



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



NATIONAL ARTS COUNCIL (NAC)

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

Controller and Auditor General,
National Audit Office,
Audit House,
4 Ukaguzi Road,
P.O. Box 950,
41101 Tambukareli,
Dodoma, Tanzania.
Tel: 255 (026) 2161200,
Fax: 255 (026) 2321245,
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz

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AR/PA/NAC/2021/22

About the National Audit Office

Mandate

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

Vision

A credible and modern Supreme Audit Institution with high-quality audit services for enhancing public confidence.

Mission

To provide high-quality audit services through modernization of functions that enhances accountability and transparency in the management of public resources.

Motto: “Modernizing External Audit for Stronger Public Confidence”

Core values

In providing quality services, NAO is guided by the following Core Values:

- i. Independence and objectivity
- ii. Professional competence
- iii. Integrity
- iv. Creativity and Innovation
- v. Results-Oriented
- vi. Teamwork Spirit

We do this by:

- ✓ Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- ✓ Helping to improve the quality of public services by supporting innovation on the use of public resources;
- ✓ Providing technical advice to our clients on operational gaps in their operating systems;
- ✓ Systematically involve our clients in the audit process and audit cycles; and
- ✓ Providing audit staff with adequate working tools and facilities that promote independence.

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ABBREVIATIONS

CAG	Controller and Auditor General
COSOTA	Copyright Society of Tanzania
ISSAIs	International Standards of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ICT	Information Communication Technology
IESBA	Internal Ethics Standards Board for Accountants
NAC	National Arts Council
NBAA	National Board of Accountants and Auditors
NHIF	National Health Insurance Fund
PAR	Public Audit Regulations, 2009
PSSSF	Public Service Social Security Fund
RAAWU	Researchers Academician and Allied Workers Union
TFRS	Tanzania Financial Reporting Standards
TACOSODE	Tanzania Council for Social Development
TZS	Tanzania Shillings
TALGWU	Tanzania Local Government Workers Union

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1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairperson of the Board,
National Arts Council,
P.O. Box 4779,
Dar es Salaam.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of National Arts Council, 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 Arts 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 Arts 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

Management is responsible for the other information. The other information comprises the board member's report, statement of management responsibility and Declaration by the Head

of Finance and 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, Cap 410 (revised 2022) requires me to state in my annual audit report whether or not the audited entity has complied with the procedures prescribed in the Procurement Act and its Regulations.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement Act, 2011 (as amended in 2016)

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

I performed a compliance audit on procurement of works, goods and services in the National Arts 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 Arts Council is generally in compliance with the requirements of the Public Procurement laws in Tanzania.

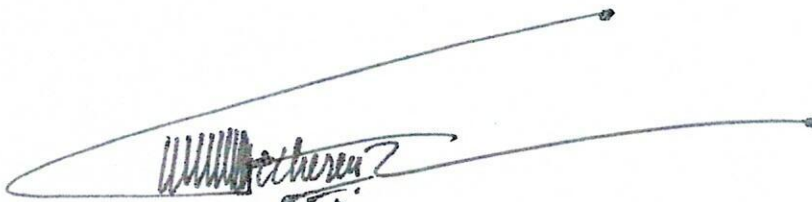
4.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I performed a compliance audit on budget formulation and execution in the National Arts 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 the National Arts Council is generally in compliance with the requirements of the Budget Act and other Budget Guidelines.



Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
February 2023.



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

2.1 INTRODUCTION

The Council presents their report together with the audited financial statements for the year ended 30 June 2022 which disclose the state of affairs of the National Arts Council. The report has been prepared in accordance with Tanzania Financial Reporting Standard (TFRS) No. 1 issued by the National Board of Accountants and Auditors (NBAA).

2.2 ESTABLISHMENT

National Arts Council (NAC) was established by an Act of Parliament, Act No 23 of 1984 by amalgamation of the National Arts Council and the National Music Council, to repeal the National Arts Council Act, 1974 and the National Music Council Act, 1974.

2.3 VISION MISSION AND CORE ACTIVITIES

2.3.1 VISION

The National Arts Council should become the guiding and facilitating organization for artistic excellence, profitability, and vibrancy in Tanzania.

2.3.2 MISSION

To facilitate production, consumption, marketing of and participation in high quality art.

1.1.1 CORE VALUES

- Consolidation of national identity through the promotion and development of an authentic Tanzanian artistic tradition;
- Promotion of artistic activities with due respect and regard for sustainable environment protection;
- Respect to human rights including gender equality and equity, children's rights, rights of the elderly as well as those of people with disabilities;
- Promotion of artistic activities with due respect to legal requirements, including registration and permits regulations;
- High regard for professionalism and excellence;and
- Promotion of creativity and innovativeness.

2.4 PRINCIPAL ACTIVITIES

The principal activities of the Council as stipulated in Section 5 of the National Arts Act No. 23 of 1984 are:

- a) To assume responsibility of the revival and to promote the development and production of artistic works including the production and use of indigenous and traditional musical instruments, songs, poetry, and promoting Tanzania culture;

- b) To carry out research in the development and production of artistic works and marketing of such works, including the standard and quantity of artistic works produced in Tanzania;
- c) To provide advisory services and technical assistance necessary for or incidental to the proper development of enterprise for the production of artistic works to Parastatal organizations and other person engaged in such enterprises;
- d) To plan and co-ordinate the activities of persons engaged in the production of artistic works in Tanzania;
- e) To advise the Government on all matters relating to the development and production of artistic works in Tanzania;
- f) To provide and promote training facilities for person engaged in or employed or to be employed in enterprise for the production of artistic works;
- g) To undertake or assist any institution or person in the undertaking of production, importation, exportation and sale of artistic works for any matter appertaining to artistic works;
- h) To stimulate the development of artistic works by preparing and arranging exhibitions, displays, performances, workshops, seminars and competition between different artists;and
- i) To provide by laws published in the Gazette and in such manner as the Council may approve a system of registration of persons engaged for gain in giving public musical performances, production of musical instruments, the recording of gramophone records or magnetic tapes for playback or otherwise in any manner with any matter relating to music.

2.4.1 Update on Main Activities during the Year

During the year, the Council implemented a number of activities, major ones are listed below:

- a) **To assume responsibility of the revival and to promote the development and production of artistic works including the production and use of indigenous and traditional musical instruments, songs, poetry, and promoting Tanzania culture;**
 - The Council conducted Annual Artists Conference where 400 artists and arts stakeholders participated.
 - The Council participated at the Sabasaba International Trade Fair 2021/2022 in Dar es salaam. Apart from publicity, the Council coordinated the participation of the arts industry in which 364 artists participated in the trade fair.
 - The Council participated in coordination of the preparation of the artists and artistic works for Dubai Expo 2020 where the 42 artists participated in the music, fine and performing arts field.
 - The Council coordinated the administrative infrastructures for four (4) arts federations that are Music, Film, Fine and Performing Arts federations and thirty-one (31) arts associations. The coordination was undertaken by insuring fair associations leadership elections as well as administrative coaching to those said arts federations and associations.

- The Council raised public awareness on the arts promotion related matters by conducting the media campaigns in social and mainstream medias. The media tours conducted in 83 medias and 52 media conferences were undertaken.
- b) **To register and provide permits to artists, arts stakeholders and arts events.**
- The Council Established the uses of the Artists Management Information System (AMIS) as user's friendly system in which all artists and arts stakeholders used to acquire their operation permits.
 - The Council conducted the registration operations to artists, arts stakeholders and arts infrastructures including social halls at 13 regions in Tanzania where 622 Artists and Arts Stakeholders were registered.
 - The Council provided permits to 32 foreign artists and 111 local artists for international arts performances.
- c) **To maintain the artistic code of ethics for prevention of Tanzanians Tradition Custom**
- Through medias conferences and press releases, the Council capacitated artists in the ethical issues in arts industry.
- d) **To provide advisory services and technical assistance necessary for or incidental to the proper development of enterprise for the production of artistic works to Parastatal organizations and other person engaged in such enterprises.**
- To ensure quality artistic works, the Council provided the technique support to 289 artists and arts stakeholders in area of Arts Performances, administration and leadership.
 - The Council reviewed 36 arts events and projects of stakeholders for quality assurance.
- e) **To plan and co-ordinate artistic events**
- The Council Conducted Tanzania Music Awards for the year 2021. Fifty two (52) awards were awarded to various artists and institutions which have significant contributions to the development of arts. Special award was provided to the President of United Republic of Tanzania Hon. Samia Suluhu Hassan.
 - During the year the Council coordinated 36 artistic events of regional, national and international features.
 - The Council conducted Arts for Children event where 120 children participated from 6 primary schools from Dar es Salaam. The event included traditional songs, story telling, theatre, acrobatic and music.
- f) **To prepare and update of arts legislations**
- The Council reviewed its regulation No.43 of the year 2018. Furthermore, the Council prepared the Code of conducts that will influence the artists in the ethical

consideration during the artistic undertakings. All documents were submitted to the Ministry of Culture, Arts and Sports for approval.

2.5 COMPOSITION OF THE COUNCIL MEMBERS

The Council is headed by the Chairperson. The Chairperson of the Council is appointed by the President of the United Republic of Tanzania whereas the rest of the Council members are appointed by the Minister responsible for Culture, Arts and Sports. All members of the Council are appointed for a term of three years and are eligible for re-appointment only for another one term.

The Council takes overall responsibility for the Organization, including responsibility for identifying key risk areas, considering significant financial matters, and reviewing the performance of Organization plans and budgets. The Council is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and that the Organization complies with sound corporate governance principles.

The Council is required to meet at least four (4) times a year. During the year 2021/22 the Council met once (1) in October 2021, this is due to ending of its office tenure on the same month. The management of day to day activities of the Councils is under the Executive Secretary assisted by Senior Management level. The following matters were discussed;

- ✓ Reviewed management report the implementation of council activities for the period of July to September 2021;
- ✓ Reviewed income and expenditure report for the period of July to September 2021; and
- ✓ Reviewed procurement report for the period of July to September 2021.
- ✓ Discussed issues raised by internal auditor and their implementation status.

Members of the council are as follows: -

Table 1: Members of NAC Council

S/N	Name	Position	Age	Qualification/ Discipline	Nationality	Appointment
1	Mr.Habbi Gunze	Chairperson	68	Masters (Arts)	Tanzanian	October 2018
2	Dr.Emmanuel M. Ishengoma	Member	46	PhD - Fine Arts	Tanzanian	October 2018
3	Dr.Saudin J. Mwakaje	Member	48	PhD - Law	Tanzanian	October 2018
4	Dr.Asha Salim Mshana	Member	54	PhD (Theatre Arts)	Tanzanian	October 2018
5	Mr. Single M. Mtambalike	Member	50	Form IV, Movie Directing	Tanzanian	October 2018
6	Mr.Matiko S. Mniko	Ag. Secretary	43	MSc- Accounting and Finance, CPA(T)	Tanzanian	December 2020

Executive Committee

The Council has formed Executive Committee which directly reports to the Board and is responsible for ensuring that the Council fulfills its yearly work plan. The Executive Committee has the below members. From July 2022, Dr. Kedmond Mapana Joined the Council as the Executive Secretary replacing Mr. Matiko Mniko who has been assigned other duties.

Table 2:Executive Committee

S/n	Name	Position	Age	Qualification/Discipline	Nationality
1	Mr.Habbi Gunze	Chairperson	68	Masters (Arts)	Tanzanian
2	Dr.Emmanuel M. Ishengoma	Member	47	PhD - Fine Arts	Tanzanian
3	Mr. Single M. Mtambalike	Member	50	Form IV, Movie Directing	Tanzanian
4	Mr.Matiko S. Mniko	Ag. Secretary	43	MSc- Accounting and Finance, CPA(T)	Tanzanian

Audit Committee

The Council Audit Committee is responsible for advising the Council on all matters of budget and financial performance. This Committee also undertakes on behalf of the Council, an oversight role on internal controls, risk management, human resources, and governance processes. The committee is composed of the following members:

Table 3:Audit Committee

No.	Name	Position	Age	Qualification	Nationality
1	Dr.Saudin J. Mwakaje	Chairperson	48	PhD - Law	Tanzanian
2	Mr. Single M. Mtambalike	Member	50	Form IV, Movie Directing	Tanzanian
3	Mrisho Mtumwa	Invitee	44	Master's Degree in Business Administration	Tanzanian
4	Haidhat Tagalile	Invitee	43	Master's Degree in Business Administration	Tanzanian

The Audit Committee was formed in December 2019 after full establishment of the Board on January 2019, the Committee met once during the financial year which ended 30 June 2022.

The Councillors office tenure ended on 04th October 2021. The Council as of now is waiting for new appointment of the chairperson of the Board as per legislations, all other members have already been appointed.

2.6 CORPORATE GOVERNANCE

National Arts Council is committed to the highest standards of corporate governance. Its governance structure is flexible enough to adopt changes in the internal and external environment and the Council strives to regularly review its processes, rules and regulations and structure with a view to ensuring the best performance of the Council of Directors and

overall management of its operations. The Council adheres to global standards and practices of good corporate governance. The Council has established and maintains an internal audit unit, tender board, and procurement management unit.

2.7 MANAGEMENT

The day-to-day management of the National Arts Council is under the Executive Secretary who is assisted by a Management Team composed of units and departments.

2.7.1 Units

- i. Procurement unit.
- ii. Planning unit.
- iii. Legal unit.
- iv. Internal audit unit; and
- v. Information and communication unit.

2.7.2 Departments

- i. Department of Corporate Services;
- ii. Department of Arts Promotion and Marketing;

A brief profile on the main Management Structures of NAC are provided herein below:

2.7.3 Executive Secretary

The Executive Secretary is the Chief Executive Officer of NAC. The Executive Secretary is responsible for daily running of the Council. The Executive Secretary is appointed by the President of the United Republic of Tanzania. The Executive Secretary holds office until retirement or when removed from office.

2.7.4 The Procurement Unit

The Procurement unit is responsible for all NAC procurement business and supervision of Council property utilization and storage.

2.7.5 The Planning Unit

The planning unit leads the planning function as well as conducting monitoring and evaluation of implementation activities.

2.7.6 The Legal Unit

This unit is concerned with handling of legal matters, notably registration, permits, contracts and providing advisory legal services to artists when faced by such and when they request NAC's intervention.

2.7.7 The Internal Audit Unit

This unit provides assurance and advisory services to the Council on efficient and effective utilisation of resources. It is specifically responsible for ensuring existences of good internal

control system and compliance thereto, ensuring integrity and reliability of accounting information and safeguarding of the Council's assets.

2.7.8 The Information and Communication Unit

The unit is responsible for communication with stakeholders and the public, providing information by a variety of means, collecting information and building a good public image of NAC.

2.7.9 The Department of Corporate Services

This department is responsible for financial operations, employment, employee affairs and general administration. Under it are Personnel, Planning, Accounts and Office services sections.

2.7.10 The Department of Arts Promotion and Marketing

This department has the responsibility for preparation and implementation of activities related to arts promotion, including quality, quantity, events and marketing of art products and works. Three sections are under this department which are Marketing, Control, and events organisations and Monitoring.

2.8 INTERNATIONAL AND LOCAL RELATIONS

During the year 2021/22 NAC continued to maintain its relationship with various stakeholders including, the general public, local and international organizations.

2.9 FUTURE DEVELOPMENT PLANS

The Council is developing an Arts Centre in Dar es Salaam in **plot no. 417; Block D of Square Meter 9,725** Ilala Shariff Shamba, the idea of establishing an Arts Centre is a long-standing dream of the Council and was hatched at the very beginning of its formation. The designated responsibilities of the Council can be more efficiently performed within the conceptual and physical environment that an arts centre provides. An Arts Centre is an inclusive institution and facility, to serve not only as the administrative hub of the Council but also as a resourceful and nourishing centre for upcoming and established artists to turn to in order to improve and re-inspire their powers of artistic creation.

An Arts Centre also generates long-term active involvement in the arts, across all disciplines, through specific outreach programs targeting artists and marginalized groups such as children, the youth, women people with disabilities and the aged. Its inclusive nature increases community participation in the arts and promotes attendance at arts events.

Using its current infrastructure, though limited, the Council has, all along, been implementing the arts centre concept through training programs for artists, hosting small performances, exhibitions, art and culture meetings and availing its small multipurpose hall to arts organizations to conduct their own meetings, seminars and workshops. Every Monday the Council holds a session of art talks to which artists and the general public are encouraged to

attend. When the theatre house is ready, it will increase the number and size of activities open to artists and the public.

Overall, the Council has kept its doors open to the general public as much as is practically possible. The implementation of the full arts centre project will put the Council where it should be the centre of the Tanzania world of art.

2.9.1 Specific Objectives of the Centre:

- To provide information for the development of the arts and artists;
- To provide space for social and artistic activities;
- To generate income for the Council;
- To improve artistic education, knowledge, and skills;
- To promote participation in the arts by different social groups.
- To promote artistic vibrancy;
- To promote Tanzanian culture;and
- To provide office and working space for arts organizations as well as individual artists.

2.9.2 Specific Functions of the Centre

When fully established, the Centre will perform the following functions:

- To conduct professional arts courses;
- To conduct non-professional arts courses for interested groups;
- To host artistic events;
- To preserve art creations and pieces;
- To provide art sales outlets;
- To provide library, information and ICT services for artists and art lovers;
- To provide space for a variety of social and community functions; and
- To provide studios practical training and rehearsal for outsiders.

2.9.3 Component Facilities of the Centre

The Centre will have six major categories of facilities, namely training facilities, performance facilities, office facilities, public service facilities, storage facilities and rest/washrooms. The details are as follows:

(a) Training Facilities

Training of artist and arts managers is a very important function of the Council. Besides serving the needs of the Council, these facilities will be made available by hire to stakeholder institutions whenever they conduct their own courses.

The facilities are:

- Three studios for practical training and production of paintings and sculpture objects;
- Six classrooms for the Council's ongoing arts course programs;
- A gymnasium for gymnastic and movement classes and fitness exercises.

(b) Performance and Exhibition Facilities

Performances and exhibitions are important activities for art marketing, sales and public access to art. The facilities provided will be used mostly by outside groups and individual artists through hire arrangements.

The facilities are:

- A dance hall for live dance music performances;
- Two halls, respectively for temporary and permanent exhibitions of visual art works;
- A hall for public screening of feature and documentary films.

(c) Office Facilities

The Centre will have offices which will be used by the Council itself as well as offices to be hired by arts related organizations, including arts associations and federations.

(d) Public Facilities

The Centre will have public service facilities. These will provide the Council with an excellent link with artists and the general public from near and afar, beside performances and exhibitions. The facilities are:

- A multipurpose functional hall for big meetings, receptions and other community gatherings;
- An arts resource unit with library, ICT and audio-visual facilities;
- Art shops for sales of art materials, souvenirs, sculpture objects, paintings, hand-made dresses and ornaments, audio-visual works, books, and other printed material;
- Space for a weekly open market (gوليو) for artworks and handicrafts;
- A cafeteria for visitors;
- Hostel for visiting groups with capacity for 100 persons at a time;
- A business unit for provision of secretarial services; and
- A mini supermarket to serve visitors and the immediate community.

(e) Storage Facilities

There will be storage spaces for equipment, materials, and supplies.

(f) Rest/washrooms

Besides rest/washrooms provided in the hostel, there will be rest/washrooms spread around the centre in utility facilities and for the general public.

2.10 RESULTS FOR THE YEAR

During the financial year 2021/22 the National Arts Council had a deficit of TZS 162,606,545 compared to a deficit of TZS 150,389,119 in the year 2020/21. The deficit is higher by 8% compared to previous year. The increase in deficit compared to previous year resulted due to increase in cost related to arts promotion activities and other general expenses which increased by 28%.

2.11 RISK MANAGEMENT AND INTERNAL CONTROL

The Council accepts final responsibility for the risk management and internal control systems of National Arts Council. It is the responsibility of management to ensure that adequate internal financial and operational control systems are developed and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- Effectiveness and efficiency of operations;
- Safeguarding of NAC assets;
- Compliance with applicable laws and regulations;
- Reliability of accounting records;
- Operational sustainability under normal as well as adverse conditions; and
- Responsible behaviours towards all stakeholders.

The efficiency of any internal control system is dependent on the strict observance of prescribed measures. There is always a risk of non-compliance of such measures, by staff. Whilst no system, of internal control can provide absolute assurance against misstatement or losses, the National Arts Council system is designed to provide the Council with reasonable assurance that the procedures in place are operating effectively.

2.12 SOLVENCY

The Council's state of affairs as at 30 June 2022 is set out in these financial statements. The Council's Surplus cumulatively has decreased by TZS 162,606,545 during the year ending 30 June 2022 when compared previous year. As at 30 June 2022 current liabilities exceeded current assets by TZS 434,646,731 with current ratio of 0.12:1, which is below the ideal ratio of 2:1.

As disclosed in para 1.13 below, the Council is dependent upon and will continue to receive subvention from the Government through the Ministry of Finance and Planning. The Ministry was collecting information from stakeholders to assess whether it can merge Tanzania Film Board, COSOTA and National Arts Council. To date the Council has not received further information whether the ministry will implement this change in the near future.

2.13 GOING CONCERN

The Government will provide funding for future operations. The management are of the opinion that the Council will be a going concern in the years ahead. Accordingly, the financial statements have been prepared on a going concern basis.

2.14 RELATED PARTY TRANSACTIONS

Details of transactions with related parties are disclosed in note 16 of the financial statements.

2.15 EMPLOYEE WELFARE

1.1.2 Management and Employee's Relationship

i) Relationship

There were continued satisfactory relation between employees and management for the financial year 2021/22. No unrest was reported. A healthy relationship continues to exist between management and the trade union (RAAWU).

ii) Employment

The Council is an equal-opportunity employer. It gives equal access to employment opportunities and ensures that the best available person is appointed to any given position free from discrimination of any kind and without regard to factors like gender, marital status, tribes, religion and disability which does not impair ability to discharge duties.

iii) Medical Assistance

The medical scheme to ensure medical care to all staff was at place as at 30 June 2022. The Council uses NHIF for the provision of medical services to its entire staff. The employees contribute 3% and the council contributes 3%. During the financial year 2021/22, the council contributed TZS 21,062,910 (2020/21: TZS 19,053,086).

iv) Health and Industrial Safety

The Council continued to satisfy the standards of safety established by the Occupational Safety and Health Administration.

Training to members of staff and provision of safety gears to respective staff to ensure safe working environment.

v) Employees Benefit Plans

During the financial year 2021/22, the 15% of employee pension benefit was TZS 105,314,550 (2020/21: TZS 95,265,432) as contributions to publicly administered pension plans (i.e. Public Service Social Security Fund (PSSSF)) on mandatory basis which qualifies to be a defined contribution plan.

vi) Persons with Disabilities

It remains the Council's policy to accept disabled persons for employment for those vacancies that they are able to fill. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Council continues and appropriate training is arranged. It is the Council's policy that training, career development and promotion of disabled persons is identical to that of other employees.

2.16 GENDER BALANCE

The NAC recognizes gender balance matters. Recruitment and promotion processes provide for equal opportunity to both men and women. The Council constitutes both men and women. As at 30 June 2022 NAC had the following distribution of employees by gender:

Gender	2021/22	2020/21
Male	27	22
Female	<u>14</u>	<u>12</u>
Total	<u>41</u>	<u>34</u>

2.17 HIV/AIDS POLICY

The Council recognizes the seriousness of the HIV/AIDS epidemic and its negative impact on the capacity to realize National Arts Council vision and objectives. The Council has adopted HIV/AIDS policy, which aims at raising HIV/AIDS awareness to its employees.

2.18 CORPORATE SOCIAL RESPONSIBILITY

The council did not make any corporate social responsibility contribution in the year as well as in the previous year.

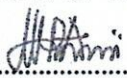
2.19 POLITICAL AND CHARITABLE DONATIONS

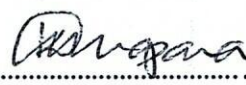
The Council did not make any political or charitable donations to political parties during this year as well as last year.

2.20 AUDITORS

The Controller and Auditor General is the Statutory Auditor of the National Arts Council by virtue of Article 143 of the Constitution of the United Republic of Tanzania (URT) and as amplified in Section 32 (4) of the Public Audit Act, Cap.418 (R.E.2021). However, in accordance with Section 33 (1) of the same Act, M/s Global Finance and Business Solutions was authorized to carry out audit of the National Arts Council on behalf of the Controller and Auditor General for the financial statements of the year ended 30 June 2022.

BY ORDER OF THE BOARD


.....
Mr. Abel S. Philip,
Acting Permanent Secretary,
Ministry of Culture, Arts and Sports
Date 22/02/2023


.....
Dr. Kedmond Mapana
Executive Secretary
Date 21/02/2023

2.21 STATEMENT OF RESPONSIBILITIES BY THOSE CHARGED WITH GOVERNANCE

As required under section 15(1) of the Public Corporation’s Act (amendment) 1992, the Board is responsible for the preparation and fair presentation of the financial statements, comprising the Statement of Financial Position at 30 June 2022, and the statement of financial performance, the statement of changes in net assets and cash flows statement for the year then ended, statement of comparison of budget and actual amounts and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Public Sector Accounting Standards and in the manner required by the National Arts Council as established by Act No. 23 of 1984.

The Board confirms that suitable accounting policies have been used and applied consistently, reasonably, and prudent judgments and estimates have been made in the preparation of financial statements for the year ended 30 June 2022. The Board also confirms that applicable International Public Sector Accounting Standards (IPSAS) have been followed and that the financial statements have been prepared on goingconcern basis. Board is also responsible to; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board Members have made an assessment of the Board’s ability to continue as a going concern and have no reason to believe the business will not be a going concern in the financial year ahead.

Approval of the financial statements

The financial statements of the Council, as indicated above, were approved by the Board Members on and are signed on its behalf by


.....

Mr. Abel S. Philip,
Acting Permanent Secretary,
Ministry of Culture, Arts and Sports

Date 22/02/2023


.....

Dr. Kedmond Mapana
Executive Secretary

Date 21/02/2023

DECLARATION OF HEAD OF FINANCE OF NATIONAL ARTS COUNCIL

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

It is the duty of a professional accountant to assist the Board/Governing Body/Management to discharge the responsibility of preparing financial Statements of an entity showing the true and fair view of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board/Governing Body as under Board Members' Responsibility statement on an earlier page.

I CPA. **Hanna Mwakalinga**, being the Director of Corporate Services of the Council hereby acknowledge my responsibility of ensuring that Financial Statements for the year ended 30 June 2022 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view position of National Arts Council as on that date and they have been prepared based on properly maintained financial records.

Signed by..... *H. Mwakalinga*

Position: Director of Corporate Services

NBAA Membership No: *ACPA 1021*


Date: *21/02/2023*

3.0 FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022


ASSETS	Note	30 JUNE 2022 TZS	30 JUNE 2021 TZS
Current assets			
Cash and Cash equivalents	6	19,977,226	10,756,973
Other receivables and prepayments	7	38,314,000	105,426,250
Total current assets		58,291,226	116,183,223
Non-current assets			
Property, plant, and equipment	8	2,529,939,899	2,598,978,835
Leasehold Property	9	1,032,653,750	1,032,653,750
Intangible Assets	10	106,436,000	-
Total Non-current assets		3,669,029,649	3,631,632,585
TOTAL ASSETS		3,727,320,875	3,747,815,808
LESS: LIABILITIES			
Payables and accrued charges	11	492,937,957	350,826,345
Total current Liabilities		492,937,957	350,826,345
NET ASSET		3,234,382,918	3,396,989,463
Financed by:			
Accumulated surplus		3,234,382,918	3,396,989,463
TOTAL NET ASSET		<u>3,234,382,918</u>	<u>3,396,989,463</u>

The accompanying notes are an integral part of the financial statements which were approved by the Board and signed on its behalf by:



 Mr. Abel S. Philip,
 Acting Permanent Secretary,
 Ministry of Culture, Arts and Sports

Date 22/02/2023



 Dr. Kedmond Mapana
 Executive Secretary
 Date 21/02/2023

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

REVENUE	Notes	2021/22 TZS	2020/21 TZS
Revenue from non-exchange transactions	13	1,409,438,614	1,287,268,669
Revenue from exchange transactions	14(a)	<u>62,972,000</u>	<u>49,601,000</u>
Total revenue		1,472,410,614	1,336,869,669
EXPENSES			
Wages, Salaries, & employee's benefits	15	873,216,034	792,121,080
General and administrative expenses	17	666,023,996	517,410,367
Depreciation	18	<u>95,777,128</u>	<u>177,727,341</u>
Total expenses		1,635,017,158	1,487,258,788
Deficit for the year		<u>(162,606,545)</u>	<u>(150,389,119)</u>

The accompanying notes are an integral part of the financial statements.

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

	Accumulated Surplus/(Deficit) TZS	Total TZS
At 01 JULY 2020		
Opening Balance	<u>2,797,378,585</u>	<u>2,797,378,585</u>
Deficit for the Year	<u>(150,389,119)</u>	<u>(150,389,119)</u>
At 30 JUNE 2021	<u>2,646,989,466</u>	<u>2,646,989,466</u>
Prior year adjustment	749,999,997	749,999,997
Restated balance at 30 June 2021	<u>3,396,989,463</u>	<u>3,396,989,463</u>
Deficit for the Year	<u>(162,606,545)</u>	<u>(162,606,544)</u>
At 30 JUNE 2022	<u>3,234,382,918</u>	<u>3,234,382,919</u>

The accompanying notes are an integral part of the financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Notes	2021/22 TZS	2020/21 TZS
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Receipts			
Government Subvention	12	939,287,165	793,632,276
Other Receipts	14(b)	518,449,449	483,563,344
Total Cash Receipt		1,457,736,614	1,277,195,620
Less: Payments			
Salaries and Employee Benefits	15	(873,216,034)	(792,121,080)
Audit Fees	25	(23,349,600)	(16,500,000)
Other Payments	21	(535,651,747)	(476,834,151)
Total Payments		(1,432,217,381)	(1,285,455,231)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		25,519,233	(8,259,611)
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for tittle deeds Dodoma plot		-	(2,508,250)
Purchases of Non-Current Assets	8	(16,298,980)	(595,000)
NET CASH FLOW USED IN INVESTING ACTIVITIES		(16,298,980)	(3,103,250)
Net Increase/ Decrease in Cash and Cash Equivalents		9,220,253	(11,362,861)
Cash and Cash Equivalents at the beginning of the year		10,756,973	22,119,834
Cash and Cash Equivalents at the end of the year		19,977,226	10,756,973

The accompanying notes are an integral part of the financial statements.

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

	Original Budget		Final Budget		Actual		Difference	Percentage	Explanation on Note 19
	2021/22	TZS	2021/22	TZS	2021/22	TZS			
RECEIPTS									
Personnel Emolument	820,021,265		820,021,265		835,495,430		(15,474,165)	(2%)	
Other Charges	103,791,735		103,791,735		103,791,735		-	0%	
Other revenue	1,448,505,612		1,448,505,612		518,449,449		930,056,163	64%	a
Total Receipts	2,372,318,612		2,372,318,612		1,457,736,614		914,581,998		
PAYMENTS									
Staff Emoluments	820,021,265		820,021,265		873,216,034		(53,194,769)	(6%)	
Purchase of Assets	82,500,000		82,500,000		16,298,980		66,201,020	80%	b
Other expenditures	1,469,797,347		1,469,797,347		559,001,347		910,796,000	62%	c
Total Payments	2,372,318,612		2,372,318,612		1,448,516,361		923,802,252		
Excess of receipt over payments	-		-		9,220,253				

All variances are attributed to accruals, amortization and depreciation as explained by reconciliation below;

STATEMENT OF RECONCILIATION

Excess per statement of budget	-		-		9,220,253
Add:					
Accrued revenue (rent)	-		-		14,674,000
Less:					
Accrued expenses	-		-		(25,236,400)
Depreciation	-		-		(95,777,128)
Provision for doubtful debts	-		-		(81,786,250)
Deficit as per statement of financial performance	-		-		(162,606,545)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

1. REPORTING ENTITY

The Council is a Government owned institution that was established under the National Arts Act No 23 of 1984. The Council has its offices located at Ilala Sharif Shamba, Dar es Salaam. The financial statements of the Council are for the year ended 30 June 2022.

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and its interpretations adopted by International Public Sector Accounting Standards Board (IPSASB).

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the financial instruments at fair value through surplus or deficits measured at fair value. The Council's budget is prepared on cash basis.

The preparation of financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Functional and presentation currency

These financial statements are presented in Tanzania Shillings (TZS) which is the Council's both functional and presentation currency. The rounding up of figures in the financial statements has been limited to the nearest shilling.

3. GOING CONCERN

The Council is dependent upon subvention from the Government through the Ministry of Finance to pay for the personnel emoluments, to run arts development projects and other office operations. The Government has no plans to stop providing support in respect of funding to the Council in order that the Council meets its liabilities as and when they fall due

thus the financial statements have been prepared on the basis of accounting policies applicable to a going concern entity. Apart from the Government subvention, the Council has its own legislative internal revenues sources to finance its operational activities.

4. NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS (IPSAS)

No new standards issued that have effects on financial statement of the council.

5. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the council are:

a. Revenue recognition

i) Revenue from Non-exchange transactions

Revenue is recognized to the extent that it is probable that the service potential associated with the transaction/asset will flow to the entity and that the revenue can be measured reliably. Rental revenue is recognized on accrual basis of accounting. Such revenue recognized only when it is probable that the economic benefits associated with the transaction will flow to the Council. Value added tax is excluded. Other earned revenue recognized as it accrues.

ii) Grants/ Government subvention

Grants without conditions are accounted for in the statement of financial performance while Grants with conditions are recorded as capital fund on receipt and released to the revenue and expenditure account upon utilization.

b. Foreign currency translation

The financial statements are presented in Tanzania Shillings (TZS), which is the Council's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the date of the statement of financial position. All differences are taken to the statement of financial performance. Non-monetary items that measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

c. Property, plant, and equipment

The Council uses Cost Model to value its assets.

All items of plant and equipment are initially recorded at cost. The amounts comprise of expenditure directly attributable to the acquisition of the items. These amounts are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it

is probable that the service potential associated with the item will flow to the Council and the value of item can be measured reliably. All other repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Depreciation is recognized in the statement of financial performance on a straight-line basis over the estimated useful lives of each part of an item of property, plant, and equipment. The Council received the accounting Circular No.2 of 2017/18 which indicates depreciation rates to be used by government institutions on various types of assets, the council has not adopted the policy but is in the process of institutionalizing the policy. During the year the council continued to use annual depreciation rates per the council policy as indicated below:

Description of Asset	Rates
• Buildings	4.00%
• Motor Vehicle	25.00%
• Office equipment	12.50%
• Office furniture	12.00%
• Carvings and paintings	12.50%
• Fence and shops	4.00%
• Computer	12.50%
• Leasehold property	8.30%

An asset's carrying amount is written down immediately to its recoverable amount when there is strong evidence that carrying amount is greater than its estimated recoverable amount. Likewise, the assets' residual values and useful lives are reviewed only when the conditions to warrant the review exists at the date of the statement of financial position.

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.

Gain and losses on disposal are determined by comparing the disposal proceeds with the carrying amount and are credited/charged to the statement of financial performance.

d. Financial instruments

i) Non-derivative financial instruments

The Council initially recognizes loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through the statement of financial performance) are recognized initially on the transaction date at which the Council becomes a party to the contractual provisions of the instrument.

The Council derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of

the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Council is recognized as a separate asset or liability. Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Council has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Council has the following non-derivative financial assets: loans and receivables.

ii) *Cash and cash equivalents*

Cash and cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purpose. For an investment to qualify as cash equivalent, it must be readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

iii) *Financial assets at fair value through the statement of financial performance*

An instrument is classified at fair value through the statement of financial performance if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the statement of financial performance if the Council manages such investments and make purchase and sale decisions based on their fair value in accordance with the Council's documented risk management or investment strategy.

Upon initial recognition attributable transaction costs are recognized in the statement of financial performance when incurred. Financial instruments at fair value through the statement of financial performance are measured at fair value, and changes therein are recognized in the statement of financial performance.

iv) *Other non-derivative financial instruments*

Other non-derivative financial instruments are measured at amortized cost through their useful life less any allowance for impairment. Gains and losses are recognized in the statement of financial performance when the loans and receivables are derecognized or impaired as well as through the amortization process.

e. *Revaluation reserve*

The revaluation reserve represents the surplus of valuation over the historical cost of buildings, furniture, and equipment to the extent that the depreciation charge on the revalued assets exceeds that which would have been charged had the assets not been revalued, a release is made from the revaluation reserve to accumulated deficit. The Council is now using Cost Model to value its assets.

f. *Intangible assets*

Intangible assets are stated at cost less amortization. The council used cost model to value its intangible assets as at 30 June 2022. Intangible assets are amortized over their expected useful lives on the straight-line method at the rate of 12.5% per annum.

g. Impairment

Impairment of non-financial assets

The Council 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 remaining service amount of a non-cash generating asset or non-cash generating unit and choose a suitable discount rate in order to calculate the present value of the remaining service potential.

Impairment of receivables

The Council assesses recoverability of receivables from time to time and where there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Council will not be able to collect all of the amounts due under the original terms of invoice. The carrying amount of receivable is reduced to reflect recoverable amount.

Useful life of assets

Critical estimates are made by the management in determining depreciation rates for property, plant and equipment.

h. Employee benefits

i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal and constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in the statement of financial performance when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

ii) Retirement benefits

The Council has statutory obligations to contribute to various pension schemes in favour of all the employees employed under permanent and pensionable terms. The pension scheme in force to which the Council contributes is the Public Service Social Security Fund (PSSSF). Contributions to this fund are recognized as an expense in the period the employees render the related services.

iii) Termination benefits

Termination benefits are recognized as an expense when the Council is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Council has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

iv) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or performance-sharing plans if the Council has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

i. Provisions

A provision is recognized if, as a result of a past event, the Council has a present legal or constructive obligation that can be estimated reliably, it is probable that an outflow of resources embodying service potential will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

j. Receivables

Trade and other receivables are non-interest bearing and are carried at anticipated realizable value. An estimate is made for doubtful receivables based on the review of all outstanding amounts at the year-end. Bad debts are written off when all reasonable steps to recover them have failed.

k. Payables

The liabilities payables are carried at cost, which is measured at the fair or contractual value to be paid in respect of goods or services supplied to the Board, whether billed or not.

l. Related Party

Related parties comprise of key management personnel which include all directors and Board Members of the Council as indicated on Note 16.

m. Comparative figures

Due to the adoption of the International Public Sector Accounting Standards (IPSAS) for the time during the period from the previous financial reporting framework, comparative figures have been re-aligned to the new reporting framework presentation requirements.

6. CASH AND CASH EQUIVALENTS

	2021/22	2020/21
	TZS	TZS
National Bank of Commerce (Subvention A/C)	100,000	3,703,856
National Bank of Commerce (Culture Centre A/C)	100,000	990,387
Petty Cash Account	47,000	225,560
Akiba Commercial Bank account	5,164,726	15,626
National Microfinance Bank account (Revenue)	4,360,000	2,970,024
M-PESA	-	2,751,520
National Microfinance Bank (Expenditure)	7,822,351	-
Bank of Tanzania	2,402,149	100,000
Total	19,977,226	10,756,973

7. OTHER RECEIVABLES AND PREPAYMENTS

Registration and permit fees	101,936,250	101,936,250
Provision for doubtful debts	81,786,250	-
Total (a)	20,150,000	101,936,250
Rent receivable	18,164,000	3,490,000
Total (b)	18,164,000	3,490,000
Total (a + b)	38,314,000	105,426,250

Registration and permit receivables relate to uncollected permit fees from registered halls as at 30 June 2022.

8. PROPERTY PLANT AND EQUIPMENT

	BUILDING TZS	OFFICE EQUIPMENT TZS	OFFICE FURNITURE TZS	CARVINGS & PAINTINGS TZS	WIP OPEN AIR THEATRE TZS	TOTAL TZS
COSTS						
At 1 July 2021	1,655,000,000	210,143,042	68,124,757	5,967,860	1,518,378,884	3,457,614,543
Additions	-	26,738,192	-	-	-	26,738,192
At 30 June 2022	<u>1,655,000,000</u>	<u>236,881,234</u>	<u>68,124,757</u>	<u>5,967,860</u>	<u>1,518,378,884</u>	<u>3,484,352,735</u>
DEPRECIATION						
At 1 July 2021	595,800,000	188,743,091	68,124,757	5,967,860	-	858,635,708
Charge for the year	66,200,000	29,577,128	-	-	-	95,777,128
At 30 June 2022	<u>662,000,000</u>	<u>218,320,219</u>	<u>68,124,757</u>	<u>5,967,860</u>	<u>-</u>	<u>954,412,836</u>
NET BOOK VALUES						
At 30 June 2022	<u>993,000,000</u>	<u>18,561,015</u>	<u>-</u>	<u>-</u>	<u>1,518,378,884</u>	<u>2,529,939,899</u>
At 30 June 2021	<u>1,059,000,000</u>	<u>21,399,951</u>	<u>-</u>	<u>-</u>	<u>1,518,378,884</u>	<u>2,598,978,835</u>

Note:

The Government issued Circular No.2 of 2017/18 aiming at harmonizing depreciation rates applied in charging depreciations of property, plant and equipment. National Arts Council will fully comply to the requirement after amending its financial policy in line with the rates applied in the Government Asset Management Information System (GAMIS). The 2021/22 financial statements are in line with the National Arts Council policies.

9. LEASE HOLD PROPERTY

	2021/22 TZS	2020/21 TZS
COST		
As at 01 July	1,032,653,750	1,030,145,500
Additions during the year	-	2,508,250
As at 30 June	<u>1,032,653,750</u>	<u>1,032,653,750</u>

Lease hold property comprise of the land owned by the Council in Dar es Salaam Block D Plot No.417 with 9725SQM, valued at TZS 1,000,000,000 and Plot No.882 in Dodoma Chamwino Block D with SQM8613, Valued at TZS 32,653,750.

10. INTANGIBLE ASSETS

	ARTISTS REGISTRATION SYSTEM (AMIS)	TOTAL
COSTS		
At 01 July 2021	-	-
Additions	106,436,000	106,436,000
At 30 June 2022	<u>106,436,000</u>	<u>20,802,975</u>
AMORTISATION		
At 01 July 2021	-	-
Charge for the year	-	-
At 30 June 2022	<u>-</u>	<u>-</u>
NET BOOK VALUE	<u>106,436,000</u>	<u>106,436,000</u>

Intangible assets relate to Artists Management Information System (AMIS). NAC engaged eGA to develop this system which will record complete database of artists. The system is still on the trial and the current development value is TZS 106,436,000 which is yet to be paid to the developer.

11. PAYABLE AND ACCRUED CHARGES

	2021/22 TZS	2020/21 TZS
RAAWU	3,184,994	3,184,994
Staff Insurance	81,558	81,558
PSSSF Payable	2,198,676	2,198,676
NSSF Payable	1,427,326	1,427,326
Motor vehicle Loan Repayment	2,378,101	2,378,101
NHIF- Staff contribution	3,286,315	3,286,315
Staff Payables	95,181,300	79,657,400
UWABASATA SACCOS	750,000	750,000
Audit Fees Payable	59,529,160	55,998,760
SACCOS/ CWT	1,000,360	1,000,360
AZANIA BANK	1,733,102	1,733,102
Sundry Payables	183,463,234	170,716,922
Withholding Tax payable	8,653,471	8,653,471
TALGWU	909,360	909,360
Directors fees payable	22,725,000	18,850,000
TOTAL	386,501,957	350,826,345
Accrual	106,436,000	-
TOTAL	492,937,957	350,826,345

- The council was not able to pay most of its liabilities during the year. The current management of the council is in the process of assessing all the liabilities and ensure that payments are done during the year 2022/23.
- Staff Payables: Increased by 19%, this was brought by the outstanding directors allowances and other related staff allowances which were not paid plus additional moving expenses payable to dismissed staff.
- Sundry Creditors: This amount includes retention fee and construction fee relating to open air theatre construction payable to Motto Search amounting to TZS 98,316,367. This amount has been outstanding since previous year.
- Accrual relates to development cost of Artist and stakeholders registration sytem (AMIS) which is now in the trial process. The system was developed by eGA and the development cost was set at TZS 106,436,000.

12. SUBVENTION FROM THE GOVERNMENT

The Council depends on the subvention from the Government of the United Republic of Tanzania through the Ministry of Finance. The breakdown of the subvention received during the year is shown hereunder:

Month	2021/2022		2020/2021		TOTAL
	Other Charges	Personnel Emoluments	Other Charges	Personnel Emoluments	
July	8,791,417	53,248,930	2,767,333	66,379,390	69,146,723
August	10,448,127	56,970,060	2,767,333	65,664,200	68,431,533
September	8,791,417	60,306,820	2,767,333	69,204,450	71,971,783
October	13,020,117	61,914,510	2,767,333	69,204,450	71,971,783
November	8,791,417	64,199,310	2,767,333	67,413,500	70,180,833
December	8,791,417	69,103,300	2,767,333	68,139,400	70,906,733
January	7,472,704	107,823,520	2,767,333	62,903,400	65,670,733
February	7,472,704	69,006,910	2,767,333	60,523,400	63,290,733
March	7,472,704	70,298,060	2,767,333	60,523,400	63,290,733
April	7,472,704	75,417,440	2,767,333	55,740,790	58,508,123
May	7,472,704	70,910,910	2,767,333	55,740,790	58,508,123
June	7,794,304	76,295,660	2,767,333	58,987,110	61,754,443
TOTAL	103,791,736	835,495,430	33,207,996	760,424,280	793,632,276

13. REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2021/22	2020/21
	TZS	TZS
Government Subvention	939,287,165	793,632,276
Registration & Permit Fees	389,365,543	455,979,299
Special fund	-	30,173,664
Donation from stakeholders	80,785,906	7,483,430
	<u>1,409,438,614</u>	<u>1,287,268,669</u>

Registration fees are those fees charged for the registration of new artists. Permit fees are those fees charged for artist to perform in the events within the country and outside the country. During the financial year 2021/22, the registration and permit fees decreased by TZS 66,613,756. The decrease was contributed by non collection of fees which were in the previous years paid by companies upon using artist to advertise their businesses. These fees were stoped to encourage more companies to offer advertisemet contracts to many artist.

14. (a) REVENUE FROM EXCHANGE TRANSACTIONS

Rent	62,972,000	49,601,000
Total	<u>62,972,000</u>	<u>49,601,000</u>

14. (b) OTHER RECEIPTS

Rent Collected	48,298,000	49,601,000
Registration & Permit fees	389,365,543	392,565,250
Staff receivable	-	3,740,000
Special funds and donation (Note 14)	80,785,906	37,657,094
Total	<u>518,449,449</u>	<u>483,563,344</u>

15. WAGES, SALARIES AND EMPLOYEE BENEFITS

Salaries and Wages	702,097,000	639,012,000
Overtime	14,292,704	4,555,000
Leave Pay	1,339,600	8,257,400
House Allowance	7,740,000	16,100,000
WCF	7,020,970	7,093,762
NHIF Employer contribution	21,062,910	19,053,086
Pension Contributions (PSSSF)	105,314,550	95,265,432
Moving expenses	14,348,300	2,784,400
TOTAL	<u>873,216,034</u>	<u>792,121,080</u>

The increase in salaries and benefits was due to staff increase from 34 to 41 and promotion of three (3) staff to managerial positions.

16. RELATED PARTY TRANSACTIONS

Related party transactions include payments made to Board members, Executive Secretary and Director of Corporate Services. Details of transactions with related parties during the period were as follows;

	2021/22 TZS	2020/21 TZS
Salaries	48,000,000	67,648,000
Benefits	7,740,000	16,100,000
Directors fees	7,750,000	34,000,000
	<u>63,490,000</u>	<u>117,748,000</u>

17. GENERAL AND ADMINISTRATION EXPENSES

	2021/22 TZS	2020/21 TZS
Car Parking		930,000
Diesel	10,660,100	11,845,000
Electricity Charges	9,750,000	9,300,000
Entertainment Expenses	17,508,900	9,767,200
General Expenses	50,000	5,663,420
Internet charges	65,300	1,485,000
Travelling Ticket domestic and substance	181,564,515	135,754,700
Printing and Stationeries	45,318,400	31,534,700
Staff Training Development	-	24,405,540
Telephone & Postage	5,410,000	2,547,971
Public Relation	1,410,000	650,000
Audit Fees	26,880,000	23,349,600
Periodical News Paper	-	2,667,500
Waste Disposal	120,000	1,100,000
Condolence	-	10,778,042
Repair and Maintanance	14,641,817	29,638,540
Audit Expenses	1,315,500	5,300,000
Arts Promotion and Development Expenses	233,186,390	139,497,421
Bank Charges	297,283	759,124
Board Allowances	7,750,000	6,515,000
Board Members Fees	-	34,000,000
Security Services	5,901,000	6,187,000
Cleaning services & Fumigation	1,594,211	1,574,000
Bad Debts written off	81,786,250	-
Donation	-	5,575,000
Hosting fees	2,455,580	-
Board Meeting Expenses	-	3,924,000

	2021/22	2020/21
	TZS	TZS
Workers Council	-	2,450,000
Audit Committee	-	4,100,000
Professional Fees	-	719,609
Medical Expenditures	-	5,392,000
Sitting Allowance	18,358,750	-
TOTAL	<u><u>666,023,996</u></u>	<u><u>517,410,367</u></u>

18. DEPRECIATION

	2021/22	2020/21
	TZS	TZS
Depreciation (Note 9)	95,777,128	94,394,008
		83,333,333
TOTAL	<u><u>95,777,128</u></u>	<u><u>177,727,341</u></u>

19. VARIANCE ANALYSIS ON THE STATEMENT OF BUDGET AND ACTUAL AMOUNTS

The reasons behind the noted variances on the statement of comparison of the budget and actual amounts are explained as follows:

- a) The variance on other revenue amounting to TZS 930,056,163 is due to insufficiency response and noncompliance of artists and arts stakeholders to pay their obligations. The council budget was based on the assumption that the Artist Management Information System (AMIS) will be in full operation during the year and hence improve own source revenue collection, however it was fully launched in July 2022.
- b) The council did not manage to purchase all the assets as per budget due to financial constraints. The purchased assets relates to the installation of MUSE.
- c) The reason for the decrease in other expenses by 65% was due to insufficient collected funds to support implementation of the administrative and operational activities of the council.

20. FINANCIAL RISK MANAGEMENT

The Council is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Council's exposure to each of the above risks, the Council's objectives, policies, and processes for measuring and managing risk, and the Council's management of capital. Further quantitative disclosures are included throughout these financial statements. The Council's management established the Council's risk management framework.

The Council's risk management policies are there to identify and analyse the risks faced by the Council, to set appropriate risk limits and controls, and to monitor adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Council, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The management are responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Council.

Credit risk

Credit risk is the risk of financial loss to the Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Potential concentration of credit risk arises principally from the Council's receivables. As at 30 June 2022 the Council had a total of other receivables and prepayments balance of TZS 38,314,000 (TZS 105,426,250: June 2021).

Other receivables do not have standard credit characteristics; they differ depending on whether they are normal prepayments and deposits, "governed by specific prepayment and deposits terms" or the creditworthiness of entity from which they are receivable.

Liquidity risk

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council monitors its risk to a shortage of funds using a recurring liquidity planning procedure which considers the maturity of both accounts' receivables and projected cash flows from operations. The Council's objective is to maintain a balance to allow continuity of operations. As at 30 June 2022 the council had a total payable balance of TZS 492,937,957 (June 2021: TZS 350,826,545).

Market risk

Market risk is the risk that arises from changes in market prices, such as foreign exchange rates, interest rates and related risks that are bound to affect the Council's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

21. OTHER PAYMENTS

	2021/22	2020/21
	TZS	TZS
Office various purchases	93,156,617	194,144,074
Arts Promotion and Development purchases	233,186,390	135,588,300
General purchases	209,308,740	147,101,777
TOTAL	535,651,747	476,834,151

22. TAX STATUS OF THE COUNCIL

Under the second schedule of the Income Tax Act, 2004 of the United Republic of Tanzania, the Council is exempted from paying corporate taxes on the excess of income over expenses.

23. CONTINGENT LIABILITY

The Management confirm that they are not aware of any contingent liability as at the date of this report. The Management also confirm that there are no commitments involving the Council as at the date of this report.

24. SUBSEQUENT EVENTS

At the date of signing the financial statements, the Management are not aware of any matter or circumstance arising since the date of the end of the reporting period, not otherwise dealt in these financial statements, which significantly affected the financial position of the Council and results of its operations.

25. AUDIT FEES

	2021/22 TZS	2020/21 TZS
Opening balance	55,998,760	49,644,160
Add: Audit fees Expense	26,880,000	23,349,600
Payment Made	(23,349,600)	(16,500,000)
Withholding tax	-	(495,000)
 Audit fees payable	<u>59,529,160</u>	<u>55,998,760</u>

26. ADJUSTMENT

The adjustment amount, TZS 749,999,997 relate to amortization of the value of land, plot No. 417 Ilala shamba, which was wrongly done in the previous years by amortizing the land without having the lease agreement. The adjustment has been done with the intention of reinstating the value of Land to its original cost.

