



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



NATIONAL ENVIRONMENT MANAGEMENT COUNCIL(NEMC)

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

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April 2023

AR/PA/NEMC/2021/22

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson,
Board of Directors,
National Environment Management Council (NEMC),
P.O. Box 63154,
Dar es Salaam

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of National Environment Management Council (NEMC), which comprise the statement of financial position as at 30 June 2022, and the statement of financial performance, statement of changes in net assets and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly in all material respects, the financial position of National Environment Management Council as at 30 June 2022, 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 National Environment Management Council 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.

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

The Management is responsible for the other information. The other information comprises the Report by Those Charged with Governance, Statement of Directors' Responsibilities and

Declaration of Head of Finance but does not include the financial statements and my audit report thereon which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those

risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Section 48(3) of the Public Procurement Act, 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

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

I performed a compliance audit on procurement of goods, works and services in the National Environment Management Council, for the financial year 2021/22 as per the Public Procurement laws.

Conclusion

Based on the audit work performed, I state that, procurement of goods, works and services of National Environment Management Council, is generally in compliance with the requirements of the Public Procurement laws in Tanzania.


1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the National Environment Management Council, for the financial year 2021/22 as per the Budget Act and other Budget Guidelines.

Conclusion

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



Salthina M. Mkumba
Ag. Controller and Auditor General,
Dodoma, United Republic of Tanzania.
April 2023



NATIONAL ENVIRONMENT MANAGEMENT COUNCIL (NEMC)

5.0 FINANCIAL STATEMENTS


5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		30 JUNE 2022 TZS '000	30 JUNE 2021 TZS '000
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents	7	3,603,854	394,625
Receivables from exchange transactions	8(a)	1,421,335	4,355,676
Prepayments	8(b)	415,913	388,333
		<u>5,441,102</u>	<u>5,138,634</u>
Non-current assets			
Property, plant, and equipment	12	7,150,847	7,273,868
Intangible assets	11	40,199	61,933
Total non-current asset		<u>7,191,046</u>	<u>7,335,801</u>
TOTAL ASSETS		<u>12,632,148</u>	<u>12,474,435</u>
LIABILITIES			
Current liabilities			
Payables from exchange transactions	9	748,873	1,017,983
Deferred grants	10(a) & (b)	5,215,587	878,000
TOTAL LIABILITIES		<u>5,964,460</u>	<u>1,895,983</u>
NET ASSETS		<u>6,667,688</u>	<u>10,578,452</u>
NET ASSETS			
Accumulated surplus		<u>6,667,688</u>	<u>10,578,452</u>

The Notes form an integral part of these financial statements. The financial statements were approved and authorised for issue by the Board of Directors on 20/3/2023 and were signed on its behalf by:



 Eng. Prof. Esnati Osinde Chaggu
 Chairman of the Board



 Eng. Dr. Samuel G. Mafwenga
 Secretary of Board

NATIONAL ENVIRONMENT MANAGEMENT COUNCIL (NEMC)

5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/22 TZS '000	2020/21 TZS '000
INCOME			
Revenue from non-exchange transactions	13(a)	6,063,460	3,584,474
Revenue from exchange transactions	13(b)	17,980,531	15,341,330
Other income	14	2,449,305	1,932,852
		<u>26,493,296</u>	<u>20,858,656</u>
EXPENSES			
Wages, salaries and employee benefit	15	9,389,432	7,059,368
Supplies and consumables used	16	9,909,144	7,490,936
Maintenance expenses	17	738,547	569,820
Amortization of intangible assets	11	33,239	20,645
Depreciation of property and equipment	12	1,164,198	1,372,724
Impairment of receivables from exchange transactions	8(a)	4,690,181	3,683,547
Impairment loss on software	11	-	12,419
Project expenses	18	3,279,319	-
Contribution to consolidated fund	22	1,200,000	1,695,000
		<u>30,404,060</u>	<u>21,904,459</u>
Deficit for the year		<u>(3,910,764)</u>	<u>(1,045,803)</u>

The Notes form an integral part of these financial statements.

NATIONAL ENVIRONMENT MANAGEMENT COUNCIL (NEMC)

5.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Accumulated Surplus TZS '000
Balance as at 1 July 2020	11,566,450
Adjustment to retain earning	57,805
Net deficit for the year	<u>(1,045,803)</u>
Balance as at 30 June 2021	<u>10,578,452</u>
Balance as at 1 July 2021	10,578,452
Net deficit for the year	<u>(3,910,764)</u>
Balance as at 30 June 2022	<u>6,667,688</u>

The Notes form an integral part of these financial statements.

NATIONAL ENVIRONMENT MANAGEMENT COUNCIL (NEMC)

5.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/22 TZS '000	2020/21 TZS '000
Operating activities			
Receipts			
Government subvention	13(a)	4,119,610	3,584,474
Grant income	13(a)	6,571,297	-
Fees and charges	13(b)(i)	6,756,774	2,413,075
Environmental Impact Assessment and Environmental Audit Income and Environmental penalties	13(b)(ii)	8,842,434	8,830,410
Other income	14	2,413,363	1,932,852
Total receipts		28,703,478	16,760,811
Payments			
Wages, salaries, and employee benefit	15	9,389,432	7,059,368
Supplies and consumables used	16	9,804,258	7,033,153
Maintenance expenses	17	738,547	512,666
Contribution to the government consolidated fund	22	1,200,000	1,695,000
Project expenses	18	3,279,319	-
Audit fee expenses	23	93,467	42,044
Total payments		24,505,023	16,342,231
Net cash generated from operating activities		4,198,455	418,580
Investing activities			
Acquisition of intangible assets	11	(11,505)	-
Proceeds from disposal of assets	14	35,942	-
Acquisition of properties and equipment	12	(1,013,663)	(396,219)
Net cash used in investing activities		(989,226)	(396,219)
Net Increase in cash and cash equivalents		3,209,229	22,361
Cash and cash equivalents at the beginning of the year		394,625	372,264
Cash and cash equivalents at the end of the year	7	3,603,854	394,625

The Notes form an integral part of these financial statements.

5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Budgeted Amount		Actual amount on comparison basis (A) TZS '000	Different final budget & actual (B-A) TZS '000	Variance in %
	Original budget TZS '000	Reallocation TZS '000			
RECEIPTS					
Funds received	3,751,798	-	3,751,798	4,119,610	(367,812) 10%
Receipt from full registration	12,150,000	-	12,150,000	9,263,558	2,886,442 (24%)
Miscellaneous receipts	85,000	-	85,000	324,013	(239,013) 281
Fees, fines, penalties and Forfeits	1,800,000	-	1,800,000	1,786,918	13,082 (1%)
Annual maintainance fees	11,003,000	-	11,003,000	8,803,666	2,199,334 (20%)
Project receipt	6,895,828	-	6,895,828	1,943,850	4,951,978 (43%)
Management fee	-	-	-	251,681	(251,681) (100%)
Total Receipts	35,685,626	-	35,685,626	26,493,296	9,192,330 (21%)
PAYMENTS					
Grants, subsidies and other transfer Payments	3,751,798	-	3,751,798	4,119,610	(367,812) 10%
Maintenance and other expenses	1,316,272	-	1,312,554	738,547	574,007 (44%)
Supplies and consumables Used	12,360,638	-	12,281,551	9,909,144	2,372,407 (19%)
Wages, salaries and employee benefits	6,048,794	-	6,134,570	5,269,822	864,748 (14%)
Acquisition of property and equipment and intangible assets	1,581,695	-	1,578,724	1,052,682	526,042 (33%)
Contribution to consolidated fund	3,730,601	-	3,730,601	1,200,000	2,530,601 (68%)
Project expenses	6,895,828	-	6,895,828	3,279,319	3,616,509 (52%)
Total payments	35,685,626	-	35,685,626	25,569,124	10,116,502 (28%)
Net receipts/payments			-	924,172	(924,172)

The budget and financial statements are prepared on a different basis. The statement of comparison of budget and actual amount above is prepared on same basis as the financial statement which is done on accrual basis. additional information about the budget and reconciliation of amounts as per above statement and the actual amounts are disclosed in Note 30 to the financial statements.