	-	563
Printed matters	459,598	924,133
ICT consumables	510,429	3,737,529
Other consumables	439	14,483
Total Inventory	1,200,358	4,931,796

Total inventories (consumables) amounting to TZS 301,936,000 (2022: TZS 379,242,000) were expensed during the year.

18. INVESTMENT PROPERTY

	2022/23 TZS'000	2021/22 TZS'000 Restated
Cost		
At 01 July as previously reported	-	745,287
Restatement adjustment -transfer to land	-	(272,974)
At 1 July as restated	-	472,313
30 June 2022 as restated		472,313
At 01 July as 2022	472,313	-
30 June 2023	472,313	-
Depreciation		
At 01 July 2022 as restated	-	52,230
Restatement adjustment -transfer to land	-	(22,036)
At 1 July as restated	-	30,194
Charge for the year as previously reported	-	29,403
Restatement adjustment	-	(19,338)
Charge for the year as restated	-	10,065
At 30 June 2022 as restated	-	40,259
At 01 July 2022	40,259	-
Charge for the year	10,065	-
At 30 June 2023	50,324	-
Carrying amount at 30 June 2022 as restated	-	432,054
Carrying amount at 30 June 2023	421,989	-

Investment property refers to buildings for renting. Land cost amounting to TZS 272,974,000 was erroneously included in investment property and being depreciated has been reclassified to property and equipment. The cost of investment property and related accumulated depreciation for prior year has been restated to reflect the correct position.

19. INTANGIBLE ASSETS

	2022/23 TZS'000	2021/22 TZS'000
Cost		
At start of year	2,082,130	2,082,130
At end of year	2,082,130	2,082,130
Amortization		
At start of year	2,052,419	2,030,744
Charge for the year	-	21,675
At end of year	2,052,419	2,052,419
Carrying amount at 30 June	29,711	29,711

The intangible assets disclosed above is the residual value of computer software.

20. LEASES

(a) Right of use assets

	2022/23 TZS'000	2021/22 TZS'000
Cost		
As at 1 July	4,945,412	4,586,557
Re-measurement	(64,902)	(23,270)
Addition	1,794,914	382,125
As at 30 June	6,675,424	4,945,412
Accumulated depreciation		
As at 1 July	3,495,987	2,261,948
Re-measurement	-	8,037
Depreciation charge	1,096,372	1,226,002
As at 30 June	4,592,359	3,495,987
Carrying amount at 30 June	2,083,065	1,449,425

20(b) Lease liability

As at 1 July	1,837,429	2,297,730
Re-measurement	(309,079)	(28,930)
Addition	1,794,914	382,125
Repayments	(1,246,241)	(1,041,953)
Finance cost	189,124	228,458
As at 30 June	2,266,147	1,837,430
Payments in the next 12 months - Current	1,246,241	1,041,953
Payments in more than 12 months - Non Current	1,019,906	795,477
	2,266,147	1,837,430

NATIONAL HEALTH INSURANCE FUND (NHIF)

21. PROPERTY, PLANT AND EQUIPMENT

30 June 2021	Land TZS'000	Buildings* TZS'000	Motor vehicles TZS'000	Furniture and fittings TZS'000	Office and computer equipment TZS'000	Work in progress TZS'000	Total TZS'000
Cost							
At 01 July 2020 as previously reported**	7,930,739	30,675,287	8,902,589	4,003,669	14,020,789	4,241,528	69,774,601
Transfer from investment property	272,975	-	-	-	-	-	272,975
Transfers	710,218	(710,218)	-	-	-	-	-
At 01 July as restated**	8,913,932	29,965,069	8,902,589	4,003,669	14,020,789	4,241,528	70,047,576
Additions as previously reported	65,319	102,348	992,285	645,361	796,367	3,946	2,605,626
Adjustments to additions**	287,765	-	37,500	-	-	-	325,265
Additions as restated	353,084	102,348	1,029,785	645,361	796,367	3,946	2,930,891
Transfer to prepayments	-	-	-	-	-	(21,422)	(21,422)
Disposal	-	-	-	(292,493)	(1,535,161)	-	(1,827,654)
At 30 June 2021 as restated	9,267,016	30,067,417	9,932,374	4,356,537	13,281,995	4,224,052	71,129,391
Depreciation							
At 01 July 2020 as previously reported	-	2,640,378	7,637,606	2,168,447	13,000,294	-	25,446,725
Restatement adjustment**	-	(116,837)	(3,393,396)	(369,573)	(6,347,924)	-	(10,227,730)
At 01 July as restated	-	2,523,541	4,244,210	1,798,874	6,652,370	-	15,218,995
Charge for the year as previously reported	-	659,026	944,822	500,433	725,556	-	2,829,837
Restatement adjustments**	-	(4,094)	(59,686)	(31,504)	578,340	-	483,056
Charge for the year as restated	-	654,932	885,136	468,929	1,303,896	-	3,312,893
Eliminated on disposal	-	-	-	(255,588)	(1,505,013)	-	(1,760,601)
At 30 June 2021 as restated	-	3,178,473	5,129,346	2,012,215	6,451,253	-	16,771,287
Carrying amount at 30 June 2021 as restated	9,267,016	26,888,944	4,803,028	2,344,322	6,830,742	4,224,052	54,358,104

NATIONAL HEALTH INSURANCE FUND (NHIF)

30 June 2022 Cost	Land TZS'000	Buildings* TZS'000	Motor vehicles TZS'000	Furniture and fittings TZS'000	Office and computer equipment TZS'000	Work in progress TZS'000	Total TZS'000
At 01 July 2021 as restated	9,267,016	30,067,417	9,932,374	4,356,537	13,281,995	4,224,052	71,129,391
Write off	-	-	-	-	-	(602,448)	(602,448)
Additions	-	96,819	-	139,103	844,829	-	1,080,751
Disposal	-	-	(434,287)	-	-	-	(434,287)
As at 30 June 2022 as restated	9,267,016	30,164,236	9,498,087	4,495,640	14,126,824	3,621,604	71,173,407
Depreciation							
At 01 July 2021 as restated	-	3,178,473	5,129,347	2,012,215	6,451,253	-	16,771,287
Charge for the year as previously reported	-	603,669	462,921	402,846	741,340	-	2,210,776
Restatement adjustment**	-	19,429	594,798	26,806	682,878	-	1,323,911
Charge for the year as restated	-	623,098	1,057,719	429,652	1,424,218	-	3,534,687
Eliminated on disposal	-	-	(434,287)	-	-	-	(434,287)
At 30 June 2022 as restated	-	3,801,571	5,752,779	2,441,867	7,875,471	-	19,871,688
Carrying amount at 30 June 2022 as restated	<u>9,267,016</u>	<u>26,362,665</u>	<u>3,745,308</u>	<u>2,053,773</u>	<u>6,251,353</u>	<u>3,621,604</u>	<u>51,301,719</u>

NATIONAL HEALTH INSURANCE FUND (NHIF)

30 June 2023 Cost	Land TZS'000	Buildings* TZS'000	Motor vehicles TZS'000	Furniture and fittings TZS'000	Office and computer equipment TZS'000	Work in progress TZS'000	Total TZS'000
At 01 July 2022	9,267,016	30,164,236	9,498,087	4,495,640	14,126,824	3,621,604	71,173,407
Additions	-	37,873	1,095,438	251,096	2,064,078	-	3,448,485
Disposal	-	-	-	-	(1,146)	-	(1,146)
At 30 June 2023	9,267,016	30,202,109	10,593,525	4,746,736	16,189,756	3,621,604	74,620,746
Depreciation							
At 01 July 2022	-	3,801,571	5,752,779	2,441,867	7,875,471	-	19,871,688
Charge for the year	-	623,893	1,103,873	485,959	1,573,393	-	3,787,118
Eliminated on disposal	-	-	-	-	(1,123)	-	(1,123)
At 30 June 2023	-	4,425,464	6,856,652	2,927,826	9,447,741	-	23,657,683
Carrying amount at 30 June 2023	9,267,016	25,776,645	3,736,873	1,818,910	6,742,015	3,621,604	50,963,063

*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 (2022: TZS 1.86 billion). The buildings did not meet the requirement of IAS 40 to be reclassified as investment property.

**During the year ended 30 June 2023, Management and the Board of Directors noted that depreciation on property and equipments had been computed basing on inaccurate useful lives. Management and the Board of Directors decided to perform a thorough review of the useful lives of its property and equipment as required by IAS 16 *Property plant and equipment*. Additionally, the Fund received a motor vehicle, which was utilized in the project of construction of the Benjamin Mkapa Hospital and was not recorded in the accounting records. The vehicle has been treated as a grant, assigned a fair value a fair value of TZS 37,500,000. The exercise resulted to a need to restate the carrying value of property and equipment and show comparatives from financial year ended 30 June 2021.

See Note 38 for details of the restatement.

Cash receipts on disposed of office equipment was TZS 5.28 million (2022: TZS 200.58 million for disposed motor vehicle). During the period under review there was no property and equipment which is still in use with fully depreciated gross carrying amount. Also, there was no any property and equipment retired from active use and not classified as held for sale.

22. BENEFITS AND OTHER PAYABLES

	2022/23 TZS'000	Restated 2021/22 TZS'000	Restated 2020/21 TZS'000
Benefit payables	28,789,230	130,339,236	68,625,436
Benefit provisions (incurred but not reported)	215,711,881	87,663,217	84,020,324
Accruals	603,692	2,474,029	2,629,005
Other payables*	90,754,794	89,137,800	25,436,844
	335,859,597	309,614,282	180,711,609
Payment to health facilities			
Benefit payables balance as at 1 July	218,002,453	152,645,760	125,599,145
Benefit expense during the year	743,277,534	674,254,930	540,550,503
Benefit payables as at 30 June	(244,501,111)	(218,002,453)	(152,645,760)
Benefit paid during the year	716,778,876	608,898,237	513,503,888

*Other payables amount was adjusted by the deferred revenue of motor vehicle received as a grant in FY 2020/21 with a net amount to TZS 31.38 million. See Note 38 for details of adjustment.

23. CHF MATCHING FUND PAYABLES

	2022/23 TZS'000	2021/22 TZS'000
At 1 July	298,646	298,882
Bank charges	(31)	(236)
Transferred to other income	(298,615)	-
At 30 June	-	298,646

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

The movement in the Fund retirement benefit obligation is as follow:

	2022/23 TZS'000	2021/22 TZS'000
Opening balance	22,777,000	18,172,000
<i>Included in surplus or deficit</i>		
Interest cost	2,902,145	2,198,812
Past service cost*	(19,452,000)	-
Service cost	1,333,000	1,186,000
<i>Included in OCI</i>		
Actuarial (gain)/loss	(3,516,855)	1,332,702
<i>Included in Cash flows</i>		
Benefit paid during the year	(131,000)	(112,514)
At end of year	3,912,290	22,777,000

* The reversal was due to abolishment of two key benefits that were based on an employee's services (Severance pay of one month's salary for each year of service and gratuity of 5% of annual salary for each year of service).

The present value of the accrued (past service) benefits as at 30 June 2023 was TZS 3.91 Billion. The value has significantly reduced from the TZS 22.78 that was estimated as at 30 June 2022 due to the abolishment of two key benefits that were based on an employee's service.

Actuarial Assumptions

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

- Discount rate of 13.1% (2022:12.10%) per annum;
- Future salary growth 10.00% (2022:10.00%) per annum;
- Future inflation rate 5.00% (2022: 5.00%) per annum; and
- Retirement age 60 years (2022: 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 13.1% and inflation rate 5.00% per annum	Discount rate less 1% at 12.1% and inflation rate at 4.00% per annum
	TZS'000	TZS'000
Present value of obligation	3,912,290	3,599,040

Movement in actuarial reserves	2022/23 TZS '000	2021/22 TZS '000
At 1 July	3,405,039	4,337,930
Actuarial gain/(loss) during the year	3,516,855	(1,332,702)
Deferred tax at 30%	(1,055,057)	399,811
Total	5,866,837	3,405,039

25. CURRENT TAX ASSET

	2022/23 TZS'000	2021/22 TZS'000
At 1 July - Asset/(liability)	4,004,252	(4,069,251)
Tax paid during the year	12,000,000	23,986,576
Withholding tax recovered	3,325,816	1,713,487
Current tax expense	(14,355,611)	(17,626,560)
At 30 June	4,974,457	4,004,252

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:

	2022/23 TZS'000	2021/22 TZS'000
Accelerated capital allowances	118,526	1,146,344
Provisions	(12,021,872)	(12,685,311)
IFRS 16- Leases liability	(130,228)	(71,002)
Defined benefit reserve	(5,844,651)	(6,899,708)
Revaluation gain/loss	18,094,932	18,073,399
	216,707	(436,278)

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-Jun-23				
Accelerated capital allowances	1,146,344	(1,027,818)	-	118,526
Provisions	(12,685,311)	663,439	-	(12,021,872)
IFRS 16- Leases liability	(71,002)	(59,226)	-	(130,228)
Defined benefit reserve	(6,899,708)	-	1,055,057	(5,844,651)
Revaluation gain	18,073,399	-	21,533	18,094,932
	(436,278)	(423,605)	1,076,590	216,707
30-Jun-22				
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
	1,976,303	(2,621,832)	209,251	(436,278)

27 CONTRIBUTIONS INCOME

	2022/23 TZS'000	2021/22 TZS'000
Employers' and employees' contributions	584,591,675	516,129,693
Private members contributions	23,028,234	7,884,712
Students contributions	14,099,696	16,184,500
Toto Afya contributions	10,133,807	9,457,903
Others members contributions	1,655,419	2,923,418
	633,508,831	552,580,226

28. MEMBERSHIP EXPENSES

Consumable medical supplies	26,726	25,073
Diesel	760,623	465,590
Printing of forms and identity cards	1,690,820	2,009,177
Ground travel (bus, railway taxi, etc)	36,582	146,156
Trade fairs & exhibitions	99,032	51,182
Air travel tickets-foreign	76,077	-
Air travel tickets - Members services only	59,304	-
Per diem - domestic	5,605,637	6,755,295
Per diem - foreign	164,297	167,875
Agency fees - Brokerage fees/commissions	576,595	249,629
Publicity	389,348	297,300
Motor vehicles and water craft	606,544	607,188
Food and refreshment	124,848	133,738
	10,216,433	10,908,203

29.DIVIDEND INCOME

Tanzania Breweries Limited	1,407,767	1,237,864
Watumishi Housing Scheme-Units	-	87,154
NMB Plc	246,446	166,556
CRDB Plc	1,441,802	1,153,441
Twiga Cement Limited	98,679	98,679
Azania Bank Ltd	487,487	-
	3,682,181	2,743,694

30(a). INTEREST INCOME

Government Securities	29,895,236	36,996,947
Fixed deposit and call accounts	22,360,348	26,919,641
Loans to health facilities	93,822	466,051
Interest from service provider Loans	540,535	-
Other interest income	539,777	457,783.94
	53,429,718	64,840,423

30(b). RENTAL INCOME

	2022/23 TZS'000	2021/22 TZS'000
Rental on buildings	1,866,491	1,862,836
	1,866,491	1,862,836

31(a). ADMINISTRATIVE EXPENSES

Employee benefit expenses:

Salaries and wages	28,553,497	27,517,735
Staff medical expenses	375,270	84,796
Pension/Gratuity	2,576,372	4,246,072

Skills and development levy	1,630,191	1,647,253
Non payroll skills development levy	154,082	-
NHIF contribution	838,710	771,133
Housing allowance	8,184,838	7,506,177
Transport allowance	3,771,666	3,752,330
Utility allowance	349,100	358,100
Travelling on leave	2,359,524	2,077,210
Workers compensation	203,774	194,998
Defined benefit cobligations	(15,216,855)	3,384,812
Total employment cost	33,780,169	51,540,616

Other administrative expenses:

Entertainment expenses	17,500	13,100
Recruitment expenses	29,425	-
Special duty expenses	809,620	674,309
Travelling expenses	424,908	350,520
Office rent - Service charge	1,082	426,043
Training Materials	13,755	-
Maintenance & running expenses	160,926	259,425
Insurance	309,033	288,066
Training expenses	141,465	133,339
Audit fees - statutory audit	489,250	430,826
Audit expenses	213,090	38,825
Board meeting expenses	130,578	145,297
Board of Directors fees	99,412	108,235
Board Members Training	32,608	94,240
Gifts and donations	118,679	305,880
Subscriptions to professional boards	124,375	168,693
Consultancy fees	82,628	1,309,396

31(a). ADMINISTRATIVE EXPENSES (CONTINUED)

	2022/23	2021/22
	TZS'000	TZS'000
Other administrative expenses (Continued)		
Office security	399,096	389,704
ICT Consumables	46,684	-
Honoraria	-	22,857
Internet connectivity	1,596,726	1,493,259
Management meetings	-	18,000
Charges and commissions	82,324	81,172
Stamp duty	5,559	-
Interest expense on lease	189,124	228,458

Printing and photocopying costs - Admin	150,480	1,325
Field (practical allowance)	76,684	73,947
Sitting allowance	109,270	76,335
Outfit allowance	-	1,000
Per Diem - Domestic - administration	4,345,347	3,030,779
Office consumables (papers, pencils, pens and stationaries)	177,221	279,738
Computer supplies and accessories	3,381,127	2,637,448
Newspapers and magazines	-	313
Outsourcing costs - cleaning services)	209,774	196,675
Electricity	363,944	406,815
Water charges	6,205	5,801
Petrol	7,007	3,952
Uniforms and ceremonial dresses	51,305	74,431
Furniture and appliances (repair & maintenance)	1,554	920
Conference facilities	106,528	89,844
Tuition fees	85,637	497,481
Remuneration of Instructors	44,360	54,520
Tuition fees - Foreign	15,645	24,042
Air travel tickets	172,109	358,944
Courier services- postage	313,150	186,660
Telephone and mobile Charges	618,952	660,907
Sporting supplies	12,843	19,895
Food and refreshments	710,897	658,123
Plumbing supplies and fixtures	2,735	3,034
Electrical and other cabling Materials	6,224	17,853
Direct labour (contracted or casual hire)	50,075	31,161
Tyres and batteries	211,591	195,281
Small tools and equipment - Repair & Maintenance	31,206	24,921
Computers, printers, other computer related equipment - Maintenance	163,239	110,216
Fire protection Equipment and Services	4,617	6,138
Fumigation	8,194	10,336
Sundry expenses	-	40,200

31(a). ADMINISTRATIVE EXPENSES (CONTINUED)

	2022/23	2021/22
	TZS'000	TZS'000
Other administrative expenses (Continued)		
Burial expenses	104,310	104,187
Software and license expenses	807,580	829,699
Occupational Safety Health Authority (OSHA) fees	1,867	9,064
Temporary staff	407,084	412,800
Photocopying & binding	-	1,917
Staff Welfare	43,855	-
Repair & Maintenance - Office Buildings	21,905	106,700

Repair & maintenance - Office furniture & fittings	39,415	1,641
Seminars, workshops & conferences	-	7,949
Diesel	587,890	600,162
Lubricants	-	536
Tax-management car loan	211,031	174,038
Ground travel	98,061	-
Taxes levied by another level of Government	18,799	82,808
Total other administrative expenses	19,297,564	19,090,180
Total administrative expenses	53,077,733	70,630,796

	2022/23	2021/22 Restated
	TZS'000	TZS'000
31(b). ESTABLISHMENT EXPENSES		
Amortisation of intangible assets	-	21,675
Depreciation on property and equipment	3,787,118	3,534,687
Depreciation of investment property	10,065	10,065
Amortisation of Right of Use Asset (ROUA)	1,096,372	1,226,002
Furniture grant	54,075	22,003
	4,947,630	4,814,432

31(c). IMPAIREMENT EXPENSES

(Decrease)/increase in expected credit loss in trade and other receivables	(1,142,778)	4,308,939
Impairment for term deposit	497,538	885,120
Impairment provision on staff loans	1,459,961	(227,780)
Impairment provision on Government loans*	23,453,593	-
Trade receivable write off	2,003,919	-
Value Added Tax (VAT) receivable write off**	1,625,064	950,284
	27,897,297	5,916,563

*The impairment provision on Government loans was based on accrued interest where as the Government confirmed principal amount only.

** The VAT receivables were written off because the Fund is ineligible to claim input tax.

31 (d) OTHER EXPENSES

	2022/23	2021/22
	TZS'000	TZS'000
Taxes expense - prior years' audits**	144,282	48,918,936
	144,282	48,918,936

****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.

32. OTHER INCOME

	2022/23 TZS'000	2021/22 TZS'000 Restated
Accreditation fees	113,930	122,611
Gain on disposal of items of property and equipment	5,258	200,578
Income from IDs replacement	1,011,281	838,060
Supplementary services income	2,540,393	1,299,823
Equipment loan application fees	1,040	1,420
Bad debts recovery- Tumaini la Mama project	111,980	-
CHF income	298,615	-
Foreign exchange gain*	128,605	-
Revenue Grant - Motor Vehicle*	6,125	6,125
Penalties-delayed contribution	17,751	-
	4,234,978	2,468,617

*Revenue grant amount was based on the amortization of the deferred revenue of Motor vehicle received as grant in 2021. Cash flow amount of TZS 4,100,248,000 has excluded non cash items i.e revenue grant and foreign exchange gain.

33. INCOME TAX EXPENSE

	2022/23 TZS'000	2021/22 TZS'000
Current tax expense	14,355,611	17,626,560
Deferred tax credit - Note 26	(423,605)	(2,621,832)
	13,932,006	15,004,728

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

	2022/23 TZS '000	2021/22 TZS '000
Deficit before tax	(142,838,710)	(189,649,613)
Tax calculated at the rate of 30%	(42,851,613)	(56,894,884)
Tax effect on:		
Expenditure permanently disallowed	25,288,304	7,101,232
Members contribution income	(190,052,649)	(165,774,068)
Members benefits expenses	222,983,260	202,276,479
Final withholding payment	(3,325,816)	(1,713,487)
Under provision in prior year	1,890,520	-
	13,932,006	(15,004,728)

34. TERM DEPOSITS

	2022/23 TZS '000	2021/22 TZS '000
Term deposits received	229,424,133	207,091,941
Term deposits disbursed	(168,000,000)	(241,000,000)
Net receipt from/(payment to acquire) term deposits	61,424,133	(33,908,059)

35. PAYMENT TO SUPPLIERS AND EMPLOYEES

Accrual balance as at 1 July	2,474,029	2,629,005
Other payables balance as at 1 July	89,137,800	25,436,844
Add: Expenses incurred during the year		
Administrative expenses	58,025,363	74,140,650
Members services expenses	10,216,433	10,908,203
Tax expense - audit	144,282	48,918,936
Impairment expenses	27,897,297	
Less: Non cash expenses		
Depreciation property & equipment	(3,797,183)	(2,210,776)
Depreciation investment property	(10,065)	(29,403)
Amortization intangible assets	-	(21,675)
Amortization of ROUA	(1,096,371)	(1,226,002)
Defined benefit costs	16,816,647	-
Trade receivable write off	(2,003,919)	-
Impairment provision on ECL	(24,540,760)	-
Audit fees - provision	(489,250)	-
Audit supervision - provision	(69,400)	-
Less:		
Accrual balance as at 30 June	(603,695)	(2,474,029)
Other payables as at 30 June	(90,754,794)	(89,137,800)
Impact of other balances affecting expenses		
less: Prepayment balance as at 1 July	(1,543,940)	(1,124,296)
Add: Prepayment balance as at 30 June	907,258	1,543,940
Less: Inventory balance as at 1 July	(4,931,798)	(6,723,435)
Add: Inventory balance as at 30 June	1,200,358	4,931,798
Less: Advance to staff as at 1 July	(189,382)	-
Add: Advance to staff as at 30 June	42,179	189,382
Add: Fraud and verification balance as at 30 June	5,078,509	3,601,489
Less: Fraud and verification balance as at 1 July	(3,601,489)	(4,648,358)
Increase/(decrease) of Claim advance ,supplementary and other securities	(19,642,722)	18,179,022
	58,665,387	82,883,495

36. INTEREST RECEIVED

	2022/23	2021/22
	TZS '000	TZS '000
Interest from treasury bills	-	35,575
Interest from treasury bond	29,895,236	29,323,268
Interest from fixed deposits	20,329,421	23,509,099

Interest from corporate bonds	114,063	117,841
Interest on loan to service providers	540,535	496,642
Interest from call Account	2,010,068	3,498,846
Interest from Corporate body	114,063	2,835
Interest from Government loan	-	466,051
	53,003,386	57,450,157

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 and the Board of Directors. The following are the related party transactions which took place during the year under review:

	2022/23 TZS' 000	2021/22 TZS' 000
(a) Transactions with related parties:		
Board of Directors fees	99,412	108,235
Key Management basic salary	4,016,430	3,850,956
Key Management allowances	2,009,982	2,287,917
	6,125,824	6,247,108
(b) Balances with key management personnel		
Loans to key Management Members	4,181,000	3,238,328
Car loans tax benefit to key management	211,031	174,038
	4,392,031	3,412,366

Loans to key management comprises of housing loans, transport facility loans and educational loans. The housing and transport facility loans attract 3% interest while education loans is interest free. The maximum loans 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 AND RESTATEMENTS

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

During the year ended 30 June 2023, Management and the Board of Directors noted that depreciation on property and equipment had been computed basing on inaccurate useful lives. Management and the Board of Directors decided to perform a thorough review of the useful lives of its property and equipment as required by IAS 16 *Property plant and equipment*. Additionally, the Fund received a motor vehicle, which was utilized in the project of construction of the Benjamin Mkapa Hospital and was not recorded in the accounting records. The vehicle has been treated as a grant, assigned a fair value of TZS 37,500,000. The error resulted to the restatement of financial position and statements of surplus or deficit for the years ended 30 June 2021 and 30 June 2022. The impact of this error is summarised below:

a) Statement of financial position

As at 30 June 2021	Impact of correction of errors		
	As previously reported TZS'000	Adjustments TZS'000	As restated TZS'000
ASSETS			
Non-Current Assets			
Investment in shares	148,611,350	-	148,611,350
Investment in Government Securities	302,715,583	-	302,715,583
Investment in corporate bonds	1,003,896	-	1,003,896
Loans receivable	225,376,447	-	225,376,447
Other loans receivable	28,359,678	-	28,359,678
Right of use assets	2,324,609	-	2,324,609
Intangible assets	51,386	-	51,386
Investment property	693,057	(250,938)	442,119
Property and equipment	44,015,190	10,342,914	54,358,104
	<u>753,151,196</u>	<u>10,091,976</u>	<u>763,243,172</u>
Current Assets			
Cash and bank balances	54,362,117	-	54,362,117
Investment in call deposits	52,057,369	-	52,057,369
Investment in corporate bonds	-	-	-
Investment in term deposits	186,277,430	-	186,277,430
Contribution and other receivables	40,688,366	-	40,688,366
Investment in Government Securities	69,448,041	-	69,448,041
Loans receivable	5,242,071	-	5,242,071
Other loans receivable	7,466,077	-	7,466,077
Inventories	6,723,434	-	6,723,434
	<u>422,264,905</u>	<u>-</u>	<u>422,264,905</u>
TOTAL ASSETS	<u>1,175,416,101</u>	<u>10,091,976</u>	<u>1,185,508,077</u>
RESERVES AND LIABILITIES			
Reserves			
Fair value reserve - Equity investment	39,662,622	-	39,662,622
Fair value reserve - Defined benefit obligation	4,337,930	-	4,337,930
Accumulated reserve	923,921,151	10,060,599	933,981,750
	<u>967,921,703</u>	<u>10,060,599</u>	<u>977,982,302</u>
Liabilities			
Non-Current Liabilities			
Deferred tax liability	1,976,303	-	1,976,303
Lease liability	1,249,691	-	1,249,691
Defined benefit obligation	18,172,000	-	18,172,000
	<u>21,397,994</u>	<u>-</u>	<u>21,397,994</u>
Current Liabilities			
Benefits and other payables	180,680,232	31,377	180,711,609
Current tax liability	4,069,251	-	4,069,251
Lease liability	1,048,039	-	1,048,039
CHF matching fund payable	298,882	-	298,882
	<u>186,096,404</u>	<u>31,377</u>	<u>186,127,781</u>
Total Liabilities	<u>207,494,398</u>	<u>31,377</u>	<u>207,525,775</u>
TOTAL RESERVES AND LIABILITIES	<u>1,175,416,101</u>	<u>10,091,976</u>	<u>1,185,508,077</u>

(a) Statement of financial position (Continued)

As at 30 June 2022	Impact of correction of errors		
	As previously reported TZS'000	Adjustments TZS'000	As restated TZS'000
ASSETS			
Non-Current Assets			
Investment in shares	150,641,557	-	150,641,557
Investment in Government Securities	188,048,275	-	188,048,275
Investment in corporate bonds	-	-	-
Loans receivable	223,753,148	-	223,753,148
Other loans receivable	29,219,757	-	29,219,757
Right of use assets	1,449,425	-	1,449,425
Deferred tax asset	436,278	-	436,278
Intangible assets	29,711	-	29,711
Investment property	663,654	(231,600)	432,054
Property and equipment	42,282,718	9,019,001	51,301,719
	<u>636,524,523</u>	<u>8,787,401</u>	<u>645,311,924</u>
Current Assets			
Cash and bank balances	12,909,071	-	12,909,071
Investment in call deposits	28,241,317	-	28,241,317
Investment in corporate bonds	1,003,837	-	1,003,837
Investment in term deposits	220,181,891	-	220,181,891
Contribution and other receivables	81,466,164	-	81,466,164
Investment in Government Securities	94,485,843	-	94,485,843
Loans receivable	4,278,535	-	4,278,535
Other loans receivable	9,630,492	-	9,630,492
Current tax asset	4,004,252	-	4,004,252
Inventories	4,931,796	-	4,931,796
	<u>461,133,198</u>	<u>-</u>	<u>461,133,198</u>
TOTAL ASSETS	<u>1,106,445,122</u>	<u>8,787,401</u>	<u>1,106,445,122</u>
RESERVE AND LIABILITIES			
Reserves			
Fair value reserve - Equity investment	41,083,767	-	41,083,767
Fair value reserve - Defined benefit obligation	3,405,039	-	3,405,039
Accumulated reserve	718,666,810	8,762,148	727,428,958
	<u>763,155,616</u>	<u>8,762,148</u>	<u>771,917,764</u>
Liabilities			
Non-Current Liabilities			
Lease liability	795,477	-	795,477
Defined benefit obligation	22,777,000	-	22,777,000
	<u>23,572,477</u>	<u>-</u>	<u>23,572,477</u>
Current Liabilities			
Benefits and other payables	309,589,029	25,253	309,614,282
Lease liability	1,041,953	-	1,041,953
CHF matching fund payable	298,646	-	298,646
	<u>310,929,628</u>	<u>25,253</u>	<u>310,954,881</u>
Total Liabilities	<u>334,502,105</u>	<u>25,253</u>	<u>334,527,358</u>
TOTAL RESERVE AND LIABILITIES	<u>1,097,657,721</u>	<u>8,787,401</u>	<u>1,106,445,122</u>

(b) Statement of surplus or deficit and other comprehensive income

For the year ended 30 June 2022	As previously reported TZS '000	Adjustments TZS '000	As restated TZS '000
CONTRIBUTIONS AND BENEFITS			
Contribution income	552,580,226	-	552,580,226
Benefit expenses	(674,254,930)	-	(674,254,930)
Members services expenses	(10,908,203)	-	(10,908,203)
Net deficit from dealing with members	(132,582,907)	-	(132,582,907)
RETURN ON INVESTMENTS			
Dividend income	2,743,694	-	2,743,694
Interest income	64,840,423	-	64,840,423
Rental income	1,862,836	-	1,862,836
Total investment income	69,446,953	-	69,446,953
Administrative expenses	(70,630,796)	-	(70,630,796)
Establishment expenses	(3,509,856)	(1,304,576)	(4,814,432)
Impairment expenses	(5,916,563)	-	(5,916,563)
Other expenses	(48,918,936)	-	(48,918,936)
Other income	2,468,617	-	2,468,617
Deficit before tax	(190,948,064)	(1,304,576)	(190,948,064)
Income tax expenses	(15,004,728)	-	(15,004,728)
Deficit for the year	(205,952,792)	(1,304,576)	(205,952,792)
Other comprehensive income:			
Items that will not be reclassified subsequently to Surplus or deficit:			
> Gain/(loss) from re-measurement of defined benefit obligation	(1,332,702)	-	(1,332,702)
> Deferred tax (charge)/credit relating to items that will not be reclassified subsequently	399,811	-	399,811
Net of tax	(932,891)	-	(932,891)
Items that will be reclassified subsequently to surplus or deficit:			
> Fair value gain on equity investment	2,030,207	-	2,030,207
> Deferred tax charge relating to items that will be reclassified subsequently	(609,062)	-	(609,062)
Net of tax	1,421,145	-	1,421,145
Total other comprehensive income for the year, net of income tax	488,254	-	488,254
Total comprehensive deficit for the year	(205,464,538)	1,304,576	(205,464,538)

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 loans guaranteed by the Fund. The total litigation relating to the civil case approximately TZS 12.78 billion. There were 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 612 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 ended 30 June 2023, the Fund had a capital commitment of TZS 10.01 billion for various development projects, including data center upgrading, payment for final accounts for completion of construction and rehabilitation of NHIF Building at Mbeya and procurement of ID Printing Materials.

41 EVENTS AFTER REPORTING DATE

Following the subsequent enactment of the Universal Health Insurance Act 2023, among other things, it is expected that a significant number of the Tanzanian population will be taken on board the health insurance system. Consequently, it is expected that the implementation of the UHI Act will greatly have an impact on the National Health Insurance Fund, since the Fund is one of the key players responsible for the implementation of the Act.

According to the UHI Act, membership coverage for the National Health Insurance has been extended to include other categories of members who shall join on a mandatory basis.

In this regard, the Fund will not only cover public servants but also other categories of members including employees from the private companies in which the Government or its agent has share has at least 30% shares. In addition, all poor households which according to Population Census Report for Year 2022, 26.4% of Tanzania total population lives below the poverty line. In covering this group, the Government has already specify sustainable sources of financing in which their contributions will be channelled direct to the National Health insurance Fund for service provision. Furthermore, apart from additional categories of members to the Fund, the Act also allows the remaining categories of members from formal and informal private sector to choose health insurance scheme of their choice including the National Health Insurance Fund. In this regard, considering various ongoing interventions on cost containment measures taken by the Fund, implementation of the UHI Act is expected to ensure the sustainability of the scheme.