



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



MEDICAL STORES DEPARTMENT

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL AND COMPLIANCE AUDIT FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2024**

Controller and Auditor General,
National Audit Office,
Audit House,
Mahakama Road,
P.O. Box 950,
41101 Tambukareli,
Dodoma, Tanzania.
Tel: 255 (026) 2161200-9,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

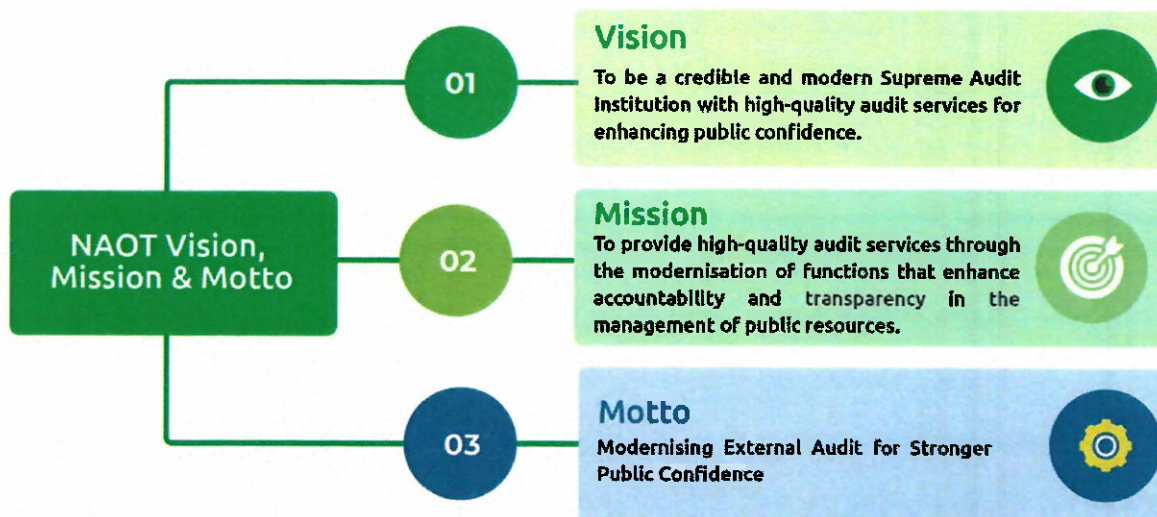
March 2025

AR/PA/MSD/2023/24

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.



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.

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




TABLE OF CONTENTS

ABBREVIATIONS.....	iii
1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL	1
2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE	7
3.0 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE	51
4.0 DECLARATION BY THE HEAD OF FINANCE	52
5.0 FINANCIAL STATEMENTS	53

ABBREVIATIONS

BoT:	Board of Trustees
CAG:	Controller and Auditor General
DDH:	District Designated Hospitals
ECL:	Expected Credit Losses
e-GA:	e-Government Authority
EIR:	Effective Interest Rate
ERP:	Enterprise Resource planning
FOBs:	Free on Boards
FY:	Financial Year
GAVP:	Generally Acceptable Valuation Principles
GDP:	Gross Domestic Product
GF:	Global Fund
HIV and AIDS:	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
HQ:	Head Quarters
ICT:	Information and Communication Technology
IFMS:	Integrated Financial Management Systems
IPSAS:	International Public Sector Accounting Standard
IPSASB:	International Public Sector Accounting Standards Board
KRA:	Key Result Areas
LGAs:	Local Government Authorities
MDAs:	Ministries, Departments and Agencies
MoU:	Memorandum of Understanding
MoH:	Ministry of Health
MSD:	Medical Stores Departments
MTSP:	Medium-Term Strategic Plan
NACSAP:	National Anti-Corruption Strategy and Action Plan
NBAA:	National Board of Accountants and Auditors
NCD:	Non-Communicable Diseases
NEMC:	National Environment Management Council
NGOs:	Non-Government Organizations
NHIF:	National Health Insurance Fund
PA	Public Authority
PHLB:	Private Health Laboratories Board
PIE:	Public Interest Entities
PPE:	Property, Plant and Equipment
PPRA:	Public Procurement Regulatory Authority
SPPI:	Solely Payments of Principal and Interest (SPPI)
TBS:	Tanzania Bureau of Standards
TCWG:	Those Charged with Governance
TFRS:	Tanzania Financial Reporting Standards
TIC:	Tanzania Investment Centre



TMDA:	Tanzania Medicines and Medical Devices Authority
TUGHE:	Tanzania Union for Central Government and Health Employees
TZS:	Tanzania Shillings
UNICEF:	United National International Children's Emergency Fund
UoM:	Unit of Measure
USAID:	United States Agency for International Development
VAT:	Value Added Tax
WFP:	World Food Programme
WHO:	World Health Organization

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 2024, the statement of financial performance, statement of changes in net assets, 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 Stores Department as at 30 June 2024, 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 Stores 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, which discloses that as at 30 June 2024, the Ministry of Health had outstanding obligations to the Medical Stores Department (MSD) amounting to TZS 390,330,972,680. These obligations include 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, as well as the value of medicines and medical supplies supplied to Government Health Facilities on credit. The outstanding amount has materially impaired MSD's ability to meet its maturing obligations, adversely affecting cash flows and reducing revolving funds. Consequently, delays in the distribution of medicines and medical supplies to health facilities in Tanzania may occur. My opinion remains unmodified with respect to this matter.

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 scepticism 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 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 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 LEGISLATION

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 2023/24 as per the Public Procurement Laws.

Conclusion

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

(i) Non-Compliance with Performance Security Requirements in Call-Off Order No. 1 for Tender IE-009/2022/2023/G/19/1

MSD's Call-Off Order No. 1 for Tender IE-009/2022/2023/G/19/1 deviates from the original tender document and framework agreement by requiring a performance securing declaration instead of a 10% performance security. This inconsistency violates Regulation 233 (1) and (2) of the Public Procurement Regulations, 2013, as amended by Regulation 75 of Public Procurement Amendment Regulations 2016, and exposes MSD to potential risks.

(ii) Supply, Delays and Non-Delivery of Medical Supplies

MSD ordered and fully paid for medical supplies worth TZS 16,691,323,718 during the year under review 2023/24. However, out of this, supplies worth TZS 2,136,396,807 (13%) had not been delivered as of 3 September 2024. This non-delivery is contrary to the requirements of the call-off orders under the framework agreements. Despite these shortfalls, MSD did not take corrective measures or impose penalties on suppliers for failing to meet contractual obligations, contrary to Regulation 144(c) of the Public Procurement Regulations.

Additionally, from July 2023 to June 2024, various suppliers delayed deliveries between 1 and 172 days beyond the agreed timelines. These repeated delays in supply chain execution undermine service delivery in the health sector and highlight weaknesses in contract enforcement, potentially affecting the availability of essential medical supplies in health facilities.

(iii) Inadequate performance by the PMU and Tender Board of Tender Procedures that has led to the Awarding of Contracts with Substantially Inflated Prices

MSD engaged a supplier under a contract number TR177/2023/2024/G/5 with contract amount of TZS 7,643,732,555.66 which was signed on 28 December 2023. However, the PMU and Tender Board approved an award this tender while it included substantially inflated prices

that failed to ensure economy and efficiency in the use of public funds. This violated Regulation 4(2)(a)(b)(e) of the Public Procurement Regulations, 2013 (amended 2016) and Section 63(2) of the Public Procurement Act, 2011, which mandate value for money, competition, transparency, and compliance with standards.

(iv) Delayed payments to local and foreign suppliers - TZS 8.4 billion

Payments amounting to TZS 8,365,574,942 due to both local and foreign suppliers, for goods delivered during the financial year 2023/24 had not been made for periods ranging from 176 to 488 days from their respective due dates. This delay is contrary to Regulation 242(1) of the Public Procurement Regulations, 2013, which mandates that procuring entities promptly authorize payment to suppliers upon receipt of goods delivered against contracts.

Likewise, MSD's internal control policies specify that local suppliers should be paid within 21 days after delivery, inspection, and acceptance, while foreign suppliers should receive 80% of the payment via an irrevocable letter of credit, with the remaining 20% paid after delivery and acceptance. I am concerned that, delayed payments hinder the timely availability of essential goods and services, potentially affecting operations and increasing the risk of contract disputes.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the Medical Stores Department for the financial year 2023/24 as per the Budget Act and other Budget Guidelines.

Conclusion

Based on the audit work performed, I state that, except for the matters 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.

(i) Inconsistency of budget information between the PlanRep System and Approved Budget Book- TZS 67,522,888,940

There was a discrepancy of TZS 67,522,888,940 between the budget information in the Medium-Term Expenditure Framework (MTEF) book and the PlanRep system, contrary to Treasury Circular No. CBC.165/191/01/45 and Paragraph 118 of the Plan and Budget Guideline 2023/24, which require accurate and timely input of budget data into the PlanRep system. The variance pertains to revenue, recurrent, and capital expenditures, which suggest a lack of alignment between the two systems.

Management attributed the discrepancies to unmatched GFS codes against MSD activity codes in Epicor 10 and PlanRep system. The unmatched data between the two systems has resulted in inconsistency, which could affect budgetary planning, analysis, and resource allocation, hindering effective financial management.

(ii) Under-release of budget for procurement of health commodities - TZS 102 billion

MSD recorded a significant under-release of funds for the procurement of health commodities, with only TZS 103,000,000,000 being received from the Ministry of Health out of the planned TZS 205,000,000,000, resulting in an under-release of TZS 102,000,000,000 (50%). This is contrary to Section 50 of the Budget Act (Cap. 439, R.E 2020), which mandates that commitments must align with available appropriations and quarterly budget releases, and Regulation 36 of the MSD Financial Regulations 2011, which requires the Director General to be responsible for implementing the annual plan and budget.

As a result of this under-release, MSD has made commitments to procure health commodities based on the planned budget, but the actual funds were not available as required. This discrepancy undermines effective procurement planning and may lead to delays or shortages in the supply of essential health commodities that might negatively impacting service delivery.



Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
March 2025



2.0 THE REPORT BY THOSE CHARGED WITH GOVERNANCE

2.1 INTRODUCTION

Those Charged with Governance (TCWG) at the Medical Stores Department (MSD) is the Board of Directors. The MSD Board of Directors present this report together with the audited financial statements for the year ended 30 June 2024, which provides the results of Medical Stores Department (MSD) operations and its state of affairs. The report has been prepared in compliance with changes made on the Tanzania Financial Reporting Standard 1 (TFRS 1)- Report by Those Charged with Governance issued by the National Board of Accountants and Auditors (NBAA) which became effective on 01 January 2023.

The report is addressed to internal and external stakeholders who are both primary and secondary users of financial reports. It sets out an analysis of the Store's operations and financial review, with a forward-looking orientation in order to assist stakeholders in assessing the strategies adopted by MSD and the potential for those strategies to succeed towards creating value over the short, medium and long-term periods. The Store's internal stakeholders include the Board of Directors and employees. External stakeholders comprise of Government of the United Republic of Tanzania (URT), the Parliament of Tanzania, development partners, regulatory authorities, service providers, and the general public.

The objective of the report includes provision to users with an understanding of the Store's culture, principal activities, key strengths and resources, 2023/2024 performance, governance matters, relationship with stakeholders, liquidity and financial performance, current and future development plans, financial reporting and auditing, employee's welfare matters and risk management

The Financial Statements are prepared in accordance with the International Public Sector Accounting Standards (IPSASs). The Management hereby submit their report together with the financial statements for the year ended 30 June 2024 which disclose the state of affairs of the Medical Stores Department (MSD).

2.2 MEDICAL STORES DEPARTMENT CULTURE

MSD's culture consists of the shared vision, mission, core values and the culture statement as provided hereunder.

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.

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

2.3 NATURE OF THE OPERATIONS

2.3.1 The legislative and regulatory environment in which the organization operates.

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 registered head office located at Keko-Mwanga area in Dar es Salaam and operates in ten zones, and four Community Outlet across Tanzania.

2.3.2 The industry / industries in which the entity operates.

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

2.3.3 The legislative and regulatory environment in which the organization operates.

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 registered head office located at Keko-Mwanga area in Dar es Salaam and operates in ten zones, and four Community Outlet across Tanzania.

2.3.4 The industry / industries in which the entity operates.

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.

2.3.5 Main products, services, customers, business processes and distribution methods

MSD Procures Medicines, Medical Supplies and Laboratory Reagents on behalf of Public Health Facilities. It also procures Vertical Programs health commodities, as well as Private Health Facilities approved by the Ministry of Health. As a core business, Procurement procedures as laid under the Public Procurement Act of 2023 Cap 10. MSD is the largest importer of which 80% of medicines, 90% of medical supplies and 100% laboratory supplies are imported from different countries across the world.

2.3.6 Structure of the entity's operation, and its economic model, including an overview of the main operating facilities and their location

The Department's organizational structure has been designed so as to ensure maximum efficiency and performance of MSD functions. 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.

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 four (4) Community Outlets at Geita (Chato), Mbeya (Mbeya), Lindi (Ruangwa) and Katavi (Mpanda). MSD served more than 8,276 health facilities by June 2024, these include, National Hospital, Zonal Referral Hospitals, Specialized Hospital, Regional and District Hospitals, Health Centres, Dispensaries and 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 2024 was 68,305.47 square meters (m²) out of which 49,154m² is owned by MSD and 19,151.47m² is rented.

MSD has a total of 215 vehicles designated for distribution and administrative tasks across its zones. Of these, 159 vehicles are used for Direct Delivery (DD) to public health facilities nationwide, while the remaining 56 vehicles are stationed at Headquarters for supervision and supply replenishment to the zones.

2.3.7 Effectiveness and efficient utilization of resources (For public sector entities)

MSD utilizes tangible and intangible resources including intellectual resources, human resources, social and relationship resources, natural resources, financial resources and others. Efficient and effective utilization of Corporation's resources is pegged on a well-composed Board of trustees, effective Management, competent human resources, deployed ICT infrastructure and documented internal operating procedures.

2.4 External Environment

2.4.1 Analysis of MSD's External Environment

Every organization is impacted by its surrounding environment. The following is a summary of the analysis of external environment issues that could have an impact on the operations of the department:

i. Market and Competitive Position

MSD is a self-sustaining, non-profit department under the Ministry of Health, established by the Medical Stores Department Act of 1993. It is responsible for the production, procurement, storage, and distribution of health commodities to over 8,276 public health facilities in Tanzania. MSD ensures compliance with quality standards for pharmaceuticals, including storage and handling, to prevent the distribution of substandard or counterfeit drugs. The department also adheres to ethical guidelines in its operations and stakeholder interactions. The market features a blend of public and private sector participants, along with international organizations and various non-governmental organizations (NGOs) that support and enhance the supply chain.

ii. Macro and micro economic conditions

Macro and microeconomic conditions significantly influence the performance and sustainability of MSD's operations. Factors such as interest rates, exchange rates, and a low single-digit inflation rate affect the corporation's ability to fulfil its mandate effectively.

Despite these opportunities, MSD faces several challenges. The rise in global oil demand, driven by the conflict between Russia and Ukraine, has increased operational costs and strained the budget. Additionally, competition with neighbouring maritime nations to become the region's preferred maritime gateway, along with tariff and non-tariff trade barriers, poses difficulties. The imbalance in trade, characterized by low levels of export cargo, and inadequate infrastructure at port terminals, also contribute to shipping delays and operational inefficiencies.

iii. The speed and effect of technological change

In globalized world two key issues play vital role; development in information technology and improvements in technology related to the industry. MSD continues to cooperate with e-GA to ensure compliance with applicable requirements in the implementation of technological initiatives to enhance service delivery to customers and stakeholders through utilization of digital transformation and innovation strategies. The department will have to acquire new technology so as remain competitive in the sector like exposing its professional staffs to different parts of the world to learn and experience how technology can help foster the MSD's supply chain development.


iv. Societal Issues

MSD is operating in areas that involve shared culture and attitudes of the population in which the organization is operating. In this regard, MSD has been participating and supporting the societies programs under the Corporate Social Responsibilities (CSR).

However, despite continuous participation and support, demands from societies are higher than approved annual budgets. Going forward, MSD will consider increasing its budget allocation and focus its contribution to welfare of the society.

v. Environmental challenges

Climate change has become a major global challenge and MSD operates in a highly regulated environment with strict environmental standards. Complying with these regulations requires significant resources and ongoing monitoring to ensure adherence and commitment to sustainability, aiming to reduce its environmental impact through energy efficiency, waste



reduction, and sustainable sourcing. The department is dedicated to reducing its environmental impact by investing in energy-efficient vehicles, renewable energy sources, and advanced technologies for energy and water efficiency. The department also focuses on minimizing waste through recycling programs and sustainable packaging, demonstrating its commitment to environmental sustainability and resource efficiency.

vi. Political Environment

The political environment in the country is calm for MSD to perform its functions without political challenges. Plans, and budgets are prepared and implemented while observing the leading political party (Chama cha Mapinduzi) manifesto. As well, there was no political interference to MSD in exercising its mandate.

2.5 OBJECTIVES AND STRATEGIES

The implementation of MSD's Strategic Plan is evaluated on quarterly basis, basing on key performance indicators and its report compiled in semiannual and annual basis. The assessment of performance includes both financial and non-financial aspects. Below is a summarized objectives and strategies for MSD and its strategic activities.

Table 1: The implementation of MSD strategic plan.

No.	Objectives	Strategies	Strategic Activities		
			Short-Term	Medium-Term	Long-Term
A.	HIV/AIDS Infections and Non-Communicable Diseases reduced, and supportive services improved	Promote work place HIV/AIDS and NCDs programs on behavior change.	At least 60% of staff attending voluntary HIV/AIDS and NCDs testing by June 2024	At least 68% of staff attending voluntary HIV/AIDS and NCDs testing by June 2025	At least 75% of staff attending voluntary HIV/AIDS and NCDs testing by June 2026.
			At least two HIV/AIDS awareness sessions to staff conducted by June 2024	At least five HIV/AIDS awareness sessions to staff conducted by June 2025	At least nine HIV/AIDS and NCDs awareness sessions conducted by June 2026.
		Provide care and support to staff living with HIV/AIDS and NCDs.	All staff declared living with HIV/AIDS and NCDs provided with employer support by June 2024.	Care and support to all staff living with HIV/AIDS provided by June 2025	Care and support to all staff living with HIV/AIDS provided by June 2026
		Promote lifestyle change programs among staff.	At least one NCDs awareness session to staff conducted by June 2024.	At least five NCDs awareness sessions to staff conducted by June 2025.	At least nine NCDs awareness sessions to staff conducted by June 2026.
B.	Effective Implementation		At least 80% of staff participating in awareness sessions on NCDs by June 2024.	At least 90% of staff attending NCDs awareness sessions by 2025	100% of staff attending NCDs awareness sessions by 2026
			At least one awareness program on mental health and stress management conducted by June 2024	At least five awareness programmers on mental health and stress management conducted by June 2025	At least nine awareness programmers on mental health and stress management conducted by June 2026
			Zero fraud/corruption/bribe incidences reported by June 2024	Zero fraud/corruption/bribe incidences reported by June 2025.	Zero fraud/corruption/bribe incidences reported by June 2026.

No.	Objectives	Strategies	Strategic Activities		
			Short-Term	Medium-Term	Long-Term
	of National Anti-Corruption Strategy Enhanced and sustained	Implement Fund's anti-corruption Strategy	100% of identified fraud/Corruption/bribe incidences investigated by June 2024	100% of identified fraud/ corruption/ bribe incidences investigated by June 2025	100% of identified fraud/ corruption/ bribe incidences investigated by June 2026.
C.	Inventory management improved	Reduce stock expiry rate and annually expiry destruction	Less than 2% Stock expiry by June 2026	Less than 1.5% Stock expiry by June 2026	Less than 1% Stock expiry by June 2026
			Less than 2% Stock expiry by June 2026	Less than 1.5% Stock expiry by June 2026	Less than 1% Stock expiry by June 2026
			100% quality compliance strengthened by June 2026	100% quality compliance strengthened by June 2026	100% quality compliance strengthened by June 2026
		Reduce procurement lead time	90 days procurement lead time for items with contract and 180 days for items with no contract by June 2026	90 days procurement lead time for items with contract and 180 days for items with no contract by June 2026	90 days' procurement lead time for items with contract and 180 days for items with no contract by June 2026.
D.	Customer services delivery improved	Strengthen distribution of health Commodities	100% Delivery of health commodities enhanced up to June 2026	Zero fraud/corruption/bribe incidences reported by June 2025.	Zero fraud/corruption/bribe incidences reported by June 2026.
		Improve fleet Management	100% Fleet utilization enhanced up to June 2026	100% Fleet utilization enhanced up to June 2026	100% Fleet utilization enhanced up to June 2026
E.	Health commodities manufacturing plants established	Develop local health commodities manufacturing plants	Six own manufacturing plants established and maintained by June 2026	Six own manufacturing plants established and maintained by June 2026	Six own manufacturing plants established and maintained by June 2026
		Establish market for pharmaceutical industries	100% Health commodities Market strategies developed and implemented up to June 2026	100% Health commodities Market strategies developed and implemented up to June 2026	100% Health commodities Market strategies developed and implemented up to June 2026
C.			Less than 2% Stock expiry by June 2026	Less than 1.5% Stock expiry by June 2026	Less than 1% Stock expiry by June 2026

No.	Objectives	Strategies	Strategic Activities		
			Short-Term	Medium-Term	Long-Term
	Inventory management improved	Reduce stock expiry rate and annually expiry destruction Strengthen quality Compliance Reduce procurement lead time	Less than 2% Stock expiry by June 2026 100% quality compliance strengthened by June 2026 90 days procurement lead time for items with contract and 180 days for items with no contract by June 2026	Less than 1.5% Stock expiry by June 2026 100% quality compliance strengthened by June 2026 90 days procurement lead time for items with contract and 180 days for items with no contract by June 2026	June 2026 Less than 1% Stock expiry by June 2026 100% quality compliance strengthened by June 2026 90 days' procurement lead time for items with contract and 180 days for items with no contract by June 2026.
D.	Customer services delivery improved	Strengthen distribution of health Commodities Improve fleet Management Develop local health commodities manufacturing plants	100% Delivery of health commodities enhanced up to June 2026 100% Fleet utilization enhanced up to June 2026 Six own manufacturing plants established and maintained by June 2026	Zero fraud/corruption/bribe incidences reported by June 2025. 100% Fleet utilization enhanced up to June 2026 Six own manufacturing plants established and maintained by June 2026	Zero fraud/corruption/bribe incidences reported by June 2026. 100% Fleet utilization enhanced up to June 2026 Six own manufacturing plants established and maintained by June 2026
E.	Health commodities manufacturing plants established	Establish market strategies for pharmaceutical industries	100% Health commodities Market strategies developed and implemented up to June 2026	100% Health commodities Market strategies developed and implemented up to June 2026	100% Health commodities Market strategies developed and implemented up to June 2026

2.6 STAKEHOLDERS' RELATIONSHIP

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:

Categories of stakeholders, their expectations, services offered to them and potential impacts that might arise if stakeholders' expectations are not met are specified hereunder: -

The key concerns and the value we create to stakeholders are as detailed in Table two below:

Table 2: Stakeholder Relationship

No.	Stakeholder	Key Concern	Value we create
1.	Ministries (MoH, PORALG, MoF etc.)	i. Implementation of policies and guidelines. ii. Provide physical and financial progress report.	i. Stock availability ii. Timely submission of reports. iii. Implementation of directives and guidelines.
2	Employees	i. Source: Staff meetings and the Workers Board meetings; Incentive Scheme. ii. Training iii. Coordination and supervision iv. Guidance and Consultation as required v. Working tools	i. Transforming into an inclusive society through employment equity and gender equality; ii. We focus on developing our employees through targeted training programs and skills upgrading to further their careers and improve Department services; iii. Rewarding employees for the value they add; iv. Motivating and energizing our workforce; and v. Timely payments of employees' entitlements.
3.	Public Health Facilities	i. Supply health commodities ii. 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.
3.	Local Government Authorities (LGAs)	i. Supply health commodities ii. Distribution of health commodities iii. Technical advice	i. Availability of Health Commodities ii. Timely distribution of health commodities iii. Affordability of health commodities
4.	Regulators and Those Charged with Governance (Board, Parliamentary Committees)	i. Adherence to regulatory requirements	• Operating within the scope of the legislation, directives and guidelines; and i. Complying with protocols issued by those charged with governance.
5.	Public Institutions	i. Provide information ii. Interpretation of Policies on Health commodities	i. Timely service provision ii. Good cooperation

No.	Stakeholder	Key Concern	Value we create
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. i. Quality reports
7.	Media	i. Accurate information.	i. Timely information. ii. Good cooperation. iii. Recognition
8.	Service Providers (TTCL, SUMA JKT, POSTAL, TRA)	i. Offer the opportunity	i. Cooperation ii. Compliance with the contract.
9.	Local and international manufacturers and authorized Suppliers	i. Offer them the opportunity to supply medical supplies ii. Clear specification of items	i. Cooperation ii. Compliance with the contract. iii. Fair competition
10	General Public (Society) The Department acknowledges its responsibility to respond to community social needs. The Corporate Social Responsibility (CSR) interventions included a commitment to active participation in environment protection and promotion of socio-economic development of our society through extension of financial support to implementation of community activities.	<ul style="list-style-type: none"> Supporting social development programs organized by the communities for socio-economic development; Information of health commodities; Health commodities Awareness on MSD functions and applicable legislation; and Compliance with environmental, social and governance matters. i. Source: Stakeholder's meetings, Corporate Social Responsibility (CSR) schedule of activities.	<ul style="list-style-type: none"> Supporting social community programs using donations and other sources of funds; Providing awareness on MSD functions and environmental protection; and Undertake Environmental and Social Impact Assessments periodically. Availability of Health commodities. Timely response to their complaints
	Suppliers Suppliers are stakeholders who provide goods and services to the Department and they are closely monitored to ensure they deliver required or ordered goods and services in time.	<ul style="list-style-type: none"> Transparent and fair procurement process of goods, works and services; Receiving feedback on delivered goods and rendered services; and Timely settlement of suppliers' invoices. i. Source: Suppliers visited Department and received official letters, Invoices and emails.	<ul style="list-style-type: none"> Effective use of online procurement system (NeST). Inclusion of fair terms and proper vetting of procurement contracts; and i. Settle genuine suppliers' invoices timely.
11.	Civil Societies Organizations (NGO, CBO, FBO, etc)	ii. MSD facilitate registration for CSO identification iii. Information. iv. Technical advice	ii. Timely, quality, and positive response. iii. Timely response to their complaints. iv. Good co-operation.

No.	Stakeholder	Key Concern	Value we create
12.	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.

2.7 CAPITAL STRUCTURE AND TREASURY POLICIES

As at 30 June 2024, the Taxpayer's fund of MSD aggregated to TZS 17,258,246 million (30 June 2023: TZS 17,258,246 million.) In addition, the Department has accumulated a Surplus of TZS 404,398 million (30 June 2023: TZS 296,497 million) as shown in Table 3. The source of funding has been through Government, development partners, and internally generated funds. Table: 3 Summarizes the Capital Structure of the Department.

The Medical Stores Department (MSD) maintain a Treasury Policy such as Financial Regulations, and Accounting Manual which entails procedures to be adhered to during opening of bank accounts, closing and maintenance, cash handling procedures, selecting and introducing signatories in approving wire cash/funds transfers and cheque payments, short-term investments of surplus cash, approving short-term financing of deficit, forex exchange exposure and related risk management.

The objective of the policy is to ensure that the Department's cash, investments and other cash-related assets are adequately managed, controlled and safeguarded. Adherence to the policy and control procedures also ensures that the Department's foreign exchange and other exposures are effectively managed. During the period under review, the Department's treasury policy was adhered and thus there was no potential effect occurred.

Table 3: Capital Structure

Capital and Reserves	30 JUNE 2024 (TZS '000')	30 JUNE 2023 (TZS '000')
Taxpayers Fund	17,258,246	17,258,246
Accumulated Surplus/ (Deficit)	404,398,298	296,496,616
Total Equity	421,656,544	313,754,863

Source: Statement of Financial Position as at 30 June 2024

2.8 OPERATING AND FINANCIAL PERFORMANCE REVIEW

a) Results of the year

The operating results of Medical Stores Department are set out on page 54 of the financial statements, MSD recorded a surplus of TZS 107,901 million (2023: surplus of TZS 38,486 million) and major variances in the operating results compared prior year are as summarized below:

I. Revenue from Exchange Transactions:

The Revenue from Exchange Transactions results of TZS 551,520 million for the year ended 30 June, 2024 which is 129% of the targeted sales of TZS 488,333 million, compared to previous year of TZS 386,806 million. Success of achieving extra sales of TZS 101,527 million is contributed to increased demand for medical supplies reflects a combination of strategic

factors, including 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 not only but also charging of receiving and storage for goods supplied by donors other than GF as per MoU. The receiving and storage charges for 2023/2024, arises from GRN received have contributed to TZS 10,602,819 million while 2022/2023 GRN had contributed to TZS 8,030,173 million.

Expected Credit Loss (Gain):

During the financial year under review, the adoption of IPSAS 41, which commenced in 2022/2023, led to a significant reassessment of Expected Credit Loss (ECL) provisions. This reassessment was primarily influenced by the recovery of long-outstanding receivables amounting to TZS 100,000 million from the Ministry of Health. As a result of this recovery, there was a corresponding release of ECL provisions amounting to TZS 56,633 million, which has been recognized as an accounting gain. This adjustment contributed to an exceptional profit in the performance statement for the period.

II. Expenses:

During the year under review, total expenses is TZS 476,751 million. Other expenses items are listed below:

- a) **Medicine and medical supplies costs:** The cost of sales for the financial year 2024 amounted to TZS 392,408million, compared to TZS 279,369million in 2023, reflecting an increase of TZS 113,039million (40%). This increase is attributed to exchange rate fluctuations, higher costs for storing, handling, and distributing medicines, and increased demand for life-saving medicines.
- b) **Distribution cost:** The distribution cost for the financial year 2024 amounted to TZS 12,551million, compared to TZS 7,752million in 2023, reflecting an increase of TZS 4,799million. This growth is attributed to an increase in distribution cycles, as distributions were made six times a year **Personnel costs:** This has increased by 20% from TZS 28,905 million to TZS 34,558 million in the current period, an increase attributed to the new staff recruitment, promotion, Collective Bargain Agreement (CBA) and continuance payment of salaries to transferred employees. MSD had 784 staff as of June 2024 compared to 605 staff as of June, 2023.

Table 3: Changes in the Statement of Financial Performance for the Period ended 30 June 2024

Details	2023/24 (TZS'000')	2022/23 (TZS'000')	Variations (TZS'000')	Variations %
Revenue from Exchange of Transactions	551,520,287	386,806,262	164,714,024	43%
Other revenue	420,626	300,719	119,907	40%
Total Revenue	551,940,913	387,106,981	164,833,931	43%
Expenses	(476,751,272)	(345,146,137)	(131,605,134)	38%
Surplus for the year	107,901,682	38,486,267	69,415,414	180%

Revenue from the exchange transaction includes Normal sales, Special procurement sales, Vertical program sales, and other revenue like rendering of services and miscellaneous

income. Overall, the financial performance results show that the department's existing sources of revenue can sustain its operations.

Detailed financial performance for 2023/24 is provided in the Statement of Financial Performance for the year ended 30 June 2024.

b) Financial Position

Financial position comprises of current assets, non-current assets, liabilities, and net assets/equity which comprises of Capital's fund and accumulated surplus. The financial position of the Department is as set out in the statement of financial position as analysed in Table 4 below;

Table 4: Changes Occurred in Statement of Financial Position as at 30 June 2024

Details	2023/2024 (TZS (‘000’))	2022/2023 (TZS)	Variations (TZS)	Variations %
Current Assets	612,455,116	653,620,846	(41,165,729)	6%
Non-Current Assets	152,453,194	130,166,125	22,287,067	17%
Total Assets	766,527,596	783,786,971	(17,259,375)	-2.2%
Current Liabilities	344,871,051	470,032,108	(125,161,056)	-27%
Non-Current Liabilities	0	0	0	0%
Total Liabilities	344,871,051	470,032,108	(125,161,056)	-27%
Total Net Assets	421,656,544	313,754,863	107,901,682	34%
Taxpayer's Funds	17,258,246	17,258,246	0	0%
Accumulated Surplus	404,398,298	296,496,617	107,901,682	36%

During the year under review, the total assets of the Medical Stores Department decreased by 2%, equivalent to TZS 17,269 million, from TZS 783 billion in 2023 to TZS 766 billion as of 30 June 2024. This decrease is primarily attributed to a reduction in cash at bank, which was used to settle long-outstanding supplier obligations. Additionally, delays in government disbursements for the fourth quarter contributed to the reduction in total assets.

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 311.6 billion net of Expected Credit Loss provision, inventory during the financial year ended June 2024. This is contributed by:

- i. **Cash and Bank Balances:** For the financial year ended 30 June 2024, the open cash and bank balances amounted to TZS 237,614 million. The closing balance amounted to TZS 84,972 million, showed a decrease of 64%, reflecting a total reduction of TZS 152,642 million from previous year. This decline is primarily due to cash allocations for purchasing inventory and settling outstanding supplier obligations. Additionally, an Expected Credit Loss on cash balances of TZS 86.4million was recognized during the period.
- ii. **Government Receivables:** During the financial year ended 30 June 2024, Medical Stores Department implementing IPSAS 41, by assessing expected credit loss of TZS 78,716,430 to our receivables, which make a reduction of receivables from TZS 390.3 billion to 311.6 billion.
- iii. **Non-Current Asset:** During the year, the total non-current assets increased by TZS 22,287 million (compared to TZS 130,166 million in 2022/2023). This increase was

primarily due to higher Work-In-Progress (WIP) related to the construction of the warehouse, the establishment of the N95 mask production plant, and the development of the pharmaceutical industry at Idofi. Additionally, MSD incurred operational costs contributing to this growth.

- iv. **Non-Current Asset Held for Sale:** During the year under review, MSD remains committed to its ongoing strategic initiatives, and we anticipate that a total amount of asset with net book value TZS 1,619,286,000 will be sold within 12 months, hence are held separately under category Non-Current Asset Held for sale. This will further strengthen our financial position and contribute to achieving our long-term goals.

c) Cash flow

During the period, MSD received TZS 103.3 billion out of TZS 205 billion allocated for procurement of health commodities for the year which is 50.3% of the allocated fund. MSD also received USD 48,773,379.63 from Global fund for procurement of laboratory items (USD 38,141,023), procurement of digital X-rays (USD 4,112,034), MSD strengthening (USD 2,787,803), PSM costs (USD3,603,901) and training USD 128,619). The liquidity position stands at 1.58 (Current ratio) which indicates MSD ability to pay off the obligations within the next twelve months.

Cash Flow Statement

Statement of Cash Flow comprises of cash flows from operating activities, cash flow from investing activities and cash flow from financing activities as analysed in Table below.

Table 5: Changes occurred in the Statement of Cash-flow for the year ended 30 June 2024

Details	2023/2024 TZS (000)	2022/2023 TZS (000)	Variations TZS (000)	% of Variations
Cash flows from operating Activities				
Receipt:	380,408,877	265,399,554	115,009,323	43%
Payment:	(504,053,284)	(321,954,075)	(182,099,210)	56%
Net Cash flows from operating Activities	(123,644,407)	(56,554,521)	(67,089,886)	118%
Net Cash flows from investing Activities	(29,030,990)	(8,153,409)	(20,877,580)	256 %
Net cash flows from financing activities	-	-	-	
Cash and cash equivalent at the beginning of the period	237,734,108	301,368,543	(63,634,435)	(21%)
Cash and cash equivalent at the end of period	85,058,711	237,734,108	(152,675,398)	(64%)

MSD's cash flow is as set out in the cash flows statement. During the year receipts in cash flow from operating activities increased by TZS 115,009,323 (2022/23: TZS 265,399,554) equivalent to 43% increase and as at 30 June 2024, the Department closed with cash and cash equivalents of TZS 85,058,711 (2022/23: TZS 237,734,108) equivalent to 64% decrease. The decrease is attributable to the allocation of cash towards purchasing inventory and settling outstanding supplier obligations.

d) Budget Performance

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. MSD Budget includes preparation of cash flows for managing of the inflows and outflows on quarterly basis.

e) Construction of Storage warehouses

As part of its core operations, MSD commenced the construction of two pre-fabricated temperature-insulated pharmaceutical storage warehouses in Dodoma and Mtwara in August 2023. The Mtwara facility will feature a four-module warehouse spanning 4,800 square meters, while the Dodoma facility will include a six-module warehouse covering 7,200 square meters.

By June 30, 2024, TZS 23,035,286,347.66 had been spent out of the total budget of TZS 40,258,523,585.17 for these projects as a construction cost. Upon completion, the storage capacity will expand by approximately 6,000 square meters in Mtwara and 4,000 square meters in Dodoma. Both warehouses are anticipated to be operational by the end of the first quarter of the financial year, concluding on June 30, 2025.

f) Establishment of MSD Medipharma Manufacturing Company

In its efforts to set up manufacturing plants for health commodities, MSD has established a subsidiary called MSD Medipharma Manufacturing Company, tasked with overseeing all production-related activities from June 2024. Additionally, MSD has to conduct a feasibility study for producing cotton-based health products and plans to engage the private sector in this endeavour. MSD Medipharma Manufacturing Company will be an overseer of all operations at IDOFI in Njombe, the Mask Production Unit in Dar es Salaam and any industry related issues. The summary of industries details is as per below:

a) Pharmaceutical Manufacturing industries at Idofi

Idofi Manufacturing Industry, focuses on producing examination gloves. The facility was projected to produce about 86,400,000 pairs of gloves annually, meeting roughly 83% of the country's total demand. As of June 30, 2024, Idofi has manufactured 12,000 boxes of examination gloves, totalling 600,000 pairs, which are now ready for distribution.

b) Mask Production Unit in Dar es salaam

MSD is proudly producing surgical masks at its Keko facility in Dar es Salaam. This effort highlights MSD's commitment to improving public health by providing high-quality protective gear. The Keko production is part of MSD's broader strategy to strengthen the local healthcare supply chain and enhance the country's ability to respond to health crises effectively. By manufacturing masks locally, MSD addresses urgent healthcare needs and supports economic growth through job creation and industry development. As of June 30, 2024, the Mask Production Unit has successfully produced over 8,000,000 surgical masks and generated over TZS 4,000,000,000 in revenue over the past three years.

g) Future Development Plan

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

2.9 LIQUIDITY

During the financial year ended 30 June 2024, the Department managed its liquidity level to ensure there are sufficient funds to meet its liabilities when due without damage to the Department's reputation. The Department's current ratio for the financial year ended 30 June 2024, which measures the ability of the current assets to meet its short-term obligations (current liabilities) was 1.77 (30 June 2023: 1.58) means reasonably healthy liquidity position.

Moreover, the Acid (quick) test ratio which also measures the ability of current assets without inventories, to meet its short-term obligations (current liabilities) was 1.2:1 (30 June 2023: 1.37:1).

The Department will continue to ensure it maintains the appropriate level of liquidity to facilitate smooth operations. This will be achieved through prompt collection of due from customers and implementing effective cash flow management

2.10 KEY STRENGTH AND RESOURCES

The MSD's key strengths which assist in the performance of its functions to achieve its objectives are pegged on a well-composed Board of Directors, effective Management, competent human resources, deployed ICT systems and documented internal operating procedures (IOS). These strengths continuously create value to the Department. In terms of resources, the Department has tangibles and intangibles, which include intellectual resources, human resources, social and relationship resources, natural resources, financial resources and other resources as explained here under:

(a) Board of Directors (BOD)

The Board serves as the focal point and custodian of corporate governance at the Department. The Board has been effective in its role of providing direction and oversight to Management and employees since its appointment on 20 October 2022. They exercised oversight of the implementation of strategy and operational plans by Management against the agreed performance measures and targets. The Board's roles and responsibilities included policy development, strategic planning, and financial and operational oversight. Generally, the Board members were effective in discharging their oversight responsibilities.

(b) Operation and Regulatory Instruments

In the discharge of its functions, the Department adhered to the Medical Stores Department (MSD) Act of Parliament No. 13 of September 1993 [CAP 70 R.E. 2021] and all the relevant regulations including the staff regulations, financial regulations, and Standing Orders for the Public Service. These instruments were key in the Department's discharge of its functions judiciously and fairly during the financial year under review. Furthermore, the Department adhered to the Legal and regulatory frameworks which govern smooth implementation of the

Medical Stores Department. The Department will continue to comply with legal and regulatory frameworks in the implementation of urban mass transit projects.

(c) Human Resources

Medical Stores Department has skilled, ethical, committed, motivated and competent employees dedicated to the provision of quality services that meet and exceed customers' expectations. Management adheres to the principles of good governance and promotes good working environment and labour relations. In addition, the Department has continually invested on human resource development focusing on training, staff wellness, staff recognition, competitive remuneration and career growth.

By 30 June 2024, MSD had offices in various Regions of Tanzania and a total of employees 784 (30 June 2023: 605 employees). Factors that may affect the organization in ensuring availability of competent human resources at an approved establishment includes absence of employees' incentive package, low level of support to staff careers development, and budgetary limitations and control processes. Nevertheless, the Department is taking close care of its human resources to ensure they are highly motivated to continuously working with the Department and meet future demand.

(d) Financial resources

The Medical Stores Department has adequate financial resources to support its strategic and operational initiatives. The financial resources comprise of Taxpayer's Fund TZS 17,258 million and accumulated surplus of TZS 404,398 million as at 30 June 2024. The Department enhances its financial sufficiency by improving management of its resources through prioritization of initiatives and implementing planned activities to generate revenue that meets the required funding. The following are the major sources of funds for the Department:

- i) Money appropriated by Parliament;
- ii) Revenues collected from goods or services that are rendered by the MSD; and
- iii) Any other money received or made available to MSD for the purposes of its functions.

(e) Technological and ICT Resources

The Department has made significant efforts in adopting modern technology. MSD has ICT application systems which has automated and modernized operations, thus, improving provision of supply of medicine and administrative operations. The Department's ICT systems in operation include the following: -

- i. EPICOR 10 system;
- ii. e-Office Management System;
- iii. Customised E-Revenue Collection System (GePG);
- iv. Time Attendance (Biometric) System;
- v. PlanREP.

Generally, the ICT application systems designed and acquired by the Department 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.

(f) Intellectual Resources

The Department staff knowledge and expertise is a very significant strategic resource that has played a great role in modernizing its operations by developing in-house modern technology to improve its day-to-day operations. The MSD staff have developed various in-house software which allows efficient execution of its mandate.

(g) Natural Resources

This forms the basis for other forms of capital which together make up the productive capacity of the organization. While the Department does not use natural resources for its productivity, its operations are sensitive to the ecosystem to sustain life and economic activity. Recognizing the loss of ecosystems such as the atmosphere's ability to absorb carbon dioxide without becoming dangerously unstable and threatening to the economy. The Department considers the impact of its operations on the environment and thus promotes the green environment agenda. The Department currently uses energy-serving systems; It has set its motor vehicles' mileage and age limits and the departments to utilise solar energy on its motor vehicles; and has continued to automate its operations so that it becomes a near-paperless office in its efforts to use modern, environmentally friendly systems that use water, land, and energy sparingly; and minimize air pollution. The storage and disposal of medicines

(h) Social and Relationship Resources

The Department maintains strong relationships with its stakeholders to understand their expectations and create values that ensure satisfaction. To maintain good relationships with the communities in which the Department operates, we provide support in the form of charitable contributions to good causes. During the year, the Department donated a total amount of TZS 150 million (2023: TZS 60 million) million to various community groups and contributions to various organizations. The Department shall continue engaging its stakeholders and contribute on improving their welfare.

(i) Co-operation and support from various Stakeholders

The Department has both internal and external stakeholders and has been encouraging harmonious relationships with them. Their support and involvement in MSD activities make a significant impact and contribution to service delivery to the public. The Department has continued receiving enormous support from stakeholders. Among others include Development Partners (i.e., WB, AfDB, TACAIDS, AFD and JICA), Employees'/workers' association, Government Ministries (i.e., Ministry of Health, MoF, PO-PSMGG, MLHHSD), Government agencies/authorities/operations (e.g., TBA, TEMESA, TTCL, eGA), Offices of Attorney General, Parliament and Office of Treasury Registrar, Law enforcers (e.g., court of law, police and private security companies to mention a few.

2.11 PRINCIPAL RISKS, UNCERTAINTIES AND OPPORTUNITIES

2.11.1 Principal Risks and Uncertainties

Table 6: The principal risks and uncertainties

No	Strategic objective	Risk and impact	Risks Mitigation
1	HIV/AIDS infections and non-communicable disease reduced, and supportive services improved.	Prevalence of HIV/AIDS infections and NCCDs among staff: Possible increase of HIV/AIDS infection and NCCDs due to failure by the Corporation to develop and implement anti- HIV/AIDS and NCCDs interventions/ mechanisms and to provide supportive services. Likelihood of risk occurrence: Low	<ul style="list-style-type: none"> HIV/AIDS and NCCDs Policy developed and implemented. HIV/AIDS and NCCDs Committee which oversee the implementation of the HIV/AIDS and NCCDs Policy established. HIV/AIDS and NCCDs awareness program established and implemented. HIV/AIDS and NCCDs Focal Person (Coordinator) appointed. Healthily supportive working tools (Chairs, Tables etc) acquired. The Corporation Sports Club established and operationalize.
2	National Anti-Corruption strategy and Action Plan (NACSAP) implemented.	Unethical practices and fraud incidence: Possible increase in unethical and fraudulent incidences by the failure of the Corporation to institute and enforce corruption (fraud) control mechanisms leading to jeopardized reputation and credibility of the Corporation. Likelihood of risk occurrence: Low	<ul style="list-style-type: none"> Whistle blowing policy developed. MSD activities in executing its mandated operations Automated. MSD foster compliance to internal controls e.g. segregation of duties Ant-corruption posters and flyers prepared and placed in corporations' offices. Ethics, fraud and corruption education and awareness programs prepared and implemented.
3	Inventory management improved	Stock out caused by partial delivery of health commodities from supplies which do not tally call-off orders and original contract Likelihood of risk occurrence: Medium	To strengthen communication to the entire supply chain and supplier who deliver partial should be penalized and repay damages suffered (liquidated damage)
4	Customer ser-vices delivery improved	Delayed delivery of health commodities due to non-compliance of supplier contractual terms such as low shelf life, Changing UOM after issuing contract, increase in US dollar higher exchange rates, rejection of items due to non-compliance to specifications	<ul style="list-style-type: none"> Establishment of contract compliance section Ensure proper specification is on place
5	Health commodities manufacturing plants established	Public misinformation will occur and damage the reputation of the Corporation. Likelihood of risk occurrence: Medium	Stock out caused by partial delivery of health commodities from supplies which do not tally call-off orders and original contract

The MSD's risk analysis is based on risk management framework/guidelines and its risk management policy. The principal risks and uncertainties with their impacts and mitigation are summarized under Table 6 below:

2.11.2 Opportunities

MSD's risk assessment process identified opportunities that would enhance the implementation of the strategic plan as summarized below:

- Political stability of the country attracts new investors which creates new employment opportunities.
- Growth of the private and the informal sectors which creates new opportunities.
- Growth and availability of new technologies that MSD could exploit to revolutionize the way of working and improve efficiency and effectiveness.

2.11.3 Uncertainties

The MSD's risk assessment process identified uncertainties that could impact the implementation of the strategic plan as summarized below:

- Unfavourable movement on real GDP growth rate, interest rate, inflation rate and exchange rate.
- Likelihood of fraudulent practices among employers, employees, members and service providers.

Table 7: Uncertainties, possible outcomes and impact to MSD

Uncertainties	Possible outcome	Impact to the MSD
The occurrence of the unforeseeable contingencies such as epidemic.	<ul style="list-style-type: none">• Decline of business due to closure of borders.• Led to companies laying off employees and some companies shutting down.	<ul style="list-style-type: none">• Failure to supply health commodity to the community• Decreases the turnover
Unfavorable movement on real GDP growth rate, interest rate, inflation rate and exchange rate.	<ul style="list-style-type: none">• Unstable economy• Failure to attract foreign direct investment	<ul style="list-style-type: none">• Decrease in investment opportunities.• Unable to obtain better real return from investments.
Likelihood of fraudulent practices among employers, employees, members and service providers.	<ul style="list-style-type: none">• Reputational loss.• Financial loss	<ul style="list-style-type: none">• Loss of trust by members.• Inability of the Fund financial resources to meet the maturing obligations.

2.11.4 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 has in place and implements an approved Enterprise Risk Management Framework which complies with the requirements of Guidelines for Developing and Implementing Risk Management Frameworks in Public Sector Entities (R.E 2023) issued by the Ministry of Finance.

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.

During the year MSD developed Institutional Risk Register and its related Risk Treatment Action Plan (RTAP) which was appropriately linked with annual plan and budget for the financial year under review. More specifically, during the financial year ended 30 June 2024, The Medical

Stores Department managed identifiable risks as summarized below:

(a) 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) 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 Vertical programs implemented by Development Partners, other than Global Fund.

In 2016, The Ministry of Health (customer) entered into Memorandum of Understanding (MOU) with MSD (Service Provider) in respect of clearing, storage, and distribution of Vertical Program, which was renewed in 2022 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 which were supposed to be covered by the Ministry of Health (the customer) in line with the MOU between MSD and MoH. These costs have accumulated to **TZS 390.3 billion** as at 30 June 2024 (2022/23: TZS 373.7 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 267.7 billion** (about 69%) 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 has not been made by Ministry of Health. Also, the debt represents balance of debt **TZS 69 billion** (about 26%) 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 2024 amounted to **TZS 390.3 billion** including customer deposits and Trade and other receivable used by MSD for supporting vertical program. It is anticipated that the Government will continue to settle the debt in instalments in the upcoming financial year. Management has been actively pursuing the outstanding debt with the Ministry of Health. As of June 30, 2024, the total verified debt remains **TZS 168.9 billion**. This figure is after receiving **TZS 100 billion** from the Ministry of Health, which reduced the verified debt from **TZS 268.9 billion** (as of June 2023) to **TZS 168.9 billion**. This remaining amount represents 63% of the total verified debt.

(b) 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 208.6 billion** including the provision of **TZS 37.1 billion**.

(c) IT Risks

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

2.12 MSD'S OPERATING MODEL

The analysis on how the resource availability impacts the operations or business process is given in Table 8 below:

Table 8: MSD Operation Model

INPUTS		PROCESS	OUTPUT	OUTCOME
HIV/AIDS infections and Non-Communicable Diseases (NCDs) and improve supportive services reduced	Financial Resources. Intellectual Resources. Human Resources. Social and Relationship Resources. Other Resources	Promoting awareness and positive behavioral change on HIV/AIDS infections and non-communicable at work place.	HIV/AIDS Infections and Non-Communicable Diseases reduced and Supportive Services Improved. During the period, the Fund conducted awareness sessions on HIV/AIDS, NCD's, and Stress Management and Community diversity to 1,524 staff. (2022/23: 1,566 staff)	This results to improved social wellbeing.
Implementation of the National anti-corruption strategy enhanced.	<ul style="list-style-type: none"> Financial Resources. Intellectual Resources. Human Resources. Social and Relationship Resources. Other Resources 	Enhancing national anti-corruption strategy.	Reduction in the level of fraud/corruption incidents:	Anti-corruption results to happier and satisfied customers
Inventory management improved	Financial Resources. Intellectual Resources. Human Resources. Social and Relationship Resources. Other Resources	Present of SOPs and Guideline on short life, MIAC	Sought confirmation from suppliers whenever the consignment remains unconsumed Users acceptance sought before being received	Sought confirmation from suppliers whenever the consignment remains unconsumed Users acceptance sought before being received

2.13 SUSTAINABILITY OF ENTITY OPERATIONS DISCLOSURE AS PER IFRS S1 and IFRS S2

Environment Sustainability

Climate change is progressively beginning to dominate the global conversation, with current efforts at mitigating the impact of global warming falling significantly short. While we are all aware of the effects environmentally unfriendly practices can have on people's health, only recently has there been more recognition of the role the healthcare sector plays in contributing to these practices.

Environmental and social effects were another impact during the year. Climatic change that resulted in inadequate rainfall during the first half of the year, caused electricity rationing, limited pastures for live stocks farming and low produce in agriculture which negatively impacted most businesses.

Tanzania continues to excel its economic and social growth following her political stability that allows smooth change of government regime without affecting business environment in the country.

Table 9: Below summarizes the sustainability standards requirements as per IFRS S1 and IFRS S2

Recommendation	Response
Governance	
a) The Board's oversight of climate-related risks and opportunities	
Process and frequency	The Board integrates climate-related risks and opportunities into the company's overall strategic planning and procurement processes. This includes setting long-term sustainability goals, integrating climate considerations into business strategy, and aligning with Government efforts towards compliance with international climate agreements and regulations.
The Board committees taking climate into account	The Board assess sustainability risks and opportunities through the Audit Committee.
b) Management's role in assessing and managing climate-related risks and opportunities	
Who manages climate-related risks and opportunities	The risk management Manager is responsible for climate-related risks and opportunities.
How management reports to the Board	<p>The Board delegates day-to-day operational management and strategic implementation to the Director General. The Director General is supported in the management of the Department through advice and input provided by the Management Committee, which is composed of members of the Senior Management.</p> <p>The key representative of the Risk Management Department assists the Management Committee with information on the implementation of the Environmental Strategy, enabling the Committee to make recommendations to the Board on environmental matters.</p>
Processes used to inform management	The Risk Management Unit reports its findings regularly to management, usually through the existing governance structure. This ensures that management is aware of potential risks and opportunities and is able to make informed decisions.

Strategy	
a) Climate-related risks and opportunities the organization has identified over the short, medium and long term	
Processes used to determine material risks and opportunities	<p>Climate scenario analysis is used as a risk assessment tool to obtain information on the long-term impact of transition and physical risks across Department's operations</p> <p>In addition, MSD uses appropriate information technology to bring its services closer to its clients. This has a knock-on effect on reducing carbon dioxide emission emissions, as clients can get the services, they need without having to physically visit our offices.</p> <p>MSD generally conducts environmental impact assessments before the start of any construction project and maintains the layout of its investments and office buildings as well as vacant land to ensure environmental protection.</p>
Relevant short-, medium-, and long-term time horizons	Our assessment of climate risks covers three distinct time periods: short term is up to 2025; medium term is 2026 to 2030; and long term is 2030 to 2050.
b) The impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	
Impact on strategy, business, and financial planning	<p>Scenario analysis supports our strategy by assessing our position under various climate scenarios. It helps the Department management improves understanding of climate change, plan for the future and meet the growing regulatory requirements. We recognize that our systems, processes, controls and governance are constantly evolving.</p> <p>We consider the impact of climate-related issues on our business, strategy and financial planning by aligning with the government's environmental strategy.</p>
Impact on products and services	We will continue to work with our supply chain and through direct dialogue with suppliers on how to continue to support our transition towards balancing the amount of greenhouse gases we produce with the amount we remove from the atmosphere.
Impact on supply chain and/or value chain	
Impact on operations	Climate change poses a physical risk to the buildings that we occupy as an organization, including our offices and data centers.
Transition plan to a low-carbon economy	<p>The Department commits 100% automation of all operations by the end of the 2024/25 financial year to improve work efficiency and, most importantly, reduce paper usage.</p> <p>Integrate climate-related risks and opportunities into the investment decision-making process. This includes analysing the potential impact of climate change on asset values and incorporating these factors into asset allocation, selection and risk management practices.</p>
Risk management	
a) The organization's processes for identifying and assessing climate-related risks	
Risk types considered	Our initial approach to climate risk management focuses on understanding the physical and transition impacts on five priority risk types: credit risk, liquidity risk, interest rate risk, currency risk, regulatory compliance risk, and price risk.

Process	<p>We have integrated climate risk into our existing risk taxonomy and incorporated it within the risk management framework through the policies and controls for the existing risks where appropriate. We also recognize that we require enhanced capabilities and new sources of data</p> <p>We also use stress testing and scenario analysis to assess how these climate risks will impact our customers, business and infrastructure.</p>
b) The organization's processes for managing climate-related risks	
Process and how we make decisions	The Department Management Committee receives regular updates on risk profile, top and emerging risks, and progress of our risk program.
c) How processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management framework	
How we have aligned and integrated our approach	Our climate risk approach is aligned to risk management framework and three lines of defence model, which sets out how we identify, assess, and manage our risks.

a) Actions taken as MSD

Strategies that can be employed to improve sustainability

- Invest in development of reusable products with durable, long-lasting designs, that can be accepted sterilised without high energy requirements
- Facilitating the recycling or reprocessing of products through device design and support healthcare workers to engage with programmes.
- Switch to more sustainable materials.

There are activities within the Department 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:

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

2.14 KEY PERFORMANCE INDICATORS

Key Performance Indicators measure the nature and scope of efficiency and effectiveness of the Department's operations. KPIs are as per Recommended Practice Guideline (RPG) on reporting service performance information that assists users of the financial statements to assess MSD service efficiency and effectiveness. The Implementation of the MSD's Strategic Plan is evaluated on quarterly basis, basing on key performance indicators and its report compiled in semi-annual and annual basis. The assessment of performance includes both financial and non-financial aspects.

The Department's KPIs and achievements for the period under review are as indicated in the matrix below:

Table 10: The Department's KPIs and achievements for the period under review

No.	Objectives	Key Performance Indicator (KPI)	Definition / Calculation	Purpose	Target Previous Year	Target Current Year	Target Future	Implementation status - Year End
A.	Care and fight of HIV and Non-communicable diseases improved	Number of awareness programs on HIV/AIDS and Non-Communicable diseases conducted	Number of awareness programs conducted	Reduce HIV New infection at work place	12	12	12	9 awareness programs were conducted
		% of Staff living with HIV/AIDS provided with care and support	Total number of staff LHIV provided with care and support/ total number of staffs LHIV in an organization x 100 (the ideal target is 100%).	Increase livelihood to people LHIV	100%	100%	100%	100% (all PLHIV provided with care and support)
		Number of employees with non-communicable diseases provided with care and support	Total number of staff with non-communicable disease provided with care and support/ total number of staffs with non-communicable disease in an organization x 100 (the ideal target is 100%).	Increase livelihood to people with non-communicable diseases	100%	100%	100%	100% (all staff with non-communicable diseases provided with care and support)
B.	Effective implementation of the national anti-corruption strategy	Number of activities implemented in NACSP III 2017-2022	Number of planned programs under NACSP III 2017 -2022 implemented and	Reduce corruption cases	8	12	12	7 activities were implemented

No.	Objectives	Key Performance Indicator (KPI)	Definition / Calculation	Purpose	Target Previous Year	Target Current Year	Target Future	Implementation status - Year End
	enhanced and sustained		reported / activities planned					
C.	Capacity of MSD to carry out its core mandate enhanced	Return on Assets:	Surplus before Tax/Average Assets	To assess how efficiently a company is using its assets to generate profit.	3%	20%	20%	11%
		Debt to Equity Ratio:	Total Debt/Total Equity	To assess the weight of total debt and financial liabilities against institutional equity	1.4	1.5	1.5	1.01
		% Mark-up.	indicator measures the percentage mark up to cost of sales	To assess the under/over pricing	20.4%	20.4%	20.4%	15.5%
		Debt to Assets Ratio:	Measure the amount of liabilities against total assets	To assess how the assets are financed by creditor/equity.	65%	45%	45%	52%
		Current Ratio:	current assets over current liabilities	measures the ability of MSD to meet its current obligations as they fall due	1.5	1.8	1.8	1.7
		Remittance to the government	Measure amount contributed to the government		0	TZS200bil	TZS 300bil	TZS 200bil
		Number of security system assessment conducted.	Measures how secure our network and systems are.	To maintain system security	1	1	1	System security assessment conducted by EGA
		% Completion of planned maintenance	measures planned activities (maintenance,	Improve security on data	100%	100%	100%	100%

No.	Objectives	Key Performance Indicator (KPI)	Definition / Calculation	Purpose	Target Previous Year	Target Current Year	Target Future	Implementation status - Year End
			repairs, replacements and license renewal) completed as per plan					
		% of ICT system integrated	The number of ICT systems integrated over the total number of ICT systems that require integration	Improve performance	0%	100%	100%	87%
		Number of functional services automated	Measures the number of services automated for service delivery.	Improve performance	18	20	20	9(SPD-Supplier digitization).
		Overall compliance rating by regulators and standard organization	measured the overall compliance with regulators	Comply with other governmental regulatory	90%	90%	95%	93%
		% of audit findings resolved by the deadline	Total audit findings resolved in the measurement period/ total audit findings raised in the measurement period.	Increase efficiency and accountability	100%	100%	100%	75% (Out of 431 outstanding recommendations made 324 recommendations were implemented).
		% of stakeholder engagement activities conducted	This measure the relationship between MSD and her stakeholders	Improve customer relationship	100%	100%	100%	100%
		% of risk-based assurance services conducted	measures implementation of planned assurance services	Increase efficiency and accountability	82%	100%	100%	97%
		Number of Employees participating in Training	This is measured by the number of employees participating in training against total planned number	Increase performance	500	559	600	559

No.	Objectives	Key Performance Indicator (KPI)	Definition / Calculation	Purpose	Target Previous Year	Target Current Year	Target Future	Implementation status - Year End
		% of staff working tools functioning	(Number of functioning staff working tools / total staff working tools) *100%	Increase Performance	80%	100%	100%	89%
		% of warehouse handling equipment functioning	Number of functioning warehouse working tools / total warehouse working tools) *100%	Increase Performance	59%	95%	100%	88%
		Number of staffs rewarded and recognized.	This measure the number against rewarded approved number of employees entitled for reward	Increase motivational	100%	100%	100%	100%
		Number of branding activities implemented as per plan	Measure number of branding activities implemented against plan	Increase public awareness	13	13	13	11
D.	Inventory Management Improved	% of expiry rate of the total stock	Total value of goods expired/Total value of items held in a period (stock on Hand + Expired + Sold)	Reduce waste and manage revolving fund	1%	1%	<1%	0.68%
		% of accurate Inventory transactions	Number of items without discrepancies/Total number of items counted	Increase efficiency and transparency	100%	100%	100%	90%
		% of Tracer items availability	The number of tracer items available /Total number of tracer items from the list	Increase revenue generation	90%	90%	90%	66%
		% non-compliance for Product quality.	Number of items rejected/total number	Compliance to quality and	0%	0%	0%	0.29%

No.	Objectives	Key Performance Indicator (KPI)	Definition / Calculation	Purpose	Target Previous Year	Target Current Year	Target Future	Implementation status - Year End
			of product batches received. Lead-time days from date of order submission to stock delivery date for items with and with no contract.	reduce customer complaints Increase stock availability	100%	100%	100%	53%
		% of health commodities cleared within grace period	The number of consignments Cleared within grace period / total consignment required to be cleared during the review period	Increase stock availability and reduce operational cost	100%	100%	100%	29%
E.	Customer Service delivery Improved	% of customers' complaints resolved on time.	Total customer complaints resolved within standard time divided by total complaints from customers during the measurement period.	Increase customer relationship	100%	100%	100%	93%
		Customer satisfaction score This indicator is calculated by the % of overall satisfaction with a product or service delivered.	% of overall satisfaction with a product or service delivered.	Increase customer relationship	90%	90%	100%	85%
		Quantity supplied to health facilities/quantity requested (Order fill rate)	(Quantities delivered to health facilities/ quantities requested) *100%	Increase customer satisfaction	90%	90%	90%	79%

No.	Objectives	Key Performance Indicator (KPI)	Definition / Calculation	Purpose	Target Previous Year	Target Current Year	Target Future	Implementation status - Year End
		% of timely delivery of health commodities	Number of facilities that were delivered timely/ total facilities required to be delivered as per the distribution calendar	Increase customer satisfaction	100%	100%	100%	96%
		Fleet utilization rate.	Fleet being used optimally/Total number of fleets owned	Increase service delivered	95%	95%	95%	87%
F.	Health commodities manufacturing plants established	Develop and implement checklist for operationalization of manufacturing plants	%of checklist developed and implemented/total checklist required to be developed	Increase efficiency	100%	100%	100%	100% (Implementation of checklist, guidelines, SOPs for operations of manufacturing plants are already available)
		Number of plants insured	Number of plants insured per total plants required	Increase production				
		A registered Limited Company	Number of registered companies per plan	Increase supervision on production	1	1	1	1(MSD Medipharm company ltd)
		% of safety and security measures implemented	Number of safety and security measures implemented/Number of safety and security measures planned to be implemented	Increase security and visibility	100%	100%	100%	100%
		% Increase in Supply of health commodities from local manufacturers/total procurement made	percentage on procuring health commodities from local manufacturers/total procurement made	Reduce lead time	20%	24%	24%	19%

MEDICAL STORES DEPARTMENT (MSD)

2.15 CORPORATE GOVERNANCE MATTERS

2.15.1 Corporate Governance Principles

(a) Code of Corporate Practice and Conduct

The Department is committed to the principles of effective Corporate Governance. The Governing Board complies with the principles of good Corporate Governance. In observing good governance, it has established and maintained Committees including the Audit and Risk Management Committee (BARMC), Finance and Administration Committee (BFAC) and Technical Services Committee (BTSC).

(b) Flexibility towards Change

The current organizational structure is flexible and accommodates changes from internal as well as external environments. Moreover, the Department periodically reviews its rules and regulations to ensure the best performance of its operations. The Department adheres to the global standards and practices of good corporate governance. The Board members continue to strengthen the good governance system by reviewing various performance reports and approving policies and guidelines to enhance good governance.

(c) Business ethics and organizational integrity

The Medical Stores Department's Code of Conduct is based on the highest standards of integrity, conduct and ethics in its dealings with all parties including employees, customers, suppliers, competitors, investors and the public in general. The management and staff are expected to fulfil their ethical obligations in such a way that the business is run strictly according to laid out policies and procedures.

(d) Performance evaluation and reward

The Department ensures compliance with the government's directives on salaries and other benefits payable to staff, while at the same time considering the intrinsic value of the individual contributions.

(e) Governance Structure and Practices

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 executive 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.

MEDICAL STORES DEPARTMENT (MSD)

(f) Board of Trustees

On April 12, 2022, the Government established a Board of Trustees led by Chairperson Ms. Rosemary William Silaa, with members including Medical Doctors, Economists, Pharmacists, Supply Chain Experts, Lawyers, and Financial Experts.

On June 20, 2024, Health Minister replaced five Board members with new appointees. Since the changes occurred at the end of the financial year, the outgoing Board completed its duties for the year ending June 30, 2024, and new committees will be formed once the new Board officially begins its work.

The detailed information of the Board of Trustees members is as per table 11:

MSD Board of Trustees particulars

Table 11: MSD Board of Trustees particulars

SN	Name	Position	Age	Nationality	Qualification	Appointment Date	Exit date
1	Ms. Rosemary William Silaa	Chairperson	47	Tanzanian	Pharmacists	12 April 2022	05 July 2025
2	Mr. Meshack J. Anyingisye	Member	43	Tanzanian	Economist	06 July, 2022	05 July 2025
3	Ms. Rehema M. Katuga	Member	44	Tanzanian	Lawyer	06 July, 2022	05 July 2025
4	Dr. Danstan H. Shewiyo	Member	57	Tanzanian	Pharmacists	06 July, 2022	05 July 2025
5	Dr. Rukia Julius Mwifunyi	Member	39	Tanzanian	Lecturer (IT Expert)	11 June, 2024	05 July 2025
6	Dr. Rashid Said Mfaume	Member	47	Tanzanian	Doctor (Medical)	11 June, 2024	05 July 2025
7	Dr. Alex Magesa	Member	47	Tanzanian	Doctor (Medical)	11 June, 2024	05 July 2025
8	Mr. Ali Selemani	Member	50	Tanzanian	Accounting, Auditing and financial expert	11 June, 2024	05 July 2025
9	Dr. Ritha Mutagonda	Member	42	Tanzanian	Lecturer (Pharmacists)	11 June, 2024	05 July 2025
10	Mr. Mavere A. Tukai	Secretary	51	Tanzanian	Pharmacists	12 April 2022	

Table 12: MSD Former Board of Trustees Details

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Ms. Rosemary William Silaa	Chairperson	47	Tanzanian	Pharmacists	12 April, 2022
2	Mr. Meshack J. Anyingisye	Member	43	Tanzanian	Economist	06 July, 2022
3	Ms. Rehema M. Katuga	Member	44	Tanzanian	Lawyer	06 July, 2022
4	Mr. John Mathew Mnali	Member	54	Tanzanian	Economist	06 July, 2022
5	Dr. Ntuli Kapologwe	Member	47	Tanzanian	Doctor	06 July, 2022
6	Ms. Brenda Msangi	Member	44	Tanzanian	Pharmacists	06 July, 2022

MEDICAL STORES DEPARTMENT (MSD)

7	Dr. Danstan H. Shewiyo	Member	57	Tanzanian	Pharmacists	06 July, 2022
8	Dr. Mwamvita T. Kissiwa	Member	39	Tanzanian	Doctor	06 July, 2022
9	Dr. Julius Mwaiselage	Member	55	Tanzanian	Doctor	06 July, 2022
10	Mr. Mavere A. Tukai	Secretary	51	Tanzanian	Pharmacists	06 July, 2022

Table 13: Former Audit and Risk Management Committee Members

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Dr. Dastan H. Shewiyo	Chairperson	57	Tanzanian	Pharmacist	06 July, 2022
2	Mr. John Mathew Mnali	Member	54	Tanzanian	Economist	06 July, 2022
3	Ms. Rehema M. Katuga	Member	44	Tanzanian	Lawyer	06 July, 2022

Table 14: The Former Finance and Administration Committee Members

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Mr. Meshack Anyingisye	Chairperson	43	Tanzanian	Economist	06 July, 2022
2	Dr. Ntuli Kapologwe	Member	47	Tanzanian	Doctor	06 July, 2022
3	Ms. Brenda Msangi	Member	44	Tanzanian	Pharmacist	06 July, 2022

Table 15: The Former Technical Services Committee Members

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Dr. Dastan H. Shewiyo	Chairperson	57	Tanzanian	Pharmacist	06 July, 2022
2	Dr. Julius Mwaiselage	Member	55	Tanzanian	Doctor	06 July, 2022
3	Dr. Mwamvita T. Kissiwa	Member	39	Tanzanian	Doctor	06 July, 2022

i. Board Meetings

Under the MSD Act No.13 of 1993, as amended, the Board of Trustees is required to hold at least four meetings annually, with additional extraordinary meetings as needed. For the financial year ending June 30, 2024, the Board held a total of eleven meetings: five meetings in the previous financial year (August 2022 to May 2023) and six meetings in the current financial year (July 2023 to June 2024).

Table 16: Attendance of the Board Meeting

SN	Name	Attendance					
		Extraordinary	Q1	Q2	Q3	Q4	
1	Ms. Rosemary William Silaa	P	P	P	P	P	
2	Mr. Meshack J. Anyingisye	P	A	A	P	A	
3	Ms. Rehema M. Katuga	A	P	P	P	P	
4	Mr. John Mathew Mnali	P	A	P	P	P	
5	Dr. Ntuli Kapologwe	P	P	A	A	A	
6	Ms. Brenda Msangi	P	P	P	P	P	
7	Dr. Danstan H. Shewiyo	P	A	P	A	P	
8	Dr. Mwamvita T. Kissiwa	P	A	P	A	P	
9	Dr. Julius Mwaiselage	A	P	P	P	P	
10	Mr. Mavere A. Tukai	P	P	P	P	P	

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

MEDICAL STORES DEPARTMENT (MSD)

ii. 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 17: Audit and Risk Management Committee Members

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Dr. Danstan H. Shewiyo	Chairperson	57	Tanzanian	Pharmacists	06/07/2022
2	Ms. Rehema Katuga	Member	44	Tanzanian	Lawyer	06-Jul-22
3	Mr. John M. Mnali	Member	54	Tanzanian	Economist	06-Jul-22

During the financial year 2023/24, the committee had discussed and deliberated on:

- i. The adequacy and effectiveness of internal controls, risk management process and governance issues 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; and
- ii. External auditor's report and its Implementation status, management letters and responses to ensure that they are adequate and are submitted to the external auditors promptly.

During financial year 2023/24, the Audit and Risk Management committee held four (4) ordinary meetings and two (2) extraordinary meetings.

Table 18: Attendance of the Audit and Risk Management Committee

S/No.	Name	Ordinary Meeting				Extra-Ordinary Meeting	
		Q1	Q2	Q3	Q4	01 st	02 nd
1	Dr. Danstan H. Shewiyo	P	P	P	P	P	A
2	Ms. Rehema Katuga	P	P	P	P	A	A
3	Mr. John M. Mnali	P	A	A	P	P	A

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

MEDICAL STORES DEPARTMENT (MSD)

(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 19: Finance and Administration Committee

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Mr. Meshack Anyingisye	Chairman	43	Tanzanian	Economist	06 July, 2022
2	Ms. Brenda Msangi	Member	44	Tanzanian	Pharmacists	06 July, 2022
3	Dr. Ntuli Kapologwe	Member	47	Tanzanian	Doctor	06 July, 2022

Ordinary meetings which discussed and deliberated on the following main issues:

- i. 1st quarter performance report;
- ii. Proposed Joint Venture Policy
- iii. MSD Cash Position November 2023;
- iv. MSD Performance for Quarter I, II and III;
- v. Budget review for financial year 2023/24
- vi. MSD Financial Position as at December 2023; and
- vii. MSD Financial Position as at April 2024.

Table 20: Attendance of the Finance and Administration Committee

No.	Name	Attendance			
		Q1	Q2	Q3	Q4
1.	Mr. Meshack Anyingisye	P	P	P	P
2.	Ms. Brenda Msangi	P	P	P	P

KEY: P - Present 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 21: Technical Committee

SN	Name	Position	Age	Nationality	Qualification	Appointment Date
1	Dr. Danstan H. Shewiyo	Chairperson	57	Tanzanian	Pharmacists	06 July, 2022
2	Dr. Mwamvita Kissiwa	Member	39	Tanzanian	Doctor	06 July, 2022
3	Dr. Julius Mwaiselage	Member	55	Tanzanian	Doctor	25 July, 2022

MEDICAL STORES DEPARTMENT (MSD)

During the financial year 2023/24, the Committee had a total of four (4) ordinary meetings. In the meetings, the committee discussed and deliberated on the following main issues: Quality Assurance performance report for the fourth quarter; Stock status report; The management to explore for other available sources of energy such as coal and Gas to ensure uninterrupted production while reducing administration costs; Impose and apply liquidated damages and other remedies to ensure Supplier's performance of the contracts, Handing over of Dodoma and Mtwara Construction site to contractor for mobilization and commencement, Contract Implementation and performance, MCO performance review; Price reduction of medical equipment TPDF, Mpwapwa DH, and Kahama MC, Transfer of two Land cruiser Hard top to Chato DC, proposed amendment on the MSD Act Cap 70 and Client Service Charter 2023, Quarterly technical performance report, Progress on new ERP project and EPICOR 10 upgrade to Kinetic UI 2023.

Table 22: Attendance of the Technical Committee

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

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

(g) Executive Management Team-EMT

The Board of Trustees have delegated the day-to-day operations to Management under the leadership of the Director General, who is the Chairman of the EMT 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. 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 termed as Medium -Term Strategic Plan (MTSP) with phases I, II and III. Currently MSD is implementing MTSP III.

The EMT's day to day initiatives are derived from MSD MTSP III (2021-2026) and are implemented yearly as set out in the Annual Business Plan. MSD MTSP III 2021/2026 focus on five key areas that MSD should strengthen, namely:

- i. Financial Sustainability;
- ii. Supply Chain Management;

MEDICAL STORES DEPARTMENT (MSD)

- iii. Technology;
- iv. Human Capital Management;
- v. Governance and Stakeholder Management.

2.16 RESULTS AND DIVIDENDS

The Department is a public institution that is not for profit motive but rather for implementing its core responsibilities as defined in its Establishing Act. The management plans to utilize the surplus of TZS 151,829,489 million (2023: TZS 21,029,399 million) for financing future activities as outlined in the Approved Strategic Plan and business plan. However, during the financial year ended 30 June 2024 the Department contributed TZS 200 billion in the Consolidated Fund.

2.17 POLITICAL AND CHARITABLE DONATIONS

2.17.1 Political Donations

The Department did not make any political donations during the year ended 30 June 2024.

2.17.2 Charitable Donations

There were no donations made to political parties during the year ended 30 June 2024 (2023: Nil). The Department, being a pioneer of Health products supply chain management, has made various contributions to the community worth TZS 150 million (2023: TZS 60 million).

2.18 OWNERSHIP

The Medical Stores Department is wholly owned by the Government of the United Republic of Tanzania as stipulated in the Medical Stores Department (MSD) Act of Parliament No. 13 of September 1993 [CAP 70 R.E. 2002].

2.19 SOLVENCY AND GOING CONCERN EVALUATION

The MSD Board confirms that, in the course of preparing these financial statements, International Public Sector Accounting Standards (IPSAS) have been complied with. The Board ensures that the Department has adequate funds to meet its main objectives. At the end of the financial year under review, the Department's cash and cash equivalent was TZS 85,058 million. The Government of the United Republic of Tanzania will continue to provide grants to the Department to meet operational expenses, especially personnel emoluments and development activities. In view of this assessment, the Board is of the opinion that the Department has a sound financial position and will continue to operate for the foreseeable future.

MEDICAL STORES DEPARTMENT (MSD)

2.20 EMPLOYEES' WELFARE

2.20.1 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 on a quarterly basis 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.

2.20.2 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 Equipment.

2.20.3 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.

2.20.4 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.

2.20.5 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.

MEDICAL STORES DEPARTMENT (MSD)

2.20.6 Incentive for Physically Challenged Employees

The Department gives equal opportunity to women and persons with disabilities when filling vacant positions. It also supports four (4) physically challenged persons by providing them with enabling working environment and working tools.

2.20.7 Training and Development

The Department was successful in training 748 personnel over the course of the year on 40 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.

2.20.8 Working Environment

The Department ensured that employees are provided with favourable working environment such as providing them with necessary tools for smooth running of their daily operations and office space. This encompasses individual commitment towards innovative thinking and professional expertise.

2.20.9 Promotions

The Department budgeted and received the approval of 109 staff promotions from the Permanent Secretary (Establishment) for the financial year 2023/2024. These promotions were implemented during the year under review.

2.20.10 Opportunities and Fairness

Management ensured equal opportunities and fairness for all employees, irrespective of ethnicity, race, gender, disability or religion, should be pursued.

2.20.11 Post-employment Benefits

The Department pay contributions to Public Service Social Security Pension Fund (PSSSF) in respect of its employees on mandatory basis which qualifies to be a defined contribution plan. The Department contributes 15% of basic salary of each employee to the Fund on behalf of all permanent employees and employee contributes 5% of their basic salary.

2.21 GENDER BALANCE

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 staffs. The current prevailing ratio is 4:6 which marks the target ratio for the year 2023/24. Gender distribution for the period maintains male dominance with 470 employees of the total workforce and 314

MEDICAL STORES DEPARTMENT (MSD)

females. The number reflects the muscular nature of MSD operations whereby the Drivers cadre is on the higher side.

The Department's recruitment policy is designed to ensure equal opportunity for all candidates applying for vacant positions. We are committed to a non-discriminatory process, treating all applicants—regardless of gender—fairly and equitably. Our focus remains on maintaining high standards by evaluating candidates based on their education, professional qualifications, competencies, and key attributes, which are the core criteria for selection and appointment.

2.22 HIV/AIDS AWARENESS PROGRAMME

The Department recognizes the seriousness of the HIV/AIDS epidemic and its negative impacts on the capacity to realize the National Agenda on making Tanzania free from the epidemic. The Department has adopted the National HIV/AIDS Policy and prepared its HIV/AIDS strategies, which aim at raising HIV/AIDS awareness to her employees. During the year under review, the Department conducted one awareness program to 560 staff (including interns) on HIV/AIDS and Non-communicable diseases. Two internal training were conducted by the Department's peer educators.

2.23 KEY CHALLENGES AND THE WAY FORWARD

Any success story is not without challenges. The Department encountered various challenges while discharging its functions during the year under review. Key challenges encountered included the following: -

A major issue is the increasing government debt linked to the costs of unreimbursed supply chain activities, which has impacted MSD's working capital and its ability to procure essential health commodities. In an effort to address this, MSD has partnered with the Ministry of Finance and Planning, leading to the verification of TZS 268.9 billion in government debt for the fiscal year 2022/23 and a subsequent repayment of TZS 100 billion by June 30, 2024.

In addition to financial constraints, MSD faces challenges in quantification across the health supply chain. This has complicated procurement planning and resource allocation, making it difficult for MSD to consistently maintain adequate stock levels of necessary health commodities. Furthermore, MSD grapples with significant taxes on certain medical supplies, which increase procurement costs. To alleviate this, MSD is working with the Tanzania Revenue Authority (TRA) and environmental ministries to seek potential tax reductions on these items.

MSD's reliance on external stakeholders across the supply chain adds another layer of complexity to its operations. Collaboration with various parties is essential to ensure the reliable delivery of health commodities to health facilities at all levels. Additionally, the COVID-19 pandemic has disrupted global supply chains, delaying overseas shipments of health commodities. To mitigate these delays, MSD has adopted strategies such as regular meetings with suppliers, both local and international, to secure timely deliveries of critical supplies.

MEDICAL STORES DEPARTMENT (MSD)

In response to these challenges, MSD's Board is working closely with stakeholders to improve operational sustainability and ensure a steady supply of health commodities across the country's health facilities.

2.24 PREJUDICIAL ISSUES

The prejudicial issues at the end of the financial year included ongoing litigation at the temples of justice of:

- (a) Benedict Mkasa vs. Board of Trustees MSD; CMA/DSM/ILA/R.719/17/21, Former Director of Distribution and Sales was terminated from employment in 2002. In 2003 he sued the Board for unlawful termination, but in 2007 he dropped his case. In 2019 the High court ordered to start afresh at CMA before another Arbitrator. In 2022, he successfully applied to file his complaint out of time at CMA-Ilala.
- (b) Miscellaneous Application No. 58/2022 Cosmas Mwaifwani vs. Minister for Health, MSD Board of Trustees, and The Attorney General Dar es Salaam. The applicant (ex-DCZO) applied for orders of Mandamus, Certiorari and Prohibition where he challenged the Minister's confirmation of the Board of Trustees decision of terminating his employment. His application was dismissed on 26/6/2023.
- (c) Daima Pharmaceutical Company Limited vs Medical Stores Department & the Attorney General Civil Case No. 2024, The Plaintiff claims against Medical Stores Department (MSD) is for payment of TZS 4,575,830,500 being an overdue/outstanding balance, TZS 800,000,000 for breach of contract and loss of income, TZS 500,000,000 general damages for pain and suffering, interest and cost of the suit. On 26 June 2024, MSD had already paid the principal sum. During mediation, the plaintiff requested to withdraw the case. All parties agreed to settle the case without additional payments.

2.25 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 390.3 billion as at 30 June 2024. Management made provision as per IPSA 41 against this debt amounting to TZS 56 billion. The Government through the MoH and Public Health Facilities are the main customer to MSD and also a controlling entity.

2.26 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.

Digital Transformation and Data Analytics: Implement advanced data analytics tools and

MEDICAL STORES DEPARTMENT (MSD)

systems to enhance demand forecasting, inventory management, and decision-making across their supply chain network.

Enhanced Distribution Network: Improve logistics by setting up regional distribution hubs and increasing the fleet for last-mile delivery, which would reduce lead times for medical supplies, particularly to rural areas.

Green Initiatives and Sustainability: Invest in solar power, rainwater harvesting, and eco-friendly packaging for their warehouses and facilities, promoting environmental sustainability and reducing operational costs.

Healthcare Workforce Training Programs: Collaborate with health institutions to train medical personnel in logistics, handling of health products, and the use of ERP systems for better coordination in healthcare delivery.

These strategies can position MSD for sustainable growth, enhance healthcare access, and support Tanzania's overall health system.

2.27 STATEMENT OF COMPLIANCE

The Governance Report is 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 Department's 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).

The report by Those Charged with Governance and Audited Financial Statements for the financial year 2022/23 was published in the Department's Website as required by National Board of Accountants and Auditors Technical Pronouncement No. 1 of 2018.

2.28 APPOINTMENT OF AUDITOR AND AUDIT MANDATE

Article 143 of the Constitution of the United Republic of Tanzania of 1977 and section 10 of the Public Audit Act, Cap 418 (R.E. 2021) mandates the Controller and Auditor General as the statutory auditor of all public sector entities including Medical Stores Departments (MSD). In addition, Section 39 (2) of the Medical Store Department Act, Cap 413 earmarked the CAG as the statutory auditor of the MSD's financial statements. The Address of the Auditor for the financial year, is as below:

**Controller and Auditor General,
National Audit Office,
Audit House,
Mahakama Road,
P.O. Box 950,
41101 Tambukareli,**

MEDICAL STORES DEPARTMENT (MSD)

Dodoma, Tanzania.
Tel: 255 (026) 2161200-9,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

2.29 RESPONSIBILITY OF THE AUDITOR

The Controller and Auditor General (CAG) has a statutory responsibility to report to the stakeholders as to whether, in his opinion, the financial statements of the Department present fairly the financial position, financial performance and cash flows for the year ended in accordance with the International Public Sector Accounting Standards (IPSASs), the Tanzania Financial Reporting Standard (TFRS 1) and in the manner required by the Medical Store Department Act, Cap. 413 and the Public Finance Act, Cap. 348.

2.30 EVENTS AFTER REPORTING PERIOD

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

2.31 ACCOUNTING POLICIES

A summary of key accounting policies in accordance with the International Public Sector Accounting Standards (IPSAS) is in Note 2 to the Financial Statements and were consistently applied during the year under review.

2.32 APPROVAL

This Report was approved and authorized for issue by the Board of Directors and signed on its behalf by:



Rosemary William Silaa
Board of Trustees - Chairperson



Mavere A. Tukai
Director General

Date: 07/03/2025

MEDICAL STORES DEPARTMENT (MSD)

3.0 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

Those Charged with Governance accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, pursuant to section 39(1) of the Medical Store Department, Cap. 413. Furthermore, Those Charged with Governance accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Public Sector Accounting Standards (IPSAS), the Public Finance Act, Cap. 348, NBAA's Technical Pronouncements and the requirements of the Act, Cap 413.


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) 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 board members 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 board members 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

Approved by the Board of Trustees and signed on its behalf by;



Rosemary W. Silaa
Board of Trustees - Chairperson

Date: 07/03/2025



Mavere A. Tukai
Director General

MEDICAL STORES DEPARTMENT (MSD)

4.0 DECLARATION BY 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.

I CPA Jackson M. Rogasian being the Management Accounting Manager of Medical Stores Department hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2024 have been prepared in compliance with applicable accounting standards and 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: 

Position: Management Accounting Manager

NBAA Membership No: ACPA 2782

Date: 06/03/2025


MEDICAL STORES DEPARTMENT (MSD)

5.0 FINANCIAL STATEMENTS


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

		30 June 2024	30 June 2023
	Notes	TZS '000	TZS '000
Current assets			
Cash and bank balances	14b	84,972,233	237,614,864
Prepayments	15	4,169,723	19,218,231
Advance payment to suppliers	16	38,147,089	57,250,747
Other receivables	17	823,637	1,094,966
Government receivables	18a	311,614,542	238,427,931
Inventory	19	172,727,891	100,014,107
		612,455,116	653,620,846
Non-current assets held for sale			
Non-current assets held for sale	20b	1,619,286	-
Non-current assets			
Property, plant and equipment	20a	105,667,954	106,969,187
Work in progress	21	43,876,524	19,924,634
Intangible assets	22	2,908,715	3,272,305
		152,453,193	130,166,125
Total assets		766,527,595	783,786,971
Current liabilities			
Advance payment from customers	23	115,657,948	161,510,494
Deferred grants payable	24	300,243	107,764,210
Deferred customer credit	25	25,618,126	3,597,641
Deferred income grants	26	12,837	12,837
Trade and other payable	27	203,281,897	197,146,926
		344,871,051	470,032,108
Net Assets		421,656,544	313,754,863
Equity			
Taxpayer's Funds	28a	17,258,246	17,258,246
Accumulated surplus	28b	404,398,298	296,496,617
Total Net assets and Liabilities		421,656,544	313,754,863

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


 Rosemary W. Silaa
 Board of Trustees - Chairperson

Date: 07/03/2025


 Mavere A. Tukai
 Director General

MEDICAL STORES DEPARTMENT (MSD)

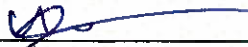
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2024

		2023/24	2022/23
	Notes	TZS '000	TZS '000
REVENUE			
Revenue from Exchange of Transactions	6	551,520,287	386,806,262
Other Income	7a	420,626	300,719
Expected Credit Loss	14	56,633,682	-
Total Revenue		608,574,595	387,106,981
Expenses			
Medicine and medical supplies costs	8	(392,408,459)	(279,369,350)
Packing cost	9	(1,718,532)	(1,163,584)
Distribution cost	10	(12,551,217)	(7,751,974)
Employee cost	11	(34,558,540)	(28,905,258)
Administrative expenses	12	(30,389,889)	(22,275,531)
Depreciation and amortization expense	13	(5,124,636)	(5,680,440)
		(476,751,272)	(345,146,137)
Other gains and losses			
Foreign currency exchange gain/(loss)	7b	(23,921,642)	1,015,959
Expected credit loss	14	-	(4,490,536)
		23,921,642	(3,474,577)
Surplus for the year		107,901,682	38,486,267

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



Rosemary W. Silaa
Board of Trustees - Chairperson



Maverere A. Tukai
Director General


Date: 07/03/2025


MEDICAL STORES DEPARTMENT (MSD)

STATEMENT OF CHANGES IN NET ASSET FOR THE YEAR ENDED 30 JUNE 2024

	Capital funds	Accumulated surplus	Total
	TZS '000	TZS '000	TZS '000
As at 01 July 2023	17,258,246	296,496,616	313,754,862
	17,258,246	296,496,616	313,754,862
Surplus for the year	-	107,901,682	107,901,682
As at 30 June 2024	17,258,246	404,398,298	421,656,544
 As at 01 July 2022	 17,258,246	 359,394,643	 376,652,889
Prior year Adjustment	-	(101,384,294)	(101,384,294)
Restated opening balance	-	258,010,349	275,268,5956
Surplus for the year	-	38,486,267	38,486,267
As at 30 June 2023	17,258,246	296,496,616	313,754,863

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


 Rosemary W. Silaa
 Board of Trustees - Chairperson


 Mavere A. Tukai
 Director General


Date: 07/03/2025

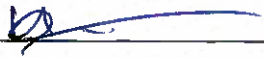
MEDICAL STORES DEPARTMENT (MSD)

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

		<u>2023/24</u>	<u>2022/23</u>
		TZS '000	TZS '000
	Note		
	s		
Receipt			
Revenue from exchange transactions	5a	379,988,251	267,852,845
Other Income	7a	420,626	300,719
Total Grand Receipt		380,408,877	265,399,554
Payments:			
<u>Medicine and medical supplies costs</u>	5b	(424,835,107)	(261,857,72)
Packing cost	9	(1,718,532)	(1,163,584)
Distribution cost	10	(12,551,217)	(7,751,974)
Employee cost	11	(34,558,540)	(28,905,258)
Administrative expenses	12	(30,189,889)	(22,275,531)
Other transfer		(200,000)	
Total Grand Payments:		(504,053,284)	(321,954,075)
Net cash flows from/(used) in operating activities		(123,644,407)	(56,554,521)
Investing activities			
Additions of property, plant and equipment	20a	(5,079,100)	(3,454,742)
Additional WIP	21	(23,951,890)	(4,698,668)
Net cash flows used in investing activities		(29,030,990)	(8,153,409)
Net decrease in cash and cash equivalents		(152,675,397)	(63,634,435)
Cash and cash equivalents at 1 July	14b	237,734,108	301,368,543
Cash and cash equivalents at 30 June		85,058,711	237,734,108

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


 Rosemary W. Silaa
 Board of Trustees - Chairperson


 Mavere A. Tukai
 Director General

Date 07/03/2025

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30 JUNE 2024

Details	Original Budget 30 June 2024 (TZS '000)	Adjustments 30 JUNE 2024 (TZS '000)	Final Budget 30 JUNE 2024 (TZS '000)	Actual 30 JUNE 2024 (TZS '000)	Performance difference: Final budget vs Actual (TZS '000)
Sales	488,333,395		488,333,395	394,613,800	(93,719,595)
Other income	1,453,511		1,453,511	420,626	(1,032,886)
	489,786,906	-	489,786,906	395,034,426	(94,752,480)
Expenses					
Cost of sales	(386,344,109)		(386,344,109)	(254,977,460)	131,366,649
Packing cost	(1,172,057)		(1,172,057)	(1,718,532)	(546,475)
Distribution cost	(12,533,892)		(12,533,892)	(12,551,217)	(17,325)
Employee cost	(44,539,007)		(44,539,007)	(34,558,540)	9,980,467
Administrative expenses	(31,618,063)		(31,618,063)	(30,389,889)	1,228,174
Depreciation	(9,261,600)		(9,261,600)	(5,124,636)	4,136,964
Amortisation of intangible asset					
Total expenditure	(485,468,728)	-	(485,468,728)	(339,320,273)	146,148,455
Other Gains and Losses					
Financial Income Bank Interest	667,000				
Forex exchange gain/ (loss)	-		-	(23,921,642)	(23,921,642)
Impairment (Charge)/ on trade receivables	-		-	56,633,682	56,633,682
Total other gains and Losses	667,000	-	-	32,712,041	32,712,041
Surplus for the period	4,985,178	-	4,318,178	88,426,193	84,108,015



Rosemary W. Silaa

Board of Trustees - Chairperson



Mavere A. Tukai

Director General

07/03/2025

Date

MEDICAL STORES DEPARTMENT (MSD)

GENERAL INFORMATION

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.

PRINCIPAL ACTIVITIES OF THE CORPORATION

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.

REPORTING ENTRY

The reporting entity of this financial statements is Medical Store Department.

GOING CONCERN

The Department's Management has assessed the Department's ability to continue as a going concern and is satisfied that the Department has the resources to continue its operations for the foreseeable future. Moreover, Management has not found any suspicious information that may have impact on the Department's ability to continue as a going concern. Therefore, the financial statements are prepared on the going concern basis.

CHANGE IN ACCOUNTING POLICY

The introduction of IPSAS 41 substantially modifies IPSAS 29 by classifying financial assets and liabilities through a principles-based classification model, a forward-looking expected credit loss model

The Impact of Change in Accounting Policy

The impact of introducing IPSAS 41 is the emergence of Expected credit loss /gain in the Financial Statements by having different Cash and Cash Equivalent figures reported in the Statement of Financial Position and the Statement of Cash flows with Exposure at Default (EAD) (Balance) at the end of the financial year.

MEDICAL STORES DEPARTMENT (MSD)

IPSAS 41 replaced IPSAS 29 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2023. The entity has applied IPSAS 41 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IPSAS 41. Differences arising from the adoption of IPSAS 41 were recognized in net assets as of 1 July 2023 and are disclosed below.

The nature of the changes in accounting policies can be summarized, as follows

Changes to classification and measurement

To determine their classification and measurement category, IPSAS 41 requires all financial assets to be assessed based on a combination of the entity's management model for managing the assets and the instruments' contractual cash flow characteristics.

The IPSAS 29 measurement categories for financial assets (fair value through surplus or deficit (FVSD), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortized cost) have been replaced by:

- Financial assets at fair value through surplus or deficit
- Financial assets at fair value through net asset/ Equity
- Financial assets at amortized cost

Changes to the impairment calculation

The adoption of IPSAS 41 has fundamentally changed the entity's accounting for impairment losses for debt instruments held at FVNA or amortized cost by replacing IPSAS 29's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IPSAS 41 requires the Entity to record an allowance for ECLs for all debt instruments not held at FVSD.

The adoption of the ECL requirements of IPSAS 41 has resulted in increases in impairment allowances in respect of the Entity's debt instruments. The increase in allowance was adjusted to retained earnings.

Changes in disclosure - IPSAS 30

To align with IPSAS 41, IPSAS 30 Financial Instruments: Disclosures was amended to reflect new disclosure requirements. The entity applied these updated disclosure requirements alongside IPSAS 41. The changes include transition disclosures and detailed qualitative and quantitative information about expected credit loss (ECL) calculations, including the assumptions and inputs used, which are included in the financial asset's disclosures.

Reconciliations of the impact of the application of IPSAS 41

Expected credit loss impact closing balance under IPSAS 29 Impact of initial application of IPSAS 41 Closing balance under IPSAS 41.

MEDICAL STORES DEPARTMENT (MSD)

Table 23: Expected credit loss impact

Expected credit loss impact	Accumulated surplus impact		
	Closing balance under IPSAS 29 (TZS'000')	Impact of initial application of IPSAS 41 (TZS'000')	Closing balance under IPSAS 41 (TZS'000')
Bank balances	-	119,244	(119,244)
Government Receivables	24,093,326	135,290,344	(111,197,018)
Staff Loan	-	69,498,609	(69,498,609)
TOTAL	24,093,326	204,908,197	(180,814,871)

AUTHORISATION OF FINANCIAL STATEMENTS

The Department's financial statements for the year ended 30 June 2024 were adopted and authorized for issue by the Risk and Audit Committee of the Board on 30 August 2024.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) accrual basis. The measurement basis applied in the preparation of these financial statements is the historical cost and accrual basis, except where otherwise stated (for example, the Statement of Cash Flows).

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Budget is prepared on cash basis while the statement of financial position and performance are Prepared on accrual basis. The variation between the accrual items versus cash items are reconciled through preparation of reconciliation statements of budget versus actual as per IPSAS 24 requirement.

The complete set of the financial statements comprises a statement of financial position, a statement of financial performance, a statement of changes in net assets, a cash flow statement, a comparison of budget and actual amounts, and notes comprising a summary of significant accounting policies and other explanatory notes.

STATEMENT OF COMPLIANCE

The Department's financial statements have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board (IPSASB). The Report by Those Charged with Governance has been prepared in line with the requirements of the Tanzania Financial Reporting Standard (TFRS) No. 1 as issued by the National Board of Accountants and Auditors (NBAA).

MEDICAL STORES DEPARTMENT (MSD)

NEW STANDARDS ON ISSUE BUT NOT YET EFFECTIVE

The Department acknowledges the issuance of several new and amended standards, which are not yet effective as of 30 June 2024. These standards are expected to affect the Department's financial statements once they are applied at their respective future effective dates. The Department intends to adopt these standards upon their mandatory implementation.

The new and amended standards include six (6) new International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board (IPSASB), and two (2) new International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), all of which are not yet effective as of the reporting date. These standards are expected to impact disclosures, financial position, and performance upon their adoption.

The Department will assess the full implications of these standards and update its financial reporting processes accordingly when these standards become effective. The new standards are:

a) IPSAS 43- Leases:

The International Public Sector Accounting Standards Board (IPSASB) has approved IPSAS 43, Leases, with an effective date of 1 January 2025. IPSAS 43 supersedes IPSAS 13, Leases, and introduces the right-of-use model for lessees, aligning with the requirements of IFRS 16, Leases.

The IPSASB will continue to address public sector-specific leasing issues, including concessionary leases, through its Other Lease-Type Arrangements project.

The entity is currently assessing the potential impact of IPSAS 43 on its financial statements and will update its financial reporting processes accordingly upon adoption of the standard.

b) IPSAS 45-Property, Plant and Equipment

This standard provides guidance on accounting for Property, Plant and Equipment so that users of Financial Statements can discern information about an entity's investment in its PPE and the changes in such investment. The standard applies to PPE used to develop or maintain the biological assets related to agricultural activity other than bearer plants, Mineral rights and mineral reserves such as oil, natural gas and similar non-regenerative resources and the recognition and measurement of exploration and evaluation assets. IPSAS 45 removed IPSAS 17's scope exclusion of Heritage Asset. This standard will be effective on 1 January 2025 with earlier application permitted

c) IPSAS 46-Measurement,

The objective of IPSAS 46 is to define the measurement bases that support the fair reflection of the cost of services, operational capacity, and financial capacity of assets and liabilities. The standard identifies various measurement approaches to be applied under individual IPSAS in order to achieve the overarching objectives of financial reporting.

MEDICAL STORES DEPARTMENT (MSD)

Entities that prepare and present financial statements under the accrual basis of accounting are required to apply IPSAS 46, Measurement, when measuring assets and liabilities. The measurement requirements outlined in this standard apply to both initial and subsequent measurements, unless specific guidance is provided in the individual IPSAS.

IPSAS 46 will be effective for periods beginning on or after 1 January 2025.

d) IPSAS 47-Revenue

IPSAS 47 provides comprehensive guidance for accounting for revenue transactions in the public sector. The standard presents two accounting models based on the existence of a binding arrangement, offering focused direction to help entities apply the principles for recognizing and measuring public sector revenue.

To achieve this objective, an entity is required to consider the terms of the transaction, along with all relevant facts and circumstances, to determine the type of revenue transaction. The standard outlines the specific accounting requirements for recognizing and measuring revenue in accordance with the nature of the transaction.

IPSAS 47 will be effective for periods beginning on or after 1 January 2026. **IPSAS 48-Transfer Expenses**

The objective of IPSAS 48 is to establish the principles that a transfer provider (entity) must apply in order to report relevant information to users of financial statements regarding the nature, amount, timing, and uncertainty of expenses and cash flows arising from transfer expense transactions.

To achieve this objective, the standard requires an entity to consider the terms of the transaction, along with all relevant facts and circumstances, to determine the type of transfer expense transaction. It then sets out the specific accounting requirements to recognize and report the transfer expense appropriately. IPSAS 48 will be effective for periods beginning on or after 1 January 2026.

e) IPSAS 49: Retirement Benefit Plans.

The objective of IPSAS 49 is to prescribe the accounting and reporting requirements for public sector retirement benefit plans that provide retirement benefits to public sector employees and other eligible participants.

The standard applies to all public sector retirement benefit plans, including pension plans and other long-term employee benefits, that offer retirement benefits. It covers both defined benefit and defined contribution plans, as well as multi-employer plans. IPSAS 49 will be effective for periods beginning on or after 1 January 2026.

MEDICAL STORES DEPARTMENT (MSD)

EARLY ADOPTION OF NEW STANDARDS ON ISSUE BUT NOT YET EFFECTIVE

- a) IPSAS 44, effective for annual periods beginning on or after 1 January 2025, is based on IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations. The standard prescribes the accounting treatment for assets classified as held for sale and sets out the presentation and disclosure requirements for discontinued operations. Notably, IPSAS 44 includes specific public sector provisions, particularly the requirement to disclose the fair value of assets held for sale that are measured at their carrying amounts, when such carrying amounts are materially lower than their fair value.

The Department has opted to adopt IPSAS 44 earlier than the effective date of 1 January 2025 due to the presence of assets held for sale. This early adoption is driven by the need for proper and timely disclosure of non-current assets held for sale, in accordance with the requirements set out in the standard.

- b) **IFRS S1: General Requirements for Disclosure of Sustainability-related financial information**

The objective of **IFRS S1 for MSD**, is to disclose information about sustainability of related risks and opportunities, providing valuable insights to the primary users of general-purpose financial reports. This information is crucial for users in making decisions about providing resources to the entity.

The standard mandates that an entity disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's **cash flows, access to finance, or cost of capital** over the short, medium, or long term. These disclosures aim to reflect the financial implications of sustainability risks and opportunities on the entity's performance and prospects.

Furthermore, **IFRS S1** prescribes the methodology and requirements for preparing and reporting sustainability-related financial disclosures. It sets out **general guidelines** for the **content** and **presentation** of these disclosures, ensuring that the reported information is relevant, comparable, and useful to primary users in making informed decisions related to providing resources to the entity.

IFRS S1 which is effective for Public Interest Entities (PIE) for annual periods beginning on or after 1 January 2025. MSD made early on **IFRS S1** due to **Circular No. 3 of 2023/2024** issued by ACCCEN which required to all accounting officers of all public entity to comply with **IFRS 1**.

- c) **IFRS S2: Climate-related Disclosures**

The objective of **IFRS S2 (Climate-related Disclosures)** is to require entities to disclose information about their climate-related risks and opportunities, which is useful to the primary users of general-purpose financial reports in making decisions about providing resources to the entity.

MEDICAL STORES DEPARTMENT (MSD)

The standard mandates that an entity disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, access to finance, or cost of capital over the short, medium, or long term. These disclosures should provide a comprehensive understanding of the potential financial impact of climate-related risks on the entity.

Climate-related risks to which the entity may be exposed include:

Climate-related physical risks, such as the impacts of extreme weather events or longer-term climate changes on the entity's operations, assets, and supply chains.

Climate-related transition risks, including risks associated with the transition to a lower-carbon economy, such as regulatory changes, technological developments, and shifts in market preferences.

The standard requires entities to assess and disclose these risks, as well as the associated opportunities, to enable users of financial statements to make informed decisions about the entity's future prospects in the context of climate-related factors.

IFRS 2 which is effective for Public Interest Entities (PIE) annual periods beginning on or after 1 January 2025 but MSD made early on IFRS S1 due to Circular No. 3 of 2023/2024 issued by ACCGEN which required all accounting officers of all public entity to comply with IFRS 2.

MEDICAL STORES DEPARTMENT (MSD)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

The following accounting policies have been applied consistently to both periods presented in these financial statements.

(a) FUNCTIONAL, PRESENTATION, CURRENCY TRANSLATION AND ROUNDING OFF

Functional and Presentation Currency

In line with IPSAS 4, items included in the financial statements are measured in Tanzanian shillings, the currency of the primary economic environment in which the Department operates ("functional currency"). The financial statements are presented in Tanzanian Shillings, which is the Department's functional and presentation currency and all values are rounded to the nearest thousand (TZS'000) except where otherwise stated.

(b) FUNCTIONAL, PRESENTATION, CURRENCY TRANSLATION AND ROUNDING OFF

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. On-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

Balances in the Financial Position which are in foreign currency are translated at the closing rate at the date of that statement of Financial Position.

(c) PROPERTY AND EQUIPMENT

I. Recognition

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, guidance through Government Asset Guideline issued on 30 April, 2019, Public Finance (Management of Public Property) Regulations of 2024 and the applicable accounting policies.

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.

MEDICAL STORES DEPARTMENT (MSD)

II. 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.

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:

Table 24: Assets expected life and its Depreciation rates

Asset Classification	Estimated Useful life (in Years)	Depreciation Rates
Buildings	50	2%
Office Furniture	10	10%
Office Equipment	10	10%
Warehouse Equipment	10	10%
Plant and machinery	15	6.67%
Computer and related equipment	8	12.5%
Computer Software	10	10%
Motor Vehicles- light vehicles	20	5%
Motor Vehicles - heavy duty	10	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.

MEDICAL STORES DEPARTMENT (MSD)

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.

(e) 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.

(f) 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 live are amortized over the useful economic life and

MEDICAL STORES DEPARTMENT (MSD)

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.

(g) 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 considered in determining the final value of inventories.

(h) INVENTORIES (CONTINUED)

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 |

(i) 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

MEDICAL STORES DEPARTMENT (MSD)

financial statements. MSD complied with the standards on lease measurement, accounting, and presentation in the financial statement.

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.

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

MEDICAL STORES DEPARTMENT (MSD)

the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(j) 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 Department, 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.

(k) INCOME TAX

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

(l) REVENUE RECOGNITION

Revenue is recognized when it 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.

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:

- MSD has transferred to the buyer the significant risks and rewards of ownership of the goods;
- MSD retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- 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:

MEDICAL STORES DEPARTMENT (MSD)

- 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;
- 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, considering historical trends in the number of services actually provided on past goods sold; and
- Revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.
- 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.

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.

Deferred grant receivable/payable: 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 "Deferred Grants" and are utilized for the purpose for which those funds have been received and the grant managed. Thus, any specific grant expenditure incurred thereto are set off against the funds received and the unspent balance as at financial year end is shown under current liabilities as **Deferred Grant Payable**.

MEDICAL STORES DEPARTMENT (MSD)

(m) 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:

Table 25: Employees' benefits including post-employment benefits

No.	Name of the Fund	Employer Contribution	Employee Contribution
1	PSSSF	15%	5%
2	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.

(n) 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.

MEDICAL STORES DEPARTMENT (MSD)

(o) 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.

(p) FINANCIAL INSTRUMENT

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Entity recognises financial instruments when it becomes party to the contractual provisions.

Initial recognition of financial assets

The classification of financial instruments at initial recognition depends on their contractual terms and the management model for managing the instruments, as described below on the specific financial assets.

Financial instruments are initially recognized and measured at their fair value. Except for financial assets and financial liabilities recorded at fair Value through Surplus or Deficit, transaction costs are added to this amount.

Other receivables that do not contain a significant financing component or for which the Entity has applied the practical expedient are measured at the transaction price.

Measurement categories

The Entity classifies all of its financial assets based on the management model for managing the assets and the asset's contractual terms. The categories include the following:

- Financial assets at Amortized Cost,
- Financial asset at Fair Value through Net asset/ Equity, and
- Financial asset at Fair Value through Surplus or Deficit.

Financial assets at Amortized Cost

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

MEDICAL STORES DEPARTMENT (MSD)

The Entity's financial assets at amortized cost includes cash and bank balances, government receivables, staff loans and other receivables. Financial assets are held at amortised cost if both of the following conditions are met:

- The instruments are held within a **management model** with the objective of holding the instrument to collect the contractual cash flows.
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are **solely payments of principal and interest (SPPI)** on the principal amount outstanding.

Financial asset at Fair Value through Net asset/ Equity.

The Entity applies the new category under IPSAS 41 for financial asset at Fair Value through Net asset/ Equity when both of the following conditions are met:

- The instrument is held within a management model, the objective of which is both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

Financial assets in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions. The department does not have any financial assets at fair value through net asset / equity.

Financial asset at Fair Value through Surplus or Deficit

Financial assets in this category are those that are managed in a fair value management model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IPSAS 41. This category includes financial assets whose cash flow characteristics fail the SPPI criterion or are not held within a management model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell. The department does not have any financial assets measured at fair Value through Surplus or Deficit.

Subsequent measurement

After initial measurement, financial assets are measured at amortized cost, using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. ECLs are recognized in the statement of surplus or deficit when the investments are impaired.

Financial asset at Fair Value through Net asset/ Equity

Financial asset at Fair Value through Net asset/ Equity are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in net asset. Interest income and foreign exchange gains and losses are recognized in Surplus or Deficit in the same manner as for financial assets measured at amortized cost.

MEDICAL STORES DEPARTMENT (MSD)

Where the Entity holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On recognition, cumulative gains or losses previously recognized in net asset are reclassified from net asset to surplus or deficit.

FINANCIAL INSTRUMENT

The ECLs for financial assets measured at Fair Value through Net asset/ Equity do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in net asset with a corresponding charge to Surplus or Deficit. The accumulated gain recognized in net asset is recycled to the Surplus or Deficit upon recognition of the assets.

Financial assets at fair value through Surplus or Deficit

Financial assets at fair value through Surplus or Deficit are recorded in the statement of financial position at fair value. Changes in fair value are recorded in Surplus or Deficit. Interest earned on assets mandatorily required to be measured at fair value through Surplus or Deficit is recorded using contractual interest rate

De-recognition

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

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

The Entity considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

De-recognition due to substantial modification of terms and conditions

The Entity derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognized as a de-recognition gain or loss.

When assessing whether or not to derecognize an instrument, amongst others, the Entity considers the following factors:

- Change in currency of the debt instrument.

MEDICAL STORES DEPARTMENT (MSD)

- Introduction of an equity feature
- Change in counterparty.
- If the modification is such that the instrument would no longer meet the SPPI criterion

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Entity records a modification gain or loss.

Impairment of financial assets

The Entity recognizes loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are not measured at Fair Value through Surplus or Deficit. The Entity's financial assets in scope of IPSAS 41 Impairment include the following

- Government receivables
- Cash at bank, and
- Other receivables.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Entity expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Entity considers a financial asset to be in default (credit impaired) when contractual payments are 730 days past due. However, in certain cases, the Entity may also consider a financial asset to be in default when internal or external information indicates that the Entity is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The calculation of ECLs

The Entity calculates ECLs based on scenarios to measure the expected cash shortfalls, discounted at an appropriate EIR. When estimating the ECLs, the Entity considers 3 scenarios (a base case, an upside, and downside). When relevant, the assessment of multiple scenarios also incorporates the probability of default assessment.

A loss allowance is calculated at each reporting date however, the ECL model is updated on quarterly basis to accommodate any event that might cause significant increase in credit risks on financial asset. The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss. Determining whether an expected

MEDICAL STORES DEPARTMENT (MSD)

credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

Inputs into measurement of ECLs

The key inputs into the measurement of ECLs are the discounted product of probability of default (PD), loss given default (LGD) and exposure at default (EAD) as defined below:

FINANCIAL INSTRUMENT

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD the Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD the Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Entity would expect to receive. It is usually expressed as a percentage of the EAD.

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

Forward looking information

In its ECL models, the Entity relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth
- Consumer price index
- Government consumptions

Write-offs

Financial assets are written off either partially or in their entirety only when the Entity has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

Recognition

Financial liabilities are recognized when the Entity has contractual obligation to deliver cash as a result of goods or services received and financial asset include cash, receivables,

MEDICAL STORES DEPARTMENT (MSD)

investments, and other assets that represent a contractual right to receive cash or another financial asset from another entity.

Measurement

Financial liabilities are initially measured at fair value and net gains and losses, including any interest expense, are recognized in surplus or deficit. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in surplus or deficit. Any gain or loss on recognition is also recognized in surplus or deficit.

Recognition

The Entity derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Entity also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

On recognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in surplus or deficit

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneous

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.

i. 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.

MEDICAL STORES DEPARTMENT (MSD)

ii. Impairment losses on financial assets

The measurement of impairment losses under IPSAS 41 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

The Entity uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Entity's historical observed default rates. The Entity will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

iii. 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.

iv. 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 considered in determining the final value of inventories. Provision for obsolete stock is made to reduce costs of items to estimated net realizable value.

RISKS MANAGEMENT AND CONTROL

a) Risk Management Framework

The Department continued to implement its risk management activities in accordance with the **Annual Risk Management Action Plan**. The overarching objectives of these efforts were to ensure that effective internal controls are in place, safeguarding the Department's assets, enhancing compliance with applicable laws and regulations, and protecting the organization's reputation with the public.

MEDICAL STORES DEPARTMENT (MSD)

During the year, Department conducted strategic and operational risk assessment and implemented mitigations measures that were designed to address risks to which department was exposed. The internal Audit Unit Monitored compliance with risk management meetings and reviews were conducted and key risks and results of the reviews were reported to the Board of trustees for decision and guidance.

The Board of Trustees of the Department continued to hold final responsibility for overseeing the risk management practices. This included ensuring that adequate internal financial and operational control systems were developed, implemented, improved, and maintained, while also upholding governance principles throughout the organization.

b) Exposure to risk

MSD has exposure to the following risks from its use of financial instruments:

i. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The entity is exposed to credit risk from its operating activities (primarily receivables), staff loans and from its financing act.

Receivables

Outstanding receivables are regularly monitored. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Entity's receivables and contract assets using a provision matrix.

Analysis of Receivables as at June 2024

Aging	Receivables	Loss rate	ECL
0-90 Days	17,553,709,748	8%	1,354,814,077
91-180 Days	8,346,426,178	11%	955,721,513
181-270 Days	16,301,549,539	18%	2,961,390,842
271-365 Days	29,496,262,711	21%	6,121,067,863
365-450 Days	1,668,357,776	21%	346,217,799
451-540 Days	1,445,139,150	21%	299,895,444
541-630 Days	18,431,116,255	21%	3,824,827,386
631-730 Days	291,826,213,291	21%	60,559,809,670
Above 730 Days	5,262,198,031	43%	2,286,523,159
TOTAL	390,330,972,679		78,710,267,753

MEDICAL STORES DEPARTMENT (MSD)

Receivables 30 June 2023

As of June 2023, MSD receivables totalled to TZS 373,718,275,197.82, leading to a provision of TZS 135,290,344,118.42. This means that, the substantial portion of the receivables remained unpaid for over 730 days. Consequently, an Expected Credit Loss (ECL) of TZS 135,290,344,118.42 equivalent to 36% of the receivables was recognized as LOSS. This resulted in a reduction of the accumulated surplus for the 2022/2023 financial year.

Analysis of receivables as at June 2023

Aging	Receivables (TZS)	Loss rate	ECL (TZS)
0-90 Days	8,820,684,347.04	0.09	762,916,601.26
91-180 Days	1,346,961,982.90	0.13	172,993,662.66
181-270 Days	6,514,846,820.20	0.20	1,330,158,055.19
271-365 Days	73,064,846,663.04	0.23	16,979,713,778.89
365-450 Days	96,666,338.60	0.23	22,464,520.72
451-540 Days	298,562,864.69	0.23	69,383,735.39
541-630 Days	237,260,589.39	0.23	55,137,553.60
631-730 Days	542,247,154.54	0.23	126,014,108.04
Above 730 Days	282,796,198,437.42	0.41	115,771,562,102.67
TOTAL	373,718,275,197.82		135,290,344,118.42

Total Cash in the Banks to which the Entity is exposed to credit risk as of 30 June 2024 with its comparative figures are presented in the table below according to the classification of assets (classification according to external credit rating is done based on credit ratings published by Standard and Poor's, Moody's or fitch).

Credit quality

Credit quality per class of financial assets. The table below shows the quality by class of asset for all financial assets exposed to credit risk, based on the Entity's credit rating system. The amount presented is gross of impairment allowances.

June 2024

Description	Stage 1	Stage 2	Stage 3	Total
Exposure at default (EAD)				
Bank balances	85,058,711,412			85,058,711,412
TOTAL	85,058,711,412			85,058,711,412
Expected credit loss (ECL)				
Bank balances	86,478,717			86,478,717
TOTAL	86,478,717			86,478,717
Net balance	86,478,717			86,478,717

MEDICAL STORES DEPARTMENT (MSD)

June 2023

Description	Stage 1	Stage 2	Stage 3	Total
Exposure at default (EAD)				
Bank balances	2,377,293,552			2,377,293,552
TOTAL EAD	2,377,293,552			2,377,293,552
Expected credit loss (ECL)				
Bank balances	119,243			119,244
TOTAL ECL	119,244			119,244
Net balance	2,377,174,308			2,377,174,308

Financial Assets	Exposure as at Default (EAD)		Expected Credit Loss (ECL)		% of ECL as at Reporting Date	Reference
Year	2023	2024	2023	2024		
Bank Balances						'1.1 Bank Balances (23)
	237,729,355,202	85,058,711,412	119,243,816	86,478,717	0.0502%	
	237,729,355,202	85,058,711,412	119,243,816	86,478,717	0.0502%	

MEDICAL STORES DEPARTMENT (MSD)

ECL for Staff Loan:

Jun-24

Stage	Exposure at default	ECL	Net Balance	Loss rate
Stage 1	433,917,020	381,170	433,535,850	0.1%
Stage 2	158,870,257	28,537,336	130,332,921	18.0%
Stage 3	13,577,207	13,577,207	-	100.0%
TOTAL	606,364,484	42,495,713	563,868,771	7.0%

Adjustments

DR- Surplus or

Deficit (ECL) -27,002,896

CR- ECL receivables (Position) 27,002,896

Jun-23

Stage	Exposure at default	ECL	Net Balance	Loss rate
Stage 1	880,973,236	1,052,440	879,920,797	0.1%
Stage 2	190,677,889	53,423,837	137,254,052	28.0%
Stage 3	15,022,332	15,022,332	-	100.0%
TOTAL	1,086,673,458	69,498,609	1,017,174,848	6.4%

Adjustments

DR- Net asset 69,498,609

CR- ECL receivables (Position) 69,498,609

Reconciliations of the impact of application of IPSAS 41

	Accumulated surplus impact		
Expected credit loss impact	Closing balance under IPSAS 29	Impact of initial application of IPSAS 41	Closing balance under IPSAS 41
Bank balances	-	119,244	(119,244)
Government Receivables	24,093,326	135,290,344	(111,197,018)
Staff Loan	-	69,498,609	(69,498,609)
TOTAL	24,093,326	204,908,197	(180,814,871)

MEDICAL STORES DEPARTMENT (MSD)

5. CASHFLOW SCHEDULES

SCH. 5a

Account Receivables 30 June 2024	Notes	DR	CR
Government Receivable Opening balance	18	373,718,275	
Government Receivable Closing balance	18		390,330,973
Advance from customer closing balance	23	115,657,948	
Advance from customer opening balance	23		161,510,494
Project accounts closing balance	20	300,243	
Project accounts opening balance	20		107,764,210
Deferred customer credit closing balance	26a	25,618,126	
Deferred customer credit opening balance	26a		3,597,641
Other receivables opening balance	17	1,164,464	
Other receivables closing balance	17		866,133
Sales	6	551,520,287	
Other Gains and Losses	7b	(23,921,642)	
Exchange transactions(Cash collection)			379,988,251
		<u>1,044,057,702</u>	<u>1,044,057,702</u>

SCH. 5b

Account Payable 30 June 2024

		DR	CR
Trade and other payables Closing balance	27	203,281,897	
Trade and other payables Opening balance	27		197,146,926
Advance to suppliers Opening balance	16	57,250,747	
Advance to suppliers Closing balance	16		38,147,089
Cost of Goods sold	8		392,408,459
Opening Stock	19	100,014,107	
Closing Stock	19		172,727,891
Prepayment Opening balance	15	19,218,231	
Prepayment Closing balance	15		4,169,723
Supplies and consumables		424,835,107	
Provision			
		<u>804,600,088</u>	<u>804,600,088</u>

Note 6. Revenue from Exchange Transactions

	30-Jun-2024	30-Jun-2023
	TZS'000	TZS'000
Clearing, distribution, and storage service	41,487,323	24,456,407
Direct Delivery	7,638,765	7,001,691
Direct Delivery- Hospitals	1,321	25,398
Normal sales	315,805,271	175,935,577

MEDICAL STORES DEPARTMENT (MSD)

Special procurement sales	59,073,455	69,819,843
Transport service	149,969	564,353
Vertical program sales	127,364,183	109,002,992
	551,520,287	386,806,262

Note 7. OTHER INCOME

Bank interest income	259	37,678
Income from sale of Tender Documents	-	-
Miscellaneous Income	420,367	263,040
	420,626	300,719

Note 7b. Other Gains and Loses

Gain/(loss) of forex	(23,915,461)	1,015,959
Gain/(loss) on disposal	-	-
Impairment of Assets	-	-
Opening balances clearing account	(0)	(0)
Prior year adjustments	(6,180)	-
	(23,921,642)	1,015,959

Note 8. MEDICINE AND MEDICAL SUPPLIES COSTS

Clearing and forwarding services	-	-
Cost of Free Issues	-	-
Distribution services	-	-
Foreign currencies(gain)/loss on purchases	12,724	(535,522)
Importation Costs	(7,333,022)	(6,076,273)
Increase/(Decrease) in stock impairment provisions	2,351,138	1,142,995
Normal business cost of goods sold	260,565,398	142,633,658
Special business cost of goods sold	46,143,033	54,332,891
Stock Adjustments Expiry	2,043	24,946
Stock Adjustments Theft	0	22,670
Storage services	-	-
Transport services	-	(2,800)
Vertical program cost of goods sold	90,667,144	87,826,786
	392,408,459	279,369,350

Note 9. PACKING COST

Packaging materials	884,196	748,820
Packaging contractors	834,336	414,764
	1,718,532	1,163,584

MEDICAL STORES DEPARTMENT (MSD)

Note 10 DISTRIBUTION COST

Air freight Drugs & Medical Supplies	-	-
Air freight Vaccines	-	-
Central distribution	5,612,968	3,355,575
Daily employees' wages	-	-
Hire of vehicle and other transportation	612,763	55,465
Repair & maintenance Motor Vehicles: Heavy	-	-
Workshop Consumables	-	175,800
Zonal offices	6,325,486	4,165,134
	12,551,217	7,751,974

Note 11. EMPLOYEE COST

Salaries and wages	22,118,034	17,280,319
Workers Compensation Funds	64,722	80,330
Contribution to pension funds	3,124,742	2,560,673
Contribution to WEKEZA funds	1,829,278	1,622,072
Transport allowance	-	-
Other staff costs 11 (i)	7,421,764	7,361,863
	34,558,540	28,905,258

(i) Analysis of Other staff cost

Lunch expenses	1,649,652	1,189,450
Medical expenses	115,259	155,256
Personnel costs	1,190,065	2,029,887
Personnel travelling expense	-	-
Staff incentive	2,874,652	1,466,207
Staff welfare	1,503,757	2,390,137
Conference and meetings	88,379	130,926
	7,421,764	7,361,863

Note 12. ADMINISTRATION EXPENSES

Audit Fees	1,401,924	562,958
Bank Charges	261,997	202,151
Board Expenses	327,545	305,928
Cash loss	-	-
Catalogue	4,602	5,349
Claims on Suppliers recovery	-	-
Donation	69,148	-
E-mail, Internet & Data Connectivity	800,692	635,886
Electricity and water	1,071,777	1,019,595
EPI MATS/EQPT/SERV	-	-
Face Masks Production Unit Consumables Exp	152,546	408
Fines and penalties	-	-

MEDICAL STORES DEPARTMENT (MSD)

Fuel - Generator	155,242	106,551
General Procurement Costs	1,980,268	465,611
Insurance	1,098,542	1,190,574
Inter warehouse Central Distribution Costs	-	-
Motor Vehicle road license	-	-
MRC Project Expenses - MB -	65,298	-
Office Cleaning	277,162	279,731
Other Customer Services Costs	-	-
Professional fees	958,377	633,436
Quality Control Costs	102,150	1,259,898
Quality control Issues	28,377	10,180
Rent expenses	3,318,719	513,363
Repair and maintenance-Access Road	-	-
Repair and maintenance-Building	577,813	321,662
Repair and maintenance-Computer	970,786	110,265
Repair and maintenance-Furniture, Fittings and equipment's	516,387	743,983
Repair and maintenance-Motor vehicles	7,684	47,586
Repair and maintenance-Other Non-Current assets	-	-
Repairs and maintenance	1,674	2,518
Sales and marketing expenses	1,078,630	838,179
School Net Programmer (S.N.P)	1,373,142	2,095,569
Security expenses	1,284,693	1,214,699
Software Licenses	1,323,867	579,680
Stationary and Office Supplies	786,406	758,849
Stock Adjust-WAC-HQ-	-	-
Storage Pallets	6,489	3,931
Targeted Replacement Co. (TRC)	997,250	-
Telecommunication expenses	717,974	603,025
Training and recruitment	2,405,118	1,654,411
Travel and per diem	5,667,513	4,730,285
Vehicle Fuel and oil	400,099	1,379,273
Contribution to CF (15%)	200,000	-
	30,389,889	22,275,531

Note 13. DEPRECIATION AND AMORTIZATION EXPENSES

Buildings depreciations	1,602,591	1,705,905
Computers and IT equipment depreciation	1,162,586	439,125
Furniture; Fittings and Equipment depreciation	476,751	520,603
Machinery depreciation	136,944	124,354
Motor vehicles depreciations	1,382,174	2,253,742
Intangible assets depreciations	363,589	636,711

MEDICAL STORES DEPARTMENT (MSD)

	<u>5,124,636</u>	<u>5,680,440</u>
Note 14a. EXPECTED CREDIT LOSS		
Expected credit losses for bank balances	(56,633,682)	4,490,536
Provision for bad debts		-
	<u>(56,633,682)</u>	<u>4,490,536</u>

Note 14b. CASH AND BANK BALANCES

Cash at bank	85,058,711	237,729,355
Cash on hand	-	4,753
Less: Expected credit loss	(86,479)	(119,244)
	<u>84,972,233</u>	<u>237,614,864</u>

Movement in Expected credit loss:

Balance as beginning 1 July		-
Charge/(release) for the year	(86,479)	-
	<u>(86,479)</u>	<u>-</u>

Balance at the end 30 June

Analysis of Cash and Cash Equivalent
For the purpose of the statement of cash flows,
cash and cash equivalent comprises of the
following balances

Cash as per Statement of Financial Position	84,972,233	237,614,864
Expected Credit Loss	86,479	119,244
Cash and cash equivalent for cash flow purposes	<u>85,058,711</u>	<u>237,734,108</u>

Note 15. PREPAYMENTS

Container deposits	-	-
Prepaid expenses	332,249	305,497
Prepayment - non-trading	3,837,474	18,912,734
	<u>4,169,723</u>	<u>19,218,231</u>

During the year under review, prepaid expenses for supplies of goods and services were recognized for official use for services not delivered/ consumed.

MEDICAL STORES DEPARTMENT (MSD)

	2023/24	2022/23
Note 16. ADVANCE PAYMENT TO SUPPLIERS		
Advance to suppliers - Local suppliers	9,201,022	13,588,060
Advance to suppliers - Overseas suppliers	28,946,068	43,662,687
	<u>38,147,089</u>	<u>57,250,747</u>
Note 17. OTHER RECEIVABLES		
Accrues interest on bank	-	-
Other receivables	266	266
Staff receivables	865,867	1,164,198
Provision for ECL	(42,496)	(69,499)
Trade receivables	<u>823,637</u>	<u>1,094,966</u>
Note 18. GOVERNMENT RECEIVABLES		
Government and health facilities receivables	390,330,973	373,718,275
	<u>390,330,973</u>	<u>373,718,275</u>
Less: Provision for doubtful debts	<u>(78,716,430)</u>	<u>(135,290,344)</u>
	<u>311,614,542</u>	<u>238,427,931</u>
National Hospital	18,952,956	9,834,436
Zonal Referral Hospitals	6,779,827	2,057,768
Special Hospitals	4,994,645	2,627,075
Regional Hospital	10,669,658	7,434,531
Districts Hospitals	15,444,970	2,810,334
Private DDH	197,714	121,878
Public DDH	896,457	128,163
DED & Town Council	2,400,000	1,969,662
Basket Funding	-	396,820
Health Centers	13,769,446	1,325,134
Dispensaries	23,352,106	4,288,901
VP Goods	-	5,835,689
VP Services	267,799,864	280,937,586
Private Sector	4,349,963	5,601,343
Government Institutions	20,400,263	48,348,955
	-	-
Local Authorities BF	323,104	
	<u>390,330,973</u>	<u>373,718,275</u>
Less: Expected Credit Loss	<u>(78,716,430)</u>	<u>(135,290,344)</u>
Net government receivable	<u>311,614,542</u>	<u>238,427,931</u>
Movement in Expected credit loss:		
Balance as beginning 1 July	135,290,344	19,602,790
Impact on initial application of IPSAS 41	<u>135,290,344</u>	<u>19,602,790</u>

MEDICAL STORES DEPARTMENT (MSD)

Charge/(release) for the year	(56,573,914)	115,687,554
Balance at the end 30 June	<u>78,716,430</u>	<u>135,290,344</u>

Note 19. INVENTORIES AND CONSUMABLES

Catalogue stock	204,128,763	118,643,515
Cold chain equipment	30,004	30,004
Lubricant, tyres & Spare parts	411,516	1,256,435

Other accrued expenses	1,981,439	6,577,859
Ointment and Cream Production Unit Consumable	-	-
Stock Packaging materials	216,980	217,857
Special Procurement Stock	2,757,300	7,822,472
Stationery and office supplies	268,154	292,362
	209,794,157	134,840,505
Less: Provision for obsolete stock	(37,177,537)	(34,826,399)
add: Expired stock		
	<u>172,727,891</u>	<u>100,014,107</u>

Movements in provisions for obsolete stock

At the beginning of the year	34,826,399	33,683,404
Charge/(release) for the year	2,351,138	1,142,995
At the end of the year	<u>37,177,537</u>	<u>34,826,399</u>

Analysis of provision

Expiry and Obsolete stock	37,178	34,826,399
Total	<u>37,178</u>	<u>34,826,399</u>

MEDICAL STORES DEPARTMENT (MSD)

Note 20a. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Motor vehicles	Machinery	Furniture; Fittings and Equipment	Computers and IT equipment	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
As at 30 JUNE 2024							
<u>Cost</u>							
At 01 July 2023	14,165,310	85,295,248	30,777,364	3,047,906	7,811,841	7,863,850	148,961,519
Additions	40,712	-	1,061,838	-	2,141,0574	1,835,493	5,079,100)
Asset categorization			(1,914,653)	(128,666)	(2,782,832)	(2,304,607)	(7,130,758)
As 30 June 2024	14,206,022	85,295,248	29,924,549	2,919,240	7,170,065	7,394,737	146,909,861
<u>Accumulated depreciation</u>							
At 01 July 2023	-	16,383,830	21,208,854	1,840,969	5,864,905	6,335,190	51,633,749
Charge for the year	-	1,602,591	(122,109)	32,064	(1,915,893)	(347,079)	(750,425)
Prior Year Adjustment			4,809,279	495,366	436,265	3,900,508	9,641,418
As 30 June 2024	-	17,986,422	16,277,466	1,377,667	3,512,747	2,087,604	41,241,906
<u>Carrying amount</u>							
As at 30 June 2024	14,206,022	67,308,826	13,647,083	1,541,573	3,657,318	5,307,133	105,667,955

MEDICAL STORES DEPARTMENT (MSD)

Note 20a. PROPERTY, PLANT AND EQUIPMENT (Continued.....)

	Land	Buildings	Motor vehicles	Machinery	Furniture; Fittings and Equipment	Computers and IT equipment	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
As at 30 June 2023							
<u>Cost</u>							
At 01 July 2022	13,199,310	85,295,248	29,866,543	3,047,906	7,452,958	6,533,781	145,395,746
Additions	13,199,310	85,295,248	29,866,543	3,047,906	7,452,958	6,533,781	145,395,746
Prior Year Adjustment	966,000	-	910,821	(0)	247,852	1,330,069	3,454,742
At 30 June 2023	-	-	-	-	111,031	-	111,031
At 30 June 2023	14,165,310	85,295,248	30,777,364	3,047,906	7,811,841	7,863,850	148,961,519
<u>Accumulated depreciation</u>							
At 01 July 2022	-	14,677,926	18,955,112	1,716,615	5,344,302	5,896,066	46,590,020
Charge for the year	-	1,705,905	2,253,742	124,354	520,603	439,125	5,043,729
At 30 June 2023	-	16,383,830	21,208,854	1,840,969	5,864,905	6,335,190	51,633,749
<u>Carrying amount</u>							
As at 30 JUNE 2023	14,165,310	68,911,417	9,568,510	1,206,937	1,946,936	1,528,660	97,327,770
As at 30 JUNE 2023	13,199,310	70,617,322	10,911,431	1,331,291	2,108,656	637,716	98,805,726

MEDICAL STORES DEPARTMENT (MSD)

- a) The Property, Plant and Equipment during the year ended 30 June 2024 stood at TZS 105,667 million (2023: TZS 106,969 million). The decrease of TZS 1,301million was mainly attributed by the recognition of assets held for sale of several assets to smoothen activities of the Department.
- b) There were no amounts of restrictions on title, and property, plant and equipment of the Department pledged as security for liabilities during the year ended 30 June 2024 (2023: NIL).
- c) There were no any amounts of expenditures recognized in the carrying amount of an item of property, plant and equipment during its construction during the financial year ended 30 June 2024 (2023: NIL).
- d) There was no amount of impairment losses with regard to property, plant and equipment recognized, or reversed, during the period in accordance with IPSAS 21 or IPSAS 2

Note 21. WORK IN PROGRESS

	Work in progress - Buildings	Work in Progress- Machinery	Total
	TZS '000	TZS '000	TZS '000
As at 30 JUNE 2024			
<u>Cost</u>			
At 01 July 2023	3,256,666	16,667,967	19,924,634
Additions	21,620,680	2,331,210	23,951,890
As 30 June 2024	24,877,347	18,999,177	43,876,524
As at 30 June 2023	(0)	-	
<u>Cost</u>	3,130,910	12,095,055	
At 01 July 2022	3,130,910	12,095,055	15,225,965
Additions	125,756	4,572,912	4,698,668
At 30 June 2023	3,256,666	16,667,967	19,924,634

	June 2024 TZS '000	June 2023 TZS '000
Note 22. INTANGIBLE ASSETS		
<u>Cost</u>		
At the beginning of the year	6,367,111	6,367,111
Additions	-	-
At the end of the year	6,367,111	6,367,111
<u>Accumulated Amortization</u>		
At the beginning of the year	3,094,806	2,458,095
Charge for the year	363,589	636,711
At the end of the year	3,458,396	3,094,806
<u>Net carrying amount</u>		
At the end of the year	2,908,715	3,272,305

MEDICAL STORES DEPARTMENT (MSD)

- (a) Intangible assets relate to cost of computer software Epicor9 (Integrated Financial Management System) initial cost and subsequent development & upgrades of accounting modules.
- (b) All intangible assets were assessed and classified as having a definite useful life. No intangible asset was assessed as having an indefinite useful life during the financial year ended 30 June 2024 (2023: NIL).
- (c) The was carrying amounts of intangible assets whose title is restricted or carrying amounts of intangible assets pledged as security for liabilities during the financial year ended 30 June 2024 (2023: NIL).
- (d) There was no contractual commitment (s) for the acquisition of intangible assets as at the financial year ended 30 June 2024 (2023: NIL).

	2023/24	2022/23
	TZS '000	TZS '000
Note 23. ADVANCE PAYMENT FROM CUSTOMERS		
Advances due to customers	115,657,948	161,510,494
	115,657,948	161,510,494
National Hospital	100	996,625
Zonal Referral Hospitals	7,201,218	10,538,649
Special Hospitals	5,021,686	5,128,118
Regional Hospital	4,831,920	8,118,611
Districts Hospitals	8,152,591	13,487,082
Private DDH	106,843	156,034
Public DDH	284,411	519,449
DED & Town Council	1,679,209	671,918
Basket Funding	-	169,643
Health Centers	17,425,358	24,924,013
Dispensaries	36,746,241	62,371,233
VP Goods	-	10
VP Services	10,864,188	0
Private Sector	1,129,904	1,923,954
Government Institutions	22,189,636	32,505,156
Bakaa	-	-
Local Authorities BF	24,642	
	115,657,948	161,510,494
Note 24. DEFERRED GRANT ACCOUNT	TZS '000	TZS '000
At start of the year	107,764,210	121,428,887
Funds Received		
Amount spent	(107,463,966)	(13,664,677)
At the end of the year	300,243	107,764,210

MEDICAL STORES DEPARTMENT (MSD)

Deferred Grants accounts represent balances provided by donors for specific designated activities with agreements signed. The balance unspent at the end of the year is called forward to next financial period as a liability account.

	2023/24	2022/23
Note 25. DEFERRED CUSTOMER DEBIT/(CREDIT)	TZS '000	TZS '000
Ministry of Health	25,618,126	3,597,641
	25,618,126	3,597,641

Deferred customer debits or (credits) represents balances 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.

Note 26. DEFERRED INCOME GRANTS

At start of the year	12,837	12,837
	-	-
At the end of 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.

Note 27. TRADE AND OTHER PAYABLES

Non-trade creditors	38,027,056	51,830,279
Other accrued	212,492	247,816
Payable in respect of staff costs	513,425	596,724
TFDA Fees - Vertical programmer	-	-
Trade creditors	163,668,420	144,074,685
Unrealized Interest Income on Loan	6,935	58,763
Unrealized vertical programmer charges	(0)	(0)
Withholding tax payable	856,569	338,659
	203,281,897	197,146,926

Note 28a. TAXPAYERS FUND

As at 1 July	17,258,246	17,258,246
Additional	-	-
As at 30 June	17,258,246	17,258,246

Taxpayers fund represented by:

Original capital from Central Medical Stores	5,000	5,000
Working capital received from Treasury in 1994	2,000,000	2,000,000
Capital Fund (Fixed Assets)	15,253,246	15,253,246
	17,258,246	17,258,246

	2023/24	2022/23
Note 28b. ACCUMULATED SURPLUS/(DEFICIT)	TZS '000	TZS '000
As at 1 July	296,496,616	359,394,643

MEDICAL STORES DEPARTMENT (MSD)

Prior year		(101,384,294)
adjustments		
Surplus/(Deficit)	107,901,682	38,486,267
As at 30 June	404,398,298	296,496,616

(a) Capital funds

Original capital from Central Medical Stores	5	5
Working capital received from Treasury in 1994	2,000	2,000
Capital Fund (Fixed Assets)	15,253	15,253
	17,258	17,258

The capital funds of the Medical Stores Department comprise of funds received from the 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.

Note 28c. CAPITAL FUNDS AND ACCUMULATED SURPLUS

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	404,398,298	296,496,617
---------------------	-------------	-------------

Revenue reserves represent the 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 deferred revenue grant received over previous years in compliance with IPSAS 23.

MEDICAL STORES DEPARTMENT (MSD)

Note 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.

(ii) Compensation to key management personnel

Salaries and allowances	2,365,827	1,085,581
	<u>2,365,8270</u>	<u>1,085,581</u>

Key management personnel of MSD include the Director General, Departmental Directors, Legal Secretary, Chief Internal Auditor, Quality Assurance and Director of Finance.

(iii) Remuneration to the Board of Trustees

Board meeting expenses	148,890	234,095
Travelling and accommodation	178,654	71,833
	<u>327,545</u>	<u>305,928</u>

(iii) GOVERNMENT RECEIVABLES

OUTSTANDING BALANCE RECEIVABLE FROM THE MINISTRY OF HEALTH

During this financial year 2023/2024 the Government through the Ministry of Health (MoH) disbursed TZS 100Billion to MSD as part payment of accumulated debt.

The outstanding debt as at 30 June, 2024 is amounted to TZS 390 billion excluding provision (2023: TZS 373 billion). The debt increase was due to services provided. Out of this, TZS 267 billion (2023: TZS 280 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.

This significant outstanding balance receivable from the Ministry of Health, Community Development, Gender, Elderly and Children 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.

- (a) The Inventories during the year ended 30 June 2024 amounted of TZS 172 billion (2023: TZS 100 billion). The increase of TZS 72 billion was due to acquisition of medicine for distribution.
- (b) There was no any carrying amounts of inventories carried at fair value less costs to sell during the financial year ended 30 June 2024 (2023: TZS million).
- (c) There was no any carrying amounts of inventories pledged as security for liabilities during the financial year 30 June 2024 (2023: NIL)

MEDICAL STORES DEPARTMENT (MSD)

30. INFORMATION ON BUDGET PERFORMANCE

IPSAS 24 requires a public sector entity that is required or elect to make publicly available its approved budget to present budgetary information covering classification and basis adopted in the approved budget, budget period covered, and material difference (variances) between the final budget amount and actual amounts during the year for both revenue and expenditure

Note 30.1 Budgetary period covered.

The budget for financial year 2023/2024 covered a twelve (12) months period starting 01 July 2023 to 30 June 2024.

Note 30.2 Explanation for Material Variances

During implementation of the approved budget for financial year 2023/24, Medical Stores Department noted some material variances (above or below 10%) against its revenue and expenditure budget. Explanation on such variances is given below; -

Note 30.3 Revenue from Exchange Transactions

During the year ended 30 June 2024, MSD collected TZS 551,520 million on normal sales, special and other revenue compared to TZS 488,333 million budgeted equivalent to 129%. The increase of TZS 63,186 million was mainly caused by optimal results of stock availability, availability of funds for customers as well as VP Items stored during the period compared to the previous years.

Note 30.4 Government Allocation for procurement of medicine.

During the year ending June 30, 2024, the department received TZS 103.3 billion in government allocations, representing 50% of the budgeted amount of TZS 205 billion. The shortfall of TZS 102 billion was due to the government's under-release of funds.

Note 30.5 Packing cost.

During the year ended 30 June 2024, MSD incurred TZS 1,718 million as packing of medical supplies equivalent to 46% of the budgeted amount TZS 1,172 million. The increase of expenditure was mainly caused by volumes of incoming consignments hence increased casual labours and packing materials during the year.

Note 30.6 Distribution cost

During the year ended 30 June 2024, MSD incurred TZS 12,551million as distribution of medical supplies equivalent to 0.13% of the budgeted amount TZS 12,533million. The increase of expenditure was mainly caused by number of health facilities and six ILS circle delivery completion to health facility and fuel price increase led to increase of Fuel cost and vehicle maintenance (wear and tear) resulted to increased distribution cost.

Note 30.7 Employee cost.

During the year ended 30 June 2024, MSD incurred TZS 34,558 million as Wages, salaries, and employee benefits equivalent to 22% of the budgeted amount TZS 44,539 million. The

MEDICAL STORES DEPARTMENT (MSD)

difference of TZS 9,980 million was mainly caused by the various cost reduction strategies by the department.

Note 30.8 Administrative expenses

During the year ended 30 June 2024, MSD incurred TZS 30,389 million as Administration cost equivalent to 3.8% of the budgeted amount TZS 31,618 million. The decrease in expenditure was mainly caused by managing administration cost (overheads) of TZS 1,228 million observed during the year to support FY 2023/2024.

Note 30.8 Depreciation

During the year ended 30 June 2024, the Government issued new asset management Guidelines with new Rates of Depreciation for the year 2023/2024, This leads to decrease of Depreciation charge during the year.

Note 30.9 Impairment (Charge)/ on trade receivables.

During the financial year under review, the adoption of IPSAS 41 prompted a substantial reassessment of Expected Credit Losses (ECL). Prior year provisions of TZS 135,290 million for 2022/2023 were significantly adjusted. For 2023/2024, the impairment of trade receivables under IPSAS 41 decreased to TZS 78,716 million, reflecting a reduction in ECL on receivables. This change was largely driven by the recovery of long-outstanding amounts totalling TZS 100,000 million from the Ministry of Health. Consequently, TZS 56,633 million of ECL provisions were released, recognized as an accounting gain, and contributed to an exceptional profit in the period's performance statement.

Note 30.10 RECONCILIATION OF ACTUAL AMOUNTS ON A COMPARABLE BASIS AND ACTUAL AMOUNTS IN THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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 2024 is presented in Table below:

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

Descriptions	Operating (TZS)	Finan cing	Investing (TZS)	Total (TZS)
Actual amount on comparable basis as presented in the budget and actual comparative statement	55,714,153	0	0	55,714,153
Basis difference	(179,358,560)	0	(29,030,990)	(208,389,550)
Actual amount in the statement of cash flow amount	(123,644,407)	0	(29,030,990)	(152,675,397)

MEDICAL STORES DEPARTMENT (MSD)

Note 31. RESTATEMENT OF BALANCE

- Accumulated depreciation balance is restated due to change of Accounting estimate (Government asset management guideline)
- Plant and Machinery is restated because of omitted production Machinery amounting to 254,358,000.00 and Work in progress of Machinery recognized to Plant and Machinery amounting to TZS 54,618,700.00
- Office Furniture is restated due to omission for the year 2022/2023
- Restatement of Accumulated surplus as at 01 July 2022
- Adjustment of Revenue due to understatement Amounting to TZS 8,030,163.00
- Adjustment of Cost of Goods sold due to Overstatement Amounting to TZS 9,426,705,558

31(a): Restated Balance on Accumulated Depreciation

DESCRIPTIONS	Acc. Buildings	Acc. Motor vehicles	Acc. Depr Machinery	Acc. Depr Furniture; Fittings and Equipment	Acc depr. Computers and IT equipment	Total
	TZS "000"	TZS "000"	TZS "000"	TZS "000"	TZS "000"	TZS "000"
Opening as at July 01, 2023	-	21,208,854	1,840,969	5,864,905	6,335,190	35,249,948
Adjusted balance	-	(4,809,278)	(495,366)	(436,265)	(3,900,508)	(9,641,417)
Restated balance July 01, 2023	-	16,399,576	1,345,633	5,428,640	2,434,682	25,608,531

(b) Plant and Machinery is restated because of omitted production Machinery amounting to 254,358,000.00 and Work in progress of Machinery recognized to Plant and Machinery amounting to 54,618,700.00

DESCRIPTIONS	PLANT AND MACHINERY TZS "000"	ACCUMULATED SURPLUS TZS "000"
Audited balance at 1 July 2022	2,848,166	380,436
Adjusted balance-due to error of capitalize WIP amount	(54,619)	(54,619)
Adjusted balance-due to omission	254,358	254,358
Restated Balance	3,047,906	634,794

(c) Office Furniture is restated due to omission for the year 2022/2023

DESCRIPTIONS	OFFICE FURNITURE TZS "000"	ACCUMULATED SURPLUS TZS "000"
Audited balance at 1 July 2021	924,240	380,436
Adjusted balance	111,053	111,053
Restated Balance	1,035,293	269,383

MEDICAL STORES DEPARTMENT (MSD)

(d) Restatement of Accumulated surplus as at 1 July 2022

RESTATEMENT OF ACCUMULATED SURPLUS		
DETAILS	AMOUNT TZS"000"	Reason for Restated
Opening Balance as at 1 July 2022	359,394,643.00	
Overcharge of Depreciation	9,641,417.00	i
Impact of ECL:		
Staff Loan	(69,499.00)	ii
Receivable	(111,197,018.41)	iii
ECL Cash	(119,243.00)	iv
Loan recovery	-15,197.06	v
Omitted Liability	12,004.00	vi
Omitted off Furniture	111,030.84	vii
Omitted machine	252,211.64	viii
Liability not expensed	(30,393.88)	ix
Total Adjustment	(101,384,293.75)	
Restated Balance as at 1 July 2022	258,010,349.25	

- i. The amount of TZS 9,641,417 was adjusted due to an overcharge in depreciation, which caused an understatement in the accumulated depreciation."
- ii. The first adoption of the Expected Credit Loss (ECL) model for staff loans amounted to TZS 69,499 for the financial year 2022/2023, which led to a reduction in the accumulated surplus.
- iii. The first adoption of Expected credit loss for Government Receivable amounted TZS 111,197,018.41 for the financial year 2022/2023 which led to a reduction in the accumulated surplus.
- iv. ECL for cash bank which lead to reduction in accumulated surplus amounted of TZS 119,243 for financial year 2022/2023.
- v. Recognition amount of TZS 15,197.06 loan interest recovery which lead to increase accumulated surplus.
- vi. Derecognize of liability which was wrongly expenses which lead to understated of of accumulated surplus.
- vii. Adjusted for furniture amounted of TZS 111,030.84 which was wrongly expenses which lead to understated of Accumulated depreciation.
- viii. Adjusted for Machine amounted of TZS 252,211.64 which was wrongly expenses which lead to understated of Accumulated depreciation
- ix. The amount of TZS 30,393.88 was not expensed, which led to an overstatement of the accumulated surplus

(e) Adjustment of Revenue due to understatement Amounting to TZS 8,030,163.00

During the year under review, the Memorandum of Understanding (MoU) regarding Non-Global Fund transactions was fully implemented, ensuring that Receiving (1.1%) and Storage (3.7%)

MEDICAL STORES DEPARTMENT (MSD)

charges are included in revenue. These charges have been applied as a prior period adjustment for the fiscal year 2022/23.

For the fiscal year 2022/23, the actual Receiving and Storage charges amounted to TZS 8.03 billion. This adjustment reflects the inclusion of Receiving and Storage costs on all Goods Receipt Notes (GRNs) related to goods received from donors other than the Global Fund as per the terms of the MoU.

As a result of this adjustment, there has been an increase in revenue for the financial year 2022/23, aligning with the revised accounting practices and ensuring full compliance with the MoU stipulations.

Detail	Revenue (TZS)
Audited figure 2022/23	378,776,099.00
Prior year	
adjustment	8,030,163.00
Adjusted Revenue	386,806,262.00

(f) Adjustment of Cost of Goods sold due to Overstatement Amounting to TZS 9,426,705.55

Detail	amounted
Other Income Deffered Customers-HQ-	631,584.06
Local Non trading Creditors	1,378,141.69
overseas trade creditor	5,174.58
Local Non trading Creditors	5,480,098.04
Deposits	21,701.30
overseas trade creditor	40,726.67
Local Non trading Creditors	120,017.13
Deposits	271,903.11
Overstated Liability amount	156.00
Overstated Liability amount	18.00
Overstated Liability amount	24,745.37
Overstated Liability amount	25,769.85
	8,000,035.81

Note 32. COMPARATIVE FIGURES

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

MEDICAL STORES DEPARTMENT (MSD)

Note 33. ASSETS PLEDGED AS SECURITY FOR LIABILITIES

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

Note 34 (a) Cash Receipt-Budget working			
Description	Revenue from Exchange Transactions (TZS)	Other revenue (TZS)	Total (TZS)
BALANCE	551,520,287.05	420,625.78	551,940,912.83
Working capital Movement: -			
Prepayments	(15,048,507.79)		(15,048,507.79)
Advance payment to suppliers	(19,103,657.83)		(19,103,657.83)
Other receivables	(298,331.08)		(298,331.08)
Deferred grant receivable	(16,612,697.56)		(16,612,697.56)
Government receivables	(30,811,534.98)		(30,811,534.98)
Inventory	(75,064,922.83)		(75,064,922.83)
Grand total	394,580,634.98	420,625.78	395,001,260.76

Note 34(b) Cash Payment-Budget working						
Description	Cost of sales (TZS)	Packing cost (TZS)	Distribution cost (TZS)	Employee cost (TZS)	Administrative expenses (TZS)	Total (TZS)
BALANCE	392,408,459.02	1,718,531.83	12,551,216.61	34,558,539.82	30,389,888.90	471,626,636.17
Working capital Movement						-
Advance payment from customers	(45,852,545.76)					(45,852,545.76)
Deferred grant payable	(107,463,966.16)					(107,463,966.16)
Deferred customer credit	(22,020,484.29)					(22,020,484.29)
Trade and other payable	(6,134,971.09)					(6,134,971.09)
Grand total	254,977,460.29	1,718,531.83	12,551,216.61	34,558,539.82	30,389,888.90	334,195,637.45

Note 35. CATEGORIES OF FINANCIAL INSTRUMENTS

The categorization of financial instruments as per IPSAS 41 Financial Instruments -

Recognition and Measurement - is as shown below:

DESCRIPTIONS	Carrying Value	Staff Receivables/ Trade receivables/ Cash
	TZS '000'	TZS '000'
Financial Assets:		
30.06.2024		
Cash and Cash Equivalents	84,972,233	84,972,233
Receivables	354,754,992	354,754,992
TOTAL	439,727,225	439,727,225
30.06.2023		

MEDICAL STORES DEPARTMENT (MSD)

	2023/24 TZS '000'	2022/23 TZS '000'
Cash and Cash Equivalents	237,614,864	237,614,864
Receivables	315,991,875	315,991,875
Total Financial Assets	553,606,739	553,606,739
Financial Liabilities:		
Payables & Accruals		
30.06.2024		
Payables and Accruals	344,871,051	344,871,051
TOTAL	344,871,051	344,871,051
30.06.2023		
Payables and Accruals	470,032,108	470,032,108
Total Financial Liabilities	470,032,108	470,032,108

Note 36. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT) FOR THE PERIOD ENDED 30 JUNE, 2024

Operating activities	Notes		
Surplus for the year		107,901,682	38,486,267
Adjustment for:			
Depreciation of property and equipment	24	4,761,046	5,043,729
Amortization of intangible asset	22	363,589	636,711
Provision for stock expiry	19	2,351,138	1,142,995
Release of other provisions:			
Impairment charge/(release) on receivables	14a	(56,633,682)	4,490,536
		58,743,773	49,800,237
Changes in operating assets and liabilities:			
(Increase)/Decrease in prepayments		15,048,508	4,648,215
(Increase)/Decrease in advance payment to suppliers		19,103,658	40,497,344
(Increase)/Decrease in Other receivables		298,331	613,859
(Increase)/Decrease in Government receivable		(16,612,698)	(261,475,005)
(Increase)/Decrease in inventories		(75,064,928)	(40,779,684)
Increase/(Decrease) in advance payment from customers		(45,852,546)	(20,813,621)
Increase/(Decrease) in deferred grants		-	-
Increase/(Decrease) in deferred grants payable		(107,463,966)	(13,664,677)
Increase/(Decrease) in deferred customer credit		22,020,484	(9,777,556)
Increase/(Decrease) in trade and other payable		6,134,971	13,145,747
		(182,388,180)	(105,281,263)
Net cash flows used in operating activities		(123,644,407)	(55,481,026)

MEDICAL STORES DEPARTMENT (MSD)

Note 37. LIST OF TRANSACTIONS/BALANCES WITH OTHER GOVERNMENT ENTITIES FOR THE YEAR ENDED 30 JUNE 2024.

No.	GOODS/ SERVICES RECEIVED	COUNTER PARTY ENTITY	SUPPLIER ID	SUPPLIER LOCATION	AMOUNT	BALANCES
1	Air travel services	AIR TANZANIA COMPANY LIMITED	LC1222	DAR ES SALAAM	220,000,000	-234,618,474.50
2	Consulting services	ARU BUILT ENVIRONMEMNTAL CONSULTING CO LTD	LC2017	DAR ES SALAAM	593,400,000.00	-
3	To regulate fraud examiners (internal auditors)	ASSOCIATION OF CERTIFIED FRAUD EXAMINERS(ACFE)	LC0851	DAR ES SALAAM	450,000	-
4	To regulate employers (HR)	ASSOCIATION OF TANZANIA EMPLOYERS	LC0514	DAR ES SALAAM	4,500,000	-
5	Provision of water services	DAR ES SALAAM WATER AND SEWAGE CORPORATION	LC0361	DAR ES SALAAM	41,216,334.88	10,455,747.95
6	Provision of e-government systems (like e-office, egms, and others)	E-GOVERNMENT AGENCY	LC01094	DAR ES SALAAM	80,344,764.28	22,381,000.00
7	Provision of registration sample analysis of medicines and medical devices	GOVERNMENT CHEMIST LABORATORY AGENCY	LC0330	DAR ES SALAAM	2,262,449	-4,000,000.00
8	Provision of fuel and stationary services	GOVERNMENT PROCUREMENT SERVICES AGENCY	LC0505	IRINGA	132,766,135	-17,503,437.00
9	Provision of fuel and stationary services	GOVERNMENT PROCUREMENT SERVICES AGENCY	LC0567	DAR ES SALAAM	2,240,738,002	434,246,327.32
10	Provision of fuel and stationary services	GOVERNMENT PROCUREMENT SERVICES AGENCY (GPSA)	LC0301	TANGA	157,494,686	-11,235,792.00
11	Provision of fuel and stationary services	GOVERNMENT PROCUREMENT SERVICES AGENCY (GPSA)	LC0784	KILIMANJA RO	230,628,080	-15,653,854.00
12	Provision of fuel and stationary services	GOVERNMENT PROCUREMENT SERVICES AGENCY (GPSA)	LC0847	MTWARA	-220,738,524	24,346,201.00
13	Provision of water services	MAMLAKA YA MAJI SAFI NA USAFI WA MAZINGIRA-MULEBA	LC1026	MULEBA	50,000	42,420.00
14	Provision of water services	MWANZA WATER AND SEWERAGE AUTHORITY	LC0700	MWANZA	3,234,748.90	782,516.40

MEDICAL STORES DEPARTMENT (MSD)

15	Provision of environment security (environmental fee)	National Environment Management Council	LC0760	DAR ES SALAAM	9,300,000	17,250,000.00
16	Provision of health insurance for staff	NATIONAL HEALTH INSURANCE FUND	LC0327	DAR ES SALAAM	253,000,000	-
17	Provision of insurance services	NATIONAL INSURANCE CORPORATION OF TANZANIA LIMITE	LC1074	DAR ES SALAAM	331,856,272.81	42,025,227.78
18	Sample analysis testing and evaluation	NATIONAL PUBLIC HEALTH LABORATORY	LC2048	DAR ES SALAAM	800,000	-
19	Provision of training for safety	OCCUPATIONAL SAFETY AND HEALTH AUTHORITY	LC0637	DAR ES SALAAM	46,865,000	900,000.00
20	Cover development and services of nest	PUBLIC PROCUREMENT REGULATORY AUTHORITY	LC0584	DAR ES SALAAM	1,652,435,000	-353,500,000.00
21	Provision of security services	SUMAJKT GUARD LTD	LC1060	DAR ES SALAAM	1,240,447,333.20	-
22	Provision of water services	TABORA URBAN WATER & SEWERAGE AUTHORITY (TUWASA)	LC0654	TABORA	3,226,162.20	-
23	Contribution fee	TAMISEMI	LC2057	DODOMA	35,000,000	-
24	Provision of electricity services	TanESCO	Lc0163	Dar es salaam	812,363,014.32	47,000,274.39
25	Provision of electricity services	TanESCO	Lc0731	Dodoma	144,787,152.70	3,938,646.75
26	Waste water charges	TANGA CITY COUNCIL	LC1024	TANGA	4,200,000	-
27	Provision of water services	TANGA URBAN WATER SUPPLY AND SANITATION AUTHORITY	LC01042	TANGA	5,725,831.80	734,032.65
28	Prevision of seminars and training for accountants	TANZANIA ASSOCIATION OF ACCOUNTANTS	LC0266	DAR ES SALAAM	5,000,000	382,249.00
29	Testing and quality assurance of medical devices and medicines	TANZANIA BUREAU OF STANDARDS	LC0208	DAR ES SALAAM	1,490,000	89,562,215.00
30	Meeting conference	TANZANIA COFFEE BOARD (TBC)	LC1462	MOSHI-KILIMANJARO	45,538,560	-
31	Construction services	TANZANIA ENGINEERING AND MANUFACTURING DESIGN ORGA	LC2050	ARUSHA	1,050,000	-
32	Comply with charges	TANZANIA FREIGHT FORWARDERS ASSOCIATION	LC0889	DAR ES SALAAM	1,185,102.80	-
33	Conference package	TANZANIA INVESTMENT CENTRE	LC2049	DAR ES SALAAM	8,000,000	-
34	Testing and quality assurance of medical devices and medicines	TANZANIA MEDICINES AND MEDICAL DEVICES AUTHORITY	LC1372	DAR ES SALAAM	26,180,000	63,922,399.89
35	Provision of marine transport (port charges and agent fee)	TANZANIA PORT AUTHORITY	LC0469	DAR ES SALAAM	1,552,620.40	71,179,690.44

MEDICAL STORES DEPARTMENT (MSD)

36	Provision of post and ems services	TANZANIA POSTAL CORPORATION(T)	LC0656	DAR ES SALAAM	16,295,400	-
37	Provision of post and ems services	TANZANIA POSTS CORPORATION	LC0078	DAR ES SALAAM	330,086,901	10,990,269.52
38	Provision of post and ems services	TANZANIA POSTS CORPORATION	LC0718	MOSHI	2,021,300	754,599.93
39	Transportation of medicines (freight charges)	TANZANIA RAILWAYS CORPORATION	LC0207	DAR ES SALAAM	74,298,464	-
40	Tax compliance	TANZANIA REVENUE AUTHORITY	LC0300	DAR ES SALAAM	8,283,384,079.95	-73,297,932.18
41	Shipping fee	TANZANIA SHIPPING AGENCY LTD	LC0181	DAR ES SALAAM	307,500	2,348,000.00
42	Msd news	TANZANIA STANDARD (NEWSPAPER) LTD	LC0147	DAR ES SALAAM	10,561,000	11,456,620.00
43	Provision of communication services through telephone and ICT connectivity	TANZANIA TELECOMMUNICATION COMPANY LIMITED (TTCL)	LC0643	DAR ES SALAAM	309,113,052.51	-14,971,714.59
44	Vehicles inspection and maintenance	TEMESA	LC0663	MBEYA	61,640,468.93	2,249,611.00
45	Vehicles inspection and maintenance	TEMESA - KAGERA	LC1431	KAGERA	1,775,870.50	707,702.50
46	Vehicles inspection and maintenance	TEMESA (MT-DEPOT)	LC01092	DAR ES SALAAM	186,134,273.80	22,327,915.86
47	Vehicles inspection and maintenance	TEMESA -IRINGA	LC01098	IRINGA	79,836,395.50	-3,329,346.40
48	Vehicles inspection and maintenance	TEMESA -KILIMANJARO	LC1199	KILIMANJARO	41,633,958	2,596,810.50
49	Vehicles inspection and maintenance	TEMESA- TANGA	LC1010	TANGA	52,126,189.72	3,157,503.00
50	Vehicles inspection and maintenance	TEMESA-MWANZA	LC01097	MWANZA	75,969,096.20	493,369.55
51	Regulate logistics and transport	THE CHARTERED INSTITUTE OF LOGISTICS AND TRANSPORT	LC0759	DAR ES SALAAM	3,000,000	1,515,000.00
52	Provision of auditing services	THE CONTROLLER AND AUDITOR GENERAL	LC0321	DAR ES SALAAM	270,000,000	-
53	Regulate internal auditors	THE INSTITUTE OF INTERNAL AUDITORS	LC0773	DAR ES SALAAM	3,225,750	3,169,600.00
54	Provision of risk management education	THE INSTITUTE OF RISK MANAGEMENT TZ(IRMT)	LC2056	DAR ES SALAAM	2,400,000	-
55	Provision of communication services through telephone and ICT connectivity	TTCL	LC0130	DAR ES SALAAM	163,476,420.75	15,251,860.13
56	Provision of insurance services	Zanzibar Insurance Corporation (ZIC)	LC1269	MPIRANI-ZANZIBAR.	766,646,060	-
TOTAL					<u>8,876,784,079.95</u>	<u>178,057,259.89</u>

MEDICAL STORES DEPARTMENT (MSD)

Note 38. CONTINGENT LIABILITIES

There are no carrying amount of contingent liabilities during the financial year ended 30 June 2024 (2023: NIL).

Note 39. EVENTS AFTER REPORTING PERIOD

There are no material non-adjusting events favourable or unfavourable that occurred between the reporting date and the date when the Financial Statements were authorized for issue.