

THE UNITED REPUBLIC OF TANZANIA NATIONAL AUDIT OFFICE



MEDICAL STORES DEPARTMENT (MSD)

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS AND COMPLIANCE AUDIT FOR THE FINANCIAL YEAR ENDED 30 JUNE 2023

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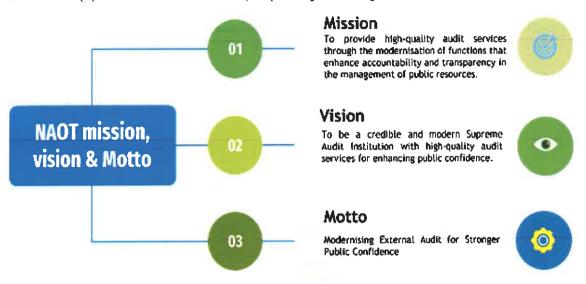
February 2024

AR/PA/MSD/2022/23

About the National Audit Office

Mandate

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



Independence and objectivity

We are an impartial public institution, independently offering high-quality audit services to our clients in an unbiased manner.

Teamwork Spirit

We value and work together with internal and external stakeholders.

Results-Oriented

We focus on achievements of reliable, timely, accurate, useful, and clear performance targets.



Professional competence

We deliver high-quality audit services based on appropriate professional knowledge, skills, and best practices

Integrity

We observe and maintain high ethical standards and rules of law in the delivery of audit services.

Creativity and Innovation

We encourage, create, and innovate value-adding ideas for the improvement of audit services.

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ABBREVIATIONS

CAG Controller and Auditor General

CPA Certified Public Accountant

HIV Human Immunodeficiency Virus

HQ Head Quarter

ISSAIs International Standard of Supreme Audit Institutions

IPSAS International Public Sector Accounting Standards

IT Information Technology

MoH Ministry of Health

MSD Medical Stores Department

NBAA National Board of Accountant and Auditors

NEMC National Environmental Management Council

NGOs Non-Government Organisations
NHIF National Health Insurance Fund

PAR Public Audit Regulation

PAC Public Accounts Committee

PFA Public Finance Regulations

PPA Public Procurement Act

PPRA Public Procurement Regulatory Authority

PSSSF Public Servant Social Security Fund

TZS Tanzania Shillings

WCF Workers Compansation Fund

URT United Republic of Tanzania

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board of Trustees, Medical Stores Department, Off-Nyerere Road, Keko Mwanga, P. O. Box 9081, Dar es Salaam, Tanzania.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Medical Stores Department which comprise the statement of financial position as at 30 June 2023, and the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of Medical Strores Department as at 30 June 2023, and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis of accounting and the manner required by the Public Finance Act, Cap. 348.

Basis for Opinion

I conducted my audit in accordance with the 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 Medical Strores Department in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter

I draw attention to Note 18 of the financial statements, which discloses that as at 30 June 2023, the Ministry of Health had not settled its outstanding obligations to the Medical Stores Department (MSD) amounting to TZS 341,594,775,489 excluding provision of TZS 24,093,326,000.

The debt includes payments made by MSD for clearing, storage, and distribution of various commodities donated to the Government of the United Republic of Tanzania by development partners and various donor communities, as well as the value of medicines and medical supplies supplied to various Government Health Facilities on credit. This has significantly affected the MSD's ability to pay its maturing obligations, resulting in impaired cash flows and diminution of the revolving fund. As a result, delays in the distribution of medicines and medical supplies to Heath Facilities in the United Republic of Tanzania may occur.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Report by those charged with 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 IPSAS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether
 due to fraud or error, design and perform audit procedures responsive to those risks, and
 obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion.
 The risk of not detecting a material misstatement resulting from fraud is higher than for
 one resulting from error, as fraud may involve collusion, forgery, intentional omissions,
 misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; 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 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 of such communication.

In addition, Section 10 (2) of the Public Audit Act, [Cap 418 R.E 2021] 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, [Cap 410 R.E 2022] requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

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

I performed a compliance audit on the procurement of works, goods, and services in the Medical Stores Department for the financial year 2022/23 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that, except for the matters described below, procurement of works, goods and services of Medical Stores Department is generally in compliance with the requirements of the Public Procurement laws.

i. Inadequate execution of approved annual procurement plan by TZS 78.35 billion

The MSD prepared the Annual Procurement Plan and intended to implement 318 procurements activities amounting to TZS 530,417,114,398 for Works, Goods, consultancy and Non-Consultancy Services. However, as at 30 June 2023, the management succeeded in initiating tenders amounting to TZS 452,063,067,598 equivalent to 80% and failed to initiate procurements activities for medical supplies and medical equipment amounting to TZS 78,354,046,800 equivalents to 20%. This is contrary to Section 49 (1)-(3) of the Public Procurement Act, [Cap 410 R.E 2022] and Regulation 69 (7) of the Public Procurement Regulations, 2013.

ii. Non-submission of Performance Security while the contract already signed TZS 8.07 billion

During the year under audit 2022/23, I reviewed all 46-procurement processing file and their contract documents and out of these, five contracts were found with the letter of acceptance as submitted by contractors and their contracts signed by both parties. However up to the time of audit 30 June 2023, the contractors had not submitted the performance security as per the requirement of Paragraph 11.2 of the Guideline for security and Section 104 of Public Procurement Act, 2011.

iii. Pro-longed tendering processes for 251 Days for urgent procurement TZS 2.41 billion.

From the review of 46 tender processing file and its contract documents, I discovered that the Director of Logistic and Operations requested the Director of Procurement on 25 October 2022 to expedite the tender process due to an urgent need for procured items in the prevention of the Ebola outbreak.

However for three out of 46 procurement files related to the supply of medical supplies and Medical Equipment amounting to TZS 2,410,246,328, the tendering processes took 148 to 251 days to be finalized from the date of requisition to the date of contract. The responsible parties failed to provide reasonable justifications for the extended duration of these contracts, contrary to Regulation 5(1) of the Public Procurement Regulations, 2013, and Regulation 187(1) of the Public Procurement Regulations, 2023 (1912) 1871 (1913)

1.2.2Compliance 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 Medical Stores Department) 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, except for the matter described below, Budget formulation and execution of Medical Stores Department is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.

Under-release of budgeted funds from Government for procurement of medicine and medical supplies TZS 42.4 billion

The budget allocated to MSD for the procurement of drugs and medical supplies was TZS 200 billion. However, as of 30 June 2023, only TZS 157.6 billion had been disbursed, leaving an outstanding amount of TZS 42.4 billion. This under-release of funds represents 21% of the total budget earmarked for procurement, which indicates that MSD might not have sufficient resources to carry out its functions.

Charles E. Kichere

Controller and Auditor General, Dodoma, United Republic of Tanzania.

February 2024

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2.0 REPORT BY THOSE CHARGED WITH GOVERNANCE

2.1 Background of MSD and General Information

The Board of Trustees is pleased to present this report together with the annual Financial Statements for the year ended 30 June 2023, which disclose the financial performance, financial position, cash flow information, statement of changes in equity and notes to the accounts for the year ended 30 June 2023. These financial statements have been prepared in accordance with the requirements of the Public Finance Act CAP 348 and presented based on Accrual basis of International Public Sector Accounting Standards (IPSAS). To increase clarity and reader's understanding, additional information have been included pursuant to the Tanzania Financial Reporting Standard number 1 as issued by the Tanzania Board of Accountants and Auditors (NBAA).

MSD is an autonomous department of the Government of the United Republic of Tanzania under Ministry of Health, that operates on a commercial basis, being responsible for its own self-sustaining financially. Management reports to the Board of Trustees composed of eminent public servants and medical professionals with diverse backgrounds who provide guidance and oversight to MSD operations. MSD's commercial operations provide funds sufficient for the maintenance and growth of the Department without drawing upon outside resources. Thus, Management works on the strictest of principles regarding cost analysis, cost-effective operations, and transparency. Integrity is of the highest importance and MSD relies on internal auditing as well as external audit procedure to validate all financial operations.

The organization is domiciled in Dar es Salaam - Tanzania with ten zonal offices countrywide. The registered Head Office is located at Keko - Mwanga area. The Department's organizational structure has been designed so as to ensure maximum efficiency and performance of MSD functions.

2.2 Establishment

Medical Stores Department (MSD) was established by Act of Parliament No. 13 of September, 1993 [CAP 70 R.E. 2002]. An Act to establish the Medical Stores Department for the procurement, storage and distribution of health commodities and to provide for other matters connected or incidental to the establishment and management of the Department. The Government amended MSD Act in October 2021 to allow MSD to produce health commodities. MSD is an autonomous department of the Government under Ministry of Health. It is responsible for the production, procurement, storage and distribution of health commodities and provide for other matters connected or incidental to the establishment and management of the department. It has its head office in Dar es Salaam and operates in ten zones, and six Community Outlet across Tanzania.

2.3 Main Activities

According to the Act of Parliament No. 13 of 1993 [CAP 70 R.E. 2002], Section 4(2) provides the

following core functions of the Department: develop, maintain and manage an efficient and cost effective system of production, procurement, procurement, storage and distribution of health commodities to all public health facilities; apply sound commercial principles in production, procurement, storage and distribution in order to maintain a self-sustaining revolving fund; monitor requirement and distribution of drugs and medical supplies within the public health sector and to take necessary remedial measures; and ensure availability of health commodities at all times.

In order to execute these functions MSD is geographically located in ten zones of Dar es Salaam, Mwanza, Tabora, Kilimanjaro, Mtwara, Mbeya, Iringa, Dodoma, Kagera and Tanga and six (6) Community Outlets at Dar es Salaam (Muhimbili), Muleba (Chato), Mbeya (Mbeya), Moshi (Mt. Meru) Mtwara (Ruangwa) and Katavi (Mpanda). MSD serves more than 7,600 health facilities by June 2023, these include, Referral Hospitals, Regional and District Hospitals, Health Centers, Dispensaries, approved health facilities (of faith Based organizations, military bases, parastatals, and Non-Governmental Organizations) all over the country.

MSD total storage capacity as at 30 June 2023 was 56,858.57 square meters (m2) (2021/22: 69,759 m2) out of which 36,345 m2 (2021/22: 49,154 m2) are owned and 20,604.57 (2021/22: 20,605 m2) are hired. The zonal stores have a total of 31,548m2 (2021/22: 29,095 m2).

MSD has a Fleet of 229 vehicles that supports its Direct Delivery (DD) to all public health facilities throughout the country. The total of 175 its vehicles are allocated to MSD zones and sales points for distribution and administration activities, the remained 54 vehicles are held at Head Quarter for Supervision and feeding of supplies to Zones.

2.4 Vision and Mission Statements

VISION

To become a Centre of excellence for health commodities supply chain in Africa.

MISSION

Provide quality and reliable health commodities accessible to health facilities within and outside Tanzania borders.

2.5 Core Values

The following are the core value in which the department is undertaken to uphold in pursuing the attainment of its vision:

- (i) Reliability: We consistently fulfil our responsibilities with honesty and accuracy. Our customers can depend on us to fulfil their needs efficiently, and in a timely manner;
- (ii) Innovation: We encourage new ideas and creativity in improving how we deliver our services. We are problem solvers, dedicated to finding more efficient and effective ways of fulfilling our mandate;

- (iii) **Teamwork:** We support each other, working co-operatively, respecting each other's views, and making our work environment enjoyable and conducive for one another;
- (iv) Integrity: We are determined to remain transparent, honest and ethical in what we think, say and do. We are committed to maintaining impartiality and stand accountable for our practices; and
- (v) **Customer Focused:** We recognize and engage our customers in a timely and friendly manner. We use customer insights to shape our products, services, and strategy.

2.6 Objectives and strategies of the department

The main objective being to develop, maintain and manage an efficient and cost-effective system of production, procurement, storage and distribution of approved essential medicines and other medical supplies required for use by public health services and to disseminate any relevant information relating to medicines and other medical supplies.

To achieve MSD's vision and mission MSD identified six strategic objectives which are outlined in the table below:

| Objectives | Strategic Objectives |
|------------|--|
| Α | Care and fight of HIV and Non-communicable diseases improved |
| В | Effective Implementation of the National anti-corruption strategy enhanced and sustained |
| С | The capacity of MSD to carry out its core mandate enhanced |
| D | Inventory Management Improved |
| E | Customer service delivery improved |
| F | Health commodities Manufacturing Plants established. |

In order to achieve the identified six objectives forty six strategies have been established to address issues and challenges related to MSD, the main strategies that are implemented including strengthening the existing Procurement Management Unit, engagement of stakeholders in supply chain to improve service delivery, review MSD Organizational Structure and staffing to improve efficiency and productivity, review performance monitoring and evaluation systems enhance electronic systems to support MSD business processes and service delivery, review costing model for MSD sources of revenue and pricing for MSD manufactured products, and Sustainable working capital maintained.

For MSD to fully implement its strategic plan and meet its target, the following critical success factors have been considered; customer focused, stable financial resources, teamwork & committed staff, information & communication technology, stakeholder management, effective communication skills, aligned Organization Structure and monitoring and evaluation of the performance.

Performance measurement is categorized into five criterions namely People Management, Customer Service, Good Governance & Control, Core functions of the Institutions, and Financial Performance. Based on the criteria to be measured for the period, overall performance is 75%.

Table 1: The summarized targeted weights and results is here under depicted:

| No | Perspectives | Annual Weight Targeted | Annual Results | Annual Results Percentage |
|------|---|------------------------------|-------------------|---------------------------------|
| 1. | People Management | 20 | 16.0 | 80% |
| 2. | Control and good governance | 20 | 16.3 | 82% |
| 3. | Core Function and Institutional Mandate | 10 | 5.3 | 53% |
| 4. | Customer Service | 30 | 22.1 | 74% |
| 5. | Financial Results | 20 | 17.6 | 88% |
| Tota | | 100 | 75.2 | 75% |

2.7 Legal And Regulatory Requirements

MSD observes all pertinent laws and regulations in performing its activities. These includes MSD Act, 1993, Income Tax Act, 2004, Public Service Act, 2002, Public Procurement Act, 2011 and its Regulations, 2013 as amended in 2016, Internal Staff Regulations, Internal Financial Regulations, The Public Finance Act CAP 348 and Public Financial Regulations of 2001.

2.8 Entity operating model

MSD operates in a revolving fund that was established in 1994 with an amount of TZS 2,005,000,000 has increased to TZS 397,694,292,000 as at 30 June 2023 through fixed assests fair value gain and surplus from operations from 1994 to 30 June 2023. The revolving fund operates by using the MSD capital to procure health commodities required by the facilities and distributing the commodities to the facilities in return for money which adds back to the revolving fund. MSD has also been using the revolving fund to service the MoH vertical programmes in terms of procurement, clearing, storage, and distribution of the Vertical Programmes commodities. In case the facilities or the Vertical Programmes are serviced with no cash in payment in return of the goods or services delivered, the revolving fund is weakened. The total value of services offered to the MoH Vertical Programmes which are un paid as at 30 June 2023 amounted to TZS 278,743,102,425 and the total value of health commodites delivered to government health facilities which are un paid as at 30 June 2023 amounted to TZS 87,579,389,872 making a total debt of TZS 365,688,102,425 implying that the MSD revolving fund has been weakened by 89% through provision of goods and services with no cash in return.

2.9 RESOURCES AND STRENGTHS

MSD uses its human, financial and technological resources to achieve its strategic objectives. MSD adheres to good governance principles and promotes good labor relations that provide conducive working environment for discharging its mandates.

MSD has adequate instruments to facilitate performance of its duties. It has a Corporate Strategic Plan (2021- 2026) which identifies the Strength, Weaknesses, Opportunities and Challenges and calls for strategies to use/mitigate them. Also, the Corporate Strategic Plan sets out strategic objectives and targets to effectively direct resources and guide the performance of MSD.

MSD enhances its financial sufficiency by improving management of its resources through prioritization of initiatives, implementing initiatives within the available financial resources to generate adequate revenue for timely implementation of planned activities. The financial resources are utilized to execute MSD mandates of make quality heath products accessible to all public health facilities in Tanzania.

MSD has ICT application systems which have improved provision of operational services. In general, ICT application systems are expected to improve efficiency in service delivery. MSD shall continue with its initiative to automate business operations to enhance efficiency and reduce costs of business operations.

2.10 CORPORATE GOVERNANCE

Operations of MSD are overseen by Board of Trustees. The Board of Trustees consists of nine trustees; the trustees have oversight role in running of MSD affairs, none of them holds excecutive position in MSD. Director General is the Board Secretary. The Board takes overall responsibility for the MSD, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and for compliance with sound corporate governance principles. The Board delegates the day to day management of the MSD's operations to the Director General. MSD is committed to the principles of effective corporate governance. The Trustees also recognize the importance of integrity, transparency and accountability.

The Department is also responsible for identifying key risk areas and ensuring that a system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles. The Management believes on the principles of Corporate Governance which include transparency, accountability, probity and respect for the rights of all its stakeholders. Therefore, the Management team continued to enforce good corporate governance practices by mainly focusing on regulations, compliance and professionalism as an integral part of the operations towards better governance.

2.11 Board of Trustees

The Board of Trustees was appointed by the Government on 12 April 2022 Ms. Rosemary William Silaa, was appointed by the President of the United Republic of Tanzania, to be the Board of Trustees Chairperson. Other members of the Board were appointed by the Minister responsible for Health in accordance with Section 5 of MSD Act, 1993. The Board has appropriate mix of

members including Medical Doctors, Economists, Pharmacists, Supply Chain Experts, Lawyers and Financial Experts.

The detailed information of the new Board of Trustees members as per Table 2:

Table 2: MSD New Board of Trustees Details

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|---------------------------|-------------|-----|-------------|---------------|---------------------|
| 1. | Ms.Rosemary William Silaa | Chairperson | 46 | Tanzanian | Pharmacist | 12 April 2022 |
| 2. | Mr. Meshack J. Anyingisye | Member | 42 | Tanzanian | Economist | 06 July 2022 |
| 3. | Ms. Rehema M. Katuga | Member | 43 | Tanzanian | Lawyer | 06 July 2022 |
| 4. | Mr. John Mathew Mnali | Member | 53 | Tanzanian | Economist | 06 July 2022 |
| 5. | Dr. Ntuli Kapologwe | Member | 46 | Tanzanian | Doctor | 06 July 2022 |
| 6. | Ms. Brenda Msangi | Member | 43 | Tanzanian | Pharmacist | 06 July 2022 |
| 7. | Dr. Danstan H. Shewiyo | Member | 56 | Tanzanian | Pharmacist | 06 July 2022 |
| 8. | Dr. Mwamvita T. Kissiwa | Member | 38 | Tanzanian | Doctor | 06 July 2022 |
| 9. | Dr. Julius Mwaiselage | Member | 54 | Tanzanian | Doctor | 25 July 2022 |
| 10 | Mr.Mavere A. Tukai | Secretary | 50 | Tanzanian | Pharmacist | 12 April 2022 |

The committee includes the following member:

i. Audit and Risk Management Committee Members

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|-----------------------|-------------|-----|-------------|---------------|---------------------|
| 1. | Dr. Dastan H. Shewiyo | Chairperson | 56 | Tanzanian | Pharmacist | 06 July 2022 |
| 2. | Mr. John Mathew Mnali | Member | 53 | Tanzanian | Economist | 06 July 2022 |
| 3. | Ms. Rehema M. Katuga | Member | 43 | Tanzanian | Lawyer | 06 July 2022 |

ii. Finance and Administration Committee Members

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|------------------------|-------------|-----|-------------|---------------|---------------------|
| 1. | Mr. Meshack Anyingisye | Chairperson | 42 | Tanzanian | Economist | 06 July 2022 |
| 2. | Dr. Ntuli Kapologwe | Member | 46 | Tanzanian | Doctor | 06 July 2022 |
| 3. | Ms. Brenda Msangi | Member | 43 | Tanzanian | Pharmacist | 06 July 2022 |

iii. Technical Services Committee Members

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|-------------------------|-------------|-----|-------------|---------------|---------------------|
| 1. | Dr. Dastan H. Shewiyo | Chairperson | 56 | Tanzanian | Pharmacist | 06 July 2022 |
| 2. | Dr. Julius Mwaiselage | Member | 54 | Tanzanian | Doctor | 06 July 2022 |
| 3. | Dr. Mwamvita T. Kissiwa | Member | 38 | Tanzanian | Doctor | 06 July 2022 |

2.10.1 Board Meetings

MSD Act No.13 of 1993 requires the Board of Trustee to hold at least four meetings per annum at such times and places as the Chairman of the Board may determine. The Board may at any time upon the recommendation of the Minister or the Chairman, hold an extraordinary

meeting. During the financial year under review, the Board of Trustee held five (5) meetings, on 05 August 2022 (Extra-Ordinary Meeting No. 164); 07 November, 2022 (Meeting No. 165); 17-18 February 2023 (Meeting No. 166); 27 March, 2023 (Extra-Ordinary Meeting No. 167) and 27-28 May 2023 (Meeting No. 168).

During each meeting the Board discussed and deliberated on the following main issues:

- i. Board Induction
- ii. Approvals
 - a) MSD Revised Business Plan and Budget for Financial Year 2021/22
 - b) MSD Annual Business Plan for Financial Year 2022/23
 - c) MSD Budget for Financial Year 2022/23
 - d) MSD Price Catalogue Financial Year 2022/23
 - e)MSD Annual Procurement Plan for Financial Year 2022/23
- iii. Confirmation of Minutes of the 164th Extra Ordinary Board Meeting held on 05 August 2022, at Julius Nyerere International Convention Centre, Dar Es Salaam, 01 September 2022 and 02 September 2022 at MSD Head Office, Dar es Salaam
- iv. Matters Arising from the Minutes of the of the Extra Ordinary Board Meeting held on 05 August 2022, at Julius Nyerere International Convention Centre, Dar es Salaam, 01 September 2022 and 2nd September 2022 at MSD Head Office, Dar es Salaam
- v. Confirmation of Minutes of the 165thExtra Ordinary Board Meeting held on 07 November 2022, at Morena Hotel, Dodoma.
- vi. Matters Arising from the Minutes of the 165th Extra Ordinary Board Meeting held on 07 November 2022, at Morena Hotel, Dodoma.
- vii. Confirmation of Minutes of the 166th Ordinary Board Meeting held on 17th and 18 February 2023, at Kibo Palace Hotel, Arusha.
- viii. Confirmation of Minutes of the 167th Extraordinary Board Meeting held online on 27 March 2023.
- ix. Matters Arising from the Minutes of the of the 166th Ordinary Board Meeting held on 17 and 18 February 2023, at Kibo Palace Hotel, Arusha
- x. MSD Quarterly Report Performance Report 2022/23
 - a. Report of the Finance and Administration Committee
 - b. Report of the Technical Services Committee
 - c. Report of the Audit and Risk Committee

Table 3: Attendance of the Board Meeting

| | | | Atte | ndance | | |
|----|---------------------------|---------------|------|--------|----|----|
| SN | Name | Extraordinary | Q1 | Q2 | Q3 | Q4 |
| 1. | Ms.Rosemary William Silaa | P | Р | Р | Р | Р |
| 2. | Mr. Meshack J. Anyingisye | P | Α | Р | Р | Α |
| 3. | Ms. Rehema M. Katuga | P | Р | Р | P | Р |
| 4. | Mr. John Mathew Mnali | P | Α | P | P | Α |
| 5. | Dr. Ntuli Kapologwe | P | Α | Α | P | Р |
| 6. | Ms. Brenda Msangi | P | Р | Р | Р | Р |

| 7. | Dr. Danstan H. Shewiyo | Р | Р | Р | Р | Р |
|----|-------------------------|---|---|---|---|---|
| 8. | Dr. Mwamvita T. Kissiwa | P | Р | Р | Р | Р |
| 9. | Dr. Julius Mwaiselage | Α | P | Р | Р | Р |
| 10 | Mr.Mavere A. Tukai | P | Р | Р | P | Р |

KEY: P - Present A - Absent with apology Q - Quarterly Meeting

2.10.2 Board of Trustees' Committees

The Board functions through three main Committees in discharge of its responsibilities. The following were the member of the Board of Trustee Committees who served MSD during the financial year under review for stated period:

(a) Audit and Risk Management Committee

MSD Board has established the Audit and Risk Management Committee of the Board of Trustees under Section 27 of the Medical Stores Department Regulations of 2005 issued by the Minister responsible for Health. The committee include the following member:

Table 4: Audit and Risk Management Committee Members

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|---------------------------|-------------|-----|-------------|---------------|---------------------|
| 1. | Dr. Danstan H. Shewiyo | Chairperson | 56 | Tanzanian | Pharmacists | 06 July 2022 |
| 2. | Ms. Rehema Katoga | Member | 43 | Tanzanian | Lawyer | 06 July 2022 |
| 3. | Mr. John M. Mnali | Member | 53 | Tanzanian | Economist | 06 July 2022 |

During the financial year 2022/23, the committee had discussed and deliberated on:

- i. The adequacy and effectiveness of internal control, risk management process and governance to ensure that the management has a process in place to identify, evaluate and mitigate significant risks that may affect the achievement of the Department's financial and operational objectives.
- ii. External auditor's report and its Implementation status, management letters and responses ensure they are adequate and are submitted to the external auditors promptly.

The financial year 2022/23, the Audit and Risk Management committee held four ordinary meetings and one extraordinary. The attendance of each members during the year under review is as shown in the table below:

Table 5: Attendance of the Audit and Risk Management Committee

| | | Attendance | | | | |
|-----|------------------------|------------|----|----|----|---------------|
| No. | Name | Q1 | Q2 | Q3 | Q4 | ExtraOrdinary |
| 1. | Dr. Danstan H. Shewiyo | Р | Р | Р | Р | Р |
| 2. | Ms. Rehema Katoga | Р | Α | P | Р | Р |

| | | | Attendance | | | | |
|-----|-------------------|----|------------|----|----|---------------|--|
| No. | Name | Q1 | Q2 | Q3 | Q4 | ExtraOrdinary | |
| 3. | Mr. John M. Mnali | Р | P | Α | Р | Р | |

KEY: P - Present

(b) Finance and Administration Committee

The Finance and Administration Committee is mandated with handling all matters relating to MSD Financial Management, Human Resources Management and Administration functions. The committee includes the following member:

Table 6: Finance and Administration Committee

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|------------------------|----------|-----|-------------|---------------|---------------------|
| 1. | Mr. Meshack Anyingisye | Chairman | 42 | Tanzanian | Economist | 06 July 2022 |
| 2. | Ms. Brenda Msangi | Member | 43 | Tanzanian | Pharmacists | 06 July 2022 |
| 3. | Dr. Ntuli Kapologwe | Member | 46 | Tanzanian | Doctor | 06 July 2022 |

During the financial year 2022/23, the Finance and Administration Committee held four ordinary meetings which discussed and deliberated on the following main issues:

- i. 4th quarter performance report
- ii. Annual Business Plan and Budget for financial year 2022/23
- iii. Price catalogue for the financial year 2022/23
- iv. Status of project reports on MSD investments
- v. Nomination of New Bank Signatory and Remove of one bank signatory from the list of Signatories (in camera)
- vi. Submission of MSD Revolving Fund proposal
- vii. Submission of Collective Bargaining Agreement
- viii. Proposed policies on accounting treatment for Depreciation of msd manufacturing plants, fixed assets and harmonization of conflicting accounting policies against **IPSAS**
- ix. Human resources matters (in camera)

The attendance of each members during the year under review is as shown in the table below:

Table 7: Attendance of the Finance and Administration Committee

| | | Attendance | | | |
|-----|------------------------|------------|----|----|----|
| No. | Name | Q1 | Q2 | Q3 | Q4 |
| 1, | Mr. Meshack Anyingisye | P | Р | Р | Р |
| 2. | Ms. Brenda Msangi | P | Р | Р | Р |
| 3. | Dr. Ntuli Kapologwe | A | A | Α | Α |

KEY: P - Present

A - Absent with apology Q - Quarterly Meeting

A - Absent with apology Q - Quarterly Meeting

(c) Technical Committee

The Committee handles all matters relating to quality of Medicines and Medical supplies together with management of expired drugs. The Committee meets on bi-annual basis under regular mandate. The findings and recommendations of the Committee are reported directly to the Board of Trustees. The committee includes the following member:

Table 8: Technical Committee

| SN | Name | Position | Age | Nationality | Qualification | Appointment Date |
|----|------------------------|-------------|-----|-------------|---------------|---------------------|
| 1. | Dr. Danstan H. Shewiyo | Chairperson | 56 | Tanzanian | Pharmacists | 06 July 2022 |
| 2. | Dr. Mwamvita Kissiwa | Member | 38 | Tanzanian | Doctor | 06 July 2022 |
| 3. | Dr. Julius Mwaiselage | Member | 54 | Tanzanian | Doctor | 25 July 2022 |

During the financial year 2022/23, the Committee had a total of four ordinary meetings. In the meetings, the committee discussed and deliberated on the following main issues:

- i. Quality Assurance performance report for the fourth quarter
- ii. Stock status report
- iii. New ERP Project Concept Paper for MSD
- iv. Revised Feasibility Study Report for Establishment of Manufacturing Plants for Production of Pharmaceuticals at Zegereni (Kibaha) In Coast Region and Medical Devices at Idofi (Makambako) in Njombe Region Tanzania
- v. Establishment Subsidiary Company (SPV) to oversee the production function at MSD
- vi. Transfer of Treasury Registrar's shares at KPI (1997) Ltd. to the MSD
- vii. Implementation of Digitalization of Procurement Business Process

Table 9: Attendance of the Technical Committee

| | | Attendance | | | |
|-----|------------------------|------------|----|----|----|
| No. | Name | Q1 | Q2 | Q3 | Q4 |
| 1. | Dr. Danstan H. Shewiyo | Р | Р | Р | Р |
| 2. | Dr. Mwamvita Kissiwa | P | Р | Р | Р |
| 3. | Dr. Julius Mwaiselage | P | Р | Р | Р |

KEY: P - Present A - Absent with apology Q - Quarterly Meeting

2.10.3 Executive Management Team

Section 5 of the Medical Stores Department Regulations states that, "all the administrative functions of the Department shall be carried out by and through the Executive Management Team."

The general management of the Department is vested to the Executive Management Team (EMT) consisting of the Director General and other six Directors namely Director of Finance, Director of Administration and Human Resource, Director of Logistics and Operations, Director of Information, Communication, Technology & Statistics and Director of Procurement. There

are ten zonal managers reporting to the Director General. The Zones are Dar es Salaam, Dodoma, Mwanza, Kagera, Tabora, Mtwara, Mbeya, Kilimanjaro, Tanga and Iringa, six MSD Community Outlets (MCOs) reporting to Zonal Managers. The community outlets are Kagera (Chato), Dar Es Salaam (Muhimbili), Moshi (Mt. Meru), Mbeya (Mbeya), Katavi (Katavi) and Mtwara (Ruangwa).MSD conducts its affairs using a five-year strategic plan and gauges performance in the course of implementing the strategy using the annual business plan.

The Act of Parliament No. 13 as amended in 2021 established Medical Stores Department (MSD) as a body corporate under the Ministry of Health (MoH) responsible for Production, Procurement, Storage and Distribution of approved health commodities required for the use public health facilities and other accredited health facilities. In fulfilling the established mandate of MSD, the Board has considered and laid some initiatives which steer the new course of MSD to the future. The initiatives are derived from MSD Medium -Term Strategic Plan (MTSP) III (2021-2026) and are implemented yearly as set out in the Annual Business Plan. MSD Medium Term Strategic Plan III (MTSP III) 2021/26 focus on five key areas that MSD should strengthen, namely:

- i. Financial Sustainability;
- ii. Supply Chain Management;
- iii. Technology;
- iv. Human Capital Management;
- v. Governance and Stakeholder Management.

Alongside with the five focus areas of the revised Medium-Term Strategic Plan III (MTSP III) 2021/26 there are six strategic objectives, namely:

| Objectives | Strategic Objectives | | | |
|------------|--|--|--|--|
| Α | Care and fight of HIV and Non-communicable diseases improved | | | |
| В | Effective Implementation of the National anti-corruption strategy enhanced and sustained | | | |
| С | The capacity of MSD to carry out its core mandate enhanced | | | |
| D | Inventory Management Improved | | | |
| E | Customer service delivery improved | | | |
| F | Health commodities Manufacturing Plants established. | | | |

In order to realize the strategic objectives, each financial year MSD prepares the annual business plan and the budget, that help to set annual targets and implement the along with the annual approved budget.

The year under reporting is the second year of implementation of MTSP III 2021/26 and it has achieved envisaged objectives as defined in annual business plan 2022/23. The Board is aware of the social, economic, technological and political changes that affect the health sector.

MSD is dedicated to use its strategic plan roadmap through pillars operational excellence, service excellence and business growth, to continue realizing our mission of making available,

at all times, medicines and medical supplies of acceptable quality at affordable prices to all Tanzanians.

Board of Trustee through MSD Management has started implementation of number of strategic initiatives which steers the new course of MSD future. These includes; engagement in manufacturing of pharmaceuticals using own resources for sustainability purposes; improving the wholesale and retail pharmacies at affordable prices in all major cities in Tanzania (MSD Community Outlets); Strengthening of direct delivery system through logistic optimization and use of technology; Procuring medicines from manufacturers; and improving skills of its workforce by structuring a quick and effective logistical team. MSD intends to focus on manufacturing as a means to sustain its business, reduce lead time and ensure quality of health commodities. To start with, MSD has started production of surgical masks at Dar es Salaam. Further, MSD is envisaged to continue with pooled procurement mechanism (PPM) for 16 SADC Countries as a future strategic setting.

The Board acknowledges the continued disbursement of funds for procurement of health commodities as witnessed in the past and in the Financial Year 2022/23 as the major contributing factor towards enhancement of availability of health commodities. Cognizant to that, MSD is quickly aligning with the Government Initiatives of the Universal Health Coverage, the increase in the health sector infrastructure and provision of modern diagnostic equipment to ensure steadily and stable availability of health commodities throughout public health facilities.

Further, MSD understand the present debt as at 30 June 2023 of TZS 365.6 billion for provision of procurement, storage and distribution of vertical programs services and normal business that may have strategic impact on its performance in terms of bulky procurement, improvement of health commodities availability and working capital. Nevertheless, MSD realize that this strategic challenge is norm to any business operations and as this debt verification continues, it is anticipated that the present debt shall be settled through capitalization of MSD revolving fund. Additionally, MSD is well-positioned to counter any setbacks using its vast market size and experience, using its new role of production ventured through establishment of subsidiary company, and partnership with other stakeholders.

It is anticipated that, production function shall operate at arms' length of MSD operations; independent, competitive and free from bureaucracy yielding desired results in terms of availability of commodities, reduced procurement costs and financial returns.

The Board is committed to working with the Ministry of Health, MSD Management, and other stakeholders to achieve the set target as set out in the Annual Business Plan 2023/24 and achieve the mission of making accessible health commodities in public health facilities.

Projects implemented during the year and those in progress

i) Construction of Pharmaceutical Manufacturing industries at Idofi

The approved budget for implementing 37 activities was TZS 9,862,723,813. The current progress for construction of Gloves Manufacturing Plant is at 80% and the remained 20% are on progress activities which is expected to be completed not later than 30 September 2023. Out of approved project budget of TZS 9,862,723,813.00 only TZS 6,785,376,968.39 have been utilized for construction and administration activities. The remaining balance of TZS 3,077,346,844.61 shall be used to cover the remained 20% of project scope.

ii) MSD Medipharm Manufacturing Company

In efforts to establish health commodities' manufacturing plants, MSD has registered a subsidiary Company known as MSD Medipharm Manufacturing Company with the mandate of overseeing all production related activities. Further, MSD has developed feasibility study for production of cotton-related health commodities. MSD intends to involve private sector in the production of health commodities.

iii) Construction of Storage warehouses

Contructions of storage facilities to Dodoma and Mtwara is on progress. Construction in the process of preparing contract for the Construction of Pre-fabricated Insulated Temperature Storage warehouse at Dodoma and Mtwara zones. Once the project is completed, the storage space will increase by about 6,000 and 4,000 square meters respectively. The plan to readvertise Kagera Zone by refloating the tender. The warehouse to be constructed at Kagera will be similar to Mtwara with 4,000 square meters storage capacity.

2.12 Future Development Plan

MSD future development plan is to increase storage space at Mwanza, Dar es salaam and Songea. Construction of Health Products Manufacturing Plant under PPP and the development of home grown ERP Solution.

2.13 Capital structure and Treasury policies

The capital structure of MSD is financed by equity which comprise with Capital fund and accumulated surplus with total amount of TZS 397.6 billion. MSD operates a total of 19 Bank Accounts Centrally and 10 accounts in the Zonal Stores. During the period, the current Banks accounts of MSD Services are Bank of Tanzania (BOT), CRDB Bank, TCB, NMB, and NBC Bank.

2.14 Cashflow & liquidity

During the period, MSD received TZS 157.6 billion out of TZS 200 billion allocated for procurement of health commodities for the year which is 79% of the allocated fund. MSD also received TZS 120.7 Billion from Global fund for procurement of laboratory items TZS 94.3 Billion,

procurement of digital X-rays TZS 10.1 Billion, MSD strengthening TZS 6.8 Billion, PSM costs TZS 8.9 Billion and training TZS 0.318 Billion. The liquidity position stand at 1:58 (Current ratio) which indicates MSD ability to pay off the obligations within the next twelve months.

2.15 Financial and Operational Overview

Performance for the year

The Department implemented its annual budget based on the Medium Term Expenditure Framework and the rolling Medium Term Strategic Plan of the Ministry of Finance and Planning, covering the period of five consecutive financial years from 2020/21 to 2025/26. These financial statements include; statement of financial position, statement of financial performance, statement of changes in net asset/equity, cash flows statement, statement of comparison of budget and actual amounts and notes to the financial statements of the Accountant General's Department as at 30 June 2023.

a) Results of the year

The operating results of Medical Stores Department are set out on page 29 of the financial statements, MSD recorded a surplus of TZS 21.029 billion (2022: surplus of TZS 33.183 billion) and major variances in the operating results compared prior year are as summarized below:

b) Sales

The sales results of TZS 379.07 billion for the year ended 30 June 2023 which is 85% of the targeted sales of TZS 443.93 billion, compared to previous year of TZS 315.12 billion. Failure of achieving sales of TZS 56.68 billion was contributed by the low stock level of normal items

The sales for normal business is TZS 182.96 billion increased by 22% from TZS 149.62 billion last year, this is contributed by improved stock of tracer items/frequently requested items, improved accuracy of quantification data, increase number of local manufacturers with a capacity to produce the required quantity items of health commodities, and improved delivery of commodities as per the agreed plan with the Suppliers.

Vertical Program sales increased by 19% from TZS 91.452 billion of 2021/22 to TZS 109.002 billion of 2022/23 due to the increase of VP stock.

Furthermore, sales from other income has decreased by 34% to TZS 16.116 billion from TZS 24.43 billion of 2021/22 due to decreased distribution of COVID 19 items and volume of health commodities bought through Pooled Procurement Mechanism (PPM) where the development partners procure goods themselves through an international agent and provides the goods to MSD for storage and distribution only.

c) Gross Margin

The overall gross margin increased from TZS 61.261 billion in 2021/22 to TZS 72.989 billion in the current financial year as a result of an increase in availability of health commodities procured, especially vertical program.

d) Total operating expenses

Total operating expenses has increased by 26% from TZS 229.299 billion in 2022 to TZS 288.796 billion in the current period. Cost was controlled within the approved budget. On the other hand, the distribution and packing costs have increased relative to increased sales of goods and services by 67% from TZS 5.335 billion in 2022 to TZS 8.915 billion in the current year. The increase is attributed by an increase in distribution cycles. Personnel costs have increased by 20% from TZS 24.177 billion to TZS 28.905 billion in the current period, an increase attributed to the continuance payment of salaries to transferred employees. MSD had 625 staff in June 2023 compared to 623 staff in June 2022. Administrative costs for the financial year 2023 is TZS 22.275 billion increased by 10% compared to TZS 20.133 billion in 2022.

e) Financial Position

During the year total assets of the Medical Stores Department decreased by 0.5% equivalent to TZS 4.2 billion from TZS 873.6 billion in 2022 to TZS 877.8 billion as of 30 June 2023. The decrease in assets are attributed to decreased in cash at bank due to delay of government disbursement for quarter four. The major items of total assets are cash and bank balances that were received from Global Fund and government, government receivable to the tune of TZS 341.59 billion excluding provision, inventory and deposit from other sources i.e. NHIF, PO-RALG etc.

2.16 Key Performance Indicators (KPIs)

MSD performance checklist is measured by established key performance indicators (KPIs). Performance measurement is categorized in five criterions namely People Management, Customer Service, Good Governance & Control, Core functions of the Institutions and Financial Performance. People Management measures the efficiency of various human resource management practices towards enhancing organizational productivity and sustainability. Customer Service measures the capacity of the institution to provide quality and innovative services to its customers, including the growth of its customer base. Good Governance and Control criterion measures the adherence to Good Governance and accountability principles and practices by an Institution. Core functions of the institution criterion measure performance in the implementation of the core mandate of an institution and Financial performance measure compliance with financial Regulations, Circulars, Standards, and Best Practices. The below schedule indicates strategies and established key performance indicators.

i. PEOPLE MANAGEMENT (20 scores)

| SN | Objectives/Strategies | Key Performance Indicators |
|-----|-----------------------------------|--|
| 1.1 | Enhance human capital | Employee productivity rate |
| | utilization | % of employee satisfaction level |
| 1.2 | Enhance Human capital | Average training hours per employee |
| | development | Number employee participating in training |
| 1.3 | Enhance Performance | % of employee receiving regular performance feedback |
| | Management Systems | % HR functions automated |
| 1.4 | Improve employee welfare | % of employee retention rate. |
| | | Grievance resolved |
| 1.5 | Promote inclusive working | diversity index promoted |
| | environment | Gender |
| | | Disability |
| 1.6 | Improve care and fight of HIV and | Number of awareness programs on HIV/AIDS and Non- |
| | non-communicable disease | communicable Diseases conducted |
| | | % of staff LHIV provided with care and support |
| | | Number of new reported HIV cases |
| | | Number of employees with non-communicable diseases |

ii. GOOD GOVERNANCE AND CONTROL (20 scores)

| SN | Objectives/Strategies | Key Performance Indicators |
|-------------------------------------|--|---|
| 2.1 | Reduce corruption practices at | Corruption likelihood index as per PPRA |
| | the workplace | Number of reported corruption cases |
| 2.2 Enhance board efficiency in the | | Audit opinion |
| | provision of oversight function to | % of audit findings resolved by the deadline |
| | the Institution | Overall rating of board assessment |
| 2.3 | Enhance efficiency in risk | % of business processes with the business continuity plan |
| | management and accountability | % of Risks with Valid Mitigation |
| 2.4 | Enhance Compliance with laws, | Number of non-compliance incidences |
| | regulations, directives, and standards | Overall Compliance Ratings by Regulators and Standards Organisations. |

iii. CUSTOMER SERVICE (10 scores)

| SN | Objectives/Strategies | Key Performance Indicators |
|-----|--------------------------|--|
| 3.1 | Improve Customer service | Number of services automated |
| | delivery | Average response time in serving customers |
| | | Customer effort score |
| 3.2 | Increase Customer | Customer satisfaction score |
| | satisfaction | Customer retention score |
| | | % of customer complaints resolved on time |

iv. CORE FUNCTIONS/ MANDATES (30 scores)

| | CORE I ONCHORS MAINE | | | | |
|-----|---|---|--|--|--|
| S/N | Objectives/Strategies | Key Performance Indicators | | | |
| 4.1 | Inventory Management Enhanced | Number of days for inventory holding (% of overstayed batch > 180 days) | | | |
| | | Percentage of compliance for Product quality | | | |
| | | Percentage decrease of expiry rate of the total stock | | | |
| | | Percentage improvement of Inventory accuracy | | | |
| | | Percentage increase of Warehouse storage capacity | | | |
| 4.2 | Stock availability improved | Interval number of months for Procurement | | | |
| | | Percentage increase of Tracer items availability | | | |
| | | Percentage increase of contract compliance | | | |
| 4.3 | Fleet Utilization | (Total actual kilometres covered by fleet in operations/Total Optimal kilometres of all fleet | | | |
| 4.4 | Order fill rate | Quantity received by health facilities/Quantity requested | | | |
| 4.5 | Ensure timely delivery of consignment to service delivery point | Number of deliveries delivered on time / Total # of deliveries earmarked for the period | | | |

v. FINANCIAL PERFORMANCE (20 scores)

| S/N | Key Performance Indicators | Descriptions |
|------|-------------------------------------|--|
| 5.1 | Revenue collection efficiency | Percentage of revenue collected compared to total revenue earned (supposed to be collected) during a year. |
| 5.2 | Sales growth rate | Percentage increase in sales earned during the year |
| 5.3 | Contribution to capital expenditure | Percentage of total revenue incurred to finance capital related expenditure/projects |
| 5.4 | Employee efficiency ratio | Proportion of employee costs to operating revenue during a year |
| 5.5 | Total Debt to Total Assets | Proportion of total debts to total assets during a year |
| 5.6 | Government Guarantees | Existence of the Government Guarantee and the extent to which the government is committed to its contingent claims |
| 5.7 | Financial payouts | Remittances to the Government to Net Distributable Surplus |
| 5.8 | Retained Collection | Proportion of the revenue retained to a total revenue |
| 5.9 | Liquidity/ Solvency ratios | Proportion of Short-term funds to short-term maturing obligations during a year |
| 5.10 | Cost Recovery ratio | Proportion of operating expenses to operating revenues |

2.17 Implementation of the Plan and Budget

The MSD actual revenue for the year 2022/23 is TZS 312.7 billion which is below the budgeted amount of TZS 446.8 billion by TZS 134.1 billion. This is due to out of stock of tracer items. The actual operating expenditure amounting to TZS 60.09 billion is below the budgeted expenditure of TZS 75.79 billion by TZS 15.7 billion, attributed by effective control of expenditure

2.18 Staff Strength

Staff strenghth stand at 625 whereby the total staffing includes 506 permanent and pensionable employees, 119 on specified contract employees. MSD policy is to promote inclusive working environment which consider the number of disabilities present as well as the relative total number of staff. During the period 1% of the employees were disabilities while the target ratio for the year was 1%.

2.19 Gender Parity

MSD Gender policy is to promote an inclusive working environment by considering the number of females versus males present as well as the relative total number of staff. The current prevailing ratio is 7:3 which marks the target ratio for the year 2012/23. Gender distribution for the period maintains male dominance with 441 employees of the total workforce and 184 females. The number reflects the muscular nature of MSD operations whereby the Drivers cadre is on the higher side.

2.20 Risk Management and Internal Control

The Board of Trustees is responsible for the adequacy and effectiveness of the MSD system of internal controls. However, such a system is designed to manage the Department's key areas of risk within an acceptable risk profile rather than to eliminate the risk of failure to achieve the policies and business objectives of the Department using an approved Enterprise Risk Management Framework.

Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud. The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Department and this process includes enhancing the system of internal controls as and when there are changes to business environment based on the Risk Management Framework.

The process is regularly reviewed by the Board Audit and Risk Management Committee. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance. The Management through Internal Audit Unit reports all internal control matters to the Board Audit and Risk Management Committee.

The Board is of the view that the system of internal controls in place is sound and adequate

to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks using the Risk Management Framework and designated risk registers. During the financial year ended 30 June 2023, The Medical Stores Department managed identifiable risks as summarized below:

2.19.1 Liquidity Risk

Following the cost sharing agreement between the Government of the United Republic of Tanzania and the Development Partners in respect of clearing, storage and distribution of Vertical Program commodities including HIV/AIDS, Malaria and TB & Leprosy. It was agreed that the Development Partners (Global Fund only) to contribute 6% of the Vertical Program clearing, storage, and distribution cost and the 5.6% be covered by the Government of the United Republic of Tanzania. The Government of the United Republic of Tanzania will cover the whole cost of 11.6% for any Development Partner, other than, Global Fund.

In 2016, The Ministry of Health (customer) has entered into Memorundum of Understanding (MOU) with MSD (Service Provider) in repsect of clearing, storage, and distribution of Vertical Program, then MOU was revised in 2019 with the same terms. MSD being the Service Provider of Vertical Program commodities including HIV/AIDS, Malaria and TB & Leprosy has continued to use its revolving fund to pay for storage and distribution costs that was supposed to be covered by the Ministry of Health (customer) of which a total accumulated debt as at 30 June 2023 stood at TZS 341 billion (2021/22: TZS 274 billion) excluding provision of receivable. This amount is not financed through normal Government budget allocation. And it is worth noting that, at the moment, there is neither budget line under the Ministry of Health nor Ministry of Finance that covers for these funds.

The large portion of the accumulated debt i.e TZS 278.7 billion (about 76%) is due to the cost incurred by MSD for clearing, storage, and distribution of various commodities donated to the Government of the United Republic of Tanzania by Development Partners and various donor communities of which its payment have not been made by Ministry of Health. Also, the debt represents balance of debt TZS 87.6 billion (about 24%) as value of medicines and medical supplies supplied to various Government Health Facilities on credit.

The debt has adversely affected the MSD's ability to pay its maturing obligations of which as at 30 June 2023 amounted to TZS 475 billion including customer deposits and Trade and other receivable used by MSD for supporting vertical program. There is an expectation that the government will continue to settle the same by installments in the next financial year. Management has been following up on the debt to the Ministry of Health, whereas, the total amount of debt verified as at 30 June 2023 was TZS 269.229 billion which is equivalent to 78% of total debt.

2.19.2 Out of Stock Risk:

The risk of out of stock was managed during the year due to Government directive to procure commodities from Manufacturers rather than through the middlemen. The decision dropped the stock position and increased gradually as the manufacturers started delivering the orders by the year end. The currently available stock value of TZS 134.8 billion including the provision of TZS 34.8 billion.

2.19.3 IT Risks

There are foreseeable risks on connectivity. The Board is implementing risk mitigation plan to manage the IT related risks.

2.19.4 Human Resources Risk

During the review period, Management adopted and implemented the approved Organization Structure, 2020. It has been noticed that the scope of the approved Organization Structure's significantly require coordination mechanisms. In addition it needs to incorporate the new production mandate. Additionally, the skill set in the Scheme of Service, 2020. Service presents the danger of missing qualified candidates during the hiring and retention process. The Scheme of Service also caused the majority of employee roles to move backwards during the slotting exercise, which resulted in widespread unhappiness among staff.

Management and PO-PSM held consultative working sessions in order to find a solution for the 83 employees who were negatively impacted by the slotting exercise. It was decided further to assess all positions within the scheme and get consent for reslotting those individuals.

To ensure organizational fit, management at MSD looks for a reputable, independent organization to analyze the organization's structure in-depth and make recommendations for changes that will enhance the performance of MSD as a whole. The review will point out what functions well, where the current system is lacking, and offer suggestions for best practices.

Despite the difficulties, the Department invests heavily in human resources in the form of capacity building and practical exposure to ensure that there is an adequate knowledge foundation for all specialized job requirements. In an effort to strengthen its human resource needs, the Department also plans workshops, seminars, conferences, and job attachments for its employees. There were 37 workshops and seminars held during the year.

2.20 Solvency

The financial statements have been prepared on the going concern basis on the assumption that the Government of the United Republic of Tanzania will continue extending financial support to health facilities through Medical Stores Department when required. The Board of Trustees has reasonable expectation that MSD has adequate resources to continue in operational existence for the foreseeable future.

2.21 Employee Engagement

In order for employees to feel valued and respected and for management to be able to communicate its vision and goals, management has made sure that information exchange platforms are in place. Two workers' council meetings are in place to discuss plans, strategies, budgets, and performance. Additionally, management meets with all staff quarterly to go through plans and accomplishments. Additionally, there are monthly performance review sessions where employees can discuss any concerns at work that are affecting their performance and offer better solutions.

2.22 Management-employee relationship

The management and employee interaction remained positive throughout the time. Despite an increasing number of people leaving the union, the bulk of employees remains TUGHE members (Tanzania Union of Government and Health Workers). All necessary working equipment and tools were provided to workers operating in all areas of MSD operations, including warehouses, by the management throughout the course of the year though there were challenges in timely replacing warehouse working tools and equipment's and office working tools equipments.

2.23 Medical facilities

MSD is a member of National Health Insurance Fund and contributes three percent of MSD's employee salary for medical insurance. The Department provides a separate fund to support staff members who require services that are not covered by the NHIF Scheme.

2.24 Health and safety

The Department has a strong Health and Safety system which has ensured that a strong culture of safety prevails at all times. Staffs were trained on various programs relating to health and safety including firefighting techniques, Non-Communicable Diseases, and prevention of workplace HIV/AIDS pandemic. This is supported by HIV/AIDS guideline and respective operational committee that meets at regular intervals. In addition, all staff working in warehouses was provided with working gear such as gloves, masks, overcoats, and boots to prevent them from hazardous contact as per requirements of OSHA.

2.25 Financial assistance to staff

Loans are available to all confirmed employees depending on the assessment of and the discretion of management as to the need and circumstances. Management has established a Savings and Credit Co- Operative Society (SACCOS) to assist in promoting the welfare of its employees. MSD also issues to its Staff Development Loan under a defined Scheme together with Salary Advance on need basis.

2.26 Incentive for Physically Challenged Employees

The Department gives equal opportunity to women and persons with disabilities when filling vacant positions. It also supports four physically challenged persons by providing them with enabling working environment and working tools.

2.27 Training and Development

The Department was successful in training 633 personnel over the course of the year on 19 programs designed to improve skills, ensure compliance with professional standards, and stay up with technology advancements. The programs cover a wide range of topics, including supply chain management, risk management, warehouse management, customer service, and management development programs for managers. The computer system used is called EPICOR 10. In contrast to the TZS 1.4 billion anticipated budget, a total of TZS 1.654 billion was spent on personnel training and development.

2.28 Related Party Transactions

Related party transactions represent transactions with the Government, senior management of MSD and entities which are principal owners or over which they exercise significant influence. The ultimate controlling entity of MSD is the Ministry of Health. The Government receivables amounted to TZS 365 billion as at 30 June 2023. Management made provision against this debt amounting to TZS 24 billion. The Government through the MoH and Public Health Facilities are the main customer to MSD and also a controlling entity.

2.29 Political and Charitable Donations

There were no donations made to political parties during the year ended 30 June 2023 (2022: Nil). The Department being a pioneer of Health products supply chain management has made various contributions to the community worth TZS 150 million (2021: TZS 60 million).

2.30 Corporate Social Responsibility

The MSD participates actively in community activities and development programs throughout the country. Areas being given priority by MSD are health, environment conservation, and education and orphanage centers. During this period MSD donate health commodities to national tragedies, and desks to neaby primary school.

2.31 Environmental Control Programme

There are activities within the organization which impact upon water, land and air. MSD monitors the impact of its operations on the environment, which is mainly through the use of

power, water, storage and distribution of medicines and generation of waste. The Department minimizes the impact of its activities on the environment through:

- a. Ensuring better use of premises and inbuilt facilities to ensure that there is proper waste management.
- b. Ensuring that destruction of expired medicines are conducted using the strict guidelines of the National Environmental Management Council and is attested by other organs such as Foods and Drugs Authority and the Municipal Council.
- c. Ensuring that all construction activities for warehouses and offices are done after approval of Environment Impact Assessment by NEMC.

Stakeholder Relationships

MSD has various stakeholders segmented into different groups including Ministries, Local Government Authorities (LGAs), Regulators, Public Institutions, Civil Society Organizations (NGOs, CBOs, FBOs, and others), Development and Implementing partners, Public Health Facilities, General Public, Employees, Media, Service Providers (TTCL, Vodacom, Total, SUMA JKT, etc.), Local and International Manufacturers. Interests of MSD stakeholders and service offered during the period are summarized below:

| No. | Stakeholder | Achievement/Service offered | Interest of the stakeholder | Impact if interest is not met |
|-----|--|--|---|--|
| 1. | Ministries (MoH, PORALG, MoFP etc.) | i. Implementation of policies and guidelines. ii. Provide physical and financial progress report. | i. Stock availability ii. Timely submission of reports. iii. mplementation of directives and guidelines. | i. Loss of confidence and trust |
| 2. | Public Health Facilities | i. Supply health commoditiesii. Distribution of health commodities | i. Availability of Health Commodities ii. Timely distribution of health commodities iii. Affordability of health commodities. iv. Timely response to their complaints. | i. Inadequate health commodities to health facilities ii. Loss of confidence and trust iii. Lost revenue |
| 3. | Local Government Authorities (LGAs) | i. Supply health commoditiesii. Distribution of health commoditiesiii. Technical advice | i. Availability of Health Commodities ii. Timely distribution of health commodities iii. Affordability of health commodities | i. Loss of confidence and trust |
| 4. | Regulators (TMDA, TBS, PPRA, OSHA, PHLB, PSU, Atomic energy, Pharmacy council, NEMC, ERB, TIC.) | i. Adherence to regulatory requirements | i. Compliance to regulations | i. Bad image to the public and reputation |

MEDICAL STORES DEPARTMENT (MSD)

| No. | Stakeholder | Achievement/Service offered | Interest of the stakeholder | Impact if interest is not met |
|-----|---|--|---|---|
| 5. | Public Institutions | Provide information Interpretation of Policies on Health commodities | i. Timely service provision ii. Good cooperation | i. Bad image to the public and reputation |
| 6. | Development and Implementing partners (GF, UNICEF, WHO, USAID, PEPFAR, WFP, Clinton Foundation, and others) | i. Information/data ii. Storage and distribution of Health commodities iii. Submission of implementation reports | i. Good cooperation. ii. Quality reports | i. Loss of confidence and trust ii. Loss of revenue/donat ions from Development partners |
| 7. | Employees | i. Training ii. Coordination and supervision. iii. Guidance and consultation as required. iv. Working tools | i. Conducive working environment. ii. Motivation iii. Timely feed back iv. Capacity building | i. Loss of staff morale ii.Incompetent staff (Loss of key staffs) |
| 8. | Media | i. Accurate information. | ii. Good cooperation. iii. Recognition | i. Bad image to the public and reputation |
| 9. | Service Providers (TTCL, SUMA JKT, POSTAL) | i. Offer the opportunity | i. Cooperation ii. Compliance with the contract. | i. Loss of confidence and trust |
| 10. | Local and international manufacturers and authorized Suppliers | i. Offer them the opportunity to supply medical supplies ii. Clear specification of items | ii. Cooperation iii. Compliance with the contract. iiii. Fair competition | i. Loss of confidence and trust |
| 12. | General Public | Information of health commodities ii. Health commodities | i. Availability of Health commodities.ii. Timely response to their complaints. | i. Bad image to the public and reputation |
| 13. | Civil Societies Organizations (NGO, CBO, FBO, etc) | i. MSD facilitate registration for CSO identification ii. Information. iii. Technical advice | i. Timely, quality, and positive response.ii. Timely response to their complaints.iii. Good co-operation. | i. Bad image to the public and reputation |

| No. | Stakeholder | Achievement/Service offered | Interest of the stakeholder | Impact if interest is not met |
|-----|----------------|--|---|--|
| 14. | Private Sector | i. Information of health commodities. ii. Technical advice | i. Timely, quality, and positive response.ii. Timely response to their complaints and problems.iii. Good cooperation. | i. Bad image to the public and reputation |

MSD continued to strengthen its relationship with stakeholders. During the reporting period, MSD management organized stakeholder meetings with customers, Councilors, media houses, and members of parliament. The meetings serve as an avenue for MSD and stakeholders to interact and for MSD to receive feedback that may be used to improve service delivery.

2.32 Challenges and wayfoward

MSD faces number of strategic challenges as a norm of any business success. The major issues that MSD is currently addressing include; growth of government debt due to supply chain activities costs which are not reimbursed by the Government. This trend has reduced MSD working capital to effectively procure health commodities particularly from manufacturers.

The efforts to address this challenge through liaison with the Ministry of Finance is bearing fruits as for the Financial Year 2022/23, during this financial year the outstanding debt was TZS 365 billion. Furthermore, a total of TZS 269.22 billion debt was verified by 30 June 2023 by Internal Auditor General (IAG).

There is also a challenge of quantification across the health sector supply chain leading to difficulties in effective planning of procurement of medicines and efficient utilization of resources including bulk procurement of health commodities. Further, there is still a challenge on significant taxes for some health medical equipment and supplies. MSD management is working with TRA and the Ministry responsible for environment to address this challenge.

MSD operates in a supply chain and therefore, its performance is influenced by other factors outside its immediate control. The Board will work with various stakeholders in the health supply chain and address all challenges for sustainability and availability of health commodities in health facilities at all levels.

2.33 Events After Reporting Date

There were no subsequent events that have occurred which are either to be disclosed or to be adjusted in the financial statements that could materially affect the financial statements disclosures.

2.34 Prejudicial Issues

During the year ended 30 June 2023, there were no prejudicial matters to report as required by Tanzania Financial Reporting Standard No. 1 (Directors' Report).

2.35 Statement Of Compliance

The Members of the Board of Trustee Report has been prepared in line with the Tanzania Financial Reporting Standard No. 1 (TFRS No. 1) as issued by the National Board of Accountants and Auditors (NBAA). The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board (IPSASB).

2.36 Independent Auditors

The Controller and Auditor General (CAG) is the statutory auditor of the Medical Stores Department by virtue of the Article 143 of the Constitution of the United Republic of Tanzania of 1977, Section 9-12 of Public Audit Act CAP 418 and Section 30 of the Public Finance Act [CAP 348 R.E 2020].

BY ORDER OF THE BOARD

Rosemary William Silaa

Board of Trustees - Chairperson

Mavere A. Tukai Director General

Date: 23/02/2024

STATEMENT OF TRUSTEE RESPONSIBILITIES 3.0

The Trustees are required under the Medical Stores Department Act No. 3 of 1993 to keep proper records and books of accounts, which should lead to the preparation of financial statements of the Medical Stores Department each financial year that present fairly the state of affairs of Medical Stores Department.

The Board is required to prepare financial statements for each financial year that present fairly the state of affairs of Medical Stores Department, its operations and sources and applications of the funds obtained during the period.

The Board accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Public Sector Accounting Standards (IPSAS)- accrual basis and in the manner required by applicable laws. The Board is of the opinion that the financial statements present fairly the state of the financial affairs of Medical Stores Department and of its operating results. The Board further accepts responsibility for the maintenance of the accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

The Trustees are of the opinion, based on the information and explanations given by management that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

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

BY ORDER OF THE BOARD

Rosemary W. Silaa

Board of Trustees - Chairperson

Mavere A. Tukai Director General

Date: 23/02/2024

4.0 DECLARATION OF THE HEAD OF FINANCE

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance responsible for the preparation of financial statements of the entity concerned.

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

ACPA Jackson Rogasian being the Acting Director of Finance of Medical Stores Department hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2023 have been prepared in compliance with IPSAS - accrual basis of accountingand statutory requirements.

Thus, I confirm that the financial statements give a true and fair view position of Medical Stores Department as on that date and that they have been prepared based on properly maintained financial records.

Signature: Resin

Position: Ag. Director of Finance

NBAA Membership No: ACPA 2782

Date: 23 02 12024

5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| | | | Restated |
|----------------------------------|----------------|-------------|-------------|
| | | 2022/23 | 2021/22 |
| | Notes | TZS '000' | TZS '000' |
| Current assets | | | |
| Cash and bank balances | 14 | 237,734,108 | 301,368,544 |
| Prepayments | 15 | 18,941,153 | 23,866,446 |
| Advance payment to suppliers | 16 | 53,937,304 | 97,748,091 |
| Other receivables | 17 | 1,169,639 | 1,765,003 |
| Government receivables | 18 | 341,594,776 | 274,964,836 |
| Inventory | 19 | 100,014,107 | 60,382,514 |
| Total Current Assets | | 753,391,087 | 760,095,434 |
| Non-current assets | | | |
| Property, plant and equipment | 20 | 97,016,999 | 98,551,368 |
| Intangible assets | 21 | 3,272,305 | 3,909,016 |
| Work in progress | 22 | 19,870,015 | 15,225,965 |
| Total Non-Current Assets | | 120,159,319 | 117,686,349 |
| Total assets | | 873,550,406 | 877,781,783 |
| Current liabilities | | | |
| Advance payment from customers | 23 | 161,510,494 | 182,324,115 |
| Project accounts | 24 | 107,764,209 | 121,428,887 |
| Deferred customer credit | 25 | 3,597,641 | 13,375,197 |
| Deferred income grants | 26 | 12,837 | 12,837 |
| Capital Grant | 26 | <u> </u> | |
| Trade and other payable | 27 | 202,970,932 | 183,987,858 |
| Total Current Liabilities | | 475,856,114 | 501,128,894 |
| Non current liabilities | | | |
| Deferred capital grants | | | |
| | | | |
| Total Libilities | | 475,856,114 | 501,128,894 |
| Net Assets | | 397,694,292 | 376,652,889 |
| Equity | | | (F |
| Capital funds | 28 | 17,258,246 | 17,258,246 |
| Accumulated surplus | _ - | 380,436,046 | 359,394,643 |
| Total Net assets and Liabilities | | 397,694,292 | 376,652,889 |
| | 1 | | |

These financial statements were authorised for issue by the Board of Trustees and signed on its behalf by:

Rosemary W. Silaa

Board of Trustees - Chairperson

Mavere A. MSD Director General

Date: 23 02 2024

5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2023

| | | 2022/23 | 2021/22 |
|---|-------|---------------|-----------------|
| | Notes | TZS '000' | TZS '000' |
| REVENUE | | 270 774 000 | 244 004 472 |
| Revenue from Exchange of Transactions | 6 | 378,776,099 | 314,991,672 |
| Revenue from Non Exchange of | | | |
| Transactions | 7a | 300,719 | 132,840 |
| Other Income | /a _ | | 315,124,512 |
| Total Revenue | - | 379,076,818 | 313,124,312 |
| Expenses | | | |
| Medicine and medical supplies costs | 8 | (288,796,055) | (229, 299, 312) |
| Packing cost | 9 | (1,163,584) | (662,813) |
| Distribution cost | 10 | (7,751,974) | (4,672,980) |
| Employee cost | 11 | (28,905,258) | (24,177,001) |
| Administrative expenses | 12 | (22,275,532) | (20,133,212) |
| Depreciation expense | 20 | (5,043,729) | (5,970,746) |
| Amortization of intangible asset | 21 | (636,711) | (505,081) |
| Total expenses | | (354,572,843) | (285,421,146) |
| | | | |
| Other gains and losses | | | |
| Gain on disposal of assets | 7b | = | 33,291 |
| Foreign currency exchange gain/(loss) | 7b | 1,015,959 | SE1 |
| Provision for Impairement of Receivable | 13 | (4,490,536) | 3,446,857 |
| Total gain/(loss) | | (3,474,577) | 3,480,148 |
| Surplus for the year | | 21,029,399 | 33,183,515 |

These financial statements were authorised for issue by the Board of Trustees and signed on its behalf by:

Rosemary W. Silaa

Board of Trustees - Chairperson

Mavere A. Tukai MSD Director General

Date: 23 | 02 | 2024

5.3 STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2023

| | NOTES | Capital funds | Accumulated surplus | Total |
|-----------------------|-------|------------------|---------------------|-------------|
| | | TZS '000 | TZS '000 | TZS '000 |
| As at 1 July 2022 | | 17,258,246 | 359,394,643 | 376,652,889 |
| Surplus for the year | | | 21,029,399 | 21,029,399 |
| As at 30 June 2023 | | 17,258,246 | 380,436,046 | 397,694,292 |
| | | Capital funds | Accumulated surplus | Total |
| | | TZS '000 | TZS '000 | TZS '000 |
| As at 1 July 2021 | | 17,258,246 | 282,247,049 | 299,505,295 |
| Prior Year Adjustment | 31(l) | | 43,964,079 | 43,964,079 |
| | | | | ₩. |
| Surplus for the year | | | 33,183,515 | 33,183,515 |
| As at 30 June 2022 | | 17,258,246 | 359,394,643 | 376,652,889 |

These financial statements were authorised for issue by the Board of Trustees and signed on its behalf by:

Rosemary W. Silaa

Mavere A. Tukai

Board of Trustees - Chairperson

MSD Director General

Date 23 102 12024

5.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2023

| | | 2022/23 TZS '000 | 2021/22 TZS '000 |
|--|---------|---------------------|---------------------|
| | Notes | | |
| Operating activities | | | |
| Revenue from exchange transactions | 5a | 248,333,220 | 284,168,628 |
| Other Income | 6 | 16,990,597 | 24,563,682 |
| Employee costs | 11 | (28,905,258) | (24,177,001) |
| Medicine and medical supplies cost | 5b | (260,696,491) | (240,814,474) |
| Administrative expenses | 12 | (22,275,532) | (20,133,212) |
| Distribution & Packing cost | 10 | (8,915,558) | (5,335,794) |
| Net cash flows from/(used) in operating acti | ivities | (55,481,026) | 18,271,829 |
| Investing activities | | | |
| Additions of property, plant and equipment | 20 | (3,509,360) | (406,701) |
| Additions of capital work in progress | 22 | (4,644,049) | (12,095,055) |
| Additions of intangible asset | 21 | 000 | |
| Proceeds from disposal of property and equipment | Si Si | | 33,291 |
| Net cash flows used in investing activities | | (8,153,409) | (12,468,465) |
| Financing activities | | | |
| Capital grants received during the year | | 19 | 4,652,508 |
| Revenue grants received during the year | | * | * |
| Revenue grants paid out during the year | | | ·———— |
| Net cash flows generated from financing act | ivities | | 4,652,508 |
| decrease/ | 3 | | |
| Net increase in cash and cash equivalents | 9 | (63,634,435) | 10,455,872 |
| Cash and cash equivalents at 01 July | 14 | 301,368,544 | 290,912,672 |
| Cash and cash equivalents at 30 June | 14 | 237,734,108 | 301,368,544 |

These financial statements were authorised for issue by the Board of Trustees and signed on its behalf by:

Rosemary W. Silaa

Mavere A. Tukai

Board of Trustees - Chairperson

MSD Director General

Date 23/02/2024

5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2023

| | Budget 30 June 2023 | Adjustments 30 June 2023 | rinal Budget 30 June 2023 | | Actual 30 June 2023 | Performance difference: Final budget vs Actual |
|--|---------------------------|--------------------------------|---------------------------------|-------|------------------------|--|
| | 000, SZL | 1ZS ,000 | 000, SZL | | 000, SZL | 000, SZL |
| Sales | 443,939,000 | | 443,939,000 | 38(a) | 312,446.877 | (131,492,123) |
| Cost of sales | (351,307,000) | | (351,307,000) | 38(b) | (269,812,976)) | 81,494,024 |
| | 92,632,000 | 1 | 92,632,000 | | 42,633,901 | (46,998,099) |
| Other income | 2,900,000 | | 2,900,000 | | 300,719 | (2,599,281) |
| | 2,900,000 | • | 2,900,000 | | 300,719 | (2,599,281) |
| Expenses | | | | | | |
| Packing cost | (1,024,000) | | (1,024,000) | | (1,163,584) | (139,584) |
| Distribution cost | (8,944,000) | | (8,944,000) | | (7,751,974) | 1,192,026 |
| Employee cost | (37,125,000) | | (37,125,000) | | (28,905,258) | 8,219,742 |
| Administrative expenses | (28,699,000) | | (28,699,000) | | (22,275,531) | 6,423,469 |
| Depreciation | (9,262,000) | | (9,262,000) | | (5,043,729) | 4,218,271 |
| Amortisation of intangible asset | | | | | (636,711) | (636,711) |
| Total expenditure | (85,054,000) | 1 | (85,054,000) | | (65,776,786) | 19,277,214 |
| Other Gains and Losses | | | | | | |
| Forex exchange gain/ (loss) | 456,000 | | 456,000 | | 1,027,964 | 571,964 |
| Impairment (Charge)/ on trade receivables | â | | • | | (4,490,536) | (4,490,536) |
| Total other gains and Loses | 456,000 | 3 | 456,000 | | (3,474,577) | (3,918,572) |
| Surplus for the period | 10,934,000 | • | 10,934,000 | | (26,316,745) | (37,250,745) |

Rosemary W. Silaa Board of Trustees - Chairperson

Mavere A. Tukai **MSD Director General**

5.6 SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

1.0 INTRODUCTION

1.1 REPORTING ENTITY

The reporting entity of these financial statements is the Medical Stores Department (MSD) under the Ministry of Health.

1.2 SIGNIFICANT CONTROLLED ENTITIES

There are no entities controlled by the Department.

2.0 STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements of the Medical Stores Department have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS) Accrual basis.

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board. Also MSD complies with government circulars' issued from time to time by the Ministry of Finance and Planning. The financial statements have been prepared on a historical cost basis. The financial statements are presented in thousand Tanzanian Shillings (TZS "000") and all values are rounded to the nearest thousand Tanzanian Shilling.

3.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted, which are consistent with those of previous years, are shown below.

3.1 Basis of preparation

These financial statements have been prepared on historical cost and accrual bases, unless otherwise specified. The measurement bases applied is historical cost adjusted for revaluation of assets to ascertain the deemed cost.

3.2 Reporting Period

The reporting period for these Financial Statements is the financial year of the Government which runs from 01 July 2022 to 30 June 2023.

3.3 NEW STANDARDS ON ISSUE BUT NOT YET EFFECTIVE

There are new Standards issued by the International Public Sector Accounting Standards Board (IPSASB) but were not yet effective up to the date of issuance of these financial statements. MSD intends to adopt these standards when they become effective. The new Standards are:

- a) IPSAS 43, Leases, has an effective date of January 1, 2025. The standard contains a model that is aligned with IFRS 16 Leases for lease accounting in the public sector. For lessees, IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model in IPSAS 13 Leases. For lessors, IPSAS 43 substantially carries forward the risks and rewards incidental to ownership model in IPSAS 13.
 - As per IPSASB, "IPSAS 43, Leases, will improve the transparency of lease accounting in the public sector, while maintaining alignment with IFRS". "Having a three-year period to apply IPSAS 43 provides public sector entities time to prepare for the new requirements and allows for learning to be drawn from the private sector experience in applying IFRS 16."
- b) IPSAS 45, Property, Plant, and Equipment; International Public Sector Accounting Standard® (IPSAS) 45 replaces IPSAS 17, Property, Plant, and Equipment by adding current operational value as a measurement basis in the updated current value model for assets within its scope, identifying the characteristics of heritage and infrastructure assets, and adding new guidance on how these important types of public sector assets should be recognized and measured. The effective date for both IPSAS 45 is January 1, 2025, with earlier application permitted. Updates to the Conceptual Framework are effective when published.
- c) The IPSASB approved IPSAS 47, Revenue, which is a single standard to account for revenue transactions in the public sector. IPSAS 47 replaces the existing three revenue standards, and presents accounting models which will improve financial reporting and support effective public sector financial management. IPSAS 47 will be effective for periods beginning on or after January 1, 2026.
- d) The IPSASB approved IPSAS 48, Transfer Expenses, which provides guidance on a major area of expenditure for governments and other public sector entities. IPSAS 48 fills a gap which had previously led to ambiguity and inconsistency of accounting policies in the public sector. IPSAS 48 will be effective for periods beginning on or after January 1,2026.
- e) IPSAS 44 The standard which is effective from 1 January 2025 is based on IFRS 5 Noncurrent Assets Held for Sale and Discontinued Operations and specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. IPSAS 44 includes additional public sector requirements, in particular, the disclosure of

the fair value of assets held for sale that are measured at their carrying amounts, when the carrying amount is materially lower than their fair value.

3.4 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of the department are measured using the currency of the primary economic environment in which the Government of Tanzania operates ("the functional currency"). These financial statements are presented in Tanzanian Shillings (TZS), which is the Government's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. 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 statement of financial performance.

3.5 REVENUE RECOGNITION

Revenue is recognized when is probable that the economic benefit associated with the transaction will flow to the department and the amount of the revenue can be measured reliably.

3.5.1 Revenue from exchange transactions

Revenue from exchange transactions is reduced for estimated customer returns, rebates and other similar allowances. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods: Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- i. MSD has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ii. MSD retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- iii. the amount of revenue can be measured reliably;
- iv. it is probable that the economic benefits associated with the transaction will flow to the entity; and
- v. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services: Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- i. installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the reporting date;
- ii. servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- iii. revenue from time and material contracts is recognized at the contractual rates as labor hours are delivered and direct expenses are incurred.
- iv. income from providing financial guarantee is recognized in statement of financial performance over the guarantee period on a straight line basis.

Interest income: Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income: Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

3.5.2 Revenue from non-exchange transactions

Revenue from non-exchange transactions is governed by IPSAS 23. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition. An inflow of resources from a non-exchange transaction recognized as an asset shall be recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow. The following specific recognition criteria must also be met before revenue is recognized:

Grants and subvention: Grants are not recognized until there is reasonable assurance that MSD will comply with the conditions attaching to them and the grants will be received. Grants whose primary condition is that MSD should purchase, construct or otherwise acquire non-current assets are recognized and the amortization are done once after completion of the project or construction. Other grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to MSD with no future related costs are recognized in the statement of financial performance in the period in which they become receivable.

Project accounts: Funds that are not subject to donor-imposed restrictions and are available for the MSD to apply for its operations are credited to the statement of financial performance in surplus or deficit. Funds which are subject to donor-imposed restrictions are credited in the

statement of financial position as "Project accounts" and are utilized for the purpose for which those funds have been received and the project managed. Thus any specific Project expenditure incurred thereto are set off against the funds received and the unspent balance as at financial year end is shown under current liabilities.

3.6 EXPENSES RECOGNITION

The effects of expenses are recognized when they occur (and not as cash or its equivalent is paid) and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. These include:

Employees' benefits including post-employment benefits: Short-term employment benefits such as salaries, social security contributions, and leave fare assistance are recognized in the statement of financial performance in the period the employees render the services. Different plans and contribution rates for employer and employees are detailed below:

| No. | Name of the Fund | Employer Contribution | Employee Contribution |
|-----|-------------------------------|-----------------------|-----------------------|
| 1 | National Social Security Fund | 10% | 10% |
| 2 | PSSSF | 15% | 5% |
| 3 | WCF | 0.5% | 0% (Government) |
| | | 1.0% | 0% (private) |

The entity provides medical treatment to staff and their dependents up to an agreed amount contributed to the National Health Insurance Fund (NHIF). The cost is charged to the statement of financial performance. The estimated monetary liability for employees' accrued leave entitlement at the reporting date is recognized as an expense accrual.

Post-retirement benefits: MSD operates a defined contribution plan whereby each of its employees and the entity contribute 15% for PSSSF). Apart from these monthly contributions, MSD has no further commitments or obligations to the Funds. The contributions are charged to the statement of financial performance in the year to which they relate.

Terminal benefits: Terminal benefits are recognized when the department is constructively obliged to either terminate the employment of the current employees according to detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. This is paid whenever an employee's employment is terminated or when there is voluntary retirement.

3.7 CASH AND CASH EQUIVALENTS

Cash and bank balances in the statement of financial position comprise cash at banks and short-term deposits with an original maturity of three months or less, and is measured at amortized cost. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

3.8 PROVISIONS

Provisions are recognized when MSD has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where MSD expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in surplus/deficit net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

3.9 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of any replacement parts in accordance with the related recognition criteria. The department has adopted straight line method for depreciation of Assets which is allocated systematically over the useful life of the respective assets as per IPSAS 17, guidence through Government Asset Guideline issued on 30 April, 2019 and the accounting policies applicable.

The depreciable amount of an asset is allocated on a systematic basis over its estimated useful life. The prevailing International Standard for depreciation shall be applied over the useful life of the assets. In accordance with the Generally Acceptable Valuation Principles (GAVP), depreciation for valuation purposes shall be the adjustment made to the replacement cost to reflect physical deterioration, functional and economic obsolescence.

3.9.1 Depreciation

The department has adopted straight line method for depreciation of Assets which is allocated systematically over the useful life of the respective assets as issued in Government Asset Guideline on 30 April 2019 and the accounting policies applicable. The depreciable amount of an asset shall be allocated on a systematic basis over its estimated useful life.

The prevailing International Standard for depreciation shall be applied over the useful life of the assets. In accordance with the Generally Acceptable Valuation Principles (GAVP), depreciation for valuation purposes shall be the adjustment made to the replacement cost to reflect physical deterioration, functional and economic obsolescence.

3.9.2 Estimated Useful Life (EUL)

Assets ran an economic life peculiar to themselves depending on make, constant handling and operational use. Some assets are continued in use much beyond the EUL due to periodical maintenance and repairs. Assets expected life are projected in ranges as follows:

| Asset Classification | Depreciation Rates |
|--------------------------------|--------------------|
| Buildings | 2% |
| Office Furniture | 20% |
| Office Equipment | 20% |
| Warehouse Equipment | 20% |
| Plant and machinery | 6.67% |
| Computer and related equipment | 25% |
| Computer Software | 25% |
| Motor Vehicles- light vehicles | 20% |
| Motor Vehicles - heavy duty | 10% |

The carrying values of cash generating property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable and its life span and economic benefits condition. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognized. The residual values, useful lives and methods of depreciating property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end.

When each major inspection is performed, its cost is recognized in the carrying amount of property, plant and equipment as a replacement if the recognition criteria are satisfied. Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3.9.3 Impairment of non-financial assets

MSD assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, MSD makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit or fair value less costs to sell and its

value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognized in the statement of financial performance in those expense categories consistent with the function of the impaired asset. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of financial performance. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.10 INTANGIBLE ASSETS

Intangible assets (consisting of computer software's) acquired are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is charged against surplus/deficit in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The expected useful life of intangible assets is approximately 10 years and subject to review as per MSD asset management policy.

The amortisation period and the amortisation method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets is recognized in the statement of financial performance. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in surplus/deficit when the asset is derecognized.

3.11 INVENTORIES

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realizable value is the estimated selling price in the open market less applicable selling expenses.

Cost for imported finished goods include direct cost of purchase of those goods, freight, insurance, clearing and forwarding, pre-inspection and letter of credit costs.

Provision for impairment of inventories arising from expiration and obsolescence is taken into account in determining the final value of inventories.

Provision for expiration is made on the following basis:

| (i) Products with shelf life less than 3 months | 100% Provision |
|--|----------------|
| (ii) Products with shelf life less than 3 and 6 months | 50% Provision |

Provision for obsolete stock is made to reduce costs of items to estimated net realizable value on the following basis:

| (i) Slow moving items - 1 year | 20% Provision |
|--|----------------|
| (ii) Dormant items - more than 1 year to 2 years | 50% Provision |
| (iii) Dormant items - more than 2 years | 100% Provision |
| (iv) Statutory banned items | 100% Provision |

3.12 LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. IPSAS 13 prescribes how different types of lease agreements should be treated in the financial statements. MSD complied with the standards on lease measurement, accounting, and presentation in the financial statement.

MSD as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of MSD's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on MSD's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which the use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

MSD as lessee

Assets held under finance leases are recognized as assets of MSD at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to statement of financial performance, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with MSD's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged as an expense to the statement of financial performance on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

3.13 INVESTMENTS AND OTHER FINANCIAL ASSETS

Financial assets within the scope of IPSAS 15 are classified as financial assets at fair value through defict or surplus loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

MSD determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that MSD commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3.13.1 Financial assets at fair value through defict or surplus

Financial assets at fair value through defict or surplusincludes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when MSD has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortised cost using the effective interest method. Gains and losses are recognized in surplus/deficit when the investments are derecognized or impaired, as well as through the amortisation process.

3.13.2 Loans, debtors and receivables

Loans, debtors and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in surplus/deficit when the loans, debtors and receivables are derecognized or impaired, as well as through the amortisation process. Bad debts are written off after all steps to recover them have failed and after authorization and approval from the Board of Trustees.

3.13.3 Available-for-sale financial investments

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognized directly in equity until the investment is derecognized or determined to be impaired at which time the cumulative gain or loss previously recorded in equity is recognized in surplus/deficit.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Amortised cost

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

3.13.4 Impairment of financial assets

MSD assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognized in surplus/deficit. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in surplus/deficit.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that MSD will not be able to collect all of the amounts due under the original terms of the invoice.

Assets carried at amortised cost

The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

Available-for-sale financial investments

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in surplus/deficit, is transferred from equity to surplus/deficit. Reversals in respect of equity instruments classified as available-for-sale are not recognized in surplus/deficit. Reversals of impairment losses on debt instruments are reversed through surplus/deficit; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in surplus/deficit.

3.13.5 De-recognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- i. the rights to receive cash flows from the asset have expired;
- ii. MSD retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- iii. MSD has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where MSD has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of MSD's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that MSD could be required to repay.

3.13.6 Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of financial performance.

3.14 VALUE ADDED TAX

Revenues, expenses and assets are recognized inclusive of the amount of value added tax except where the value added tax incurred on a purchase of assets or services is recoverable from the taxation authority, in which case the value added tax is recognized as an asset. MSD as health services supplier of medical goods is exempt from paying Value Added Tax (VAT) per the VAT Act section 6, schedule subsection 1.

3.15 INCOME TAX

Medical Stores Department is exempt from the Corporation Tax on income or surplus.

SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the department'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.

3.16 JUDGMENTS

The preparation of MSD 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. In the process of applying MSD's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

3.17 DETERMINATION OF THE USEFUL LIVES OF PROPERTY, PLANT AND EQUIPMENT

Management uses reasonable judgment in determining the useful lives and hence depreciation rates of the items of property, plant and equipments. The residual values, useful lives and methods of depreciating property, plant and equipment are reviewed, and adjusted if appropriate, at each financial year end.

3.18 ESTIMATES AND ASSUMPTIONS

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 liabilities regarding utilities such as: telephone, water and electricity. Values given to assets are more estimates based on the initial price or in line with its assumed wear and tear.

Going concern: The Medical Stores Department's management has made an assessment of the MSD's ability to continue as a going concern and is satisfied that the MSD being supported by various partners/donors and the Government of the United Republic of Tanzania has the resources to continue in operations for the foreseeable future.

Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the MSD's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Provision for impairment on trade receivables

MSD reviews its trade receivables to assess impairment at least on annual basis. In determining whether an allowance for probable losses should be recorded in the statement of financial performance, MSD makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows in an individual loan guaranteed.

This evidence may include observable data indicating that there has been an adverse change in the payment status of customers, or national or local economic conditions that correlate with defaults on assets. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the trade receivable when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of non-financial assets

MSD 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.

Provisions for obsolete and expired inventories

MSD assesses whether there are any indicators of impairment for slow moving items and identified stocks expired or nearly expiry date. Provision for impairment of inventories arising from expiration and obsolescence is taken into account in determining the final value of inventories. Provision for obsolete stock is made to reduce costs of items to estimated net realizable value.

4.1THE IMPACT OF COVID-19

Corona virus or COVID-19 is an infectious disease caused by a new disastrous virus. The impact of COVID-19 has been an evolving situation since late 2019. Since then, both the impact of the virus and the information available on the impact have been a rolling and indeed catastrophe World news. The World Health Organization, declared a global health emergency in January 2020 and in March 2020 it declared the spread of COVID-19 a global pandemic.

MSD experienced a mild impact of COVID-19 in its operations. Social distancing and other health precautions were enforced as part of measures to contain the spread of the virus. These measures resulted into a decrease in collection of revenue from services offered by the Department. Equally, costs for face masks and sanitizers were incurred by the Department.

5.7 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

5. CASHFLOW SCHEDULES

| a. Account Receivables 30 June 2023 | | | |
|---|------------|-------------|-------------|
| | Notes | DR | CR |
| Government Receivable Opening balance | 18 | 294,567,626 | 365,688,102 |
| Government Receivable Closing balance | 18 | | |
| Advance from customer closing balance | 23 | 161,510,494 | |
| Advance from customer opening balance | 23 | | 182,324,115 |
| Project accounts closing balance | 24 | 107,764,209 | |
| Project accounts opening balance | 24 | | 121,428,887 |
| Deferred customer credit closing balance | 25 | 3,597,641 | |
| Deferred customer credit opening balance | 25 | | 13,375,197 |
| Other receivables opening balance | 17 | 1,765,003 | |
| Other receivables closing balance | 17 | | 1,169,639 |
| Sales | 6 | 361,785,502 | |
| Other Income | 7a | 300,719 | |
| Other Gains and Loses | 7 b | 1,015,959 | |
| Exchange transactions(Cash collection) | | | 248,333,220 |
| | | 932,319,159 | 932,319,159 |
| b. Account Payable 30 June 2023 | | | |
| b. Account ayable to balle 1015 | | DR | CR |
| Trade and other payables Closing balance | 27 | 202,982,936 | |
| Trade and other payables Opening balance | 27 | , . | 183,987,858 |
| Advance to suppliers Opening balance | 16 | 97,748,091 | |
| Advance to suppliers Closing balance | 16 | | 53,937,304 |
| Cost of Goods sold | 8 | | 288,796,056 |
| Opening Stock | 19 | 94,065,918 | |
| Closing Stock | 19 | | 134,840,505 |
| Expired stock | 19 | 1,142,995 | 3 |
| Prepayment Opening balance | 15 | 23,866,446 | |
| Prepayment Closing balance | 15 | | 18,941,153 |
| Supplies and consumables | | 260,696,491 | |
| | - | 680,502,876 | 680,502,876 |
| | - | | |
| | | 2022/23 | 2021/22 |
| | | TZS '000 | TZS '000 |
| | | 123 000 | 123 300 |
| 6 SALES | | | |
| Revenue from Exchange Transactions Normal sales | | 182,962,667 | 149,621,367 |
| | | | 55 |
| | | | |

| | | 2022/23 | 2021/22 |
|---|--|---|--|
| | | TZS '000 | TZS '000 |
| | Special procurement sales | 69,819,843 | 49,487,145 |
| | Vertical program sales | 109,002,992 | 91,452,318 |
| | _ | 361,785,502 | 290,560,830 |
| | OTHER INCOME | | |
| | Rendering of Services | 47 427 244 | 22 644 702 |
| | Clearing, distribution and storage Services | 16,426,244 564,353 | 23,641,703 789,139 |
| | Transport services | | 24,430,842 |
| | | 16,990,597 | 314,991,672 |
| | Total Revenue from Exchange of Transactions | 378,776,099 | 314,771,072 |
| ì | Other Income | 27.470 | 4 254 |
| | Bank interest income TZS account | 37,679 263,040 | 1,254 131,586 |
| | Miscellaneous Income | 300,719 | 132,840 |
| | Other Gains and Loses | | |
| | Disposal of Fixed Asets | 4 045 050 | 33,291 |
| | Foreign currency exchange gain or (loss) | 1,015,959 | 33,291 |
| | ¥ | 1,015,959 | 33,291 |
| | COST OF GOODS SOLD | 147,587,506 | 107,645,443 |
| | Normal business cost of goods sold Special business cost of goods sold | 54,347,663 | 34,761,442 |
| | Vertical program cost of goods sold | 86,706,647 | 73,903,49 |
| | Importation cost | (453,234) | 5,991,89 |
| | Foreign currencies (gain)/loss on purchases | (535,522) | (2,295,101 |
| | Increase/(decrease) in stock impairment provision | 1,142,995 | 9,292,13 |
| | 9 | 288,796,055 | 229,299,312 |
| | PACKING COST Packaging materials | 748,820 | 527,980 |
| | Packaging contractors | 414,764 | 134,833 |
| | 2 | 1,163,584 | 662,813 |
|) | DISTRIBUTION COST | | |
| • | Fuel and oil | | |
| | | 1,242,698 | 722,54 |
| | Central distribution | | |
| | Central distribution Zonal offices | 1,940,406 | 1,420,81 |
| | Zonal offices Repairs and Maintenance - vehicles | 1,940,406 | |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution | 1,940,406 1,730,322 | 324,40 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices | 1,940,406 | 324,40 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices Travel and perdiems | 1,940,406 1,730,322 642,247 | 324,40 612,71 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices Travel and perdiems Central distribution | 1,940,406 1,730,322 642,247 558,355 | 324,40 612,71 383,12 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices Travel and perdiems Central distribution Zonal offices | 1,940,406 1,730,322 642,247 | 324,40 612,71 383,12 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices Travel and perdiems Central distribution Zonal offices Other distributions costs | 1,940,406 1,730,322 642,247 558,355 | 324,400 612,719 383,123 1,009,029 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices Travel and perdiems Central distribution Zonal offices Other distributions costs Zonal Offices | 1,940,406 1,730,322 642,247 558,355 1,408,302 | 324,406 612,719 383,123 1,009,029 |
| | Zonal offices Repairs and Maintenance - vehicles Central Distribution Zonal Offices Travel and perdiems Central distribution Zonal offices Other distributions costs | 1,940,406 1,730,322 642,247 558,355 1,408,302 | 1,420,814 324,406 612,719 383,123 1,009,025 108,220 92,132 |

| Controller and Auditor General | AR/PA/MSD/20 | 22/23 |
|---|----------------------|--------------------|
| (ii) Office and general expensesRepairs and maintenance:Buildings | 321,662 | 278,893 57 |
| | 6,472,757 | 5,246,275 |
| Targeted Replacement Co. (TRC) MRC Project Expenses - MB - | | 366,497 292,484 |
| Face Masks Production Unit Consumables Exp School Net Programme(S.N.P) | 408 2,095,569 | 329,158 |
| Fuel - Generator | 106,551 | 63,119 |
| Office cleaning | 279,731 | 294,988 |
| Storage pallets | 3,931 | 2,37 |
| Electricity and water | 1,019,595 | 1,055,67 |
| E-mail, Internet & Data Connectivity | 635,886 | 819,58 |
| Telecommunication expenses | 603,024 | 548,77 |
| Security expenses | 1,214,699 | 1,327,69 |
| Rent expenses | 513,363 | 145,93 |
| (i) Services and utilities expenses analysis | 542.242 | 4.45.00 |
| | | |
| board expenses | 22,275,532 | 20,133,21 |
| Sales and marketing expenses Board expenses | 305,928 | 65,35 |
| Training and recruitment | 843,528 | 720,83 |
| Office and general expenses note (ii) | 1,654,411 | 1,774,63 |
| Services and utilities expenses note (i) | 12,998,908 | 12,326,12 |
| ADMINISTRATIVE EXPENSES | 6,472,757 | 5,246,27 |
| | 7,361,863 | 4,796,66 |
| Staff incentive | 1,466,207 | 1,934,99 |
| Medical expenses | 155,256 | 60,47 |
| Lunch expenses | 1,189,450 | 1,035,34 |
| Staff welfare | 2,390,137 | 1,157,40 |
| Personnel costs Conference and meetings | 2,029,887 130,926 | 553,20° 55,23 |
| (i) Analysis of other staff cost | 28,905,258 | 24,177,00 |
| Other staff costs 11 (i) | 7,361,863 | 4,796,66 |
| Transport allowance | 792,687 | 843,19 |
| Contribution to WEKEZA Fund | 1,622,072 | 1,135,22 |
| Contribution to pension funds | 2,560,673 | 2,037,01 |
| Workers compensation funds | 80,330 | 69,18 |
| EMPLOYEE COST Salaries and wages | 16,487,633 | 15,295,72 |
| | | 4,072,70 |
| Casual labour | 7,751,974 | 4,672,981 |
| | TZS '000 | TZS '000 |
| | | |
| | 2022/23 | 2021/22 |

| | 2022/23 | 2021/22 |
|--|--|--|
| | TZS '000 | TZS '000 |
| - Furniture, fittings, and equipment - Vehicles - Office equipment Travel and per diems Stationery and office supplies Vehicle fuel and oil Software licences General procurement costs Professional fees Insurance Audit fees Bank charges Quality control costs Donation Motor vehicle road licence Sundry office and general expenses Fines and penalties | 295,134 47,586 559,114 4,730,285 758,849 1,379,273 579,680 465,611 633,436 1,190,574 562,958 202,151 1,270,078 | 83 407,057 534,922 4,531,700 700,906 1,322,301 676,497 342,374 159,354 1,705,960 674,274 270,195 658,556 60,000 1,250 1,803 |
| | 12,998,908 | 12,326,125 |

SURPLUS FOR THE YEAR

13

IMPAIRMENT (CHARGE)/RELEASE ON TRADE AND OTHER

Provision for long outstanding container deposit

The surplus generated for the year was TZS 21.03 billion. This was generated mostly using credit sales, therefore, it does not reflect the actual funds received during the financial year ended 30 June 2023. Following the credit sales made during the year, the balance of receivable has increased by TZS 71.1 billion from TZS 295.2 billion in Financial Year 2021/22 to TZS 366.3 billion in the Financial Year 2022/23.

| | RECEIVABLES Impairment charge/release on trade receivables Impairment charge other receivable - container deposit | (4,490,536) | 3,446,857 |
|----|---|--|--|
| | | (4,490,536) | 3,446,857 |
| 14 | CASH AND BANK BALANCES Cash in banks Cash at hand | 237,729,355 4,753 237,734,108 | 301,360,591 7,953 301,368,544 |
| 15 | PREPAYMENTS Prepayments - non trading Prepaid expenses Container deposits | 18,912,734 305,497 (277,078) 18,941,153 | 24,109,773 33,751 (277,078) 23,866,446 |

Provision for container deposit related to deposit made by MSD to various shipping line of which the time for claim deposit has lapsed and long overdue since 2011, the service was received but the documentation were missing.

18,941,153

| | | 2022/23 | 2021/22 |
|-----|--|--|---|
| | | TZS '000 | TZS '000 |
| 16 | ADVANCE PAYMENT TO SUPPLIERS Advance to suppliers - Local suppliers Advance to suppliers-Overseas suppliers | 10,274,617 43,662,687 53,937,304 | 12,974,610 84,773,481 97,748,091 |
| | During the financial year advance payment to overseas suppliers relate to Letter of Credit issued to overseas Manufacturers and Suppliers in respect of procured medicines and medical supplies. | | |
| 17 | OTHER RECEIVABLES | | |
| • • | Other receivables | 5,441 | 5,441 |
| | Staff receivables Accrued interest on bank | 1,164,198 | 1,759,562 |
| | Other receivables | 1,169,639 | 1,765,003 |
| 18 | (a)GOVERNMENT RECEIVABLE | | 0.17 |
| | National hospital | 9,834,436 | 4,461,247 |
| | Zonal referral hospitals | 2,057,768 | 601,070 |
| | Special hospitals | 2,627,075 | 1,255,495 |
| | Regional hospitals | 7,434,531 | 2,141,300 |
| | District hospitals | 2,810,334 | 1,249,397 |
| | Private District Designated Hospitals | 121,878 | 35,440 |
| | Public District Designated Hospitals | 128,163 | 3,396 |
| | DED & Town Councils | 1,969,662 | 2,022,608 |
| | Local Authorities basket funds | 396,820 | 374,233 |
| | Health centres | 1,325,134 | 1,015,444 |
| | Dispensaries | 4,288,901 | 2,483,014 |
| | Vertical Programmes - goods | 5,835,689 | 5,371,579 |
| | Vertical Programmes - services | 272,907,413 | 224,130,498 |
| | Private sector (FBO, NOP,Prvt Health Facilities) | 5,601,343 | 4,315,381 |
| | Govt Inst. (Army, Police, Prison, Edu Inst) | 48,348,954 | 45,107,523 |
| | | 2/5 /99 402 | 294,567,626 |
| | Less:18 (b) Provision for doubtful debts | 365,688,102 (24,093,326) | (19,602,790) |
| | | 341,594,776 | 274,964,836 |
| 18 | (b)GOVERNMENT RECEIVABLE | | |
| | Movement in provision: | 40 400 700 | 22 040 / 47 |
| | Balance as beginning 1 July | 19,602,790 | 23,049,647 |
| | Charge for the year Reversal (Container deposit provision) | 4,490,536 | -3,446,857 |
| | Balance at the end 30 June | 24,093,326 | 19,602,790 |
| | | | |

2022/23 2021/22 TZS '000 TZS '000

OUTSTANDING BALANCE RECEIVABLE FROM THE MINISTRY OF HEALTH

During this financial year 2022/23 the Government through the Ministry of Health (MoH) did not disburse to MSD any amount as part payment of accumulated debt.

The outstanding debt as at 30 June 2023 amounted to TZS 341.59 billion excluding provision (2022: TZS 274.96 billion). The debt increase was due to services provided. Out of this, TZS 272 billion (2022: TZS 224 billion) of the debt relates to payments made by MSD for clearing, storage, and distribution of various commodities donated to the Government of the United Republic of Tanzania by development partners and various donor communities; TZS 64 billion (2022: TZS 59 billion) relating to value of medicines and medical supplies supplied to various Government Health Facilities on credit.

This significant outstanding balance receivable from the Ministry of Health has adversely affected the MSD's ability to pay its maturing obligations and impair MSD cash flows and diminution of the revolving fund and hence results to delays of distribution of medicines and medical supplies to Heath Facilities in the United Republic of Tanzania.

Out of the reported debt balance, part of the outstanding debt amounting to TZS 220.7 billion has been verified and confirmed by the Ministry up to June 2022. The debt verification activity has been carried out by the Ministry of Health and Ministry of Finance at least annual. Therefore, it is a contibued activity between Ministry of Health, Ministry of Finance and MSD.

| 19 | INVENTORIES AND CONSUMABLES Catalogue stock Special procurement stock Lubricant, tyres & spare parts Cold chain equipment Packaging materials Stationery & office supplies Other stock | 118,643,515 7,822,472 1,256,435 30,004 217,857 292,363 6,577,859 | 70,281,668 18,798,998 1,256,435 30,004 269,349 313,087 3,116,377 94,065,918 |
|----|--|--|---|
| | Less: Provision for obsolete stock add: Expired stock | (34,826,399) | (33,683,404) |
| | Movements in provisions for obsolete stock At the beginning of the year Charge/(release) for the year Write off approved expired stock At the end of the year Analysis of provision Stocks under investigation and inter zonal transfers Expired stock Stock with expired period of 3 months or less Stock with expired period between 3 to 6 months Dormant stock Slow moving stock | 33,683,404 1,142,995 - 34,826,399 | 24,391,267 9,292,137 33,683,404 |

| | 2022/23 | 2021/22 |
|---------------------------|------------|------------|
| | TZS '000 | TZS '000 |
| Expiry and Obsolete stock | 34,826,399 | 33,683,404 |
| Total | 34,826,399 | 33,683,404 |

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| EQUIPMENT |
|-----------|
| AND |
| PLANT |
| PROPERTY, |
| <u>a</u> |
| 20. |

| Total | 000, SZL | 145,141,388 3,509,361 | 148,650,749 | 46,590,020 | 5,043,729 | 51,633,749 | 97,017,000 |
|--|--------------------|---|-------------|---|---|------------|---------------------------------------|
| Computers and IT equipment | 000, SZL | 6,533,781 1,330,069 | 7,863,850 | 5,896,066 | 439,125 | 6,335,190 | 1,528,660 |
| Furniture; Fittings and Equipment | 000, SZL | 7,452,958 247,852 | 7,700,810 | 5,344,302 | 520,603 | 5,864,905 | 1,835,905 |
| Machinery | 000, SZL | 2,793,548 54,619 | 2,848,166 | 1,716,615 | 124,354 | 1,840,969 | 1,007,198 |
| Motor vehicles | 000, SZL | 29,866,543 910,821 | 30,777,364 | 18,955,112 | 2,253,742 | 21,208,855 | 9,568,509 |
| Buildings | 000, SZL | 85,295,248 | 85,295,248 | 14,677,926 | 1,705,905 | 16,383,830 | 68,911,417 |
| Land | 000, SZ1 | 13,199,310 | 14,165,310 | | | | 14,165,310 |
| | As at 30 June 2023 | <u>Cost</u> At 01 July 2022 Additions | | Accumulated depreciation As at 01 July 2022 | Additions non cash Charge for the year | | Carrying amount As at 30 June 2023 |

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| | Total TZS '000 | 146,053,549 406,701 (1,318,863) | 145,141,388 | 54,837,843 | (11,329,441) | 43,508,403 4,400,480 (1,318,863) | 46,590,020 | 98,551,368 |
|--------------------------------------|---|--|-------------|--|-----------------------------------|---|-----------------|--------------------|
| | Computers and IT equipment TZS '000 | 7,256,599 118,684 (841,501) | 6,533,781 | 6,508,779 | (106,459) | 6,402,320 335,247 (841,501) | 5,896,066 | 637,716 |
| | Furniture; Fittings and Equipment TZS '000 | 7,701,337 228,982 (477,361) | 7,452,958 | 6,250,178 | (1,075,615) | 5,174,562 647,101 (477,361) | 5,344,302 | 2,108,656 |
| | Machinery TZS '000 | 2,793,548 | 2,793,548 | 2,248,265 | (678,229) | 1,570,036 | 1,716,615 | 1,076,933 |
| | Motor vehicles TZS '000 | 29,866,543 | 29,866,543 | 16,539,181 | 850,282 | 1,565,649 | 18,955,112 | 10,911,431 |
| | Buildings TZS '000 | 85,295,248 | 85,295,248 | 23,291,440 | (10,319,420) | 12,972,021 | 14,677,926 | 70,617,322 |
| EQUIPMENT | Land TZS '000 | 13,140,275 | 13,199,310 | ion | | | 3 | 13,199,310 |
| 20. (b)PROPERTY, PLANT AND EQUIPMENT | | As at 30 June 2022 Cost At 1 July 2021 Additions Disposals | | Accumulated depreciation As at 1 July 2021 Prior Year Adjustment | (Under charge / ((Overcharge)) | As at 1 July 2021 Charge for the year Disposal/ Transfers | Carrying amount | As at 30 June 2022 |

| | | 2022/23 | 2021/22 |
|----|---|------------------------|------------------------|
| | | TZS' 000 | TZS' 000 |
| 21 | INTANGIBLE ASSETS | 125 000 | |
| | Cost | | |
| | At the beginning of the year | 6,367,111 | 6,367,111 |
| | Additions | | 1 2 4 4 4 |
| | At the end of the year | 6,367,111 | 6,367,111 |
| | Accumulated Amortization | 2 450 005 | 4 052 014 |
| | At the beginning of the year | 2,458,095 636,711 | 1,953,014 505,081 |
| | Charge for the year | 3,094,806 | 2,458,095 |
| | At the end of the year | 3,071,000 | |
| | Net carrying amount At the end of the year | 3,272,305 | 3,909,016 |
| | At the end of the year | | |
| | Intangible assets relates to cost of computer software | | |
| | Epicor 10 (Integrated Financial Management System) initial | | |
| | cost and subsequent development & upgrades of accounting | | |
| | modules. | | |
| 22 | WORK IN PROGRESS | | |
| 22 | WIP-MACHINERY | | |
| | At the beginning of the year(Building) | 12,095,055 | * |
| | Additions | 4,518,294 | 12,095,055 |
| | WIP adjustment | 38 | |
| | At the end of the year (Machinery) | 16,613,349 | 12,095,055 |
| | | | |
| | WIP-BUILDING | | |
| | At the beginning of the year(Building) | 3,130,910 | 3,130,910 |
| | Additions | 125,756 | := |
| | Transfer to property, plant and equipment (Note 15) | 060 | |
| | WIP adjustment | 3,256,666 | 3,130,910 |
| | At the end of the year (Building) | | |
| | At the end of the year (Building+Machinery)) | 19,870,015 | 15,225,965 |
| | | | |
| 23 | ADVANCE PAYMENT FROM CUSTOMERS | | 2 702 002 |
| | National hospital | 996,625 | 2,793,902 9,742,110 |
| | Zonal Referral hospitals | 10,538,649 | 2,226,512 |
| | Special hospitals | 5,128,118 8,118,611 | 17,221,530 |
| | Regional hospitals | 13,487,082 | 12,126,559 |
| | District hospitals | 156,034 | 409,945 |
| | Private DDH | 519,449 | 799,699 |
| | Public District Designated Hospitals | 671,918 | 858,791 |
| | DED & Town councils Local Authorities basket funds | 169,643 | 49,432 |
| | | 24,924,013 | 12,223,190 |
| | Health centers Dispensaries | 62,371,233 | 73,086,348 |
| | Vertical Programmes - Goods | 10 | 10 |
| | Vertical Programmes - Goods Vertical Programmes - Services | 0 | 0 |
| | Private sector (FBO, NOP, Prvt Hlth Facilities) | 1,923,954 | 3,092,585 |
| | | | £ A |
| | | 1 D /D 1 /11 CD /2 | 64 |

Controller and Auditor General

AR/PA/MSD/2022/23

| | | 2022/23 | 2021/22 |
|-----|---|----------------------------|-----------------------------------|
| | Govt Inst. (Army, Police, Prison, Edu Int, Oth) Bakaa Clearing Account | TZS' 000 32,505,156 | TZS' 000 47,429,912 263,590 |
| | | 161,510,494 | 182,324,115 |
| 24 | PROJECTS ACCOUNTS | | |
| | At start of the year Prior year adjustment | 121,428,887 | 71,176,566 - |
| | Funds Received Amount spent | 62,000,190 (75,664,868) | 115,867,962 (65,615,641) |
| | At the end of the year | 107,764,209 | 121,428,887 |
| | Project accounts represent balances provided by donors for specific designated activities with agreements signed. The balance unspent at the end of the year is carried forward to next financial period as a liability account. | | |
| 25 | DEFERRED CUSTOMER DEBIT/(CREDIT) | (3,597,641) | (13,375,197) |
| | Ministry of Health | (3,597,641) | (13,375,197) |
| 27 | for health facilities whose allocation from the Ministry of Health were either provided with higher balance in the list and less funds transferred to MSD or provided with lower balance in the list and transferred more funds to MSD. At the end of the year the balance stands as either a receivable or payable from/to the Ministry of Health (a) DEFERRED INCOME GRANTS | | |
| 26 | At start of the year | 12,837 | 12,837 |
| | Receipt during the year Direct Delivery from Danida | 383 | |
| | Quality Assurance from Unicef | 36 | - |
| | Amount spent during the year | 12,837 | 12,837 |
| | Deferred income grants are made up of donor funds from Danida and Unicef for financing certain agreed projects and training. Revenue expenditures incurred are realised and unused funds are deferred to the next period. | | |
| | (b) CAPITAL GRANT | | 4,652,508 |
| | Funds received from Global Fund for Epicor 10 Project | | 4,032,308 |
| 27 | TRADE AND OTHER PAYABLES | 141,012,057 | 120,300,496 |
| | Trade creditors | 55,223,050 | 57,260,677 |
| | Non trade creditors Payable in respect of staff costs | 610,489 | 621,108 |
| | Other accrued expenses | 247,816 | 74,225 |
| | TFDA fees - Vertical Program | ж | 100 101 |
| | Withholding Tax payable | 338,659 59,743 | 192,491 58,763 |
| | Unrealized interest income on loan | 58,763 | 65 |
| Con | troller and Auditor General | AR/PA/MSD/20 | |

| | | 2022/23 | 2021/22 |
|----|---|--|--|
| | Unrealized vertical programme charges | TZS' 000 5,480,098 | TZS' 000 5,480,098 |
| | | 202,970,932 | 183,987,858 |
| 28 | CAPITAL FUNDS AND ACCUMULATED SURPLUS (a) Capital funds Original capital from Central Medical Stores Working capital received from Treasury in 1994 Capital Fund (Fixed Assets) | 5,000 2,000,000 15,253,246 17,258,246 | 5,000 2,000,000 15,253,246 17,258,246 |

The capital funds of the Medical Stores Department comprise of funds received from Government of Tanzania for the establishment of MSD in 1994 and infrastructures transferred including land, buildings and other infrastructures for MSD operations. The value of funds represents accumulated funds from the government since MSD establishment.

Working capital of TZS 2,000,000,000 was received from the Treasury in 1994 in order to establish Medical Stores Department as an autonomous department.

The Capital Fund (Fixed Assets) was established in June 1994 with value of TZS 741,850,900 representing the value of assets transferred from Central Medical Stores to MSD. The fund has increased over time on the account of additional donations and fair value gain. During the year ended 30 June 2013 a revaluation of properties and equipment of MSD including land and buildings transferred to establish Medical Stores Department were carried out by an independent Valuer, Ardhi University, a revaluation gain (fair value gain) on funds for fixed assets were established at TZS 12,365,420,000 which increased the fair value of funds for fixed assets and respective assets to a closing balance of TZS 15,253,246,000.

(b) Accumulated surplus

Accumulated surplus

381,058,432

360,029,034

Revenue reserves represents accumulated surplus of Medical Stores Department over many years of operations. The revenue reserves is not available for distribution, it is used for MSD expansion and acquisition of capital items to support operations. adjustments were made on this account for the deffered revenue grant received over previous years in accompliance with IPSAS 23

29 RELATED PARTY TRANSACTIONS AND DISCLOSURES

In the course of its operations, Medical Stores Department enters into transactions with related parties, which includes the Ministry of Health and Social Welfare, Board of Trustees, Directors General and key management personnel.

RELATED PARTY TRANSACTIONS AND DISCLOSURES

(i) Loans issued to key management personnel

No loan issued to key management personel

At the beginning of the year

Loans issued during the year

Repayments during the year

At the end of the year

| - | - |
|------|---|
| - | • |
| | |
| NE . | |

(ii) Compensation to key management personnel

| Salaries and allowances | 1,085,581 | 1,039,279 |
|--------------------------|--|-----------|
| Post employment benefits | ra———————————————————————————————————— | 250 |
| | 1,085,581 | 1,039,279 |

Key management personnel of MSD includes the Director General, departmental directors, legal secretary, chief internal auditor and director of finance.

(iii) Remuneration to the Board of Trustees

| Board meeting expenses Travelling and accommodation | 234,095 71,833 | 61,650 3,700 |
|---|-------------------|-----------------|
| 5 | 305,928 | 65,350 |

(iv)Transactions with Ministry of Health (MoH)

MSD had a number of transactions with MoH in relation to procurement, storage and distribution of medicines for its vertical programs and other Government facilities. The details of opening outstanding balances, amount invoiced, amount paid and ending outstanding balance are as follows:

| At start of the year | 295,050,230 | 262,467,404 |
|--|-------------|-------------|
| Invoiced during the year | 64,385,914 | 32,582,826 |
| MOH payment of debt At the end of the year | 359,436,145 | 295,050,230 |
| TEDA foos Vertical Program | 31,563,383 | 31,563,383 |
| Total Vertical Program Debt | 390,999,528 | 326,613,613 |

30. RECONCILIATION OF ACTUAL AMOUNTS ON A COMPARABLE BASIS AND ACTUAL AMOUNTS IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

The financial statements and budget documents are prepared for the same period. The budget is prepared on a cash basis and the financial statements on the accrual basis, this may lead to basis difference. A reconciliation between the actual amounts on a comparable basis as presented in the statement of comparison of budget and actual amounts and the actual amounts in the statement of cash flows for the year ended 30 June 2023 is presented in Table below:

Reconciliation of Actual Amounts on Comparable basis and Actual Amounts in the Financial Statements

| Descriptions | Operating | Financing | Investing | Total |
|---|--------------|-----------|-------------|--------------|
| Actual amount on comparable basis as presented in the budget and actual comparative statement | (17,161,728) | | | (17,161,728) |
| Basis difference | (38,319,298) | | | (38,319,298) |
| actual amount in the statement of cash flow | (55,481,026) | ** | (8,153,410) | (63,634,436) |

31. RESTATEMENT OF BALANCE

a) Accumulated depreciation balance was restated because of overcharge depreciation which lead to under state Assets and Accumulated Surplus.

| Descriptions | Acc. Buildings | Acc. Motor vehicles | Acc. Depr Machinery | Acc. Depr Furniture; Fittings and Equipment | Acc depre. Computers and IT equipment | Total |
|----------------------------------|-------------------|---------------------|------------------------|--|---------------------------------------|--------------|
| | TZS "000" | TZS "000" | TZS "000" | TZS "000" | TZS "000" | TZS "000" |
| Opening as at July 1, 2021 | 23,291,440 | 16,539,181 | 2,248,265 | 5,772,816 | 5,667,278 | 53,518,981 |
| Adjusted balance | (10,319,420) | 850,282 | (678,229) | (1,075,615) | (106,459) | (11,329,441) |
| Restated balance July 1, 2021 | 12,972,021 | 17,389,464 | 1,570,036 | 4,697,201 | 5,560,819 | 42,189,540 |

b) Depreciation balance was restated because it was over stated amount of Depreciation due to wrong Depreciation rate charge.

| Descriptions | Depreciation on Buildings | Depreciation on Motor vehicles | Depreciation on Machinery | Depreciation on Furniture; Fittings and Equipment | Depreciation on Computers and IT equipment | Total |
|-------------------------------------|---------------------------|--------------------------------|---------------------------------|--|---|-------------|
| | TZS "000" | TZS "000" | TZS "000" | TZS "000" | TZS "000" | TZS "000" |
| Opening as at July 1, 2021 | 3,637,453 | 1,821,384 | 38,622 | 227,568 | 245,719.40 | 5,970,746 |
| Adjusted balance | (1,931,548) | (255,735) | 107,957 | 419,533 | 89,527 | (1,570,266) |
| Restated balance July 1, 2022 | 1,705,905 | 1,565,649 | 146,579 | 647,101 | 335,247 | 4,400,480 |

c) Asset Balance cost is restated because was wrongly expensed which result to understating amount of assets and Accumulated surplus.

| | MOTOR VEHICLE | Accumulated Surplus |
|--------------------------------|---------------|---------------------|
| Descriptions | TZS "000" | TZS "000" |
| Audited balance at 1 July 2021 | 28,171,537 | 350,108,685 |
| Adjusted balance | 844,723 | 844,723 |
| Restated Balance | 29,016,260 | 350,953,408 |

d) Receivable balance is restated because was double booked, and credit note from customer not adjusted resulting to overstating amount of receivable and Accumulated Surplus.

| Descriptions | Government Receivable | Accumulated Surplus | |
|--------------|-----------------------|---------------------|--|
| Descriptions | TZS "000" | TZS "000" | |

| Restated Balance | 271,574,326 | 346,083,784 |
|--------------------------------|-------------|-------------|
| Adjusted balance | (634,391) | (634,391) |
| Adjusted balance | (3,390,510) | (3,390,510) |
| Audited balance at 1 July 2021 | 275,599,227 | 350,108,685 |

e) Capital Grant is restated because it was not recognized as Revenue after meet the condition result to understate amount of revenue and overstate liability .

| | Capital Grant | Accumulated Surplus |
|--------------------------------|----------------|---------------------|
| Descriptions | TZS "000" | TZS "000" |
| Audited balance at 1 July 2021 | 4,652,508.38 | 350,108,685.00 |
| Adjusted balance | (4,652,508.38) | 4,652,508.38 |
| Restated Balance | - | 354,761,193.38 |

f) Control accounts is restated because had closing balance which lead to understate the value of assets and WIP.

| Descriptions | Office Furniture | Office Equipment | Computer And Related Equipment | Wip In Machinery |
|---|---------------------|---------------------|--------------------------------------|------------------|
| | TZS. | TZS. | TZS | TZS |
| Opening balance + Normal Additional at 1 July 2022 | 727,633,031 | 947,303,673 | 7,575,734,070 | 2,777,441,475 |
| Adjusted balance | 196,606,899 | 43,500,336 | 288,116,423 | 13,835,907,031 |
| Restated Balance | 924,239,930 | 990,804,009 | 7,863,850,493 | 16,613,348,506 |

g) Work in Progress - ICT Systems is restated because had not been shifted to intangible asset which result to underste amount amount of intangible assets and overstate WIP.

| | Intangible Asset | | |
|-----------------------------|------------------|--|--|
| Descriptions | TZS. | | |
| Opening balance 1 July 2022 | :#X | | |
| Adjusted balance | 6,367,110,934.70 | | |
| Restated Balance | 6,367,110,934.70 | | |

h) Non Trade Credictor and Accumulated surplus balances are restated with amounts of Non-trade credictor which were not recognized.

| | Local Non trading Creditors | Accumulated Surplus TZS | |
|--------------------------------|-----------------------------|-------------------------|--|
| Descriptions | TZS | | |
| Audited balance at 1 July 2021 | 48,784,087.20 | 346,899,936.23 | |
| Adjusted balance | 8,476,589.37 | 8,476,589.37 | |
| Restated Balance | 57,260,676.57 | 355,376,525.60 | |

i) Restatement of Accumulated Surplus

| | Accumulated Surplus |
|-------------------------|---------------------|
| Descriptions | TZS. |
| Open balance 1July 2021 | 282,247,049 |

| Prio Year Adjustments | |
|--|-------------|
| Open Prio Year Adjust | 34,678,121 |
| 31(a) Adj Acc Deprec and Accumulated Depre | 11,329,440 |
| 31 (b)Adj Depreciation | 1,570,266 |
| 31 (c)Adj Ommited mv | 844,723 |
| 31 (d)Receivable | (634,391) |
| 31 (h) Non Trade Credictor | (8,476,589) |
| 31(f)capital Grant | 4,652,508 |
| Total Prio year adjusments | 43,964,078 |
| Restated Balance | 326,211,127 |

32. COMPARATIVE FIGURES

Previous year's figures have been re-grouped wherever considered necessary to make them comparable with current year's figures.

33. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

None of MSD assets have been pledged as security for liabilities.

34. CASH FLOW RECONCILIATION

| 54. CASITI LOW RECONCILIATION | | 2022/23 | 2021/22 |
|---|-------|--------------|--------------|
| | | TZS '000 | TZS '000 |
| Operating activities | Notes | | |
| Surplus for the year | | 21,029,398 | 33,183,515 |
| Adjustment for: | | | |
| Depreciation of property and equipment | 20 | 5,043,729 | 5,970,746 |
| Amortisation of intangible asset | 21 | 636,711 | 505,081 |
| Provision for stock expiry | 8 | 1,142,995 | 9,292,137 |
| Impairment charge/(release) on receivables | 13 | 4,490,536 | (3,446,857) |
| Amortisation of capital grant | | (58 | |
| | | | (33,291) |
| | | 32,355,374 | 45,471,331 |
| Channel annuation accepts and linkilities | | | |
| Changes in operating assets and liabilities | 15 | 4,925,293 | 156,254 |
| (Increase)/Decrease in prepayments | 16 | 43,810,787 | 8,699,489 |
| (Increase)/Decrease in advance payment to suppliers | 17 | 595,364 | (578,131) |
| (Increase)/Decrease in other receivable | 18 | (71,120,475) | 8,659,111 |
| (Increase)/Decrease in Government receivable | 19 | (40,774,587) | (28,863,292) |
| (Increase)/Decrease in inventories | 17 | (40,774,307) | (20,003,272) |
| Increase/(Decrease) in advance payment from | 23 | (20,813,621) | (32,185,186) |
| customers | 24 | (13,664,677) | 50,252,321 |
| Increase/(Decrease) in project accounts | 25 | (9,777,556) | (32,540,318) |
| Increase/(Decrease) in deferred customer account | 27 | 18,983,074 | (799,750) |
| Increase/(Decrease) in trade and other payable | 21 | (87,836,399) | (27,199,502) |
| | | (07,000,077) | (27,177,302) |
| Net cash flows used in operating activities | | (55,481,025) | 18,271,829 |
| | | | 70 |
| | | | 70 |

 2022/23
 2021/22

 TZS '000
 TZS '000

 Operating activities
 Notes

35.EXPLANATION OF THE DIFFERENCES BETWEEN BUDGET AND ACTUAL AMOUNT IN COMPARABLE BASIS

The approved budget was developed on cash basis for the period between 1July 2022 to 30 June 2023. The variances between original and final budget and actual amounts are explained below:

- a)Other income earned by MSD from own sources were below the budgeted amount due to unpredictability of the revenue sources and this is regarded as more innitiatives were taken to engage Stakeholders from Vertical programs.
- b) Sale earned by MSD from own sources were below the budgeted amount Since the Allocation amount by Government goes parallel with the performance of items purchased by MSD (Normal Items). The lower the allocation the less sales of Normal items
- c) Distribution cost, administrative cost were below budget due to cost cutting strategy that was implemented to ensure that total expenditure does not outweigh total revenue and less consignment of normal items was distribuited compared to budgeted amount supposed to be purchased.
- d) Employment cost which covers both staff salaries, Statutory deduction and other staff cost were lower than the budgeted amount because salaries are paid in line with the actual number of staff in the Payroll since the anticipated new recruitments were not undertaken during the year plus the outgoing of staff ouside the MSD.

36.LIST OF TRANSACTIONS/BALANCED WITH OTHER GOVERNMENT ENTITIES FOR THE YEAR ENDED 30 JUNE 2023

| S/N | Good/Services Received | | |
|-----|---------------------------|-----------------------------|--------------|
| 1 | Electricity | TANESCO | 927,859,064 |
| 2 | Water | DAWASA | 93,418,482 |
| 3 | Advertising | TBC | 20,000,000 |
| 4 | Postal services | TANZANIA POSTAL CORPORATION | 73,459,788 |
| 5 | Mobile & internet | TTCL | 183,288,68 |
| 6 | Security | SUMA JKT | 1,154,381,00 |
| 7 | Contribution | WCF | 80,330,11 |
| 8 | Contribution | PPF WEKEZA | 1,622,071,55 |
| 9 | Contribution | NHIF | 450,235,57 |
| 10 | Repair maintance | TEMESA | 258,218,61 |
| 11 | audit | CAG | 294,600,00 |

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| S/N | Good/Services Received | Name Of Entity Provided Goods/Services | Amount Paid |
|----------|---------------------------|---|---------------|
| 12 | Medical Goods | PHARMACEUTICAL SOCIETY OF TANZANIA | 12,810,000 |
| 13 | Training | TANZANIA PUBLIC SERVICES COLLEGE | 1,240,000 |
| 14 | Training | PROCUREMENT AND SUPPLY PROFESSIONAL BOARD | 17,610,000 |
| 15 | Training | NBAA | 14,400,000 |
| 16 | Insurance | NIC | 1,189,290,480 |
| 17 | Contribution | PSSSF | 2,560,673,000 |
| Grant To | otal Amount | | 8,953,886,357 |

37. Full depreciated asset .

Fully depreciated asset which still in production use or service deliverance amounted:

| S/n | Description | Cost '000'(TZS) | |
|----------|------------------------|-----------------|--|
| 1. | Motor vehicle | 14,192,554 | |
| 2. | Machinery | 3,049,966 | |
| 3. | Furniture & fitting | 591,154 | |
| 4. | Computer and Equipment | 7,650,350 | |
| Grant To | otal Amount | 25,484,024 | |

38.(a) cash Receipt -Budget working

| Descriptions | Revenue from exchange transaction | other revenue | Total |
|---|-----------------------------------|---------------|--------------|
| balance | 378,776,099 | 300,719 | 379,076,818 |
| working capital Movement | | | |
| increase of Government receivable | (66,629,940) | | (66,629,940) |
| Grand total | 312,146,159 | 300,719 | 312,446,877 |

(b) Cash payment -Budget working

| Descriptions | Medicine and | Packing cost | Distribution | Employment | Administrarive | Total cost |
|--------------|----------------|--------------|--------------|---------------|----------------|-----------------|
| · | material | | cost | cost | cost | |
| balance | 288,796,055.00 | 1,163,584.00 | 7,751,973.73 | 28,905,258.00 | 22,275,532.15 | 348,892,402.88 |
| working | | | | | | 0 |
| capital | | | | | | |
| Movement | | | | | | |
| increase | (18,983,079) | | | | | (18,983,079.00) |
| Trade and | | | | | | |

| Descriptions | Medicine and material | Packing cost | Distribution cost | Employment cost | Administrarive cost | Total cost |
|------------------|-----------------------|--------------|-------------------|-----------------|---------------------|----------------|
| other payable | | | | | | |
| Grand Total | 269,812,976.00 | 1,163,584.00 | 7,751,973 | 28,905,258.00 | 22,275,532.15 | 329,909,323.88 |

38.Land transfer to MSD.

On 09 November 2022, the Ministry of Health transfer land that is located in the Mtwara region to MSD, but MSD didn't recognize it in its asset register because the value was unknown, MSD started the process of determine the deemed cost so as to recognize its in asset register as per IPSAS 17 and once the process completed and value of land obtained will be recognized in MSD financial statements and asset register