

THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
ANNUAL FINANCIAL STATEMENTS OF NATIONAL SOCIAL SECURITY
FUND FOR THE YEAR ENDED 30TH JUNE, 2015



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September, 2016

NATIONAL SOCIAL SECURITY FUND (NSSF)

REPORT OF THE BOARD OF TRUSTEES'
AND ANNUAL FINANCIAL STATEMENTS

30 JUNE 2015

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' AND ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Office of the Controller and Auditor General
National Audit Office
The United Republic of Tanzania (URT)

(Established under Article 143 of the Constitution of the URT)

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the United Republic of Tanzania and amplified in the Public Audit Act, CAP 418.

Vision

To be a Centre of excellence in public sector auditing.

Mission

To provide efficient audit services to enhance accountability and value for money in the collection and use of public resources.

In providing quality services, National Audit Office (NAO) is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objective, and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior and the rule of law;
- ✓ **People focus:** We focus on stakeholders' needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are a creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- ✓ **Best resource utilization:** We are an organization that values and uses public resources entrusted to it in efficient, economic and effective manner.

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.

© This audit report is intended to be used by National Social Security Fund. However, upon receipt and approval of the report by the Board of Trustees, the report becomes a matter of public record and its distribution may not be limited.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' AND ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

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LIST OF ABBREVIATION

AHEL	Azimio Housing Estates Limited
AO	Accounting Officer
BOT	Bank of Tanzania
CFPS	Corruption and Fraud Prevention Strategy
GPSA	Government procurement services Agency
IFRS	International Financial Reporting Standards
ILO	International Labour Organisation
ISSAI	International Standards of Supreme Audit Institutions
GDE	Government Departments and Embassies
NAO	National Audit Office
NEMC	National Environmental Management Council
NPF	National Provident Fund
NSSF	National Social Security Fund
PAA	Public Audit Act
PAYE	Pay As You Earn
PMU	Procurement Management Unit
PPA	Public Procurement Act
PPE	Property, Plant and Equipment
PPF	Parastatal Pension Fund
PPRA	Public Procurement Regulatory Authority
SACCOS	Savings and Credit Cooperative Societies
SHIB	Social Health Insurance Benefit
SSRA	Social Security Regulatory Authority
TFRS	Tanzania Financial Reporting Standards
TUICO	Tanzania Union of Industrial and Commercial Workers
TPCC	Tanzania Portland Cement Company Limited
TRA	Tanzania Revenue Authority
TTCL	Tanzania Telecommunications Company Limited
TZS	Tanzanian Shillings
UDOM	University of Dodoma
URT	United Republic of Tanzania

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

FUND INFORMATION

Registered Office:	Benjamin William Mkapa Pension Towers Jamhuri/Azikiwe Street P. O. Box 1322 Dar es Salaam, Tanzania
Main Bankers:	National Bank of Commerce Limited P. O. Box 1863 Dar es Salaam, Tanzania
	National Microfinance Bank (NMB) Limited P. O. Box 9031 Dar es Salaam, Tanzania
	CRDB Bank PLC Azikiwe Street P. O. Box 268 Dar es Salaam, Tanzania
	Standard Chartered Bank Tanzania Limited P. O. Box 9011 Dar es Salaam, Tanzania.
	CITI Bank P. O. Box 71625 Dar es Salaam, Tanzania
Lawyers:	Abdi S. Kagomba Benjamin William Mkapa Towers P. O. Box 1322 Dar es Salaam, Tanzania.
Fund's Secretary:	Dr. Ramadhani K. Dau (Until 17 February 2016) Prof. Godius Kahyarara (from 31 March 2016) Benjamin William Mkapa Pension Towers P. O. Box 1322 Dar es Salaam, Tanzania
Auditors:	Ernst & Young Certified Public Accountants Utalii House, 36 Laibon Road, Oysterbay P. O. Box 2475 Dar es Salaam, Tanzania
	The Controller and Auditor General National Audit Office Samora Avenue/ Ohio Street P. O. Box 9080 Dar es Salaam, Tanzania

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' FOR THE YEAR ENDED 30 JUNE 2015

1. INTRODUCTION

The Board of Trustees presents this report and the audited annual financial statements for the year ended 30 June 2015 which disclose the state of affairs of National Social Security Fund (NSSF) the "Fund". These financial statements can be amended by the Board of Trustees and regulatory bodies if the financial statements are found misleading after they have been issued to the public. The financial statements for the year ended 30 June 2015 were authorized for issue in accordance with a resolution of the Board of Trustees on 09/09/2016.

2. BACKGROUND OF THE FUND

2.1 Establishment

The National Social Security Fund (NSSF) is registered in Tanzania under the National Social Security Fund Act, 1997 as a registered contribution scheme and administered in Tanzania.

The National Social Security Fund (NSSF) was established by the Act of Parliament No.28 of 1997 to replace the defunct National Provident Fund (NPF). The National Social Security Fund (NSSF) is a compulsory scheme providing a wider range of benefits which are based on internationally accepted standards.

2.2 Members of the Fund

The Fund covers all employees in the private sector which includes companies, non-governmental organizations, embassies employing Tanzanians, International organizations and organized groups in the informal sector. Also non-pensionable government employees, self-employed or any other employed person not covered by any other scheme and any other category as declared by the Minister responsible for Labour and Employment.

2.3 Main activities of the Fund

The main activities of the Fund include registration of employers and employees, collection of contributions from registered employers, investment of the funds collected in viable ventures, payment of benefits to qualifying members and advising Government on matters related to social security.

2.4 Fund's financing

The scheme is financed through contributions at the rate of 20% of employees' Salary. The employer is required to deduct from employees' gross salary the amount of contribution at the rate of 10% of the employees' salary. The employer adds the remaining balance to make the required contribution rate of 20%.

2.5 Fund's investments

The National Social Security Fund is a partially funded scheme running under defined benefit principles. Surplus of funds collected after paying members' benefits are invested for the purpose of financing benefit payments and operation costs.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

2. BACKGROUND OF THE FUND (Continued)

2.6 Members' benefits

The benefits offered include, retirement pension, invalidity pension, survivors' pension, funeral grant, maternity benefit, employment injury benefit and health insurance benefit.

3. MISSION AND VISION

Vision Statement:

The Fund envisions becoming a leading provider of social security services in Africa by the year 2020.

Mission Statement:

The Fund is committed to promptly meet members' evolving social security needs using competent, innovative, motivated staff and state of the art technology.

4. COMPOSITION OF THE BOARD OF TRUSTEES

The members of the Board of Trustees of National Security Fund who served during the year ended 30 June 2015 comprised:

SN	Name	Position	Age	Qualification / Discipline	Nationality	Appointed/(Retired)
1.	Mr. Abubakar S. Rajab	Chairperson	69	BSc and MA Education	Tanzanian	18-Feb-13 (17-Feb-16)
2.	Ms. Zuhura S. Muro	Vice Chairperson	56	BA Social Science and PGD Management and Entrepreneurship Development	Tanzanian	18-Feb-13 (17-Feb-16)
3.	Mr. Almas A. Maige	Trustee	61	LLB and PGD in Certified Security Consultancy	Tanzanian	18-Feb-13 (17-Feb-16)
4.	Mr. Omary A. Juma	Trustee	63	Diploma in Chemical Fertilizer Production Technology	Tanzanian	18-Feb-13 (17-Feb-16)
5.	Mr. George M. Masaju	Trustee	51	LLB (Hons)	Tanzanian	18-Feb-13 (17-Feb-16)
6.	Mr. Boniface Y. Nkakatisi	Trustee	77	Diploma in Adult Education and Diploma in Unionism	Tanzanian	18-Feb-13 (17-Feb-16)

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued)
FOR THE YEAR ENDED 30 JUNE 2015

4. COMPOSITION OF THE BOARD OF TRUSTEES (Continued)

SN	Name	Position	Age	Qualification / Discipline	Nationality	Appointed/ (Retired)
7	Mr. Said N. Magonya	Trustee	58	MSc Macro Economics	Tanzanian	18-Feb-13 (17-Feb-16)
8	Mr. Josephat M. Lugakingira	Trustee	61	PGD in Law	Tanzanian	18-Feb-13 (17-Feb-16)
9	Ms. Margareth I. Ikongo	Trustee	58	A Chartered Insurer (UK), MBA and PGD in Financial Management	Tanzanian	18-Feb-13 (17-Feb-16)
10	Dr. Ramadhani K. Dau	Director General/ Secretary	58	B.Com, MBA and PhD in Business Administration	Tanzanian	18-Feb-13 (17-Feb-16)

However, subsequent to the year end the Government made changes to the entire composition of the Board of Trustees. The members of the Board of Trustees holding office as at the date of this report are as follows:

SN	Name	Position	Age	Qualification/ Discipline	Nationality	Appointed
1.	Prof. Samwel M. Wangwe	Chairperson	67	Ph.D (Economics) BA & MA (Economics)	Tanzanian	30 May 2016
2.	Mr. Noel Nchimbi	Trustee	35	LLB – Bachelor of Law, Post Graduate Diploma in Legal Practice, (Advocate)	Tanzanian	30 May 2016
3.	Mrs. Margareth Chacha	Trustee	59	BA General – UDSM (1983), MSC – Business Information Technology Management – The Queens University of Belfast – UK (1996), Project Appraisal & Assessment Certificate (Philippines – 1987)	Tanzanian	30 May 2016

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued)
FOR THE YEAR ENDED 30 JUNE 2015

4. COMPOSITION OF THE BOARD OF TRUSTEES (Continued)

The members of the Board of Trustees holding office as at the date of this report are as follows: (Continued)

SN	Name	Position	Age	Qualification/ Discipline	Nationality	Appointed
4.	Mr. David Magese	Trustee	53	Bachelor of Science (Education)	Tanzanian	30 May 2016
5.	Mr. Gabriel P. Malata	Trustee	43	LLB – Bachelor of Law (UDSM), LLM – Masters of Law, Principal State Attorney, Assistant Director - AGC	Tanzanian	30 May 2016
6.	Mr. Paul E. Sangeze	Trustee	56	Mechanical (Certificate)	Tanzanian	30 May 2016
7.	Mr. Ally A. Msaki	Trustee	43	MA (Statistics) MBA (Corporate Management) BA (Statistics)	Tanzanian	30 May 2016
8.	Mr. Justine Mwandu	Trustee	61	Advanced Diploma in Insurance (ADI) Post Graduate Diploma in Finance Management (PGFM) ACII, MA (Social Security and Public Administration)	Tanzanian	30 May 2016
9.	Mr. Emmanuel Maduhu Subbi, ndc	Trustee	47	Bachelor of Commerce (Accounting), MBA (Finance & Banking), Master's Degree in Security and Strategic Studies	Tanzanian	30 May 2016

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

4. COMPOSITION OF THE BOARD OF TRUSTEES (Continued)

The members of the Board of Trustees holding office as at the date of this report are as follows: (Continued)

SN	Name	Position	Age	Qualification/ Discipline	Nationality	Appointed
10.	Prof. Godius O. Kahyarara	Director General/ Secretary	51	BA (Economics) UDSM MA (Economics) UDSM MPHL (Economics) Oxford Ph.D (Economics) Oxford	Tanzanian	30 May 2016

5. CORPORATE GOVERNANCE

The Board of Trustees currently consists of nine (9) trustees and Secretary to the Board of Trustees who is also the Director General of the Fund. Apart from the Director General, no other member of the Board of Trustees holds executive positions in the Fund. The Board takes overall responsibility for the Fund, including responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets.

The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative and for compliance with sound corporate governance principles.

The Board delegates the day to day management of the Fund's operations to Director General. The Fund is committed to the principles of effective corporate governance. The Trustees, also recognize the importance of integrity, transparency and accountability.

5.1 BOARD MEETINGS

During the year the Board of Trustees whose tenure ended on 17th February 2016, held all ordinary and special meetings in line with the second schedule of the National Security Fund Act No. 28 of 1997 as follows:

SN	Name	Position	Nationality	Number of meetings	
				Ordinary	Extraordinary
1.	Mr. Abubakar S. Rajab	Chairperson	Tanzanian	5	7
2.	Ms. Zuhura S. Muro	Vice Chairperson	Tanzanian	5	3
3.	Mr. Almas A. Maige	Trustee	Tanzanian	5	6

REPORT OF THE BOARD OF TRUSTEES' (Continued)
FOR THE YEAR ENDED 30 JUNE 2015

5. CORPORATE GOVERNANCE (Continued)

5.2 BOARD OF TRUSTEES' COMMITTEES (Continued)

(i) The Finance and Investment Committee (Continued)

The tenure of the above sub-committee of the Board of Trustees ended on 17th February 2016.

During the year the Committee held 7 meetings and made various recommendations to the Board including but not limited to:

- Approval of Plan and Budget for 2015/2016 Financial year,
- The Fund to issue a term loan of TZS. 5,195.10 Billion to M/s Farming for Energy for Better Livelihood in Southern Africa (FELISA) and approval of partial disbursement of TZS. 2.0 billion to M/s FELISA,
- Discussed investment in Watumishi Housing Company Limited and to inject TZS. 10.0 billion in the first year of implementation of the Scheme;
- Recommendation to approve National Social Security Fund ICT Strategy 2013/14-2015/16, ICT Policy 2015,
- Reviewed and approved Terms of Reference for the Actuarial Valuation of NSSF as of 30th June, 2013, and
- Reviewed and approved Annual Procurement Plan for 2015/2016 and Fund's Non-Current Asset Management Policy 2015.

At the date of this report positions for the members of the new Finance and Investment Committee were yet to be determined. The Members of the Finance and Investment Committee at the date of this report were as follows:-

SN	Name	Number of meetings attended	
		Ordinary	Extraordinary
1.	Mr. Emmanuel Maduhu Subbi, ndc	-	1
2.	Mr. Gabriel P. Malata	-	1
3.	Mr. Ally A. Msaki	-	1
4.	Mrs. Margareth Chacha	-	1
5.	Mr. Paul E. Sangeze	-	1
6.	Prof. Godius O. Kahyarara	-	1

(ii) The Audit Committee

The Audit Committee's role is better described as oversight for monitoring, rather than execution. Responsibilities of the Audit Committee include:-

- Overseeing the financial reporting and disclosure process;
- Monitoring choice of accounting policies and principles;
- Overseeing hiring, performance and independence of the external auditors;
- Oversight of regulatory compliance, ethics, and whistle blower hotlines;
- Monitoring the internal control process; and
- Overseeing the performance of the internal audit function.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

5. CORPORATE GOVERNANCE (Continued)

5.2 BOARD OF TRUSTEES' COMMITTEES (Continued)

(ii) The Audit Committee (Continued)

The Members of the Audit Committee, who served during the year as at 30th June, 2015 were as follows:-

SN	Name	Position	Number of meetings attended	
			Ordinary	Extraordinary
1	Mr. Said N. Magonya	Chairman	4	2
2	Ms. Zuhura S. Muro	Member	5	2
3	Mr. Josephat M. Lugakingira	Member	5	2
4	Mr. Boniface Y. Nkakatisi	Member	6	2
5	Ms. Margaret T. Ikongo	Member	6	2
6	Dr. Ramadhani K. Dau	Secretary	6	2

The tenure of the above sub-committee of the Board of Trustees ended on 17th February 2016.

During the year the committee held eight (8) meetings and approved

- External Auditors Audit Plan for the Financial Year Ended 30th June, 2014;
- Internal Audit Risk Based Work Plan for the Financial Year 2015/2016,
- The Internal Audit Assurance Work Plan for the year 2014/2015,
- The committee made various recommendations to the Board including but not limited to approve audit fees for 2013/2014 Financial Year audit, Audited Accounts and Management Audit replies for Management letter for the financial year ended 30th June, 2014,
- Recommended for approval of the Revised Risk Management Policy 2015 and Risk Management plan for 2015/2016.

At the date of this report, positions for the members of the new Audit Committee were yet to be determined. The Members of the Audit Committee at the date of this report were as follows:-

SN	Name	Number of meetings attended	
		Ordinary	Extraordinary
1.	Mr. Emmanuel Maduhu Subbi, ndo	-	1
2.	Mr. Justine Mwandu	-	1
3.	Mrs. Margareth Chacha	-	1
4.	Mr. Noel Nchimbi	-	1
5.	Prof. Godius O. Kahyarara	-	1

(iii) The Staff Committee

The Staff Committee represents the interest of the NSSF's staff vis-à-vis Management and ensures continuous contact between management and staff. It contributes to the smooth running of the Fund's operations by providing a channel for the expression of opinion by the staff.

It works at a general level, by defending the staff's interests as a whole, and at an individual level, by helping staff members who encounter problems in their daily working life.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

5. CORPORATE GOVERNANCE (Continued)

5.2 BOARD OF TRUSTEES' COMMITTEES (Continued)

(iii) The Staff Committee (Continued)

Staff Committee main functions include:

- to issue opinion on administrative and staff related matters;
- to appoint representatives in selection procedures for the recruitment of new staff; and to participate in discussions concerning staff policy in general.

The members of the Staff Committee, who served during the year as at 30th June, 2015 were as follows:-

SN	Name	Position	Number of meetings attended	
			Ordinary	Extraordinary
1.	Mr. Boniface Y. Nkakatisi	Chairman	4	3
2.	Mr. Ayubu A. Omar	Member	3	2
3.	Mr. Almas A. Maige	Member	3	2
4.	Ms. Zuhura S. Muro	Member	3	3
5.	Mr. George M. Masaju	Member	3	1
6.	Mr. Josephat Lugakingira	Member	4	3
7.	Dr. Ramadhani K. Dau	Secretary	4	3

The tenure of the above Staff Committee, sub-committee of the Board of Trustees ended on 17th February 2016.

At the date of this report, positions for the members of the new Staff Committee were yet to be determined. The Members of the Staff Committee at the date of this report were as follows:-

SN	Name	Number of meetings attended	
		Ordinary	Extraordinary
1.	Mr. Paul D. Sangeze	-	1
2.	Mr. Noel Nchimbi	-	1
3.	Mr. Gabriel P. Malata	-	1
4.	Mr. David Magese	-	1
5.	Prof. Godius O. Kahyarara	-	1

6. MANAGEMENT

The day to day management of the Fund is vested to the Director General who is assisted by Directors and Chief Managers. Management Team of the Fund in the financial year ended 30 June 2015 was:-

SN	Name	Position
1.	Dr. Ramadhani K. Dau	Director General
2.	Mr. Ludovick S. Mrosso	Director of Finance
3.	Mr. Yacoub M. Kidula	Director of Planning, Investments and Projects
4.	Mr. Crescentius J. Magori	Director of Operations
5.	Mrs. Chiku A. Matessa	Director of Human Resources and Administration

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

5. CORPORATE GOVERNANCE

5.1 BOARD MEETINGS (Continued)

During the year, the Board of Trustees whose tenure ended on 17th February 2016, held all ordinary and special meetings in line with the second schedule of the National Security Fund Act No. 28 of 1997 (Continued)

SN	Name	Position	Nationality	Number of meetings	
				Ordinary	Extraordinary
4.	Mr. Omary A. Juma	Trustee	Tanzanian	3	6
5.	Mr. George M. Masaju	Trustee	Tanzanian	3	1
6.	Mr. Boniface Y. Nkakatsi	Trustee	Tanzanian	5	7
7	Mr. Said N. Magonya	Trustee	Tanzanian	2	5
8	Mr. Josephat M. Lugakingira	Trustee	Tanzanian	5	5
9	Ms. Margareth T. Ikongo	Trustee	Tanzanian	5	4
10	Dr. Ramadhani K. Dau	Secretary	Tanzanian	4	7

5.2 BOARD OF TRUSTEES' COMMITTEES

The Board has three committees. During the year ended 30 June 2015 the committees and its members were:-

(i) The Finance and Investment Committee

The Committee's mandate is to:

- Assess appropriateness of the NSSF's Investment Policy in the context of directions on acceptable investment asset classes, including a formal review each financial year;
- Review process for investment of monies to ascertain compliance with the approved Investment Policy; and
- Monitor and advise on NSSF's investment strategy based on current and future operational and capital needs.

The Members of the Finance and Investment Committee who served during the year as at 30th June, 2015 were as follows:-

SN	Name	Position	Number of meetings attended	
			Ordinary	Extraordinary
1.	Mr. Almas A. Maige	Chairman	4	3
2.	Ms. Margaret T. Ikongo	Member	4	1
3.	Mr. Said N. Magonya	Member	2	1
4.	Ms. Zuhura S. Muro	Member	4	1
5.	Mr. Omar A. Juma	Member	4	3
6.	Mr. George M. Masaju	Member	2	1
7.	Dr. Ramadhani K. Dau	Secretary	4	3

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued)
FOR THE YEAR ENDED 30 JUNE 2015

6. MANAGEMENT (Continued)

SN	Name	Position
6.	Mr. Pauline G. Mtunda	Director of Internal Audit
7.	Mr. Iddi M. Halfani	Director of Information Technology
8.	Mr. Sadi W. Shemliwa	Director of Actuarial and Risk
9.	Mr. Abdi S. Kagomba	Director of Legal Services
10.	Mrs. Eunice N. Chiume	Chief, Public Relations and Customer Services
11.	Mr. Ramadhani O. Nassib	Chief, Security Manager
12.	Mrs. Amina M. Abdallah	Manager, Procurement Management Unit
13.	Mr. Davis W. Senkore	Manager Special Unit

However, subsequent to the year end the Government made changes in the management team as follows:

- (i) Prof. Godius Kahyarara was appointed as a new Director General effectively from 31 March 2016 in place of Dr. Ramadhan K. Dau who was recalled by the Government.
- (ii) The Board of Trustees made a decision to suspend the members of senior management team shown below to allow for internal investigation on allegations of misconduct and irregularities.

Following the suspension of the named personnel, the Board of Trustees approved appointment of the personnel shown below to act in the vacant positions:

- (a) Below is the list of suspended officers from management team who served the Fund up to 30 June 2015

S/N	Name	Position	Date Suspended
1.	Mr. Ludovick Mrosso	Director of Finance	18 July 2016
2.	Mr. Yacoub M. Kidula	Director of Planning, Investment and Projects	18 July 2016
3.	Mr. Crescentius J. Magori	Director of Operations	18 July 2016
4.	Mrs. Chiku A. Matessa	Director of Human Resources and Administration	18 July 2016
5.	Mr. Pauline G. Mtunda	Director of Internal Audit	18 July 2016
6.	Mr. Sadi W. Shemliwa	Director of Actuarial and Risk Management	18 July 2016

- (b) Below is the list of officers who has been appointed to act on vacant positions in management team of the Fund at the date of this report;

S/N	Name	Position	Date Appointed
1.	Mr. Alphonse Tikyeba	Acting Director of Finance	18 July 2016
2.	Ms. Judith Lukanya	Acting Director of Planning, Investment and Projects	18 July 2016
3.	Mr. Batholomeo Mmuni	Acting Director of Operations	18 July 2016
4.	Mr. Dominic Mbvette	Acting Director of Human Resources and Administration	18 July 2016
5.	Mr. Nurdin Mruma	Acting Director of Internal Audit	18 July 2016
6.	Mr. Hiza Kiluwasha	Acting Director of Actuarial and Risk Management	18 July 2016

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

7. RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The efficiency of any internal control system is dependent on 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 Fund's system is designed to provide the Board with reasonable assurance that the procedures in place are operating efficiently and effectively.

The Board assessed the internal control systems throughout the financial year ended 30th June, 2015 and is of the opinion that they met accepted criteria. The Board carries risk and internal control assessment through Audit Committee.

8. ANALYSIS OF STATEMENT OF CHANGES IN NET ASSETS

The statement of changes in net assets of the Fund is set on page 24. During the period the Fund recorded a net increase in assets before tax of TZS 327.9 billion (2013/14: TZS 175.8 billion). The positive movement this year has been largely contributed by increase in contributions received from members by approximately 10% with decrease in provision for impairment by 71%.

8.1 Members' contributions

Collection of contributions from members during the year amounted to TZS 605 billion (2013/14: TZS 548 billion). The increase is contributed by continued expansion in membership size of the Fund. During 2014/15 the Fund recorded membership size of 103,688 contributing employers and members from informal sectors. This reflects a growth of 90% as compared to 2013/14 when membership of 53,866 contributing employers and informal sector was recorded.

8.2 Benefit payments to eligible members

Total amount of benefit paid to eligible members increased by 4% from TZS 344.7 billion recorded in 2013/14 to TZS 357.7 billion recorded. This increase shows the Fund's efforts to make benefit payments to its members. Significant benefit payments during the period under review relates to withdraw benefit payments which accounted for 79% of all payments made during the year.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

8. ANALYSIS OF STATEMENT OF CHANGES IN NET ASSETS (Continued)

8.3 Income from investments

The Fund maintains various streams of income from investment. The major sources of income from investments include interest on loans, dividend income; rental income from Fund's owned residential and commercial buildings, gains accruing from reselling of the acquired plots and profits from associate companies. Income from these investments during the year amounted to TZS 209.7 billion (2013/14: TZS 222.1 billion). The decrease by 6% is mainly due to decrease in income from interest on loans which accounts for 89% of all income received.

8.4 Other income

Other income include incomes emanating from foreign currency exchange dealings; gain on sale of equity shares, gain on disposal of assets and other receipts received from time to time. Other income during the year amounted to TZS 41.6 billion as compared to TZS 9.7 billion recorded in 2013/14. This represents an increase of more than 300%. Significant increase during this year is due to increase in profit from sale of equity shares as well net foreign exchange gains.

8.5 Expenditure

Administrative and other expenditure amounted to TZS 170 billion as compared to TZS 260 billion recorded in 2013/14. Significant savings have been on reduction of impairment of financial assets by more than 71%.

9. ANALYSIS OF STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

Statement of net assets available for benefits is set on page 25. During the period the Fund had sufficient assets to cover its entire short-term and long-term obligations. The Fund recorded TZS 2,933.9 billion as net assets available for benefits (2013/14: 2,582.9 billion). The increase is due to increase in assets and decrease in liabilities as a result of enhanced treasury and other investment decisions.

9.1 Investment assets

9.1.1 Investment in Government Securities held to maturity and Corporate Bonds

Investment in Government securities decreased by TZS 39 billion which is equivalent to 11% due to maturing of categories in these investments. There was one newly investment in 5 year corporate bond from Eastern and Southern Africa Development Bank (PTA) amounting to TZS 1.9 billion.

9.1.2 Investment in Quoted and Unquoted shares

Investment in unquoted shares increased from TZS 16.8 billion in 2014 to TZS 19.3 billion in 2015. The increase represents 16% and it is mainly due to new investment in Watumishi Housing Company worth TZS 1.83 billion and other increase coming from valuing of the investment in foreign currencies.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

9. ANALYSIS OF STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS (Continued)

9.1 Investment assets (Continued)

9.1.2 Investment in Quoted and Unquoted shares (Continued)

On the other hand net investment in quoted shares decreased by 34%. The decrease is due to disposal of 3 million, 2.6 million and 1 million shares in Tanga Cement Company Limited, Tanzania Cigarette Company and Tanzania Breweries Company Limited respectively.

9.1.3 Investment in Joint Ventures and Joint Operations

Investment in Joint operations increased by 41% mainly due to additional Funds invested into the NSSF& RITA Building and Kigamboni Bridge in total amounting to TZS 51.3 billion. Investment in Joint venture has increased by TZS 55 billion which is equivalent to 32%. The rise is due to additional Fund made to the on-going Dege Eco Village project.

9.1.4 Investment in Properties

Significant increase in investment in properties emanates from additional investment in Land and buildings for commercial and official purposes. Additional investment accounted for 74% of the increase while 26% equivalent to TZS 35 billion relates to revaluation gain following the valuation exercise conducted during the year.

9.1.5 Investment in Loans

Investment in Loans increased by 16% from TZS 892 billion in 2014 to TZS 1,033 billion in 2015. The increase is due to increase in loans disbursed amounting to TZS 45.3 billion as well increase in accrued interest on loans.

9.1.6 Investment in Associates

The increase in investment in Associates by 4% is only due to increase in Fund's share of profits made by the Associates Companies.

9.2 Other assets

Other assets have increased by 13% from TZS 355.9 billion recorded in 2013/14 to TZS 404.9 billion recorded in 2014/15. The increase has been due to enhanced liquidity management policies.

9.3 Liabilities

Total liabilities at the end of the year amounted to TZS 198 billion (2013/14: 176.6billion). This represents 12% increase and is largely due to increase in provision for employee benefits and assessed corporation tax liability.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

10. SOLVENCY

The Board of Trustees confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis. The Board of Trustees has reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future.

11. ADMINISTRATIVE EFFICIENCY

All statutory payments such as PAYE and other statutory deductions effected from staff salaries were made promptly to the relevant authorities. Outstanding balances as at 30th June 2015 are in respect of June deductions which were paid early July, 2015. All properties of the Fund are adequately insured.

12. INVESTMENT PERFORMANCE

The Social Security Regulatory Authority (SSRA) and the Bank of Tanzania (BOT) issued investment guidelines made under Section 26(2) of the Social Security Regulatory Authority Act No. 8 of 2008 which sets limits on various permissible areas of investment for Pension Funds, Banks and Financial Institutions.

The results as at 30 June 2015 are indicated in the table next page.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued)
FOR THE YEAR ENDED 30 JUNE 2015

12. INVESTMENT PERFORMANCE (Continued)

The table below indicates Fund's investment portfolio as at 30 June 2015 and as at 30 June 2014 respectively.

S/NO	Nature of investment	30 June 2015 TZS'000	%	30 June 2014 TZS'000	%	% Approved allocation
1.	Government debt (Treasury bills & bonds)	315,927,846	9.8	355,244,070	12.9	20 - 70
2.	Direct loans to Government	996,855,767	31	898,903,400	32.6	10
3.	Commercial papers & Corporate Bonds	1,962,000	0.1	-	0	40
4.	Unlisted Corporate debt	19,341,114	0.6	16,872,089	0.6	30
5.	Real Estate	1,135,378,257	33	950,992,119	34.5	20
6.	Non-income earning property (PPE)	43,333,653	1.35	48,934,798	2	5
7.	Ordinary & preference shares	47,142,134	1.5	71,953,981	2.6	15
8.	Infrastructure investment	161,895,002	1.35	112,003,169	4.1	25
9.	Deposits with licensed banks and financial institutions	62,885,836	2	67,605,585	2.4	35
10.	Investment in licensed collective schemes	4,509,733	0.14	2,334,968	0.08	30
11.	Loans to corporates and cooperative societies	197,379,525	6.13	136,162,150	4.93	10

Investment in real estates above appears to have exceeded the limit set by the Social Security Authority and BOT due to Joint venture investment between the Fund and the AHEL. Investment in Direct loans to Government is also above the set limit. The Government has initiated the plan with the Pension Fund to transfer all the loans directly to Government into secure Government Treasury Bonds.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

13. ACCUMULATED FUND

The overall objective of the Fund is to accumulate significant funds to meet expected future obligation to members. During the year ended 30 June 2015 net assets available for benefits increased by 15% from TZS 2.58 trillion in 2014 to TZS 2.93 trillion in 2015. Balance of net assets available for benefits is set out on page 25.

14. ACTUARIAL VALUATION OF THE FUND

Actuarial valuation of the Fund as of June 30, 2015 was carried on during the year. The results of the valuation indicate that, with the current level and rate of contribution, the Fund is solvent enough to survive in the foreseeable future.

15. LIQUIDITY

The Fund has favorable liquidity ratios and is liquid as its current assets adequately cover current liabilities.

16. EMPLOYEES WELFARE

16.1 Relationship between management and employees

The relationship between employees and management continued to be good since there were no unresolved complaints received by management from the employees during the year. Management continued to honor the voluntary agreement entered with the workers union. The Workers/Management Negotiation Council worked smoothly during the accounting period. The workers through Master Workers Council were fully involved in the planning and evaluation of the Fund's targets.

16.2 Equal opportunity employer

The Fund is an equal opportunity employer and persons with disabilities are given opportunities for those vacancies that they are able to fill.

16.3 Training

The Fund continued to sponsor staff to long and short term training. The Fund also conducted in house tailored seminars and on the job training.

16.4 Medical Facilities

The Fund continued to provide free medical care to all staff, spouses and up to four children not exceeding eighteen years of age or twenty one years if under full time education.

16.5 Financial assistance to staff

Loans, salary advances and other financial assistance are available to all confirmed staff depending on the assessment by management in relation to governing policies. Furthermore management provide short terms loans as and when applied for to NSSF employees SACCOS for promoting welfare of its members who are NSSF employees.

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

16. EMPLOYEES WELFARE (Continued)

16.6 Employees benefit plans

The Fund pays contributions to Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF) on mandatory basis which qualifies to be defined benefits plans for its employees registered in the respective social security Funds.

16.7 Health and safety

A safe working environment is ensured for all employees. The Fund has its own Health and Safety policy at workplace.

16.8 Related party transactions

All related party transactions and balances are disclosed in Note 46 to these Financial Statements.

17. POLITICAL AND CHARITABLE DONATIONS

The Fund did not make any political donation during the year. Charitable donation during the year ended 30 June 2015 amounted to TZS 1,211.60 million (2014: TZS 1,198 million).

18. FUTURE DEVELOPMENTS

The major focus of the Fund is to continue increasing membership size, increase contribution collection, increase investment income, improve members' benefits, improve customer services, and undertake institutional capacity building.

19. GENDER PARITY

The Fund has 680 male employees (52.92%) and 605 female employees (47.08%) (2013/14: 624 male (54.69%) and 517 female (45.31%).

Gender	30 June 2015	%	30 June 2014	%
Male	680	52.92	624	54.69
Female	605	47.08	517	45.31
Total	1285	100	1141	100

20. CORPORATE SOCIAL RESPONSIBILITY

20.1 Environmental protections

The Fund monitors the impact of its operations on the environment, which is mainly through the use of power, water and generation of waste. The Fund minimizes its impact through the better use of its premises and inbuilt facilities to ensure that there is proper waste management.

All projects the Fund is undertaking are ensured to be environmental friendly and approval obtained from National Environmental Management Council (NEMC).

NATIONAL SOCIAL SECURITY FUND

REPORT OF THE BOARD OF TRUSTEES' (Continued) FOR THE YEAR ENDED 30 JUNE 2015

20. CORPORATE SOCIAL RESPONSIBILITY (Continued)

20.2 Anti-Corruption

Transparency is an important aspect of good corporate governance. Fund's operations are carried out with transparency in all aspects. The Fund has its own corruption and fraud prevention strategy (CFPS) of November 2011 and whistle blowing policy of May 2012.

20.3 Fight against HIV/AIDS

The Fund has been joining hands in the fight against HIV/AIDS. The Fund provides financial support in form of donations to some organizations in the fight against the epidemic. Education about the disease is given to Fund's staff in in-house training conducted by the Fund. The Fund has its own HIV/AIDS policy and is a member of AIDS Business Coalition Tanzania, an association of institutions in the fight against AIDS.

21. EVENTS AFTER REPORTING PERIOD

On 23rd November, 2013 the Fund signed an addendum with Azimio Housing Estate Company Limited to include Arumeru land to be developed into satellite town under Hifadhi Company Builders Limited.

Due to cash flow constraints both parties agreed to terminate the contract and signed an addendum on 21st January, 2016 to that effect. For details refer to note 51 to these financial statements.

22. INDEPENDENT AUDITORS

The Controller and Auditor General (CAG) is the statutory auditor of National Social Security Fund by virtue of the Article 143 of the Constitution of the United Republic of Tanzania (URT). The audit was jointly carried out by CAG and Ernst & Young, Certified Public Accountants in accordance with section 30 - 33 of Public Audit Act, 2008 CAP418.

BY ORDER OF THE BOARD

Approved by the Board of Trustees on 09/09/, 2016 and signed on its behalf by:



Board Chairman



Trustee

INDEPENDENT AUDITOR'S REPORT

To: Chairman of the Board of Trustees,
National Social Security Fund,
Benjamin William Mkapa Towers,
Jamhuri/Azikiwe Street,
P.O.Box 1322,
DAR ES SALAAM.

RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
AUDIT OF THE FINANCIAL STATEMENTS OF NATIONAL SOCIAL
SECURITY FUND FOR THE YEAR ENDED 30 JUNE 2015

Introduction

I have audited the accompanying financial statements of National Social Security Fund ("the Fund") set out on pages 24 to 100, which comprise the statements of net assets available for benefits as at 30 June 2015, statement of changes in net assets, and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Board of Trustees' responsibility for the financial statements

The Board of Trustees of National Social Security Fund are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Controller and Auditor General

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA) and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I considered the internal control relevant to the

INDEPENDENT AUDITOR'S REPORT (Continued)

Fund's preparation and fair presentation of the financial statements 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 Fund's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that; reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

Further, Sect 48(3) of the Public Procurement Act No.11 of 2011 and Regulation 269 of the Public Procurement Regulations 2013 requires me to state in my annual audit report whether or not the Fund has complied with the provisions of the Law and its Regulations.

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

Unqualified Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Social Security Fund as at 30 June 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that, National Social Security Fund procurement processes have generally complied with the Public Procurement Act, 2011 and its related Regulations of 2013.

INDEPENDENT AUDITORS' REPORT (Continued)

Compliance with the Social Security Schemes Investment Guidelines, 2012

Regulation 8 of the Social Security Schemes Investment Guidelines, 2012, requires the Fund's investments in real estates not to exceed 30%. As at 30 June 2015, the Fund's investment in real estates stood at 32.61% thereby contravenning the above regulation.



Prof. Mussa L. Assad

CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam, Tanzania

27th September, 2016

