



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF PETROLEUM UPSTREAM REGULATORY  
AUTHORITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019

The Controller and Auditor General,  
National Audit Office,  
Audit House,  
4 Ukaguzi Road,  
P.O. Box 950,  
41104 Tambukareli,  
DODOMA  
Tel: 255 (026) 2321759,  
Fax: 255 (026) 2117527  
E-mail: [ocag@nao.go.tz](mailto:ocag@nao.go.tz)  
Website: [www.nao.go.tz](http://www.nao.go.tz)

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AR/PURA/2018/2019

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

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## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **ABBREVIATIONS/DEFINITION**

CAG	Controller and Auditor General
ISSAIs	International Standard of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
PAA	Public Audit Act No.11 of 2008
PAR	Public Audit Regulation, 2009
MDAs	Ministries, Departments and Agencies
PAC	Public Accounts Committee
PFA	Public Finance Regulations, 2009
PPA	Public Procurement Act, 2011
PPR	Public Procurement Regulations, 2013
PURA	Petroleum Upstream Regulatory Authority
BOT	Bank of Tanzania
Board	Board of Directors of PURA
FY	Financial Year
IOC	International Oil Company
LNG	Liquefied Natural Gas
MEM	Ministry of Energy and Minerals
MOE	Ministry of Energy
NBAA	National Board of Accountants and Auditors
NAOT	National Audit Office Tanzania
MOFP	Ministry of Finance and Planning
NCA	Non-Current Assets
NOC	National Oil Company
PA	Petroleum Act
PIC	PURA Interim Committee
PSA	Production Sharing Agreement
TPDC	Tanzania Petroleum Development Corporation
TZS	Tanzania Shilling
URT	United Republic of Tanzania
NAO	National Audit Office
PE	Personnel emoluments
OC	Other charges

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **1.0 GENERAL INFORMATION**

#### **1.1 Mandate**

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008.

#### **1.2 Vision, Mission and Core Values**

##### **Vision**

To be a highly regarded Institution that excels in Public Sector Auditing.

##### **Mission**

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

##### **Core Values**

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

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Team work Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experiences.

##### **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 appropriate training, adequate working tools and facilities that promote their independence.

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **1.3 Audit Objectives**

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

### **1.4 Audit Scope**

The audit was carried out in accordance with the, the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the Petroleum Upstream Regulatory (PURA).

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the Petroleum Upstream Regulatory (PURA).

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the Petroleum Upstream Regulatory (PURA).

### **1.5 Audit Methodology**

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations to ensure that proper action has been taken in respect of all matters raised.

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **2.0 DIRECTORS REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

#### **2.1 PURA CORPORATE INFORMATION**

In compliance with the Public Finance Act of 2001, Petroleum Act, 2015 of Tanzania and the Tanzania Financial Reporting Standard (TFRS) No. 1 on Director's Report, the Board of Directors submits the Directors' Report and financial statements of the Petroleum Upstream Regulatory Authority (PURA) for the year ended 30<sup>th</sup> June, 2019.

#### **2.2 ESTABLISHMENT OF PURA**

PURA was established under the Petroleum Act, 2015 as an Upstream Regulatory Body responsible for regulating all Petroleum upstream activities and to monitor, regulate and supervise the Liquefied Natural Gas (LNG) project. It became operational in February 2016 with the appointment of Acting Director General followed by the appointment of Board of Directors in 26<sup>th</sup> April 2017.

#### **2.3 VISION**

The Vision of PURA is to be a world-class petroleum upstream regulator prudently managing the country's petroleum resources for the benefits of present and future generations.

#### **2.4 MISSION**

To regulate the upstream petroleum operations in a transparent, effective and efficient manner and contribute towards improving the socio-economic welfare of Tanzanians.

#### **2.5 CORE VALUES**

To address the above issues, PURA staff are guided and committed to the following core values: Professionalism; Transparency; Accountability; Innovation; and Integrity.

#### **2.6 BOARD OF DIRECTORS**

The Board of Directors of PURA is a governing body consisting of a Chairman who is appointed by the President and four Non-Executive Directors appointed by the Minister responsible for Energy. The Director General is appointed by the President and is the Secretary to the Board. To date, the Authority is being headed by Acting Director General.

The Board is composed of the Chairman who will serve for tenure of five years, one member for five years, two members for four years and the remaining member will serve for three years. The Chairman and members of the Board are eligible for reappointment for one further term of three years. The Board of Directors of PURA is still in its first term of service.

## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### 2.7 CURRENT BOARD COMPOSITION

During the period under review, the Board was composed of the following members.

S/N	Name	Position	Qualifications/discipline	Nationality	Date of appointment	Age
1	Prof. Gaspar Mhinzi	Chairperson	Doctor of Philosophy (PhD) Degree in Chemistry	Tanzanian	5th December, 2018	63
2	Mrs. Beng'i M. Issa	Vice - Chairperson	FCPA, MSc in Financial Management	Tanzanian	27th April, 2017	53
3	Dr. Josephat D. Lotto	Member	FCPA, Doctor of 'Philosophy ' (PhD) Degree 'in Finance	Tanzanian	27th April, 2017	44
4	Mr. Yona S.M. Killagane	Member	FCCA, FCPA, MSc in Financial Management	Tanzanian	27th April, 2017	65
5	Eng. Ramadhani Masudi	Member	MSc. Water Supply Engineering	Tanzanian	27th April, 2017	44

During the year under review, four meetings were planned to be held in accordance with Petroleum Act, 2015. Actual meetings held during the year were eight of which four meetings were ordinary while four meetings were extra ordinary.

### 2.8 BOARD MEETING

The responsibility of the Board is to oversee the Authority's operations, identify key risk areas, monitor and review the performance of the Authority's Plan and Budget, ensure the comprehensive systems of internal control policy and procedures are being set and are complied with the sound corporate governance principles.

During the year, the Board established three board committees namely, Audit Committee, Technical Committee and Legal and Corporate Affairs Committee. The composition, members and responsibilities of each committee is as detailed in the table below:

#### Audit Committee

S/N	Member's name	Position	Qualification
1.	Mr. Yona S.M. Killagane	Chairperson	FCCA, FCPA, MSc in Financial Management
2.	Dr. Josephat D. Lotto	Secretary	Doctor of 'Philosophy (PhD) Degree' in Finance
3.	Herry Kejo Kajato	Member	Post Graduate in Petroleum Geology and applied Geophysics
4.	Dismas Alfonse Fuko	Member	MSc Finance, FCPA(T), CME

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The task for Audit Committee includes:

- a) To review PURA's annual budgets and Management's proposals for budget re-allocation.
- b) To review quarterly, semi-annual and annual financial performance review reports.
- c) To review PURA's annual reports.
- d) To review PURA's strategic plans.
- e) To review internal audit reports; and
- f) To perform such other functions as may be assigned by the Board.

### **a) Technical Committee**

<b>S/N</b>	<b>Member's name</b>	<b>Position</b>	<b>Qualification</b>
1.	Eng. Ramadhani Masudi	Chairperson	MSc. Water Supply Engineering
2.	Mr. Yona S.M. Killagane	Secretary	FCCA, FCPA, Msc in Financial Management
3.	Abdon David Makishe	Member	MSc in Technology (Applied Geophysics)
4.	Priva Clemence Mramba	Member	MSc in Energy Studies with specialization in Oil and Gas Economics

The task for Technical Committee includes:

- a) To consider Management's recommendations on issuance of licences or permits for petroleum operations.
- b) To consider and approve Management's recommendations to send various regulatory tools in respect of the petroleum upstream sub-sectors to stakeholders for comments.
- c) To advise the Board on matter related to the orderly functioning of Petroleum Upstream sub sector.
- d) To review on quarterly basis the implementation status of the Petroleum operations including LNG operations as delineated in the Annual Action Plan; and
- e) To perform such other functions as may be assigned by the Board.

### **b) Legal and Corporate Affairs Committee**

<b>S/N</b>	<b>Member's name</b>	<b>Position</b>	<b>Qualification</b>
1.	Dr. Josephat D. Lotto	Chairperson	FCPA, Doctor of 'Philosophy (PhD) Degree' in Finance.
2.	Mrs Beng'i M. Issa	Secretary	FCPA, MSc in Financial Management
3.	Deogratias Laballa	Member	Master of Arts in Revenue Law and Tax Administration.
4.	Raphael Mgaya	Member	MSc Finance and Investment, LLM Oil and Gas Law, MBA Corporate Management, LLM international Development Law and Human Rights.



## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

The task for Legal and Corporate Affairs Committee includes:

- a) To review recommendations made by Management in respect of disputes in petroleum operations;
- b) To review Human Resources manuals, policies and related documents;
- c) To review Information and Communication Technology manuals, policies and related documents;
- d) To review any other recommendation submitted to the Committee;
- e) To review Management's proposals in respect of employees appointment, staff remuneration, promotions and disciplinary related matters;
- f) To review any cross-cutting matter of a legal and/or corporate nature; and
- g) To perform such other functions as may be assigned by the Board.

During the year under review, there were no meetings held by Committees since members were appointed towards the end of financial year.

### **2.9 MANAGEMENT**

Before November 2018, PURA operations were carried out by the PURA's Interim Committee (PIC) members under the Acting Director General. The PIC members were seconded to the Authority from TPDC and Ministry of Energy. In order to ensure effectiveness in executing PURA's operations in the financial year 2018/19, 19 employees were permanently transferred and 5 employees, of whom 2 from JKT and 3 from the Ministry of Energy were temporarily seconded to the Authority to undertake PURA operations.

### **2.10 BOARD'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The Board is responsible under the Petroleum Act of 2015, to prepare financial statements that gives a true and fair view of the state of affairs of the Authority at the end of each financial year. The Board of Directors confirms that applicable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 30<sup>th</sup> June 2019.

It is also confirmed that the International Public Sector Accounting Standards (IPSAS) accrual basis have been followed. The PURA Board is responsible for keeping proper accounting records and safeguarding the Assets of the Authority and hence taking reasonable steps in the prevention of fraud and other irregularities.

### **2.11 PRINCIPAL ACTIVITIES**

The core functions of the Authority are provided under section 12 of the Act and are summarized into four categories as follows:

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

- (i) To advise the Minister responsible for Petroleum, on all issues in relation to upstream Oil and Natural Gas subsector in the Country;
- (ii) To monitor, regulate and supervise all activities in the petroleum upstream which includes exploration, development and production of oil and natural gas;
- (iii) To monitor, regulate and supervise the Liquefied Natural Gas (LNG) project; and
- (iv) To promote the participation of Tanzanian in the upstream petroleum operation.

The Authority is given powers of administering the Production Sharing Agreements (PSAs) or other contractual arrangements, ensuring compliance by industry players and imposing sanctions for non-compliance and promoting local content including supporting national enterprises and Tanzanians to participate in the petroleum upstream industry.

### **2.12 KEY PERFORMANCE MEASUREMENTS**

In Financial Year (FY) 2018/19, PURA Management accomplished some of its goals as provided in its Annual Plan and Budget, which were derived from the Strategic Plan. Key planned activities and achievements during the financial year 2018/19 are as elaborated hereunder:

<b>S/N</b>	<b>Planned activities</b>	<b>Achievement</b>	<b>Remarks</b>
1.	To provide advice to the Minister on all operating PSAs.	The Authority provided advises to the Minister in 6 PSAs on various matters.	All matters which were referred to PURA by the Minister were attended to.
2.	To conduct compliance and cost and revenue audit for 11 PSAs	The Authority conducted PSA audit 11 PSAs.	With exception of 3 PSAs (Nyuni Area, Kiliwani North and Ruvuma) under operatorship of Ndovu Resources, which audit conducted up to 2016, the remaining PSAs audit were conducted up to year 2017.
3.	To conduct 12 field visits on petroleum upstream operations.	Conducting 6 field trips to monitor production activities in Mnazi bay and Songo Songo and seismic acquisition in Ruvu Block.	Only 6 out of 12 planned field visits were conducted, due to lack of personnel.
4.	To draft 5 priority upstream petroleum regulations, rules and guidelines.	The Authority has prepared and reviewed 6 regulations and 2 guidelines. 3 regulations in final stage for publications, 3 regulations and 2 guidelines in draft stage.	The planned activity was overachieved.
5.	To organize and conduct Pre-Annual Advisory Committee Meeting and ACM timely on all PSAs.	The Authority coordinated and held Meetings with all operating International Oil Companies to discuss and approve their annual work plan and budget for 2019.	The activity was performed as planned.
6.	To ensure approval of 7 PURA operating regulatory instruments.	1 instrument (Organizational Structure) was approved.	6 instruments are still awaiting approval from relevant authorities.

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S/N	Planned activities	Achievement	Remarks
7.	To employ and recruit 49 PURA staff.	2 staff were seconded from the Ministry of Energy and 1 from JKT.	The authority could not recruit its staff as planned due to slow pace of approval of operationalization instruments. However, the Authority took initiatives to request additional staff on temporary basis from other government institutions.
8.	To conduct seminars on HIV AIDS and non-communicable diseases and public servant ethics	One seminar on HIV AIDS and non-communicable diseases was conducted to all staff. One seminar on public servant ethics was conducted by Government Security Office.	The activity was performed as planned.
9.	To conduct capacity building for PURA staff.	4 staff attended training on petroleum data management, 2 staff attended training on Communication in Resources Governance, 1 Petroleum Revenue Management. In addition, professional staff attended training and workshop in their respective bodies.	The activity was performed as planned.

### 2.13 PURA's OPERATIONALIZATION OF INSTRUMENTS

Management and the Board have been preparing operating regulatory instruments. During the period under review, PURA Organizational Structure was approved.

Other operating instruments which were developed and sent to the relevant authority for approval included:

- PURA Scheme of Service and Job Description; and
- PURA Salary Structure and Scale;
- PURA Recruitment Plan;
- PURA Financial Regulations;
- PURA Staff Regulations; and
- PURA Incentive Scheme.

### 2.14 CAPACITY BUILDING

In the financial year 2018/19, the Authority trained its staff in various disciplines. Some of major training attended includes:

- (i) Training on Petroleum Data Management in Mozambique whereby four PURA staff attended the training under Oil for Development program;
- (ii) Training on Communication in Resources Governance in Beirut whereby two staff attended the course under Oil for Development program;

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- (iii) Training on Petroleum Revenue Management in Oslo whereby one staff attended the course under Oil for Development program;
- (iv) Training on Petroleum Refining Technology and Petrochemicals in India whereby one staff attended the course under sponsorship of Indian Government; and
- (v) Professional staff attended continuing educational training and workshop in their respective bodies such as NBAA, ERB and TLS.

### 2.15 MONITORING AND SUPERVISION

The Petroleum Act 2015, section 12 (2) (h) requires PURA to monitor performance of petroleum projects and operations. This goes together with sub-section 2(j), in which PURA has been mandated with responsibility of monitoring and evaluating performance in petroleum activities including investment, cost of services, regularity of outputs and availability of crude oil and natural gas for domestic supply. In the financial year 2018/19, PURA conducted monitoring of petroleum operations involving field visits. Through this monitoring, natural gas produced during the year increased from an average of 175 MMscfd in 2017/18 to 190 MMscfd in 2018/19 which is 8.6% increase. The field visits conducted are as shown in the table below.

S/N	Period	Activity Performed	Outcome
1.	17 - 21 September 2018	Monitoring and evaluating performance of Mnazi Bay producing fields to ensure compliance by the Contractor. Undertake verification of the volume of natural gas being produced on the daily and monthly Basis.	The Operator's performance was good
2.	29 November - 2 December 2018	Undertaking the role of inspect and evaluating performance of producing fields in order to ensure compliance by the Contractor; Verification of the volume of natural gas being produced on the daily and monthly basis Visiting Corporate Social Responsibility (CSR) Projects being implemented by M&P to the community around Mnazi Bay and Msimbati	It was observed that there were no condensate buyers, while the condensate storage tank was almost getting full. Initiatives to find a new buyer were taken. The report for the site visit was produced.
3.	28 - 31 March 2019	Undertaking inspection and evaluating performance of producing fields to ensure compliance by the Contractor; Undertaking verification of the volume of natural gas being produced on the daily and monthly basis;	Operator's performance was good. The report for the site visit was produced.

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S/N	Period	Activity Performed	Outcome
4.	12 - 15 June 2019,	Undertaking inspection and evaluating performance of producing fields to ensure compliance by the Contractor; and Undertaking verification of the volume of natural gas being produced on the daily and monthly basis from Mnazi bay.	Operator's performance was good. The report for the site visit was produced.

### 2.16 GAS PRODUCTION, CONSUMPTION AND SAVINGS TO THE ECONOMY

Two development licence were operational during the year (2018/2019 two licences) at Songo Songo Island and Mnazi Bay.

Consumers of natural gas produced from the two licences in 2018/19 constituted power production by TANESCO by 83.86 Percent, industrial consumption by 15.88 percent; Institution, Households and Vehicles use by 0.26 percent. Corresponding figures for the previous year 2017/18 were 84.01 percent, 15.78 percent and 0.21 percent respectively.

### FOREIGN CURRENCY SAVED BY USING NATURAL GAS INSTEAD OF OTHER IMPORTED SOURCE OF ENERGY:

Consumer	2018/2019 Amount (USD)	2017/2018 Amount (USD)
Power generation by TANESCO	1,344,129,871	1,373,528,129
Industries	175,543,022	166,060,203
Institution, Households and Vehicles	79,848	18,169
<b>TOTAL</b>	<b>1,519,752,741</b>	<b>1,539,606,501</b>

### 2.17 APPROVAL OF LICENCE HOLDER'S WORK PROGRAM AND BUDGET

The Work Program and Budget Meetings are conducted at the end of each calendar year, with an objective of discussing the work program and expenditure of that particular year and approving the proposed work program and budget for the subsequent year for each PSA. The meetings were conducted in December 2018 where all Contractors and the License holder (TPDC) jointly presented to the Authority their proposed work program and budgets for the year 2019. The proposed work program and budgets were approved by the Authority after deliberations.

### 2.18 PSA AUDITS

Under the Petroleum Act (PA), 2015, PURA is mandated to audit all matters relating to assessment, collection of oil and gas revenue together with costs of exploration, production, development and sale of oil and gas. During the financial year 2018/2019, PURA

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conducted audits of costs and revenues for 11 PSAs and issued instructions to reverse unrecoverable costs to the respective operators. Audits for 8 out of 11 PSAs were conducted up to year ended 30<sup>th</sup> June 2019 and the remaining 3 PSAs (Nyuni Area, Kiliwani North and Ruvuma) under operatorship of Ndovu Resources, audit was conducted up to 2017. The 11 audited PSAs are:

- (i) Block 1(SHELL)
- (ii) Block 4(SHELL)
- (iii) Kilosa to Kilombero (SWALA OIL AND GAS Plc)
- (iv)Ruvu (DODSAL HYDROCARBON)
- (v) South Rukwa (HERITAGE RUKWA TANZANIA Ltd)
- (vi)Mnazibay (Maurel & Prom)
- (vii) Block 2 (EQUINOR)
- (viii) Kiliwani north (NDOVU RESOURCES)
- (ix)Ruvuma (NDOVU RESOURCES)
- (x) Nyuni (NDOVU RESOURCES)
- (xi)Songo songo(PANAFRICAN ENERGY TANZANIA )

The audits of PSAs lead into disallowance of \$4,399,010.99 for 2018/2019 (2017/18 Nil) which will result into increase of the Government take. Audits undertaken resulted into reversal of disallowed costs from PSA cost pool which would have deprived the Government profit share.

### **2.19 FUTURE DEVELOPMENT**

In the process of making the Authority full operational and financially sound to undertake its operations, the following future developments are planned:

- a. Capacity building to its staff through facilitating them to attend various professional and technical training.
- b. Acquisition of plot for office accommodation.
- c. Construction of Petroleum Data Storage; and
- d. Acquisition and installation of data storage facilities.
- e. Acquisition of operating facilities like oil and gas exploration and production software and equipment.

### **2.20 FINANCIAL PERFORMANCE**

During the Financial Year 2018/2019, the Authority's approved budget was TZS 1,689,558,213 (2017/2018 TZS 518,313,000). The whole amount was for recurrent expenditure. The approved budget was part of the main budget of the Ministry of Energy, under Petroleum department and it was derived from the activity plan prepared basing on the proposed strategic plan of the Ministry, hence its implementation depended on the availability of funds from the Ministry.

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Out of the approved budget, the amount received for implementation of the planned activities was TZS 1,365,730,900 (2017/2018 TZS 374,182,600) which is equivalent to 81 percent of the approved final budget. Other revenues were grant from the government for the supply of equipment worth TZS 32,650,000 and PE worth TZS 366,155,000 which was paid by third parties.

### **2.21 RELATED PARTY TRANSACTION**

Details of related party transactions are contained in the financial statements note No. 2.10 and 2.11.

### **2.22 RELATIONSHIP WITH STAKEHOLDERS**

The Authority's main stakeholders include Ministry of Energy, Ministry of Finance and Planning, TPDC, Oil Companies undertaking upstream activities, EWURA, NEEC, OSHA, NEMC, TRA and other Government agencies. During the year under review the Authority maintained good relationship with these stakeholders.

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### **2.23 OVERVIEW OF FINANCIAL STATEMENTS**

#### **2.23.1 REVENUE**

##### **Approved budget and Exchequer Received**

The Authority's approved budget for the year 2018-2019 was TZS 1,689,558,213 (2017/2018 TZS 518,313,000). Out of the approved budget only 1,365,730,900 (2017/2018 TZS 374,182,600) was received from the MOFP through Ministry of Energy which is equivalent to 81 percent of the budget. Other revenues were derived from the Non - Current Assets acquired through government worth TZS 32,650,000 and PE worth TZS 366,155,000 which was paid by third parties.

#### **2.23.2 EXPENDITURE**

The Authority incurred various expenses in the financial year ended 30th June, 2019. These expenditures included:

##### **2.23.3 Wages, Salaries, Employment benefits and Other Staff related costs**

During the year ended June 2019 TZS 1,009,574,882 (June 2018 TZS 753,627,250) was spent for the Wages, Salaries, Other Employment benefit and other related costs exclude Salaries and the associated statutory contributions for staff who were assigned to the Authority. Salaries and other statutory contributions of the seconded staff were paid by the respective employers.

##### **2.23.4 Supplies and Consumable Goods**

During the year under review the actual expenditure for Supplies and Consumable goods was TZS 148,166,250 (2017/2018 TZS 138,749,777) were spent.

##### **2.23.5 Acquisition/Constructions of Property, Plant and Equipment**

During the year under review, the Authority received new Assets from TPDC worth TZS 32,650,000.

##### **2.23.6 Commitments**

There were commitments for Office consumables worth TZS 280,000 and other unpaid expenses amounting to TZS 19,425,000 as at 30<sup>th</sup> June, 2019 (2017/2018 TZS 59,697,500).

##### **2.23.7 Directors Fees and other Board Expenses**

During the year under review the annual fees worth TZS 61,000,000 for Board of Directors were paid based on the approved rate by the Treasury Registrar on October 2018. The amount was fixed to TZS 3,250,000 for the Chairman and TZS 3,000,000 for other four members for the month of 1<sup>st</sup> July 2018 to June 2019.

##### **2.23.8 Losses**

There are no losses outstanding up to the year ending 30<sup>th</sup> June 2019.



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### **2.23.9 Guarantee**

The Authority has not made any guarantee during the year ended 30<sup>th</sup> June 2019

### **2.23.10 Outstanding Loans**

At the closure of the period there were no outstanding loans.

### **2.23.11 Salaries to Employee**

During the year under review, the Authority had 19 staff; all the staff were still receiving their salaries from the respective former employers. As at 30<sup>th</sup> June 2019 the sum of TZS 366,155,000 (2017/2018 TZS 306,654,000) were paid as gross salaries to these employees.

### **2.23.12 Extra Ordinary items**

During the period there were no extra ordinary items recorded.

## **2.24 STAFF WELFARE**

### **2.24.1 Management & Other staff relationship**

There is a continued good relationship among PURA staff, Acting Director General, the Board of Directors and the Ministry of Energy for the year 2018/2019. PURA staff continued to get salaries and other employment benefits from their respective employers.

### **2.24.2 Staffing**

During the year, PURA's operations were carried out by 19 permanent employees and 5 temporary employees seconded from Ministry of Energy and other government institutions. However, Authority is planning to recruit 39 staff in the financial year 2019/20.

### **2.24.3 Charitable and Political Contribution**

PURA did not make any political contribution during the year.

### **2.24.4 Predjudicial Issues**

There were no predjudicial issues within the Authority.

### **2.24.5 Risk Factor**

The Authority lacks Petroleum Data storage facilities and enough manpower to manage Petroleum Data. This made the Authority to assign its responsibility of Data Management to TPDC to continue handling petroleum data on its behalf. In addition, the Authority faces risks of slow pace of approval of PURA's operationalization instruments, lack of permanent office building and insufficiency of permanent staff.

### **2.24.6 The way Forward**

PURA in collaboration with Ministry of Energy is making close follow up on the approval process for PURA's operationalization instruments. The document for PURA recruitment has been submitted for approval to the relevant authority. PURA has been receiving fund from AfDB through TPDC for the purpose of acquiring basic equipment for petroleum data storage and capacity building in data management.

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **2.24.7 Gender Parity**

Out of the total number of staff in place as at 30th June, 2019, 16 staff were males and 3 were females, while during the previous year corresponding number of staff were 10 males and 3 females. It is the plan of the Authority to increase the number of females so as to bring gender equality.

### **2.24.8 Auditors**

According to the Petroleum Act 2015, Section 232, the auditor of the Authority is the Controller and Auditor General.

**By order of the Board**



Prof. Gaspar Mhinzi

**Board Chairman**

**Date: 03.....March 2020**

**PETROLEUM UPSTREAM REGULATORY AUTHORITY**  
**STATEMENT OF DIRECTORS RESPONSIBILITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

The Board of PURA is responsible for preparation of the annual Financial Statements, which give a true and fair view of the entity's state of affairs and its operating results in accordance with International Public Sector Accounting Standards (IPSAS) on Accrual Basis, in conformity with the provision of the Public Finance Act No. 6 of 2001 Section 25(2) & (4) (as revised in 2004 and 2016) and the Petroleum Act 2015 Section 231. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and presentation of the financial statements that are free from material misstatement, whether on account of fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances which provide reasonable assurance that the transactions recorded are within statutory authority, and properly record the use of all public financial resources accordingly.

To the best of our knowledge, the system of internal control has operated adequately throughout the reporting period and that the records and underlying accounts provide a reasonable basis for the preparation of the Financial Statements for the year ended 30<sup>th</sup> June, 2019.

Procurement of goods works and consultancy and non-consultancy services, to the extent that they are reflected in these financial statements, have been undertaken in accordance with the Public Procurement Act no. 9 of 2011 and its Regulations 2013.

The Board of PURA accept responsibility for the integrity of these financial statements, the information they contain and their compliance with the Public Finance Act No. 6 of 2001 (as revised in 2016) and its Regulations; Petroleum Act 2015, International Public Sector Accounting Standards (IPSAS) Accruals basis; and Guidelines issued by National Board of Accountants and Auditors (NBAA) and Paymaster General and Accountant General.

In our opinion, nothing has come to the attention of the management that the financial statements do not present fairly all material aspect of the operations of PURA and will remain a going concern for the next twelve months from the date of these statements.

  
.....

**Prof. Gaspar Mhinzi**  
**Chairman of the Board**  
**Date: 03.....March 2020**

**PETROLEUM UPSTREAM REGULATORY AUTHORITY**  
**DECLARATION OF THE HEAD OF FINANCE**

The National Board of Accountants and Auditors (NBAA), according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No. 2 of 1995, requires financial statements to be accompanied with a declaration issued by the Head of Finance/Accounting responsible for the preparation of Financial Statements of the entity concerned. It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with applicable International Public Sector Accounting Standards (IPSAS) Accrual Basis and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors/Governing Body as under Directors Responsibility statement on an earlier page.

I **Kebwe K Kichanta** representing the Head of Finance and Accounts of PURA, hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30<sup>th</sup> June, 2019 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 PURA as on that date and that they have been prepared based on properly maintained financial records.

Signed by: .....



Position: Accountant

NBAA Membership No.: NBAA/GA 6155.

Date: <sup>03</sup>.....March 2020

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **3. INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

**To:** Board Chairman,  
Petroleum Upstream Regulatory Authority,  
P.O. Box 11439,  
DAR ES SALAAM, Tanzania.

**RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE AUDIT OF  
FINANCIAL STATEMENTS OF PETROLEUM UPSTREAM REGULATORY AUTHORITY  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

#### **Unqualified Opinion**

I have audited the accompanying financial statements of Petroleum Upstream Regulatory Authority, which comprise the Statement of Financial Position as at 30<sup>th</sup> June, 2019, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity, the Cash Flow Statement and 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 financial statements present fairly, in all material respects, the financial position of Petroleum Upstream Regulatory Authority (PURA) as at 30<sup>th</sup> June, 2019 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 .

#### **Basis for Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of PURA 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.

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **Information Other than the Financial Statements and Auditor's Report Thereon**

The Board is responsible for the other information. The other information comprises the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and my audit report thereon.

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 there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **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. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be the key audit matter to be communicated in my report.

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

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with accrual based IPSAS, and for such internal control as Board 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, the Board 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 the Board either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### Auditor's Responsibilities 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 ISSAI 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.

In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

### Report on Other Legal and Regulatory Requirements

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

In view of my responsibility on the procurement legislation and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that, PURA procurement transactions and processes have generally complied with the requirements of the Public Procurement Act No.7 of 2011 (as amended in 2016) and its underlying Regulations of 2013 (as amended in 2016).



Charles E. Kichère

**CONTROLLER AND AUDITOR GENERAL**

National Audit Office  
Dodoma, Tanzania.

09<sup>th</sup> March, 2020.




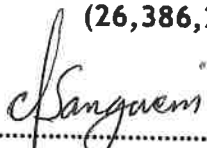
## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### 4.0 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

#### 4.1 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019

ASSETS	NOTES	2018/2019	2017/2018
		TZS	TZS
<b>Current Assets</b>			
Cash and Cash Equivalent	8	71,774,590	2,906,095
Inventories	12	5,867,555	1,797,885
Account Receivables	9	48,163,700	8,096,795
<b>Total Current Assets</b>		<b>125,805,845</b>	<b>12,800,775</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	3	55,235,279	35,510,448
<b>Total Non-Current Assets</b>		<b>55,235,279</b>	<b>35,510,448</b>
<b>Total Assets</b>		<b>181,041,124</b>	<b>48,311,223</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	11	19,705,000	74,697,500
<b>Total Current Liabilities</b>		<b>19,705,000</b>	<b>74,697,500</b>
<b>Non-Current Liabilities</b>			
<b>Total Non-Current Liabilities</b>		-	-
<b>Total Liabilities</b>		<b>19,705,000</b>	<b>74,697,500</b>
<b>Net Asset/Equity</b>		<b>161,336,124</b>	<b>(26,386,277)</b>
<b>Capital Contributed by:</b>			
Accumulated surpluses/(Deficits)		161,336,124	(26,386,277)
<b>Net Assets/ Equity</b>		<b>161,336,124</b>	<b>(26,386,277)</b>

  
 .....  
**Chairperson of the Board**  
 Date 03 March 2020

  
 .....  
**Acting Director General**  
 Date 03 March 2020



## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### 4.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	NOTES	2018/2019 TZS	2017/2018 TZS
<b>Revenue</b>			
Revenue from non-exchange transactions	4	1,764,535,900	680,836,600
<b>Total Revenue</b>		<b>1,764,535,900</b>	<b>680,836,600</b>
<b>Expenses and Transfers</b>			
<b>Expenses</b>			
Wages, salaries and employee benefits	5	1,009,574,882	753,627,250
Board expense	22	76,732,000	72,993,160
Routine maintenance and repair	7	34,815,715	17,559,202
Supplies and consumable goods	6	148,166,250	138,749,777
Finance costs	10	1,921,820	953,610
Depreciation of PPE	3	12,925,169	11,836,816
Administrative expenses	13	292,677,662	56,275,672
<b>Total Expenses</b>		<b>1,576,813,499</b>	<b>1,051,995,487</b>
<b>Total Transfers</b>		-	-
Total Expenses and Transfers		1,576,813,499	1,051,995,487
<b>Surplus/(Deficit) for the period</b>		<b>187,722,401</b>	<b>(371,158,887)</b>



Chairperson of the Board

Date: 03 March 2020



Acting Director General

Date: 03 March 2020

## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### 4.3 STATEMENT OF CHANGE IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Accumulated Surplus/Deficit - TZS	Total TZS
<b>Opening Balance as at 1<sup>st</sup> July 2018</b>	(26,386,277)	(26,386,277)
Revaluation Surplus/Deficit	-	-
Surplus/Deficit during the year	187,722,401	187,722,401
<b>Closing Balance 30<sup>th</sup> June 2019</b>	<b>161,336,124</b>	<b>161,336,124</b>
 <b>Opening Balance 1<sup>st</sup> July 2017</b>	 344,772,610	 344,772,610
Revaluation Surplus/Deficit	-	-
Surplus/(Deficit) during the year	(371,158,887)	(371,158,887)
<b>Closing Balance 30<sup>th</sup> June 2018</b>	<b>(26,386,277)</b>	<b>(26,386,277)</b>



Chairperson of the Board

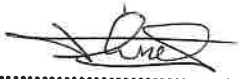
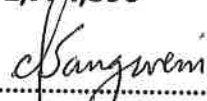
Date: 03 March 2020



Acting Director General


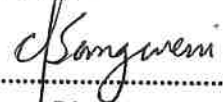
Date: 03 March 2020

**PETROLEUM UPSTREAM REGULATORY AUTHORITY**  
**4.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

	<b>NOTE S</b>	<b>2018/2019 TZS</b>	<b>2017/2018 TZS</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Cash Receipts	14B	1,420,752,900	374,182,600
<b>Total Receipts</b>		<b>1,420,752,900</b>	<b>374,182,600</b>
<b>Payments</b>			
Wages, salaries and employee benefits	15B	640,328,600	446,973,250
Routine maintenance and repair	17B	30,390,715	17,559,202
Supplies and consumable goods	16B	151,955,920	140,547,662
Board expenses	22B	131,209,000	27,243,160
Finance costs	18B	1,921,820	953,610
Administrative Expenses	19B	292,914,650	52,495,172
Staff imprest	9	48,163,700	8,096,795
Advance receipt from Ministry of Energy	20	55,000,000	
<b>Total Payments</b>		<b>1,351,884,405</b>	<b>693,868,851</b>
<b>Net cash flows from operating activities</b>		<b>68,868,495</b>	<b>(319,686,251)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase/Acquisition of Non-Current Assets	21	-	-
Purchase/Acquisition of Intangible Assets		-	-
<b>Net cash flows from investing activities</b>		-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase/decrease in cash and cash equivalent		<b>68,868,495</b>	<b>(319,686,251)</b>
<b>Cash at the beginning of the year</b>		<b>2,906,095</b>	<b>322,592,346</b>
<b>Cash at the end of the year</b>		<b>71,774,590</b>	<b>2,906,095</b>
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">   .....  Chairperson of the Board </div> <div style="width: 45%; text-align: right;">   .....  Acting Director General </div> </div>			
<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> Date: 03 March 2020 </div> <div style="width: 45%; text-align: right;"> Date: 03 March 2020 </div> </div>			

# PETROLEUM UPSTREAM REGULATORY AUTHORITY

## 4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019

	Original budget (A) TZS	Final budget (B) TZS	Actual amount (C) TZS	Difference (B-C) TZS
<b>RECEIPTS</b>				
Government Subvention	1,689,558,213	1,689,558,213	1,420,730,900	268,827,313
Equipment from Government PE		32,650,000 366,155,000	32,650,000 366,155,000	- -
Opening Cash and Cash Equivalent			2,906,095	(2,906,095)
Imprest recovery			22,000	(22,000)
<b>Total Receipts</b>	<b>1,689,558,213</b>	<b>2,088,363,213</b>	<b>1,822,463,995</b>	<b>265,899,218</b>
<b>PAYMENTS</b>				
Wages, Salaries and Employment benefits	734,255,942	1,269,366,764	1,006,483,600	262,883,164
Routine Maintenance and Repair	50,686,746	50,686,746	30,390,715	20,296,031
Supplies and Consumable goods	337,911,643	253,433,732	151,955,920	101,477,811
Finance costs	2,895,582	2,000,000	1,921,820	78,180
Administrative Expenses	473,076,300	337,911,643	292,914,650	44,996,992
Other Expenses	14,000,000	65,582,329		65,582,329
Board expenses	76,732,000	76,732,000	131,209,000	-54,477,000
Computer and Equipment Acquisition		32,650,000	32,650,000	-
Advance receipt from the Ministry of Energy Receivables			55,000,000 48,163,700	(55,000,000) (48,163,700)
<b>Total Payments</b>	<b>1,689,558,213</b>	<b>2,088,363,213</b>	<b>1,750,689,405</b>	<b>337,673,808</b>
<b>Net Receipts/Payment</b>	-		<b>71,774,590</b>	
<div style="display: flex; justify-content: space-between;"> <div style="text-align: center;">               .....  <b>Chairperson of the Board</b>              Date: 03 March 2020         </div> <div style="text-align: center;">               .....  <b>Acting Director General</b>              Date: 03 March 2020         </div> </div>				

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

#### **NOTE 1: GENERAL INFORMATION**

The Petroleum Upstream Regulatory Authority was established by the Petroleum Act, Cap.392. Its mandate is to regulate and manage the petroleum resources and provide advisory services to the Government and the Minister responsible for petroleum affairs. The mandate is underpinned in policy and legal instruments including: the National Energy Policy, 2015; the Petroleum Act, 2015; the Oil and Gas Revenue Management Act, 2015, Income Tax Act, 2004, Petroleum (Local Content) Regulations, 2017, Environmental Management Act, 2004, National Anti-Corruption Strategy and Action Plan and the Tanzania Extractive Industries (Transparency and Accountability) Act, 2015. PURA is located at Samora Avenue in Dar es Salaam city

The Authority is under the Ministry of Energy. The Chief Executive officer of PURA is the Director General; currently the position is in an Acting capacity pending formal recruitment of the incumbent.

#### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **2.1 Basis of Preparation**

PURA's financial Statements have been prepared in accordance with Public Finance Act of 2001 (revised 2016) and comply with the requirements of International Public Sector Accounting Standards (IPSAS) Accrual Basis. The financial statements are presented in Tanzania Shillings (TZS) and have been rounded off to the nearest shilling.

##### **2.2 Functional and Presentation currency**

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

##### **2.3 Transactions and balances**

Foreign currency transactions are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of the transactions. Monetary items which are denominated in foreign currency are translated at the exchange rate ruling at the year end. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance.

##### **2.4 Cash and cash equivalents**

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

## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### 2.5 Government Grants

Government grants are not recognized until there is reasonable assurance that the Authority will comply with the conditions attaching to them and the grants will be received. In kind government or Donor funds/grants received by PURA in form of Assets are recognized as Assets in the Financial Position at fair value and recognised as revenue in the year of transaction. The expenses on the asset is recognised on a systematic and rational basis over the useful lives of the related assets.

### 2.6 Inventories

Inventories are stated at the lower of cost and net realisable value.

### 2.7 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Authority's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

### 2.8 Determination of the useful lives of property, plant and equipment

Directors use reasonable judgment in determining the useful lives and hence depreciation rates of the items of property, plant and equipment purchased. The Authority uses the straight-line method to depreciate its Non-Current Assets (NCA). This is done basing on the accounting policies which are approved by the Board. Below is the depreciation schedule indicating the depreciation rates.

#### Depreciation Schedule

ASSETS	RATES (%)
Buildings	2.5
Plant and Machinery	10
Motor Vehicle	20
Furniture and Fittings	20
Computer, Printer and Photocopier	20
Computer Software	33.3

### 2.9 Approved Budget

The approved budget is developed on the cash basis for the period from 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019. Financial Statements are prepared on accrual basis.

### 2.10 Related Party

PURA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority. PURA is also answerable to the Ministry of Energy and it is working closely with the Ministry in all issues

## **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

allied to Petroleum Upstream matters. Members of the key Management are regarded as related parties and comprise of members of the Board of Directors, whether executive or otherwise and the Acting Director General.

### **2.11 Key management personnel**

Key management of the Authority include the Board of Directors, the Director General, Head of Directorates, Section Managers. Currently, the Authority has two key management personnel, the acting Director General and Manager for Human Resource Management and Administration (HRMAM). Board fees due to the Board members for the year ended 30<sup>th</sup> June 2019 were TZS 61,000,000 (2017/2018 TZS 61,000,000). DG and HRMAM annual salaries during the period under review amounted to TZS 35,640,000 and 43,200,000 (2017/2018 TZS 43,200,000) respectively. Allowances and other entitlement amounting to TZS 2,450,000 were paid to HRMAM because she had those entitlements from her former employer. However, the acting Director General was not paid any allowance due to the fact that Authority's instruments that provide for his entitlements were not approved.

### **2.12 Charitable and political contribution**

There were no charitable or political contributions made.

### **2.13 Pension**

PURA contribute to the PSSSF pension contribution for its employees at a rate 15% of basic salaries.

### **2.14 Financial Instrument**

The Authority classifies financial assets and financial liabilities into Loans and Liabilities and Held to maturity investment all measured at Amortised cost. Initially Financial Instruments are recognised at fair value when the Authority becomes party to the contractual provisions of the instruments. Subsequently, the Financial Instruments are measured at amortised cost, using the effective interest method less accumulated impairment losses.

### **2.15 Provisions**

Provisions are recognized when the authority has a present or constructive obligation as a result of past events which is probable will result in an outflow of economic benefits that can be measured reliably.

# **PETROLEUM UPSTREAM REGULATORY AUTHORITY**

## **NOTE 3: PROPERTY, PLANT AND EQUIPMENT**

	COMPUTER AND EQUIPMENT (TZS)	TOTAL (TZS)
<b>COST</b>		
At 1ST JULY 2017	59,184,080	59,184,080
Acquisition During the Year 2017/2018		
<b>Total Cost</b>	<b>59,184,080</b>	<b>59,184,080</b>
<b>DEPRECIATION</b>		
At 1st July 2017	11,836,816	11,836,816
Charge During the Year 2017/2018	11,836,816	11,836,816
<b>Acc. Depreciation as at 30<sup>th</sup> June 2018</b>	<b>23,673,632</b>	<b>23,673,632</b>
<b>Net Carrying Amount as at 30<sup>th</sup> June 2018</b>	<b>35,510,448</b>	<b>35,510,448</b>
	<b>Computer and Equipment (TZS)</b>	<b>Total (TZS)</b>
<b>Cost</b>		
At 1 <sup>st</sup> July 2018	59,184,080	59,184,080
Add: Acquisition During the Year 2018/2019	32,650,000	32,650,000
<b>Total Cost:</b>	<b>91,834,080</b>	<b>91,834,080</b>
<b>DEPRECIATION:</b>		
At 1 <sup>st</sup> July 2018	23,673,632	23,673,632
Charge During the Year 2018/2019	12,925,169 ✓	12,925,169
<b>Depreciation At 30<sup>th</sup> June 2019</b>	<b>36,598,801</b>	<b>36,598,801 ✓</b>
<b>Net Carrying amount as at 30<sup>th</sup> June 2019</b>	<b>55,235,279</b>	<b>55,235,279</b>



# PETROLEUM UPSTREAM REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS AS AT 30<sup>TH</sup> JUNE 2019 CONT...

	2018/2019 Amount (TZS)	2017/2018 Amount (TZS)
<b>Note 4- Revenue from non-exchange transaction</b>		
Government Subvention (WOF to PURA A/C)	1,365,730,900	374,182,600
AfDB through TPDC	32,650,000	
Advance from MDU-MoE		
Personnel Emolument (PE)	366,155,000	306,654,000
<b>Total Revenue</b>	<b>1,764,535,900</b>	<b>680,836,600</b>
<b>Note 5- Wages, Salaries, employees benefits and Other Staff related costs</b>		
Salaries to employees	366,155,000	306,654,000
Special Allowance	443,000,000	346,400,000
Per diem Domestic	164,237,000	80,342,000
Per diem Foreign	22,253,882	18,750,783
Training Fees	6,400,000	800,000
Visa Application Fees		680,467
Extra duty allowance	1,000,000	
Telephone Allowances	450,000	
Electricity Allowance	2,000,000	
Tuition Fees	800,000	
Leave Travel	2,919,000	
Casual Labor	360,000	
<b>Total Expenses</b>	<b>1,009,574,882</b>	<b>753,627,250</b>
<b>Note 6 - Supplies and Consumable Goods</b>		
Food and Refreshments	53,800,000	26,028,000
Internet and Email	6,047,000	-
Office Consumables	56,567,040	89,765,200
Fuel oil (Diesel)	32,032,210	22,956,577
<b>Total Expenses</b>	<b>148,166,250</b>	<b>138,749,777</b>
<b>Note 7 -Routine Maintenance and Repair</b>		
Motor Vehicle and Watercraft	26,725,115	16,214,202
Office Minor Repair	7,150,600	755,000
Computer and other related equipment	940,000	590,000
<b>Total Expenses</b>	<b>34,815,715</b>	<b>17,559,202</b>
<b>Note 8 - Cash and Cash Equivalent</b>		
Cash at Bank - CRDB	71,774,590	2,906,095
Cash in Hands	-	-
<b>Total</b>	<b>71,774,590</b>	<b>2,906,095</b>

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### Note 9 – Receivables

Staff Imprest	48,163,700	8,096,795
<b>Total</b>	<b>48,163,700</b>	<b>8,096,795</b>

### Note 10- Finance Cost

Bank Charges	1,921,820	953,610
<b>Total</b>	<b>1,921,820</b>	<b>953,610</b>

### Note 11 – Payables

Unpaid Annual Fees for Board Chairman		11,917,000
Unpaid Annual Fees for Other Board Members		44,000,000
Unpaid Air travel ticket - Local		978,000
Unpaid Advertisement and Publication expenses		2,802,500
Accrued Audit fees	15,000,000	15,000,000
Unpaid Office Consumables	280,000	
Unpaid M/Vehicle maintenance	4,425,000	
<b>Total</b>	<b>19,705,000</b>	<b>74,697,500</b>

### Note 12 – Inventories

Fuel Diesel	5,867,555	1,797,885
<b>Total</b>	<b>5,867,555</b>	<b>1,797,885</b>

### Note 13 - Administrative Expenses

Printing and Photocopy expenses	5,625,950	1,108,000
Newspaper and Magazines	1,100,000	1,200,000
Advertisement and Publication	2,802,500	2,802,500
Audit Fees	15,000,000	15,000,000
Stamp and Postal Charges	59,000	118,000
Gift and Prizes		1,350,000
Sitting Allowances	68,840,000	8,490,000
Honoraria	136,100,000	14,000,000
Ground travel (Bus, Taxis,)	26,744,200	8,120,000
Air ticket - Local	5,202,500	1,427,020
Travel Insurance	382,512	260,152
Telephone Charges	3,350,000	2,400,000
Uniform	4,851,000	-
Conference Facilities	2,000,000	-
Consultation Expenses	1,200,000	-
Electricity Charges	13,650,000	-
Travelling Expenses	770,000	-
Contribution for Annual Economic Empowerment Forum	5,000,000	-
<b>Total Expenses</b>	<b>292,677,662</b>	<b>56,275,672</b>

**PETROLEUM UPSTREAM REGULATORY AUTHORITY**

**Note 22 – Board Expenses**

Board Fees	61,000,000	61,000,000
Other expenses	15,732,000	11,993,160
<b>Total</b>	<b>76,732,000</b>	<b>72,993,160</b>

## PETROLEUM UPSTREAM REGULATORY AUTHORITY

### Reconciliation for Financial Performance and Cash Flows

	Revenue/Expenses as per Statement of Performance	Cash Received/Paid as per Cash Flows	Difference	Remarks
	(A)	(B)	(A-B)	
	2018/2019	2018/2019		
<b>Note 14 -</b>				
<b>Revenue/Receipts</b>	Amount (TZS)	Amount (TZS)	Amount (TZS)	
Government Subvention (WOF to PURA A/C)	1,365,730,900	1,365,752,900	22,000	Imprest recovery
Inter Account transfer MDU A/C	-	55,000,000	55,000,000	Amount borrowed from MoE-MDU Account
AfDB -TPDC Project	32,650,000	-	(32,650,000)	Amount for Fixed Assets received from AfDB project-TPDC
<b>Total Revenue</b>	<b>1,398,380,900</b>	<b>1,420,752,900</b>	<b>22,372,000</b>	

### Note 15 - Wages, salaries, employees benefit and other staff related costs

Salaries to employees	366,155,000	-	366,155,000	Salaries paid by respective former employer
Special Allowance	443,000,000	443,000,000	-	
Per diem Domestic	164,237,000	162,437,000	1,800,000	Opening imprest expensed
Per diem Foreign	22,253,882	20,962,600	1,291,282	Opening imprest expensed
Training Fees	6,400,000	6,400,000	-	
Extra duty allowance	1,000,000	1,000,000	-	
Telephone Allowances	450,000	450,000	-	
Electricity Allowance	2,000,000	2,000,000	-	
Tuition Fees	800,000	800,000	-	
Leave Travel	2,919,000	2,919,000	-	
Casual Labor	360,000	360,000	-	
<b>Total Expenses</b>	<b>1,009,574,882</b>	<b>640,328,600</b>	<b>369,246,282</b>	

### Note 16 - Supplies and Consumable Goods

Food and Refreshments	53,800,000	53,800,000	-	
Internet and Email	6,047,000	6,047,000	-	
Office Consumables	56,287,040	56,007,040	280,000	Payables
Fuel oil (Diesel)	32,032,210	36,101,880	(4,069,670)	Un consumed diesel
<b>Total Expenses</b>	<b>148,166,250</b>	<b>151,955,920</b>	<b>(3,789,670)</b>	

### Note 17 -Routine Maintenance and Repair

Motor Vehicle and Water craft	26,735,115	22,300,115	4,435,000	Accrued expenses
Office Minor Repair	7,150,600	7,150,600	-	
Computer and other related equipment	940,000	940,000	-	

## PETROLEUM UPSTREAM REGULATORY AUTHORITY

<b>Total Expenses</b>	<b>34,825,715</b>	<b>30,390,715</b>	<b>4,435,000</b>
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### **Note 18- Finance Cost**

Bank Charges	1,921,820	1,921,820	-
<b>Total</b>	<b>1,921,820</b>	<b>1,921,820</b>	<b>-</b>

### **Note 19 - Administrative Expenses**

Printing and Photocopy	5,625,950	5,625,950	-	
Newspaper and Magazines	1,100,000	1,100,000	-	
Advertisement and Publication	2,802,500	5,605,000	(2,802,500)	Accrued expenses paid
Accrued Audit Fees	15,000,000	15,000,000	-	
Stamp and Postal Charges	59,000	59,000	-	
Sitting Allowances	68,840,000	68,840,000	-	
Honoraria	136,100,000	136,100,001	-	
Ground travel (Bus, Taxis,)	26,744,200	26,544,200	200,000	Opening receivable expensed
Air ticket - Local	5,202,500	5,202,500	-	
Travel Insurance	382,512	-	382,512	Opening receivable expensed
Telephone Charges	3,350,000	3,350,000	-	
Uniform	4,851,000	2,868,000	1,983,000	Opening receivable expensed
Conference Facilities	2,000,000	2,000,000	-	
Consultation Expenses	1,200,000	1,200,000	-	
Electricity Charges	13,650,000	13,650,000	-	
Travelling Expenses	770,000	770,000	-	
Contribution for Annual Economic Empowerment Forum	5,000,000	5,000,000	-	
<b>Total Expenses</b>	<b>292,677,662</b>	<b>292,914,650</b>	<b>(236,988)</b>	

### **Note 20 – Advance receipt from Ministry of Energy**

Return of Advance receipt to MDU-MoE	-	55,000,000	55,000,000
<b>Total</b>	<b>-</b>	<b>55,000,000</b>	<b>55,000,000</b>

### **Note 21 - Acquisition of Non-Current Assets**

Computer and Computer Equipment	32,650,000		PPE from Government
<b>Total</b>	<b>32,650,000</b>	<b>-</b>	

### **Note 22 - Board Expenses**

Board Fee	61,000,000	116,917,000	55,917,000	Accrued expenses paid
Other expenses	15,732,000	14,292,000	1,440,000	Expensed receivable
<b>Total</b>	<b>76,732,000</b>	<b>131,209,000</b>		

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### Note 23 – Explanation of Budget against Actual

#### Original Budget and Final budget

Item	Original Budget TZS	Final Budget TZS	Difference TZS	Explanation
Equipment from Government	-	32,650,000	32,650,000	Computer from the Government
PE ( staff salaries)	-	366,155,000	366,155,000	Salaries paid by third parties(respective former employers)
<b>Total</b>		<b>398,805,000</b>	<b>398,805,000</b>	

#### Final budget and Actual expenditure

Item	Final Budget TZS	Actual TZS		Difference TZS	Explanation
Wages, Salaries and Employment benefits	1,269,366,764	1,006,483,600		262,883,164	Number of employees expected to be employed were not recruited
Supplies and Consumable goods	253,433,732	151,955,920		101,477,811	Failure of recruitment lead to decrease of consumables goods
<b>Total</b>	<b>1,522,800,496</b>	<b>1,158,439,520</b>		<b>364,360,975</b>	

#### Note 24: Routine Maintenance

During the year under review, the Authority spent TZS 34,825,715 (2017/18 TZS 17,559,202) for maintenance of motor vehicle, PURA office and other office equipment. It has to be known that routine maintenance includes expenses related to two motor vehicle used by PURA but still are controlled by the Ministry of Energy.

#### Note 25: Risk management

PURA is exposed to various risks in its operations. The main risks include credit risks, and liquidity risks. The management of these risks is carried out as stated below.

##### Credit risk

Credit risk arises from credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that counterparty will default on its contractual

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obligations resulting in financial loss to the Authority. The Authority does not have any significant concentrations of credit risk. The reported account receivables of 48 million relates to staff imprest which were outstanding at the reporting date. In case the imprest holder won't retire, the authority is empowered by law to deduct from monthly salary.

### **Liquidity risk**

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining enough cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the finance department maintains flexibility in funding by maintaining availability liquid resources under committed credit lines.

Management performs cash flow forecasting and monitor rolling forecasts of the Authority's liquidity requirements to ensure it has sufficient cash to meet its operational needs. The Authority's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation

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The amounts disclosed in the analysis below are the undiscounted contractual financial liabilities and financial assets in the financial statements during the year to monitors its liquidity:

At 30 <sup>th</sup> June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	TZS	TZS	TZS	TZS
Financial assets				
Cash and cash equivalent	71,774,590	-	-	-
	71,774,590			
Financial liabilities				
Payables and accruals	19,705,000	-	-	-
	19,705,000	-	-	-
Liquidity gap	52,069,590	-	-	-
At 30 <sup>th</sup> June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	TZS	TZS	TZS	TZS
Financial assets				
Cash and cash equivalent	2,906,095	-	-	-
	2,906,095			
Financial liabilities				
Payables and accruals	74,697,500	-	-	-
	74,697,500	-	-	-
Liquidity gap	71,791,405	-	-	-

### **Note 26: Events after Reporting Date**

In September 2019 two instruments namely, Scheme of Service and Salary Structure and Scale were approved for operationalization.

### **Note 27: Salary to Employee (PE)**

During the year under review, the Authority spent TZS 366,155,000 (2017/18 TZS 306,654,000) for employees' salaries. The whole amounts were paid by third parties (respective former employers). The amounts have been recognised as revenue and expenses for the current and comparative financial statements. In 2017/2018, they were merely disclosed.