



Tanzania Communications Regulatory Authority

2010

Annual Report

For the year ended
30th June, 2010

Creating a level playing field

Content

List of abbreviations	Page 1
Company information	Page 2
Members of the board of directors	Page 3
Members of the management team	Page 4
Chairman's letter	Page 5
Directors' report	Page 6 - 42
Report of the independent auditors	Page 43
Financial statements:	
Statement of comprehensive income	Page 45
Statement of financial position	Page 46
Statement of changes in equity	Page 47
Statement of cash flows	Page 48
Notes to the financial statements	Page 49 - 66

Office of the Controller and Auditor General, The National Audit Office, United Republic of Tanzania

(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 URT of 1977 (revised 2005) and further elaborated in Sec 10 (I) of the Public Audit Act No. 11 of 2008.

Vision

To be a centre of excellence in public sector auditing.

Mission

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

In providing quality services, 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 professional providing high quality audit services based on best practices;
Integrity:	We observe and maintain high standards of ethical behaviour 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;
Best resource utilization:	We are an organization that value and uses public resources entrusted to its 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 Tanzania Communication and Regulatory Authority. However, upon receipt of the report by the board of directors, the report becomes a matter of public record and its distribution may not be limited.

LIST OF ACRONYMS/ ABBREVIATIONS

AO	Accounting Officer	NCB	National Competitive Bidding
APP	Annual Procurement Plan	NCS	National Competitive Selection
CAG	Controller and Auditor General	NSSF	National Social Security Fund
CQ	Competitive Quotation	PAA	Public Audit Act, 2008
DDF	Deputy Director Finance	PAYE	Pay As You Earn
DDP	Director of Public Prosecution	PFA	The Public Finance Act No 6 of 2001 (revised 2004)
DG	Director General	PM	Procurement Method
DLS	Director of Legal Services	PMU	Procurement Management Unit
EC	Evaluation Committee	POPSM	President's Office Public Service Management
ERM	Enterprise Risk Management	PPA	Public Procurement Act, 2004
GPN	General Procurement Notice	PPE	Property Plant and Equipment
IAS	International Accounting Standards	PPF	Parastatal Pensions Fund
ICB	International Competitive Bidding	PPRA	Public Procurement Regulatory Authority
ICS	International Competitive Selection	PSPF	Public Sector Pension Fund
ICT	Information Communication Technology	PST	Permanent Secretary Treasury
IFRS	International Financial Reporting Standard	RT	Restricted Tendering
IS	Individual Selection	SS	Single Source
ISA	International Standards on Auditing	TB	Tender Board
ITA	Income Tax Act	TCRA	Tanzania Communications Regulatory Authority
LPO	Local Purchase Order	TZS	Tanzania Shillings
MVP	Minor Value Procurement	USD	United States Dollars
N/A	Not Applicable	VSAT	Very Small Aperture Terminal
NAO	National Audit Office	WIP	Work in Progress

COMPANY INFORMATION

CHIEF OFFICERS

Prof. J. Nkoma	Director General
Dr. R. Mfungahema	Director of Consumers and Industry Affairs
Dr. J. Kilongola	Director of Information and Communications Technologies
A. Kabungo	Ag. Director of Corporate Resources Management
H. Gunze	Director of Broadcasting Affairs
R. Makuburi	Director of Postal Affairs
E. Nzagi	Director of Legal Services
W. Maro	Principal Accountant
B. Shoo	Systems Manager

INDEPENDENT AUDITORS

The Controller and Auditor General, National Audit Office

Samora Avenue/Ohio Street
P.O. Box 9080
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
E-mail: ocag@nao.go.tz
Website: www.nao.go.tz
Dar es Salaam

BANKERS

Stanbic Bank
Corporate Branch
P.O. Box 72647
Dar es Salaam

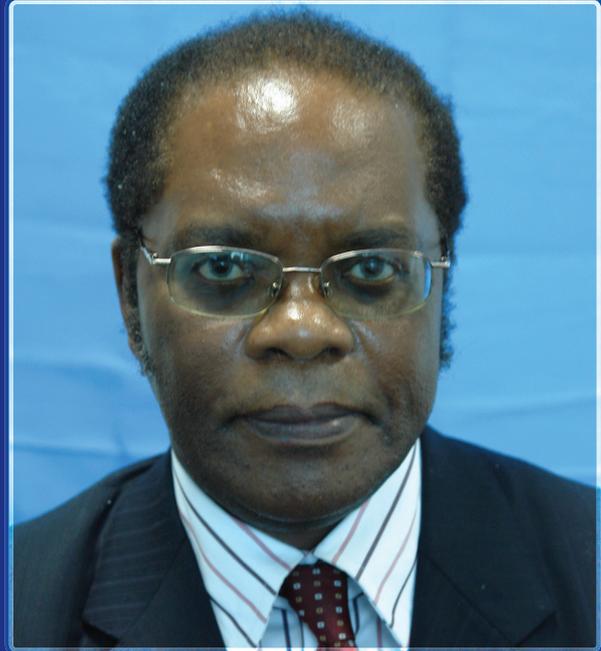
REGISTERED OFFICE

Mwasiliano Tower,
P. O. Box 474
Dar es Salaam
Tel: +255 22 2412011
Fax: +255 22 2412010
Website: www.tcra.org

Members of the Board of Directors



Judge B. Chipeta (Rtd)
Board Chairman



Prof. John S. Nkoma
Director General



Hon. Peter Serukamba (MP)
Board member



Dr. Vuai Lila
Board member

Members of the Management Team



Prof. John S. Nkoma
Director General



Mr. Goodluck Ole Medeye
Director of Corporate
Resource - Management



Dr. J.S. Kilongola
Director of ICT



Mr. N. Habbi Gunze
Director of Broadcasting
Affairs - Management



Dr. R. Mfungahema
Director of Consumer and
Industry Affairs



Mrs. Rehema Makuburi
Director of Postal Affairs
Management



Elizabeth Nzagi
Director of
Legal Services

THE UNITED REPUBLIC OF TANZANIA
TANZANIA COMMUNICATIONS REGULATORY AUTHORITY

Telegram : TUMEWASILI, Dar Es Salaam
Telephone : 255 22 2412011 – 2 &
255 22 2199760 - 9
Fax : 255 22 2412009 & 255 22 2412010
E-mail : dg@tcra.go.tz



Mawasiliano Towers
Plot No.2005/5/1, Block C Sinza
Sam Nujoma Rd
P. O. Box 474
DAR ES SALAAM, TANZANIA

Ref: No. TCRA/C/O.20/20

14th January, 2012

Hon Prof. Makame M. Mbarawa (MP),
Minister for Communications, Science and Technology,
DAR ES SALAAM

Honourable Minister,

**RE: ANNUAL REPORT OF THE TANZANIA COMMUNICATIONS REGULATORY
AUTHORITY FOR THE YEAR ENDED ON 30TH JUNE 2010**

In pursuance of the provisions of Section 53.-(1) of the Tanzania Communications Regulatory Authority Act No.12 of 2003, I have the honour to submit the Annual Report of the Tanzania Communications Regulatory Authority for the year ended on 30th June 2010.

I apologize for not submitting this report on time. This was due to reasons beyond our control.

Hon. Minister, this report provides for the activities performed by the Authority during the financial year 2009/10. I am delighted to report that during the year under review the Authority did successfully implement the planned activities.

The most significant and notable activity undertaken was execution and completion of the project of construction of the TCRA Headquarters building. The Authority also witnessed the growth of subscriber base in telecommunication sector especially the mobile telecommunication from 2,963,737 in 2004/5 to 20,320,994 in 2009/10. Further regarding broadcasting sector, the Authority continued to manage smoothly the process of migration from analogue to digital in which the digital frequency plan was finalized and three Multiplex Operators were licensed. On Consumer and industry Affairs the Authority implemented the Interconnection Determination No. 2 of 2007 by setting the new interconnection rate with effect from 1st January 2010. On the Postal Services the notable achievement was the implementation of the new address system and Post Code in Arusha and Dodoma. In addition the Courier/Express sector continued to grow by the increase in number of operators. On revenue side, the Authority surpassed its target and continued to finance its activities without any external funding.

Hon Minister, all the above achievements are partly contributed by good training and development policies that consider investment in training and development essential for building a learning organization.

On behalf of the Board, Management and Staff, I wish to convey our sincere gratitude to the government and particularly your Ministry for the support and guidance extended to the Authority which made it possible to fulfill our obligations as provided in the Tanzania Communications Regulatory Authority Act No. 12 of 2003, sector legislation and policies. In addition, we thank the Ministry for Information, Culture and Sports for the support extended to the Authority particularly on matters relating to content issues during the entire period of our operations.

We also thank Members of the Infrastructure and Public Organization Accounting Committees (POAC) of the Parliament for their cordial cooperation accorded to the Authority during the period under review.

We look forward to your continued support and guidance in the future as we implement the sector policies aimed at achieving the universal access and universal service goals.

Judge Buxton Chipeta
CHAIRMAN OF THE BOARD

I.0 DIRECTORS' REPORT

I.1 INTRODUCTION

Members of the Board of Directors of the Tanzania Communications Regulatory Authority (TCRA) are delighted to once again present their report on the performance of the Authority during the financial year 2009/2010. During the year the Authority went through a number of challenges in both regulation and administrative spheres. In regulation demand for radio frequency spectrum for provision of mobile communication services continued to rise while on administration procurement process in accordance with the provisions of the Public Procurement Act 2004 continued to affect implementation of development projects.

In spite of such notable challenges the overall performance of the Authority during the year under review was quite good as Strategic Objectives provided in the Strategic Plan 2006/07 to 2010/11 were implemented. On basis of this the Board is pleased to report that the Authority had managed to fulfill its duties and functions enshrined in the Tanzania Communications Regulatory Authority Act No. 12 of 2003, sector policies and legislation. Members of the Board acknowledge the contribution of members of staff, Management and other stakeholders towards implementation of the action plan leading to realization of our vision and mission.

I.2 STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Section 51 of the Tanzania Communications Regulatory Authority Act (No. 12) of 2003 vests the responsibility for preparation of financial statements of the Authority which show a true and fair view of the state of affairs of the Authority on the Directors. In addition, they are responsible for keeping proper accounting records, maintaining an adequate system of internal controls, safeguarding the assets of the Authority as well as taking reasonable steps for prevention and detection of fraud and other irregularities. The law requires that the financial statements be prepared in accordance with provisions of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In compliance with the legal requirements the Directors confirm that in the preparation of the financial statements for the financial year ended on 30th June, 2010 suitable accounting policies have been used and applied consistently and reasonable and prudent judgments and estimates have been made.

MEMBERSHIP OF THE BOARD

The following are Members of the Board who served the Authority during the period under review: -

Name	Status	Nationality
Judge Buxton Chipeta	Chairman	Tanzanian
Prof. John S. Nkoma	Member	Tanzanian
Mr. Baruany E. Luhanga	Member	Tanzanian
Dr. Vuai Iddi Lila	Member	Tanzanian
Hon. Peter J. Serukamba (MP)	Member	Tanzanian
Dr. Justinian Anatory	Member	Tanzanian
Mrs. Elizabeth M. Nzagi	Secretary	Tanzanian

FINANCE AND AUDIT COMMITTEE

The following are the Members of the TCRA Finance and Audit Committee:

Name	Status	Nationality
Mr. Baruany E. Luhanga	Chairman	Tanzanian
Prof. John S. Nkoma	Member	Tanzanian
Mr. Elaudon Mahenge	Member	Tanzanian
Mr. Goodluck Ole Medeye	Member	Tanzanian
Mr. Boniface Shoo	Member	Tanzanian
Mr. Alinanuswe Kabungo	Secretary	Tanzanian

I.3 PRINCIPAL ACTIVITIES

The Principal functions and responsibilities of the Authority as stipulated in the Tanzania Communications Act No. 12 of 2003 are to regulate the communications sector, specifically:

- Establishing a level playing field in order to promote effective competition and economic efficiency;
- Protecting the interests of consumers;
- Promoting the availability of regulated services to all consumers including low income, rural and disadvantaged consumers;
- Licensing and enforcing licence conditions of broadcasting, postal and telecommunication operators;
- Establishing and enforcing standards for regulated goods and services;
- Regulation of rates and charges (tariffs);
- Management of the radio frequency spectrum;
- Monitoring the performance of the regulated sectors;
- Managing Telecommunications Numbering System.

I.4 PERFORMANCE DURING THE YEAR UNDER REVIEW

I.4.1 Construction of TCRA Headquarters Building

The project for construction of the proposed TCRA Headquarters Building on Plot 2005/5/1 Block C Sinza Dar-es-Salaam that started in 2006/07 financial year was partially completed by end of June 2010. Practical completion and handing over was delayed by work in progress in the basement which was initiated later to accommodate the communications museum. The building was partially handed over in October 2009 and effectively occupied in January, 2010.

I.4.2 Licensing

During the year 2009/2010 the Authority Issued Licenses to 4 Network Facilities Operators, 2 Network Services Operators and 10 Application Services Operators; 5 Courier Service Providers and 9 Content Service Providers including two Television Operators and seven Radio Broadcasters. The issuance of these licenses led to increase in the number of service providers, consumer base and also had a positive impact on the income from regulatory fees including initial license fees, frequency user fees, numbering resource fees and royalty fees.

I.4.3 Broadcasting Services

During the year 2009/2010 the Authority invited tenders from prospective investors to provide multiplex (MUX) services to terrestrial television broadcasting content operators in the country. The purpose of licensing MUX operators was to facilitate implementation of the migration from analogue to digital broadcasting.

I.4.4 Postal Affairs

The pilot project for the proposed Physical Address and Post Code system was completed in Arusha in 2008/09 and the same was being implemented in Dodoma. Consultations were made with Municipalities of Moshi, Dodoma, Ilala, Temeke, Kinondoni, Singida and Zanzibar for the purpose of rolling out the project. The Project was launched in 18th January, 2010 by the Vice President Dr. Mohamed Shein in Arusha.

I.5 STAFF WELFARE

I.5.1 Industrial Relations

The Authority continued to implement its industrial relations policy which calls for participative management at all levels. This includes consultation between Management and Members of staff in determination of key policy issues including formulation of the Strategic Plan, Annual Planning and Budgeting, introduction of new address system and post codes, etc. This enhanced the good industrial relations and work place democracy. The performance of the Authority during this period was contributed to a great extent by the level of involvement of employees in decision making processes, formulation of implementation strategies and actual implementation of approved plans.

I.5.2 Medical Care Services

Implementation of the Authority's policy on medical care continued smoothly in 2009/2010. To ensure that services are provided efficiently the Authority invited tenders from authorized health service providers. Through competitive selection M/S AAR Health Services was awarded the tender to provide the services. In addition, the Authority continued to implement the Chronic Ailments policy through which preventive and curative services are provided to employees and their dependants against diseases such as HIV and AIDS, Cancer, Tuberculosis, Diabetes, etc. During the year 2009/2010 a total of TZS. 197,245,000 was spent towards implementation of both policies.

I.6 CAPACITY BUILDING

TCRA acknowledges that the human resources are its linchpin that needs to be continuously improved in order to enhance the level of service delivery and fulfill the Authority's duties and responsibilities stipulated in the Tanzania Communications Regulatory Authority Act No. 12 of 2003. In recognition of this the Authority has identified human resources development as one of the priority areas for investment. In view of this the Authority sponsored three (3) officers to a long term courses within and outside the country and 125 staff participated into short term capacity building programmes in ICTs regulation, radio frequency management, management and dispute resolution.

I.7 AFFIRMATIVE ACTION

The Tanzania Communications Regulatory Authority (TCRA) is an equal opportunity employer. We strive to build a broad-based organization with balance in both gender and ethnicity to reflect the composition of the Tanzanian population. To achieve this objective, whenever processing recruitment to fill vacant posts in its establishment the Authority provides equal opportunities to all people.

I.8 CORPORATE SOCIAL RESPONSIBILITIES

In fulfillment of the principles of corporate governance TCRA has committed itself to active participation in environment protection, and promotion of socio-economic development of our society through extension of financial support towards implementation of community development projects being part of its corporate social responsibility policy. In 2009/10 the Authority participated in implementation of a number of social and economic development initiatives throughout the country. These include construction of schools and health centers, supply of computers and ICTs gear to schools, financing projects established by physically challenged people, women development projects, sponsorship of higher education students who are unable to meet their contribution required by respective institutions; establishment of community telecentres and others.

I.9 FINANCIAL PERFORMANCE

During the financial year 2009/2010 it was budgeted that the Authority would earn TZS 33,798,088,000. However, the actual revenue earned was TZS 41,524,332,000. This gives a surplus of TZS 7,726,244,000 equivalent to 23% above the approved income. This is assurance that the Authority's sources of revenue are sustainable in the foreseeable future. In spite of the achievement income from Content services fees continued to fall below the expectation

because licences planned to be issued to multiplex operators were not effected due to the lengthy process involved in selection process. In addition, licence fees charged to content service providers is too low to meet the actual cost of regulating them. It has been planned that licence fees will be reviewed after the EPOCA Bill has been passed into law.

During the year under review there was considerable increase in recurrent expenditure as the result of contribution to Government - Treasury. The overall impact of this transaction was increase in recurrent expenditure from TZS. 21,649,922,000 in 2008/09 to TZS. 27,219,935,000 in 2009/2010 representing an increase of TZS. 5,570,013,000.

On capital investment the Authority spent TZS. 7,825,093,000 on implementation of projects carried forward from the previous years as well as new ones approved in 2009/2010 annual plan and budget. Key projects include construction of the TCRA Headquarters building (the Mawasiliano Towers), Automation of Type Approval, Supply of computers and printers, automatic mail quality measurement equipment and office furniture and fittings.

I.10 SOLVENCY

Since its establishment the Authority has never sought financing through leverage or sources other than those specified in the enabling legislation. This shows that the Authority is a going concern. The Directors consider the Authority to be solvent on the basis of a working capital of TZS 36,975,085,000 and annual surplus of TZS.14,304,397,000.

I.11 INDEPENDENT AUDITORS

In exercise of powers conferred upon him under section 11 of the Public Audit Act 2008, the Controller and Auditor General (CAG) appointed M/S Innovex Auditors to audit the 2009/2010 accounts of the Authority.

BY ORDER OF THE BOARD



CHAIRMAN



DIRECTOR

DATE: 18 - 05 - 2011

2.0 OPERATIONAL REVIEW BY THE DIRECTOR GENERAL

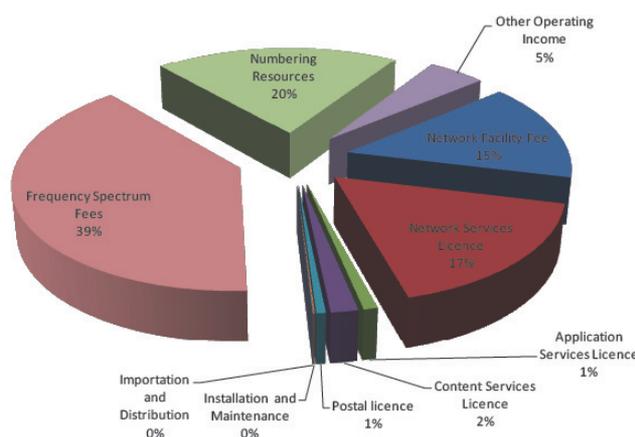
2.1 INTRODUCTION

2.1.1 The year under review was the sixth since the establishment of the Authority and the third since the Strategic Plan 2006/07 to 2010/2011 started to be operationalized. In pursuance of the Authority's duties and responsibilities as stipulated in the TCRA Act of 2003 and the key objectives set out in the Strategic Plan, the Authority formulated and implemented an Action Plan and Budget that addressed all regulatory and operational issues.

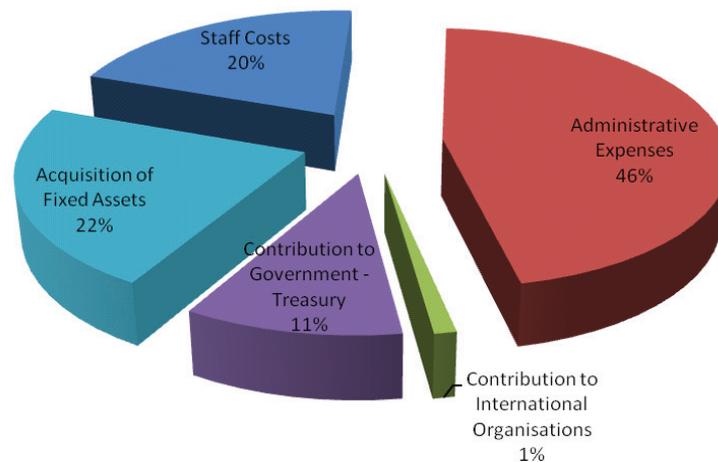
As it may be recalled, during the previous three years the Authority was preoccupied with implementation of its primary regulatory tool, namely the Converged Licensing Framework (CLF). Through reflection of CLF, the Authority was able to identify the strengths and weaknesses, threats and opportunities. All these served as the basis for formulation and implementation of key strategic plans to enhance the regulatory process in the country.

2.1.2 **Financial Performance:** During the year 2009/10 the Authority continued to improve its financial management by improving the rules governing payment of royalties from operators, automation of accounting system through installation of integrated financial management software and building the capacity of finance and accounting staff. Figure 1 herein shows the main sources of income during the year 2009/10 which are Radio Frequency Spectrum User Fees, Numbering Resource Fees, Network Services Licence fees, Network Facility Licence fees, Other Income and Content Services Licence fees.

Figure 1: Main sources of income for the year 2009/10



During the same period expenditure increased by 19.2% as compared to the previous year. The increase in expenditure was due to increase in the number of activities performed as well as increase in the number of staff. Items with higher expenditure as shown in figure 2 include Administrative/Operations, Acquisition of Assets, Staff costs, and Contribution to international organisations. The impact of such expenditure is signified by the improvement in performance of the Authority as compared to the previous year as shown in figure 2.

Figure 2: Expenditure per Category

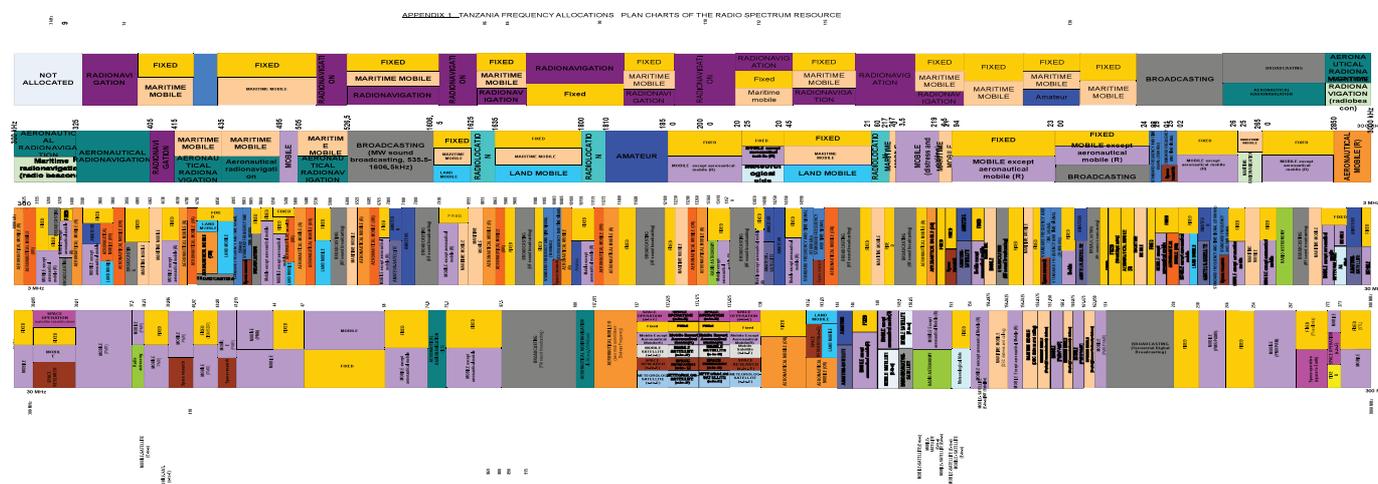
2.1.3 Mawasiliano Towers: Another important landmark in 2009/10 was completion of construction of the TCRA Headquarters building. The construction of TCRA new office building “Mawasiliano Towers” witnessed the shifting of TCRA Offices from Mawasiliano House in upanga and Mikocheni Offices to the new office building in December 2009. Completion of the building brought into reality our long time dream to bring all our department and staff under one roof. In addition it assured our staff better working environment and facilities, reduced operational costs and improved image of the Authority to various stake holders.

2.1.4 Spectrum Management: Demand for frequency resources continued to grow as a result of the implementation of Converged Licensing Framework (CLF). The application of CLF created good regulatory climate in the country and attracted more investors into the communication industry. In order to ensure that the public is aware of the planning and assignment of frequency spectrum, the Authority performed the Spectrum Planning by dividing the Tanzanian radio frequency spectrum into a number of frequency bands and specified the general purpose for which the bands may be used.

In addition it prepared the National Frequency Band Plan charts showing the national spectrum band plan and a Handbook on Spectrum Management for the purpose of:

- Providing a basis for management of the radiofrequency spectrum in Tanzania;
- Informing and educating Radiocommunication users and the public about the various types of services that can be operated in each frequency band, and the conditions attached to their operation;
- Providing details of international frequency allocations agreed by the ITU, SADC and EACO.

Figure 3: National Spectrum Band-Plan Chart and Handbook On Spectrum Management



2.1.5 Telecommunications Sector: The year 2009/10 saw unprecedented growth in both networks expansion and subscriber base. Vodacom (T) Limited and Zain/Airtel emerged clearly as the market leaders in terms of the subscriber numbers.

The Table I below shows subscriber base of mobile and fixed phone companies between 2004 and 2009.

Table I: FIXED AND MOBILE SUBSCRIBERS AS AT 30TH JUNE, 2010

YEAR	MOBILE CELLULAR (CELTEL, MIC(T) LTD, VODACOM & ZANTEL)	FIXED LINES (TTCL & ZANTEL)	TOTAL
2004/2005	2,963,737	154,420	3,118,157
2005/2006	5,076,310	152,720	5,229,030
2006/2007	6,720,072	169,135	6,889,207
2007/2008	10,268,673	159,370	10,428,043
2008/2009	14,723,175	179,849	14,903,024
2009/2010	20,141,145	179,849	20,320,994

2.1.6 Online Type Approval System: During the year under review, the implementation of an Online Type Approval System (OTAS) Project started by engaging a consultant to carry out a review of the project. At the end of the year under review the hardware part of the project was completed.

2.1.7 Type Approval Laboratory: The Authority also made an important decision to construct Type

Approval Laboratory with effect from the next financial year. The preparation of Terms of Reference (ToR) was completed and the procurement process for the consultant had started.

2.1.8 Numbering and Routing: On Numbering and routing activities the Authority continued to assign short codes numbers to various applicants including banks for e-commerce.

2.1.9 TzNIC: The Authority continued with its supervisory role to TzNIC whose obligation is to manage dot-tz ccTLD. One notable aspect in this area was the approval of Internet Corporation for Assigned Names and Numbers Board (ICANN) for Tanzania to carry out the re-delegation of .tz Top Level Domain (a country code domain for the United Republic of Tanzania) to Tanzania Network Information Centre (tzNIC).

2.1.10 Police Call Centre System: The Authority also assisted the Tanzania Police Force (TPF) to establish a state of the art Call Centre System which has been very useful to the people when calling emergency police numbers 111/112.

2.2 Broadcasting sector: The Authority continued manage the process of migration from analogue to digital. During the period under review, the Authority finalised the digital frequency plan and digital spectrum and issued Network Facility licences to three Multiplex Operators, namely Agape Associates Limited, Star Media (T) Limited and Basic Transmission Limited. These efforts aimed at making sure that the country lands smoothly at the cut-off date of switch over from analogue to digital on 31st December 2012.

2.3 Postal Affairs: During the financial year 2009/10 the undertook two major activities on postal affairs;

- (a) One was the implementation of Quality of Service Measurement to ascertain the operations of Public Postal Operator (Tanzania Posts Corporation-TPC) using Automatic Measuring Quality of Mail (AMQM) System. The results of the tests indicated that quality of services standards attained through report generated from the server located at the International Postal Corporation (IPC) in Brussels, Belgium in terms of speed was good.
- (b) Two the Authority continued with the project to establish New National Postal Address System and Post Code to facilitate delivery of mails and other postal articles to addressees at their physical addresses (door – to door delivery). The new system is expected to contribute to other socio-economic development activities including enhancing revenue collection, expedite provision of rescue services, security, financial services, research and provision of utility services.

In its effort to forge the political support and improve awareness, the Authority carried out workshops on the importance of postcode to the Members of Parliament of the United Republic of Tanzania and Members of the House of Representatives in Zanzibar and both houses indicated their support to the project.

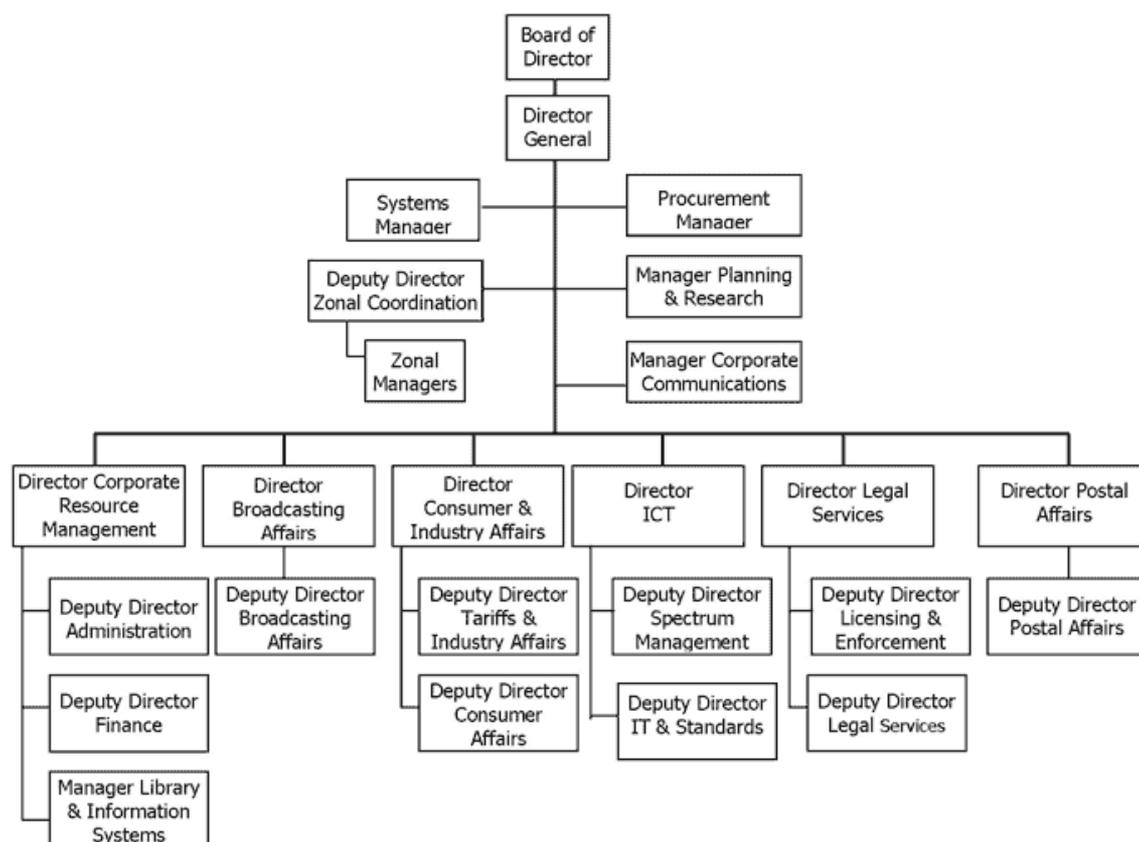
Generally on the postal sector Tanzania witnessed growth of courier/express market in terms of network expansion and number of operators.

2.4 Consumer and Industry Affairs: The Authority achieved to implement Interconnection Determination No. 2 of 2007 by setting the new interconnection rate of TShs.98.77 per minute with effect from 1st January 2010. The interconnection rate in Tanzania shillings was computed using weighted average exchange rate as provided by the Bank of Tanzania for the previous 12 months to 15 December 2009. All telecommunication services providers were instructed to use the new rate effective from 1st January, 2010. As a result of application of the new rates, the average Tariffs for pre-paid voice telephone services continued to decline as indicated herein.

With regard to internet, the Authority also conducted Internet survey with the main objective to know the development and performance in terms of penetration and usage of internet services in Tanzania from the year 2005-2010. The survey revealed that Teledensity grew at 45% as compared to 20% for internet. These findings indicated the need for a deliberate consideration to promote internet usage by providing technical and financial assistance for establishment of Community Telecentres, Public Internet Access Centres (PIAC), Internet centers in secondary schools, communities etc. The Authority is considering exercising its power to monitor and advise the ISPs to provide valid, reliable and value-for-money services.

2.5 Organisation Development: The Board approved the review of the Authority's organisation structure which created the directorate of Legal Services (DLS) and placed the Deputy Director Zonal Coordination (DDZC) under the Director General's office from the previous Directorate of Corporate Resources Management. This makes the revised organisation structure with effect from 8th September, 2009 to appear as shown in figure 4.

Figure 4: ORGANISATION STRUCTURE WITH EFFECT FROM SEPTEMBER, 2009



- 2.6 Organizational development:** The Authority considers its Human Resources the pillar for its success. During the year under review the Authority continued with the policies of staff training and development in which three officers sponsored by TCRA completed their Masters Degree training programmes in their respective fields of Telecommunications Engineering, Business and Financial Management and other 125 employees participated in short term training programmes in their relevant areas of specialisation. These programmes enhanced the capacity of TCRA as can be reflected in its performance.
- 2.7 Finance and Accounting:** During the year under review, there was a growth revenue from projected revenue of Shs.39,298,088,500.00 to Shs.41,524,332,000.00 thus providing for 5.67 percent above the approved revenue. The increase in revenue was due to increase in the number of licenses issued under the converged licensing framework which turned out to be very popular following awareness conducted by the Authority. The Authority continued to exercise strict budgetary control of its recurrent expenditure. During the year under review the recurrent expenditure was 99.43% of the approved budget.
- 2.8 Conclusion:** To conclude, let me take this opportunity to commend the TCRA Board under the chairmanship of Judge (Rtd) Buxton Chipeta for their dedicated service and commitment to the Authority throughout the period under review. Their contribution towards development of the Authority is highly appreciated and will continue to be valued in the foreseeable future. I also wish to acknowledge the support and guidance from the government and the cooperation I received from colleagues in the management team and the entire TCRA staff. Lastly I wish to recognise the support and cooperation from all stakeholders including our service providers. I am happy to say that with this strong partnership TCRA is poised to make a lasting impact in the communications industry.



Prof. John S. Nkoma
Director General

“...Lastly I wish to recognise the support and cooperation from all stakeholders including our service providers.”

3.0 DIRECTORATE PERFORMANCE REVIEWS

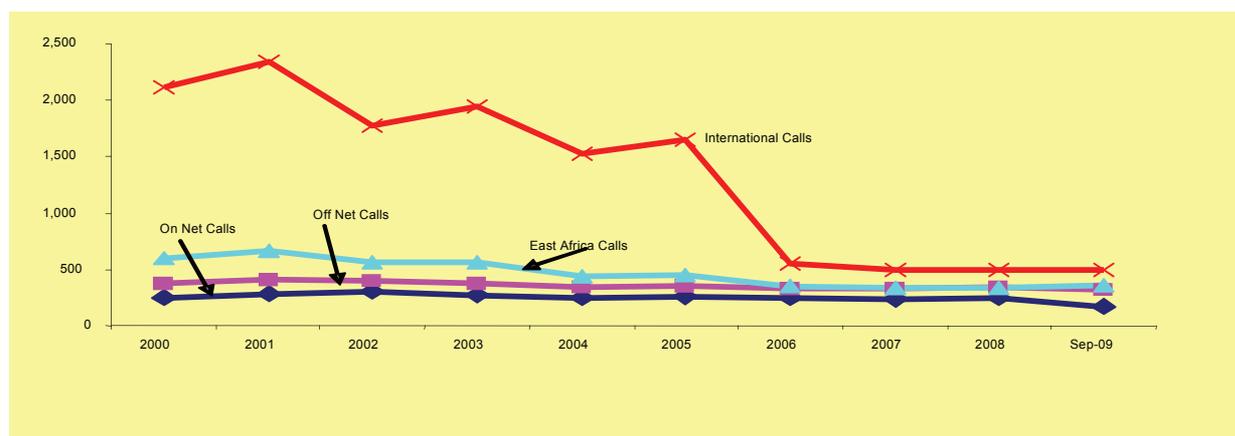
3.1 CONSUMER AND INDUSTRY AFFAIRS

The Authority performs its function of consumer and industry affairs through its directorate of Consumer and Industry Affairs. These functions include monitoring of market behavior, competition and pricing by commercial providers of communication services; undertaking of systematic market studies, assessments and comparison of pricing of communication services, nationally and internationally; intervene, act and use the regulatory powers conferred under the TCRA Act to influence pricing of services in the interest of the consumers; collect, process, analyze and organize data about markets, products, services, service providers, etc.; analyze and determine tariff, rates, commissions and other charges for communications services; inform the market and the general public on the state of the communication sector in the country and undertake Economic and Financial analysis of business plans submitted by operators/potential operators to the Authority for approval.

3.1.1 Tariff Regulation

As per section 2.13 of Interconnection Determination No. 2 of 2007, a new interconnection rate in Tanzania shillings was computed using weighted average exchange rate as provided by the Bank of Tanzania for the previous 12 months to 15 December 2009. The new interconnection rate was TShs.98.77 per minute and it became effective on 1st January 2010. All telecommunication services providers were instructed to use the new rate effective from 1st January, 2010. As a result of application of the new rates, the average Tariffs for pre-paid voice telephone services has continued to decline as shown in figure 5.

Figure 5: Prepaid Tariffs (Tshs) from Voice Calls 2000 - Sept. 2009



Source: TCRA

3.1.2 Internet Survey

The internet survey was carried out between April and June 2010 in which all Application Services Licensees (ASLs) in the United Republic of Tanzania were enumerated. The main objective of the survey was for the Authority and other stakeholders to know the development and performance in terms of penetration and usage of internet services in Tanzania from the year 2005-2010.

To achieve this objective, a census of all ASLs was carried out and consequently a number of processes including descriptive analysis, estimation and extrapolation of internet users were done in order to have the background data.

The results of the survey indicated that by June 2010, only 46 (67%) out of 68 ASLs were found operating, 20 of them (30%) were not traced and 2 (3%) were not operational. Out of 46 operational Licensees, only 38 (83%) of them were providing the internet services and the rest provided other services like voice, network design, data (SMS and MMS), website hosting and website designing. The majority (82%) of those who provide internet services were doing so through fixed wireless.

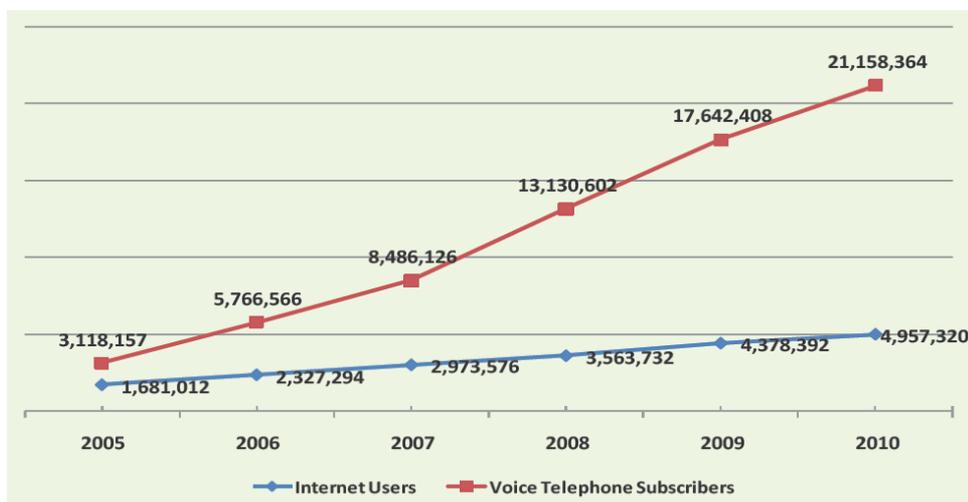
It was further found that, a total available downlink and uplink capacity in Tanzania is 2,761Mbps and 2,677Mbps respectively. Out of which 1,679 Mbps (61%) were being used for downlink and 1,385 Mbps (52%) were being used for uplink.

Lastly, the number of internet users was estimated to be 4.9 million by June 2010, out of which 46% used internet services from cyber cafes, 31% from organizations/institutions and 23% from households. In terms of penetration only 20% of Tanzanians were able to access and use internet services.

These findings will help the Authority to conduct a demand side survey on internet access and usage. This kind of survey will give a more reliable estimate of internet usage in terms of geographical coverage, gender, income level and other parameters of relevance to internet penetration.

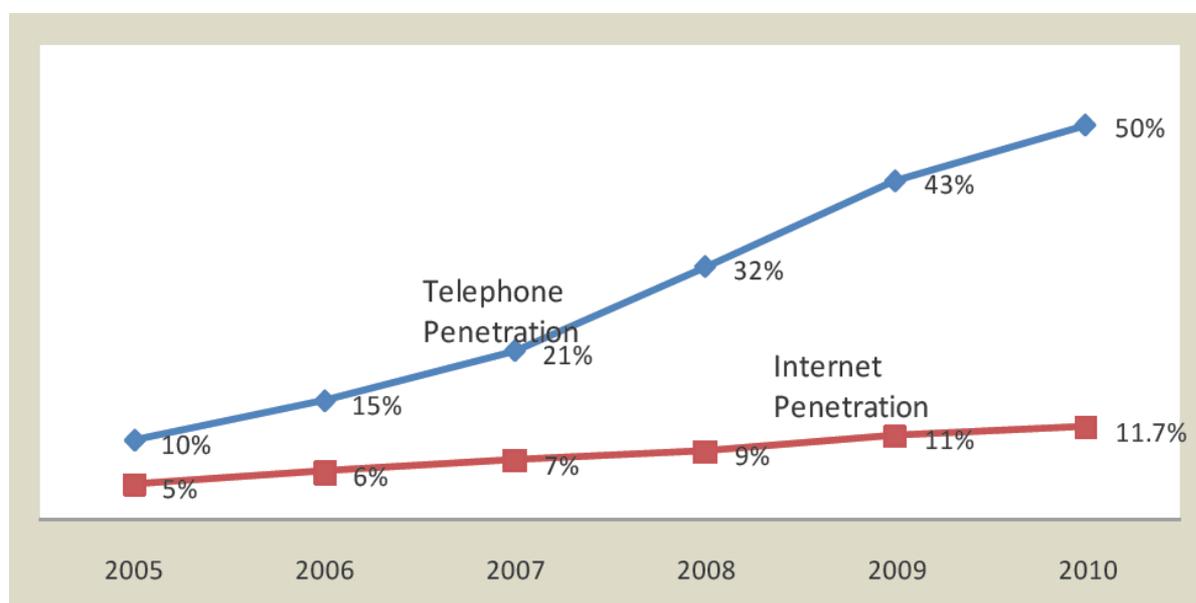
The findings of the survey indicated the need for a deliberate consideration to promote internet usage by providing technical and financial assistance for establishment of Community Telecentres, Public Internet Access Centres (PIAC), Internet centers in secondary schools, communities etc. TCRA is considering to exercise its power to monitor and advise the ISPs to provide valid, reliable and value-for-money services. The Authority will also use media, workshops and seminars to promote internet services especially in semi-urban and rural areas.

Figure 6: Internet users and Telephone subscribers 2005-2010



3.1.3 Comparative growth in Teledensity and internet

In the year 2009/10 the telecom sector realized a teledensity growth of 50% as compared to 11% for internet as illustrated in figure 7



3.1.4 Consumer Protection

The Authority continued to receive complaints from aggrieved consumers. Most of the complaints were resolved as per illustrations below detailing sub-sector breakdown and complaints types respectively.

Complaints continued to increase in number due to awareness during various public forums like Nane nane events, Public service week, media programmes and distribution of printed materials.

Figure 8: Complaints by Sector 2009/10

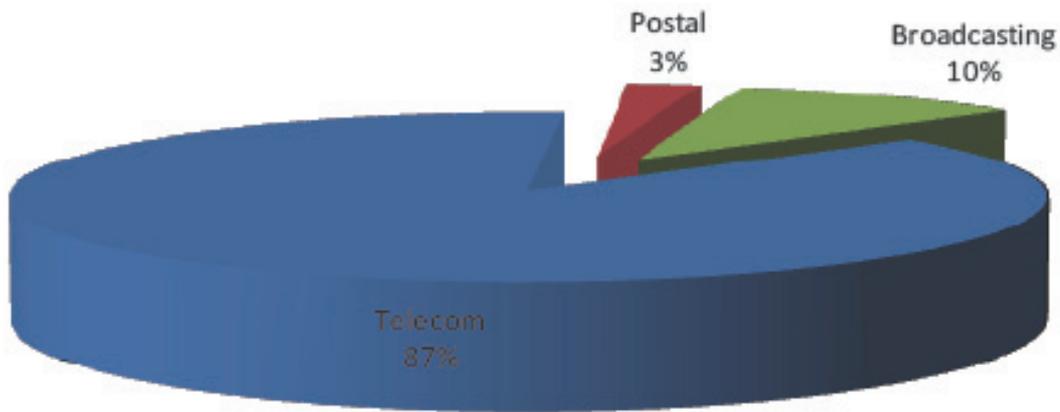
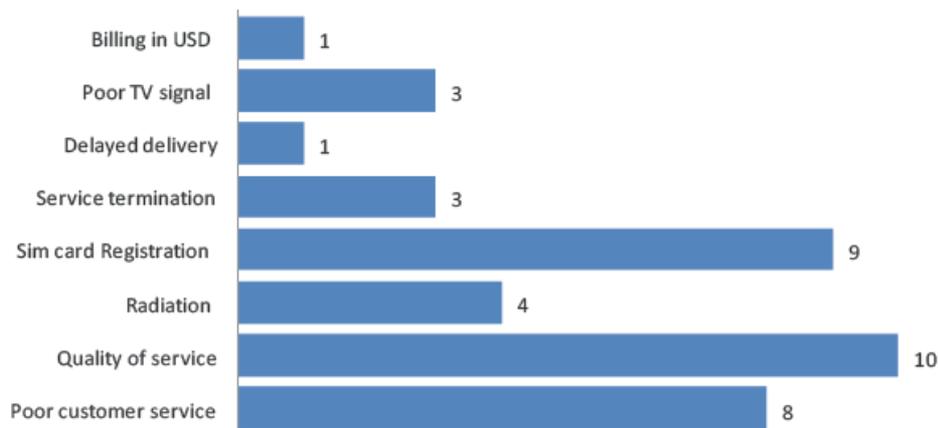


Figure 9: Type of Complaints 2009/10



Source: TCRA

3.2 ICT DEVELOPMENT

3.2.1 STANDARDIZATION

- (a) **Standardisation of Communications Equipment**
 - (i) **Communications Equipment Type Approval**

Type Approval is a process where a submission is done to the regulator to check if electronic communication equipment conforms to appropriate standard. Type Approval is done against relevant specifications and standards covering technical performance, electrical safety and electromagnetic Compatibility. For the purpose

of Quality assurance all communication equipment should undergo type approval process by TCRA prior to being introduced to the market.

The categories dealt with, include Customer Premises Equipment (CPE), Switching Equipment or Systems, Mobile Terminals, Set Top Boxes and Short-Range Devices. During the period under review, 29 applications for type approval were received and processed as tabulated in table 2.

Table 2: Number of Type Approved Equipment 2009/10

S/No	Type of Equipment	Number of Processed Applications
1.	Terminal Equipment	20
2.	Network Equipment	9
3.	Radio Communication Equipment	-
4.	Short Range Devices	-

During the same period, the Authority reviewed the EACO's proposed minimum specifications for Set Top Boxes (STBs) to be used by Digital Terrestrial and Video Broadcasting in the region.

(ii) Online Type Approval System (OTAS) Project

During the period under review, consultants were engaged with the aim of designing, supplying and installation of On-line Type Approval System.

The OTAS project covers two parts, system software and hardware for the Supply, Installation and Commissioning of the Online Type Approval System (OTAS) for TCRA.

During the period under review, the hardware part of the project was completed and accepted by the Authority.

(iii) Type Approval Laboratory

One of the outcome of the joint ITU-TCRA workshop that was held in Dar es salaam on ...was the establishment of Type Approval Laboratory in which it was agreed that a pre-feasibility study on the same be held and the Authority prepares the Terms of References (ToRs) for the consultancy procurement process.

The Authority prepared the ToR and the procurement process started. Evaluation of the Expression of Interest (Eoi) was done and a total of eight companies expressed their interest. Six of the responsive bidders out of the eight were invited to submit their detailed proposal for the feasibility study on the establishment of Electronic Communications Equipment Type Approval Laboratory in Tanzania.

(b) Numbering and Routing Activities

Numbering as used in communications are limited national resources that must be managed fairly in the long-term best interests of the country as a whole.

(i) Applications for Numbering Resources

During year 2009/10 the Authority received a total of 71 applications for numbering.

(ii) Review of the use of VAS Short Codes

Number range for VAS short codes was opened to cater for Wireless Application Service Providers (WASPs) as well as incumbent mobile operators as a result of high market demand for the service applications.

The number range for VAS Codes is 15 XYY; where X is the service category and YY is the service provider identity ranging from 00 to 99 for a total 100 service providers per category.

The Authority received requests from Banks and other financial institutions in respect of short codes for e-commerce.

During the period under review the Authority also opened up additional number ranges for VAS SMS Codes which are: 154YY (for Standard Rates services), 156YY (for Basic Premium Rate Services), and 158YY (for High Premium Rate Services).

In the same period the department opened up the number 106 to be used as both a USSD and voice application/service for "Confirmation of SIM Registration" which will be common to all operators.

3.2.2 INTERNET – RELATED ACTIVITIES**(a) dot-tz ccTLD Management**

During the period under review, the Authority continued with the supervisory role on tzNIC activities.

On 22nd April 2010 the Internet Corporation for Assigned Names and Numbers Board (ICANN) approved a request for re-delegation of .tz Top Level Domain (a country code domain for the United Republic of Tanzania) to Tanzania Network Information Centre (tzNIC). A final confirmation for the re-delegation was made on 30th April 2010. This means that officially now tzNIC manages the .tz domain name. tzNIC becomes both the Administrative and Technical Contact for the .tz ccTLD.

tzNIC did decide to implement the 3R model, the Registry-Registrar-Registrant to ease the operation and improve the quality of the services offered. To achieve this end tzNIC conducted training for registrars that will be working under tzNIC in registering .tz domain names. A total of 5 registrars were accredited.

During the period under review a total of 874 domain names were registered. The total number of domain names reached 5842.

(b) Internet Exchange Points (IXPs) Implementation Project

The Authority continued to support the sector operators in their bid to build and operate the Internet Exchange Points (IXP's) in the country. TCRA views the IXP as important infrastructure that will enable and ensure that Internet traffic generated locally remains local which in turn will help to increase the quality of the Internet services, reduce the operating cost to the service providers hence making it cheaper and will stimulate the production of local contents.

IXP in Tanzania are located in Dar es Salaam (TIX – Tanzania Internet Exchange Point), Arusha (AIXP -Arusha Internet Exchange Point), Mwanza (MIXP – Mwanza Internet Exchange Point) and Dodoma (DIXP – Dodoma Internet Exchange Point).

3.2.3 PUBLIC SAFETY ISSUES AND EMERGENCY TELECOMMUNICATIONS

(a) Call Centre for Police Emergency Numbers 111/112

The Authority assisted the Tanzania Police Force (TPF) to establish a state of the art Call Centre System. The implementation of the project was as summarized herein;

- A. TCRA instructed and worked with telephone operators so that they do connect to the Police emergency call centre and their customer are able to freely access centre
- B. TCRA helped the TPF in user acceptance testing and forwarded the minor shortcomings to the contractor for rectification
- C. The project is at the operational stage and is waiting the official launching.

(b) Emergency Telecommunication Services

The National Training Workshop on use of ICTs in Disaster Management in Tanzania, which was co-organized by the Tanzania Communications Regulatory Authority and the International Telecommunications Union's Telecommunications Development Bureau, was held from 16 to 18 Sept. 2009 in Dar es Salaam.

The workshop was attended by Institutions and organizations that deal with emergency response, planning and coordination in Tanzania from Government ministries and institutions, Private Sectors, Non-Governmental Organizations and Public research institutions.

The workshop stressed the use of Telecommunications/ICT for Disaster Management and call on the government and all stakeholders to develop and adopt an ICT Policy and telecommunications/ICT regulatory framework that favour emergency telecommunications and help the country in best preparing for disaster management.

The workshop report identified areas that the ITU is willing and ready to assist and they include; development of the National Emergency Telecommunication Plans and national operational guidelines, help in offering training and institutional strengthening and on the development of the early warning system.

3.3.4 SPECTRUM MANAGEMENT

(a) INTRODUCTION

The radio frequency spectrum is a limited natural resource that can be used to increase the efficiency and productivity of a nation's workforce consequently enhance the quality of life. Spectrum is used to provide a wide variety of radio-communication services including; broad casting TV and sound, radio navigation, aeronautical, maritime radio, satellite, radio location and amateur radio. In addition, the spectrum-based services have become important inputs to a range of socio-economic activities such as security, education, health, defense, transportation etc.

During the financial year 2009/10 the Authority in addition to its function of managing the radio frequency spectrum through spectrum planning, allocating, assigning and monitoring handled a number of important activities:

(i) Frequency Allocation

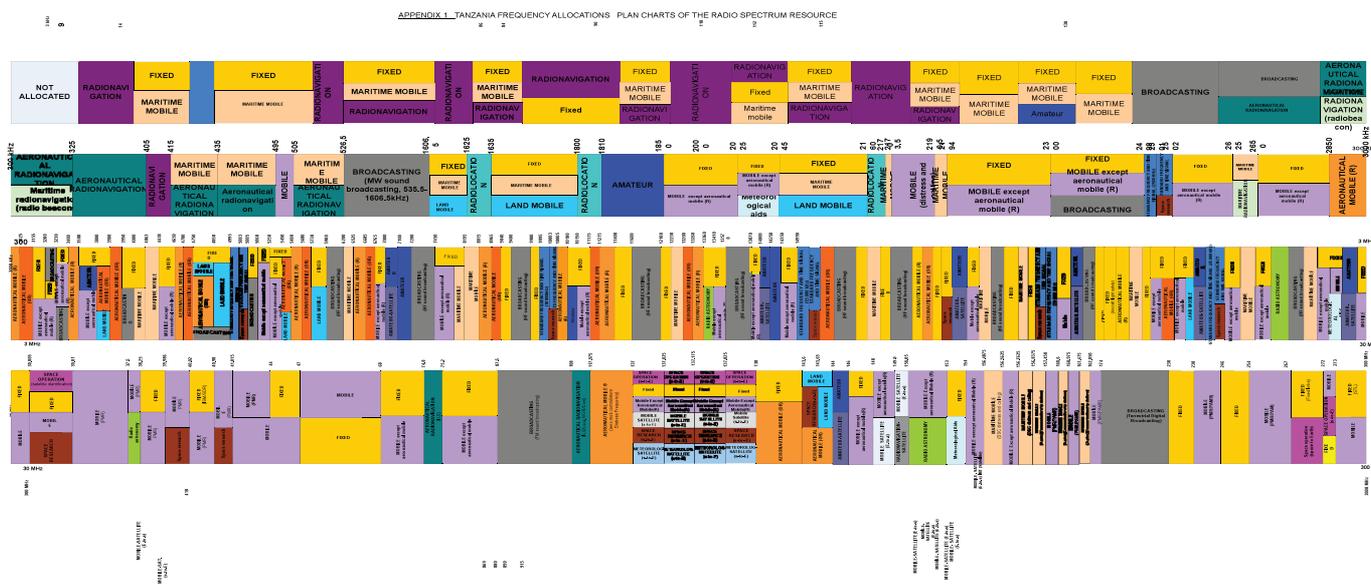
The function of spectrum allocation in Tanzania is embodied in a statutory instrument known as the Radiocommunication Regulations. The spectrum allocation is a process of allocating frequency bands to radiocommunication services. The TCRA performed the Spectrum Planning by dividing the Tanzanian radio frequency spectrum into a number of frequency bands and specified the general purpose for which the bands may be used. It further prepared the National Frequency Band Plan charts showing the national spectrum band plan and a Handbook on Spectrum Management for the purpose of:

- Providing a basis for management of the radiofrequency spectrum in Tanzania;
- Informing and educating Radiocommunication users and the public about the various types of services that can be operated in each frequency band, and the conditions attached to their operation;
- Providing details of international frequency allocations agreed by the ITU, SADC and EACO.

(b) NATIONAL SPECTRUM BAND-PLAN CHART AND HANDBOOK ON SPECTRUM MANAGEMENT

The National spectrum band plan is in form of charts showing generic band slots for various Radiocommunication services. The Handbook on spectrum management (Figure 10) is intended for the general public information on how spectrum is managed, planned and allocated, and licensing process of Radiocommunication services. Both the National Spectrum Chart and the Handbook on Spectrum Management will be posted to the Authority website and printed for public information.

Figure 10: National Spectrum band – Plan Chart and Handbook



(c) ITU- RWRC- 12 COUNTRY, REGIONAL AND GLOBAL PREPARATIONS

The World Radiocommunication Conferences (WRC) which is held every three to four years, is mandated to review and revise the Radio Regulations, the international treaty governing the use of radio frequency spectrum and satellite orbit resources. The WorldRadio Conference 2012, WRC12, will take place in Geneva from 23rd January to 17th February 2012. The Conference shall discuss 28 agenda items which have significant bearing on spectrum utilization in the Africa community, East Africa Community (EAC) and Southern Africa Development Community (SADC) as well as the world as a whole. The basis of the work of the Conference shall be proposals, based on the Second Conference Preparatory Meeting report, from Administrations and Regional Groups. In the case of Africa, the regional group submission shall be made via the African Telecommunications Union (ATU).

During the period under review the TCRA participated actively into the work of Country and regional preparations for WRC-12 as shown below:-

(i) National Preparatory committee (NPC)

TCRA coordinated Meetings of National Preparatory Committee (NPC) for WRC-12 which comprised of members from government and Public Institutions namely (TCRA, MoC & IT, TPDF, POLICE, SUMATRA, TCAA, TMA, TBC, ZBC, TTCL, ZTL, TiGo). The objective of the meeting was to involve stakeholders on conference preparatory process for WRC-12 at national, sub-regional and regional levels with an objective to draw national preliminary position/proposals on respective WRC-12 agenda items.

(ii) EACO Preparatory Meeting for WRC-12

The Authority coordinated EACO meetings which discussed on progress of WRC-12 preparatory work for East African countries for consideration of respective national

preliminary views on the WRC-12 agenda items harmonization. EACO document for Common preliminary views on the WRC-12 agenda items was prepared and presented to the ITU-ATU meeting.

(iii) ATU-ITU African Group Preparatory Meeting for WRC-12

The Authority participated in the work of WRC-12 which discussed on progress of WRC-12 preparatory work for African Group. The meeting considered various presentations from respective regional groups (i.e. APT, CEPT, CITELE, ASM and RCC) preliminary views on WRC-12 agenda items, for which EACO document was also on presented. The meeting was organized by ATU in collaboration with ITU.

(d) FREQUENCY MONITORING AND EVALUATION

Frequency Monitoring and Evaluation is one of the fundamental activities of the Spectrum management for enforcing the use of licensed spectrum.

During the period under review the Authority investigated and resolved a number of interference cases in 800MHz, 900MHz, 2.5GHz, and 3.5GHz bands.

(e) QUALITY OF SERVICE MEASUREMENT

The Authority conducted the Quality of Service measurement exercise for cellular mobile communications service providers. The exercise covered Airtel, Vodacom, Tigo and Zantel cellular networks. The exercise was initiated in order to observe the compliance of mobile communication operators to statutory regulating quality of service, namely the Tanzania Communications (Quality of Service) Regulations 2005.

The key Performance indicators considered during this exercise includes:

- i. Network Accessibility: Ratio of the number of successful GSM network access attempts to the total number of the network access attempts.
- ii. Service Accessibility: Ratio of the number of successful call attempts (after successful network access) to the total number of call attempts.
- iii. Call Completion Rate: means the ratio of the number of completed calls to number of call attempts.
- iv. Call Drop: Means a call where connection succeeds (i.e the network is accessed and set up is successful but is disconnected due to abnormal call release)
- v. Call Block Rate: This is a ratio of the number of blocked calls at those times where there is no free channel to serve a call attempt to the total number of call attempts.
- vi. Received Signal Level: Indication of the down link signal strength received by the mobile; measured in dBm
- vii. Call Setup Time: Time between the start of a call setup attempt (after successful network access) and indication of call setup success.
- viii. System Response: Time between the start of a call attempt and indication of successful network access.

- ix. Call Setup Success Rate: This is the ratio of established calls to attempts. Established calls in call setup means; attempt is made, the traffic channel is allocated and the call is routed to the outwards path of the concern Mobile Switch Centre.

3.3 BROADCASTING SECTOR

The broadcasting regulatory function include regulating, supervising and monitoring broadcasting activities in Tanzania Mainland; the conduct of broadcasting as well as that of dealers in broadcasting equipment and maintaining the register of persons licensed as broadcasters, dealers in broadcasting apparatus or operators of broadcasting stations.

3.3.1 Content Applications

During the year 2009/10 the Authority received and processed a total of fifty three (53) applications and among them twenty (20) qualified applicants were granted with the Construction Permits (CP).

Further, the Authority granted new content licences to eight (8) Content Service Providers namely; Mlimani Television in Dar es salaam (CSP-Analogue Television), TSEM Cable (Subscription CSP-Cable category) in Singida, Mbeya Highlands FM Radio (CSP-Free To Air Radio) in Mbeya, Bomba FM Radio (CSP-Free To Air radio) in Mbeya, Radio Habari Njema (CSP-Free To Air Radio) in Mbulu, Furaha FM Radio (CSP-Free To Air radio) in Iringa, Moshi FM Radio (CSP-Free To Air radio) in Moshi and Kahama FM Radio of Kahama in Shinyanga.

3.3.2 Inspection and Monitoring

During the period under review, the Authority conducted a total of one hundred and forty three (143) inspections in the broadcasting stations countywide. The inspections were carried out to establish compliance to technical and professional ethics. As a result of the inspections and monitoring carried out appropriate measures were taken to the broadcasters who did not comply with the technical and professional standards.

3.3.3 Compliance to Broadcasting Regulations

Regarding the compliance to broadcasting regulations, the Authority continued to encourage content service providers to produce and use more local programmes in their TV and Radio stations. In fulfilment of this, the joint annual TCRA-TAIPA workshop was held with the objective to discuss matters relating to content creation in the Digital Broadcasting era. During the workshop two papers were presented; one by the Director of Broadcasting Affairs and second by the TAIPA Chairperson. The titles of the presentations were "Production of Local Content under Digital Broadcasting era" and "Contribution of Independent Content Producers to local content aired by broadcasting stations in the Digital era" respectively. The TCRA-TAIPA workshop deliberated that TAIPA should fight for the welfare of local producers, foster their skills, improve on innovations and strive for quality content materials. The workshop further advised TAIPA to convene their meetings quarterly instead of annually.

The Authority through the Content Committee visited the Northern Zone and Central Zone

between 25th April-01st May, 2010 and from 20th -26th June, 2010 respectively. The objective of their visit was to ascertain compliance to broadcasting regulations and get feedback on Content Services from the stakeholders. The committee carried out meetings with Operators and consumers. In those meetings they had an opportunity to listen to operators and consumers each complaining against the other. Most of the consumers wanted the use of standard Swahili language in the electronic media. Also the consumers wanted to have clear agenda of developmental issues with regard to electronic media.

The TCRA is working on those proposals especially those relating to creation of clear guideline to guide the electronic media industry in terms of content to promote patriotism, national pride and national unity.

3.3.4 Digital Broadcasting

During the period under review, the Authority finalised the digital frequency plan and digital spectrum fees for smooth implementation of digital broadcasting.

The Authority also participated at the Digital TV Seminar in Botswana on 22nd February, 2010 to familiarize with the Japanese/Brazil Digital Broadcasting Standard-Integrated Services Digital Broadcasting-Terrestrial under the courtesy and sponsorship of Brazil Embassy in Dar es Salaam. Further the Authority participated actively at the EACO Broadcasting Technical Taskforce to continue on the work of harmonizing digital broadcasting within EAC countries. The meeting was held in Burundi at Hotel Source Du Nil from 8th to 10th March, 2010.

The Authority finally issued Network Facility licences to three multiplex operators. Namely Agape Associates Limited, Star Media (T) Limited and Basic Transmission Limited.

These efforts aimed at making sure that the country lands smoothly at the cut off date of switch over from analogue to digital on 31st December 2012.

3.3.5 Content Committee

During the year under review, the Content Committee continued to perform its duties and responsibilities as stipulated in the Tanzania Communications Regulatory Act No. 12 of 2003. The functions include but not limited to advisory role to the Sector Minister on broadcasting policy; monitoring and regulation of broadcast content; handling of complaints from operators and consumers; and monitoring of broadcasting ethics compliance.

During the period under review, the Content Committee (CC) deliberated on matters pertaining to broadcasting standards and ethics and complaints filed against content services providers in the country.

3.4 POSTAL AFFAIRS

One of the duties and responsibilities of the Tanzania Communications Regulatory Authority (TCRA) is to regulate postal operations in the country. During the financial year 2009/10 the Authority undertook the following activities among others in the bid to promote development of postal services and improve the quality of the services in order to achieve the universal access goal;

3.4.1 Licensing of New Postal Operators

The Authority licensed five new courier operators who complied with statutory requirements under the license categories as follows; East Africa Courier (1), Intra-city (1) and Intercity Couriers (3).

During the year under review, there were 50 postal operators with valid licences for as summarised in table 3

Table 3: Status of the Licensed Operators in 2009/10

S/No	Licence Category	Number of Licensees
1	Public Postal Operator	1
2	International Courier	5
3	East Africa Courier	4
4	Domestic Courier)	7
5	Intracity Courier	3
6	Intercity Courier	30

3.4.2 Inspection and Enforcement of Postal Operators

During the year under review, monitoring and inspection of postal operators that aimed at examining compliance the licensing conditions was carried out in the regions of Dodoma, Singida, Tabora, Kigoma and Dar es Salaam Regions. The Operators inspected include the Tanzania Posts Corporation, DHL Worldwide Express, Skynet, Sangare Enterprises, Diamond Express and Tanzania Cargo Express.

The inspection exercise established that Postal Operators including Tanzania Posts Corporation were doing well in terms of speed of mails and parcels delivery. It was noted that there were few cases of illegal operators in Singida and Kigoma. The Authority took appropriate measures including re-categorisation of licence as well as giving them time frame to comply.

3.4.3 Quality of Service Measurement

The testing of quality of service to ascertain the operations of Public Postal Operator (Tanzania Posts Corporation-TPC) was done using Automatic Measuring Quality of Mail (AMQM) System.

The results of the tests indicated that quality of services standards attained through report generated from the server located at the International Postal Corporation (IPC) in Brussels, Belgium in terms of speed was good.

3.4.4 Establishment of New National Postal Address System and Post Code

The aim of establishment of the new address system and Post Code is to facilitate delivery of mails and other postal articles to addressees at their physical addresses (door – to door delivery). The

new system is expected to contribute to other socio-economic development activities including enhancing revenue collection, expedite provision of rescue services, security, financial services, research and provision of utility services.

In the year 2009/10 the following activities related to Postcodes Project were carried out:-

- (a) Workshops on the importance of postcode were conducted to the Members of Parliament of the United Republic of Tanzania and Members of the House of Representatives in Zanzibar. After the workshops both houses agreed to support the project.
- (b) A workshop on the need for synergy in implementation of Post Code Project was conducted to the Permanent Secretaries of the United Republic of Tanzania, senior officers from the Ministries of Communications Science and Technology and Finance. At the end of the workshop participants agreed to support the project and the following were deliberated:-
 1. To form a joint committee between TAMISEMI and MCST to discuss on the implementation of the project;
 2. The two Ministries to allocate budget of implementation;
 3. To examine the possibilities of merging the two projects i.e. the Postcode Project and National Identity Project.
- (c) A meeting between the Authority and the Dodoma and Arusha Numbering Committees was held to discuss and agree on the specifications of the streets, signage and house numbering plates for tendering process. The agreed specifications were handed over to the respective Municipal Tender Boards for the tendering process.
- (d) Twelve staff of the Authority participated to the Geographical Information System Course that aimed to improve their capacity in handling Post Code Project. The course was conducted in Dar es Salaam from 11th – 22nd October 2009.
- (e) Under the sponsorship of the Authority, street signage and house numbering exercise for seven wards and data collection exercise for five wards was partly completed in Arusha Central Business District (CBD).
- (f) A significant progress to the project was noted by the official launch of the National Addressing and Postcode System which was done by His Excellency Dr. Mohamed Ali Shein, the Vice President of the United Republic of Tanzania, at the Arusha General Post Office on 18th January 2010.

3.4.5 Establishment of Communications Museum

The objective of establishment of Communications Museum is to enhance knowledge for the general public through education, research and consultancy in the communication field. TCRA will preserve the movable cultural and natural heritage for the use by present communities and future generation and provide general background of the communication industry hence help to bridge

the current generation with the past in terms of communication.

During the year under review the Authority conducted the following activities related to communications museum:-

- (a) Modification of the basement of TCRA headquarters to accommodate the museum in progress.
- (b) Engagement of The National Museum of Tanzania (NMT) as a consultant for establishment of the museum was concluded. The appointed consultant was expected to start work after the contract was signed.
- (c) Conducted the Communication Museum meeting on 24th February, 2010 to review the development of the construction of the museum.

3.4.6 Stakeholders Forum

A meeting with Courier Operators was held on 24th September 2009 to consider forming the Courier Operators Association in order to enable them represent their views in various Postal Sector Reforms. Formation of the Association would enable the regulator to occasionally consult with the association on quality of service improvement and update them on the existing regulation for an enhanced Postal Sector development as well as create awareness to consumer on the existing and new service on the market.

3.4.7 World Post Day

During the period under review, the Authority celebrated the World Postal Day from 7th to 9th October 2009 at Mnazi Mmoja grounds by stakeholders of postal industry showcasing their services and products to the general public. Nine licensed postal and courier operators participated to the exhibition which focused on the year's theme "A postal service committed to green growth". The event was aimed to create awareness to consumers on the existing and new postal services and products available in the market.

3.4.8 30th Anniversary of Pan African Postal Union (PAPU)

On 21st January 2010 PAPU whose head quarters is in Arusha, Tanzania celebrated its 30th Anniversary. The celebration which took place at the Arusha International Conference Centre (AICC) involved forums and exhibition from 18th – 21st January 2010.

As a host country, the Authority proudly participated effectively in the celebrations. Participants and exhibitors from Postal administrations in other countries shared their experience and learned new postal solutions available in the postal industry.

3.4.9 Participation in the International Meetings and Seminar

The Authority participated in various meetings at national, regional and international levels such as UPU Postal Operation Council (POC) and Council of Administration (CA), East African Communications (EACO) meeting. Some of major conferences and meetings attended by the TCRA in collaboration with other stakeholders to represent Tanzania in the financial year 2009/10 were:-

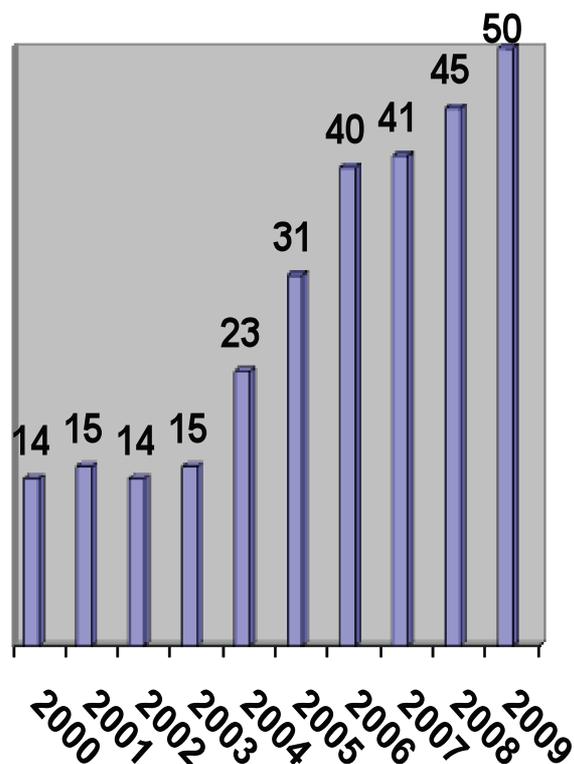
3.4.10 State of the Postal Industry

Tanzania is proudly witnessing the growth of courier/express market in terms of network expansion and number of operators as indicated in table 4.

Table 4: Number of Licensed operators between 2000 and 2009

S/No	Year	Number of Licensed Operators
1	2000	12
2	2001	15
3	2002	14
4	2003	15
5	2004	23
6	2005	31
7	2006	40
8	2007	41
9	2008	45
10	2009	50

Figure 11: Growth of the Courier Sub Sector by Pictorial Chart



3.5 LEGAL SERVICES

The Legal Services of the Authority provides legal service and advice on all legal matters. During the year under review the Legal Service performed various legal related activities including follow up of court proceedings and representing the Authority in Courts of law, preparation of contracts for provision of goods and services to the Authority, issuance of notices of Board and Management meetings, compilation of Board and Management papers, taking and keeping records of the Board and Management meetings, preparation of matters arising from Board and Management meetings, coordination and drafting/reviewing communications legislations (rules, regulations, policies etc) processing and issuance of licenses and enforcement of license conditions.

3.5.1 Board Meetings

One special Board meeting was convened and held on 27th August, 2009. In addition four ordinary Board meetings were held in November, 2009, February 2010 and June 2010. The key resolutions among others were as follows:-

- (a) Approval of the Draft Audited accounts of the Authority for the financial year ended on 30th June, 2009;
- (b) Approval of M/S Innovex (as made by CAG), to audit the Authority's accounts and activities for the year ended on 30th June, 2009;
- (c) Approval the Organization Structure with six Directorates namely: Directorate of Consumer and Industry Affairs (DCIA), Directorate of Information Communication Technologies (DICT), Directorate of Postal Affairs (DPA), Directorate of Broadcasting Affairs (DBA), Directorate of Legal Affairs (re-named as Directorate of Legal Services – DLS) and Directorate of Corporate Resources Management (DCRM) and; five Units in the office of the Director General, namely: Corporate Communications Unit (CCU), Systems Management Unit (SMU), Zonal Coordination Unit (ZCU), Procurement Management Unit (PMU) and the newly established Planning and Research Unit (PRU) and approval to de-establish the Deputy Director/Licensing and Enforcement (DDLE) from DCIA and re-establish it under the Directorate of Legal Services;
- (d) Approval of grant of Digital Terrestrial Broadcasting Multiplex Operator licence to Star Media (Tanzania) Limited, Agape Associates Limited and Basic Transmissions Limited with reserved three frequency channels for each. One frequency channel each to be assigned upon grant of the license and the other frequency channels to be assigned subsequently subject to justified frequency usage requirements.
- (e) Approval of confirmation of appointment of the Deputy Director Broadcasting Affairs.

3.5.2 Litigation

During the period under review the Authority followed up various pending cases involving TCRA

3.5.3 Contracts

Two contracts were prepared and signed with suppliers/contractors during the period under review as follows:-

- (a) M/S Simply Computers Limited: Contract for Supply and Installation of Servers;
- (b) M/S G & L Bright Agency & Service Limited: Contract for Supply of Laptop computers;
- (c) Contract with M/S Business Machines Tanzania Limited, for supply of Heavy Duty digital photocopier machine;
- (d) Contract with M/S Toyota Tanzania Limited, for supply of one unit of Toyota vehicle

3.5.4 Review of Legislation

The Authority in collaboration with the Ministry of Communications, Science and Technology and the Office of the Attorney General worked on improvement of the Electronic and Postal Communications Bill which was in the legislative process. The Bill was passed by the parliament in April 2010 and became a law after president signature. The Act is called Electronic and Postal Communications Act No. 3 of 2010 or EPOCA. As required by Law, the Ministry of Communications, Science and Technology and the office of the Attorney General operationalized the Act with effect from 18th June, 2010 as per Government Notice No. 203 published on 4th June, 2010.

3.5.5 Licensing and Enforcement

3.5.6 Licensing of Operators

During the period under review licences under the Converged Licensing Framework were issued to different operators as shown in table 5.

Table 5: Licenses Issued Under Converged Licensing Framework, 2009/10

S/No.	Name of Licensee	Type of Licence	Date Licence Issued
(a) Licences under the Converged Licensing Framework:			
1	TANSAT	International & National Application Service	November 2009
2	Business Connexion Ltd	National Application Service	November 2009
3	Pambazuko FM	District Content Service	November, 2009
4	Agape associates Limited	National Network Facilities	24 March 2010

5	Infinity Africa Networks Limited	International & National Application Services	24 March 2010
6	Freshways Solutions Limited	National Application Services	24 March 2010
7	Powers Computers Telecommunications Limited	National Application Services	24 March 2010
8	Zoe Tanzania Limited	National Application Services	24 March 2010
9	Moshi FM Radio	Content Services	24 March 2010
10	Furaha FM	Content Services	24 March 2010
11	Mbeya Highlands	Content Services	24 March 2010
12	Bomba FM Radio	Content Services	24 March 2010
13	Mlimani Television	Content Services	Content Services
14	TSME Cable Television	Subscription Content Service by Cable	Content Services
15	Radio Habari Njema	Content Services	Content Services
16	Star Media Tanzania Limited	National Network Facilities	8th June, 2010
17	MIC Tanzania Limited	International Network Facilities International Network Services International Application Services	14th May 2010
18	Cellucom Mobility Solutions	National Application Services	14th May 2010

(b) Licences for Contractors of Electronic communication equipment

1	Infocom Masters	Installation & maintenance – B	October 2009
2	GR Electrotelecomms Co. Ltd	Class B	October 2009
3	Harris Stratex Networks (T) Ltd	Class A	October 2009
4	Microlinks & Techno Co. Ltd	Class B	October 2009
5	BM Telecoms & Networks Co. Ltd	Class A	November 2009

6	MFI Office Solutions Ltd	Class A	December 2009
7	Intratech Limited	Class B	December 2009
8	Multi Equipment & Engineering Services	Class A	December 2009
9	Alpan Traders & Company Limited	Installation & Maintenance	3rd February 2010
10	Navcom	Installation & Maintenance	October 2009
11	Ultimate Communications Limited	Installation & Maintenance	October 2009
12	Dash Communications (T) Technology	Installation & Maintenance	November 2009
13	PLV Digital Investment Ltd	Installation & Maintenance	16th April, 2010
14	Laucotte & Mineral Resources (T) Limited	Installation & Maintenance	16th April, 2010
15	Tecic Tanzania Limited	Installation & Maintenance	16th April, 2010
16	Infratech Limited	Installation & Maintenance	14th May, 2010
17	Computech ICS Tanzania Limited	Installation & Maintenance	14th May, 2010
18	Techno Image Limited	Installation & Maintenance	14th May, 2010
19	Usadar General Systems	Installation & Maintenance	14th May, 2010
20	Radio wave Communications	Installation & Maintenance	14th May, 2010

(c) Licences for Importation and Distribution of Electronic Communication Equipment

1	BM Telecoms & Networks Co. Ltd	Importation & Distribution	November 2009
2	Nokia Siemens Tanzania Ltd	Importation & Distribution	December 2009
3	Star Media Tanzania Ltd	Importation & Distribution	December 2009

4	MFI Office Solutions Ltd	Importation & Distribution	December 2009
5	OK Communications	Importation & Distribution	December 2009
6	Radiowave Communications	Importation & Distribution	14th May, 2010
7	XPress Telecom Limited	Importation & Distribution	8th June, 2010
8	Super Telecom	Importation & Distribution	28th June, 2010
9	Lactose & Mineral Resources (T) Limited	Importation & Distribution	14th May, 2010

(d) VSAT Licences			
1	American Embassy Tanzania	Cross Boarder V-SAT Station	October 2009
2	United Bank for Africa	Cross Boarder V-SAT Station	October 2009
3	Schlumberger Seaco Inc.	Cross Boarder V-SAT Station	November 2009
4	Gateway Communications (T) Ltd	Cross Boarder V-SAT Station	November 2009
5	Barclays Bank (T) Ltd	Cross Boarder V-SAT Station	November 2009
6	Schlumberger Seaco Inc.	Cross Boarder V-SAT Station	December 2009
7	Ultimate Communications Limited	Importation and Distribution	3rd February 2010
8	Dash Communications (T) Technology	and Distribution Distribution	3rd February 2010
9	Ecobank Tanzania Limited	V-SAT licence	21st January 2010
10	International Monetary Fund East Africa Regional technical Assistance Centre	V-SAT licence	16th April, 2010
11	Surface and Marine Transport Regulatory Authority	Inmarsat Fleet F-77 Station	16th April, 2010

12	Surface and Marine Transport Regulatory Authority	Inmarsat C Station	16th April, 2010
13	Ngorongoro Conservation Area Authority	V-SAT licence	23rd June, 2010
14	Comprehensive Nuclear test – Ban Treaty Nuclear test – Ban	V-SAT licence	23rd June, 2010

3.5.7 Technical & Business Plans Presentation by the operators

The Authority reviewed and deliberated on the following technical and business presentations:-

- (a) On 1st October, 2009, One & One Internet Ltd presented their technical and business plans for providing National Application Services, in particular web hosting and Internet services. The applicant also intends to link schools in remote areas.
- (b) On 5th November, 2009, Power computers Ltd presented their technical and business plans for providing National Application Services, in particular Internet services and video surveillance.
- (c) On 5th November, 2009, Celpay Tanzania Ltd presented their technical and business plan for providing National Application Services, in particular mobile commerce services and e-wallet.
- (d) On 7th January, 2010 Zoe Tanzania Limited and Freshways Solutions Limited both presented their business and technical plans for National Application Services. Zoe (T) Ltd intends to provide SMS based information on demand to all mobile phone users, ringtone, music, video clips and java games download and Freshways Solutions Limited would like to provide among other services VOIP, payphone, Internet, Video conference and messaging services.
- (e) On 10 February, 2010 Spicenet Tanzania Limited and ODC Limited presented their technical and business plans for providing National Application Services. Spicenet Tanzania Ltd intended to provide Internet services. ODC Limited aims at providing among other services, video conferencing, online gaming, speed downloading, Internet service with faster surfing, Premium videos, Virtual Private Network, disaster recovery services and clear toll quality voice on paid basis and free services including website hosting, e-mail addresses and web mail access.
- (f) On 10th February, 2010 MIC Tanzania Limited presented their technical and business plans for providing International Network facilities, Network Services and Application Services. The mobile company intended to expand its services and coverage from national to International.
- (g) On 23 June, 2010 Aptus Solutions Ltd and Afrecom Communications EA Ltd presented their technical and business plans for providing National Application Services. Aptus Solutions intends to provide Internet services, VOIP and tracking services while Afrecom Communications planned to provide mobile directory assistance, mobile marketing, mobile banking and VOIP.

3.5.8 Consultation with the Minister

As required under section 6 (3) of the Tanzania Communications Regulatory Authority Act, the Minister for Communication, Science and Technology was consulted on the licensing of the following applicants:-

- Agape Associates Ltd – National Network Facilities Licence
- Basic Transmissions Ltd-. National Network Facilities Licence
- Star Media Ltd - National Network Facilities Licence
- Business Connexion Ltd – National Application Service Licence
- One & One Internet Ltd-National Application Service Licence
- One to One Solutions Limited –National Application services
- Powers Computers Telecommunications Limited-National Application services
- Spicenet Limited- National Application Services Licence
- ODC Limited - National Application Services Licence
- MIC Tanzania Limited – International Network Facilities, Network services & Application Licences
- One to One Solutions Limited –National Application services;
- ODC Centre Limited-National Application services;
- Spicenet Tanzania Limited –International and National Application Services.

In addition the Minister was consulted on the cancellation of the National Application services license of Clearline Communications Limited for failing to roll out services within 12 months from the date of issuance of their license and National Application services license of Global Call Limited for failing to roll out services. All proposals for cancellation received no objection from the Minister.

3.5.8 Addenda to Licenses

The following addenda were issued for licences of the following Licensees:-

- (a) **Arusha Node Marie**
On 5th November, 2009, Addendum was issued for change of Management Steering Committee
- (b) **Rural Netco Ltd**
In December, 2009, Addendum for modification of roll out plan to National Application services licence was issued to extend date of commencement of services
- (c) **MyCell Company Limited**
In January, 2010, Addendum for modification of roll out plans for National Network Facilities, Network Services and Application services was issued.
- (d) **MIC Tanzania Limited**
In March 2010, Addendum for modification of roll out plan to National Application services licence was issued.

3.5.9 Enforcement

Compliance Order is one of the steps in enforcement of licensing conditions. In November, 2009 compliance orders were issued to M/S Global Call Company Ltd for failure to roll out services within the prescribed period and M/S Otterlo Business Ltd for providing services, illegally in Loliondo, Arusha. M/S Global Call Company Ltd did not appear but M/S Otterlo Business Corporation Ltd appeared before the Authority to show cause why legal action should not be taken against them. They could not justify their respective cases, hence, the Authority imposed penalty including fines, cessation of operation and withdraw of intention to grant license to M/S Global Call Company Ltd.

3.6 Corporate Resources Management

3.6.1 Human Resources Management and Administrative Services

The Authority through the Directorate Corporate Resources Management implemented the approved activities under the Annual Action Plan and Budget. Specifically the Directorate implemented activities in the areas of Human Resources Development and Management, Recruitment and Selection, Administration Services, preparation of Financial Statements for Audit, Revenue Collection and Budgetary Control.

(a) Recruitment and Selection

During the period under review, the Authority renewed contracts of three Heads of Directorates in the directorates of Broadcasting Affairs, Corporate Resources Management and Postal Affairs. In addition, the Board reviewed the terms of service of the Systems Manager and changed from contract to permanent and pensionable terms in retrospect from February, 2005. During the same period, the Authority confirmed the appointment of the Deputy Director Broadcasting Affairs after he successfully completed his probationary period.

(b) Training and Development

During the period under review, three officers completed Masters Degree training programmes in their respective fields of Telecommunications Engineering, Business Administration and Financial Management.

In a bid to reward, retain and nurture its talents the Authority implemented the Annual Budget and Plan on training and development. A total of 74 employees participated in various training programmes, seminars and workshops relevant to their duties and responsibilities. Specifically the training focused on the areas of telecommunications regulation, legal, financial management, human resources management, cost model, Next Generation Networks (NGN), auditing, public relations, ICT development, regulation, postal operations management, digital migration, broadcasting policy & regulation, mobile and data management, competition and tariff management and knowledge management. These programmes enhanced the capacity of TCRA as can be reflected in its performance.

(c) Employee Relations

The Authority continued to improve the industrial relations at work place which has been contributing to its high performance since its inception in 1994. During the year under review the Authority organized a family get together events which comprised of staff and their families in all its offices countrywide. These events were associated with seminars relevant to employee's social life, sports and charity activities. Following these events cohesion among the staff families was strengthened and the image of the Authority was improved.

(d) Employees Retirement

On 30th June, 2010 three employees retired from employment. Among them, two retired because of compulsory retirement age, and one on medical grounds.

3.6.2 Relocation of TCRA Offices

During the period under review, the Authority relocated its offices from its former offices at Mwasiliano House, Plot No. 304 Ali Hassan Mwinyi/Nkomo Roads, and Mikocheni Plot No. 771/3 to its new office located at Sam Nujoma Road Plot No. 2005/5/1/2 Block C, Sinza. The relocation enabled the Authority to meet its office requirements and reduce administrative costs.

3.6.3 Library and Information Technology Services

During the period under review the Authority acquired servers, desktops, laptop computers and printers to its officers to enhance their efficiency. The project of installation of wireless network at Mwasiliano Towers was also completed.

In order to help officers abreast themselves with the current communications development technologies worldwide and improve their knowledge on the sector the Authority acquired three hundred and thirty (330) publications for the Library.

3.6.4 Finance and Accounts

(a) Income Earned

During the financial year 2009/10 the Authority had budgeted to earn a total of Shs 39,298,088,500.00 being revenue from various sources including License Fees, Radio Frequency License Fees, Royalty, Numbering Resources Fees, Installation and Maintenance Fees, Importation and Distribution of ICTs equipment, etc. Actual revenue earned was Shs 41,524,332,000.00 thus providing for 5.67 percent above the approved revenue. The increase in revenue was due to increase in the number of licenses issued under the converged licensing framework which turned out to be very popular following awareness conducted by the Authority.

(b) Recurrent Expenditure

The Authority had budgeted Shs 27,376,639,300.00 for Recurrent Expenditure during the year under review. However, until end of the financial year the actual expenditure was Shs 27,219,935,000.00 equivalent to 99.43 % of the approved budget which signifies strict budgetary control exercised by the Authority.

(c) Capital Investment and Expenditure

The Authority had planned to invest Shs 8,297,890,100.00 into implementation of development projects. The planned projects include completion of TCRA Headquarters building, procurement of office furniture & fittings, computers and equipment. Actual expenditure until end of the financial year was Shs 7,825,093,000.00. At the year end, capital commitments amounted to Shs 1,500,000,000.00.

The Financial Statement for the period is shown on pages 45 to 48.

To: Chairman Board of Directors,
Tanzania Communications Regulatory Authority
P.O. Box 474
DAR ES SALAAM.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE TANZANIA COMMUNICATIONS REGULATORY AUTHORITY FOR THE YEAR ENDED 30TH JUNE 2010

I have audited the accompanying financial statements of Tanzania Communications Regulatory Authority (TCRA) which comprise the statement of financial position as at 30th June 2010, Statement comprehensive income, Statement of Changes in Equity and Cash Flows Statement for the year ended, and a summary of significant accounting policies and other explanatory notes set out from pages 58 to 74 of this report.

Directors' Responsibility for the Financial Statements

The Board of Directors of TCRA is responsible for the preparation and fair presentation of these financial statements in accordance with International Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 of Audit (ISA), International Standards of Supreme Audit Institutions (ISAI) and such other audit procedures considered necessary in the circumstances. These standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the TCRA 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 TCRA internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and reasonableness of the 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 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, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, expenditures of public monies have been properly authorised.

Further, Sect 44 (2) of the Public Procurement Act No.21 of 2004 (PPA 2004) and Regulation No. 31 of the Public Procurement (Goods, Works, Non-consultant Services and Disposal of Public Assets by Tender) Regulations of 2005, requires me to state in my annual audit report whether or not the auditee has complied with the provision of the Law and Regulations.

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

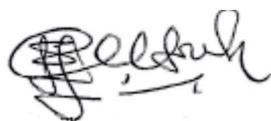
Unqualified opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Tanzania Communications Regulatory Authority as at 30th June 2010, its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Compliance with Procurement Legislation

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, except for the procurement weaknesses stated below, Tanzania Communications Regulatory Authority has generally complied with the public Procurement Act, 2004 and its related regulations of 2005:

- TCRA prepared an APP and issued a GPN on 7th August 2009. However, the procurement plan was not adhered to during actual procurements. Eleven (11) procurements were not implemented as planned while sixteen (16) procurements amounting to TZS 855.96 million were not in the APP.
- Tender which exceeded the Accounting Officer limit of TZS 7.5 million were not approved by the Tender Board in various stages of the procurement process.
- Appropriate procurement methods as per the approved APP or actual procurement were not used in seven (7) procurements, which amounted to TZS 502.71 million
- The TCRA procured goods and services from suppliers / service providers not shortlisted and without written contracts amounting to TZS 563.33 million



Ludovick S. L. Utouh

CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam, Tanzania

20th May, 2011

	Notes	2010 TZS'000	2009 TZS'000
Revenue			
Regulatory Fees	2	39,527,117	42,444,888
Other Income	3	1,997,215	1,035,179
		<u>41,524,332</u>	<u>43,480,067</u>
Operating Expenses			
Staff costs	5	7,105,393	5,335,245
Administrative Expenses	19	16,089,778	16,027,455
Contributions to International Organisations	20	375,485	287,222
Contribution to Government - Treasury		3,649,279	-
		<u>27,219,935</u>	<u>21,649,922</u>
Surplus Income For the Year	4	<u>14,304,397</u>	<u>21,830,145</u>

The Notes on pages 49 to 66 form an integral part of these financial statements Report of the auditors – pages 43 to 44.

	Notes	2010 TZS'000	2009 TZS'000
ASSETS			
Non-current assets			
Investment Property	7 (b)	10,045,182	-
Property, Plant and Equipment	8	39,559,979	10,843,411
Fixed Asset Stock		57,733	-
Capital Work in Progress	9	-	33,692,108
Intangible Assets	10	-	26,844
		<u>49,662,894</u>	<u>44,562,363</u>
Current Assets			
Ministry of Infrastructure (loan to ATC)		1,250,000	1,250,000
Trade and Other Receivables	11	16,535,715	11,747,860
Cash and cash equivalents	13 (b)	22,942,502	17,844,344
		<u>40,728,217</u>	<u>30,842,204</u>
Total Assets		<u>90,391,111</u>	<u>75,404,567</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Funds		18,508,157	18,508,157
Accumulated Surplus		65,843,206	51,248,576
Revaluation Surplus		1,776,975	2,067,209
Universal Service Fund		509,641	1,459,641
		<u>86,637,979</u>	<u>73,283,583</u>
Current Liabilities			
Trade and Other Payables			
	12	3,753,132	2,120,984
Total Equity and Liabilities		<u>90,391,111</u>	<u>75,404,567</u>

The Notes on pages 49 to 66 form an integral part of these financial statements Report of the auditors – pages 43 to 44.

	Capital Funds TZS'000	Accumulated Surplus TZS'000	Revaluation Surplus TZS'000	Universal Funds TZS'000	Total As Restated TZS'000
As at 1 July 2008	18,508,157	29,448,159	2,337,481	1,209,641	51,503,438
Amortisation of Revaluation surplus		270,271	(270,271)		-
Transfer to Universal Funds		(300,000)		300,000	-
Payment to Universal Funds		-		(50,000)	(50,000)
Surplus For the Year		21,830,145			21,830,145
As Restated 30 June 2009	18,508,157	51,248,575	2,067,210	1,459,641	73,283,583
As at 1 July 2009	18,508,157	51,248,575	2,067,210	1,459,641	73,283,583
Payment to Universal Communication Access Fund				(950,002)	(950,002)
Amortisation of Revaluation Surplus		290,235	(290,235)		-
Surplus For the Year		14,304,397			14,304,398
At 30 June 2010	18,508,157	65,843,207	1,776,975	509,639	86,637,979

The Notes on pages 49 to 66 form an integral part of these financial statements Report of the auditors pages 43 to 44.

Tanzania Communications Regulatory Authority (TCRA)
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2010

	Notes	2010 TZS'000	2009 TZS'000
Operating activities			
Net Cash Used in Operations	13 (a)	13,873,249	17,128,026
Investing activities			
Acquisition of Fixed Assets		<u>(7,825,093)</u>	<u>(7,146,938)</u>
Financing Activities			
Funds transferred to Universal Access Fund		<u>(950,000)</u>	<u>(50,000)</u>
Net Cash Inflow generated during the Year		5,098,156	9,931,088
Cash and Cash Equivalents at Beginning		<u>17,844,345</u>	<u>7,913,257</u>
Cash and Cash Equivalents at End	13 (b)	<u>22,942,502</u>	<u>17,844,345</u>

The Notes on pages 49 to 66 form an integral part of these financial statements Report of the auditors – pages 43 to 44.

I. GENERAL INFORMATION

TCRA is a public institution established for purposes of promoting and regulating the communication industry in the United Republic of Tanzania.

I.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted are set out below:

(i) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

(ii) Adoption of new and revised International Financial Reporting Standards (IFRSs) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

IAS 1: Presentation of financial statements (revised). The main change in the revised IAS 1 is a requirement to present all non-owner changes in equity in a single statement of comprehensive income (which includes income statement line items). Under the revised standard, a statement of financial position (preferred term for "balance sheet") has to be presented at the beginning of the comparative period when the entity restates the comparatives as a result of a change in accounting policy, the correction of an error, or the reclassification of items in the financial statements. The revised IAS 1, which became mandatory for the Corporation's 2010 financial statements have been adopted with effect on financial statements for prior year,

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (adopted in advance of effective date of 1 January 2010). Disclosures in these financial statements have been modified to reflect the International Accounting Standards Board's clarification (as part of Improvements to IFRSs (2009)) that the disclosure requirements in Standards other than IFRS 5 do not generally apply to non-current assets classified as held for sale and discontinued operations.

Standards and Interpretations Adopted with no Effect on the Financial Statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

IAS 23 (as revised in 2007) Borrowing Costs. The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred. This change has had no impact on these financial statements because the Corporation did not borrow any funds.

IAS 32 and IAS 1 amendment: Puttable Financial Instruments and Obligations. Puttable financial instruments and obligations arising on liquidation require certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. These instruments must meet certain criteria as set out in IAS 32.

The revision to the standard, which became mandatory for the Corporation's 2010 financial statements, did not have any impact on the financial statements of the Corporation since entity neither has financial assets nor financial liabilities.

Amendments to IAS 20 Accounting for Government Grants and Disclosure of Government Assistance As part of Improvements to IFRSs (2008), IAS 20 has been amended to require that the benefit of a government loan at a below-market rate of interest be treated as a government grant. This accounting treatment was not permitted prior to these amendments.

As part of Improvements to IFRSs (2009) issued in April 2009, the International Accounting Standards Board amended the requirements of IAS 17 Leases regarding the classification of leases of land. Prior to amendment, IAS 17 generally required leases of land with an indefinite useful life to be classified as operating leases. This was inconsistent with the general principles of the Standard, and the relevant guidance has been removed due to concerns that it could lead to accounting that did not reflect the substance of arrangements. Following the amendments, leases of land are classified as either 'finance' or 'operating' in accordance with the general principles of IAS 17. These amendments became effective for annual periods beginning on or after 1 January 2010, and they are to be applied retrospectively to unexpired leases at 1 January 2010 if the necessary information was available at the inception of the lease. This change has had no impact on these financial statements because the Corporation does not have land under lease arrangements.

(iii) Basis of preparation

The financial statements of TCRA have been prepared in accordance with International Financial Reporting Standards. They have been prepared under the historical cost convention, as modified by the revaluation of fixed assets at fair value through income statement. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in note (i). The Authority has applied IAS 1 (Revised) from 1 January 2009 but no impacts in the Authority's accounts.

(iv) Regulatory fees

Regulatory fees are recognised upon the provision of regulatory services and represent amounts billed excluding Value Added Tax and other applicable levies. Specifically, the fees are accounted on accrual basis and recognised when it is probable that the economic benefits associated with the transaction will flow to the Authority.

(v) Other income

Other income earned by the Authority is recognised on cash basis.

(vi) Interest

Interest payable and receivable are recognised on the accruals basis.

(vii) Grants

Grants related to assets, including non-monetary grants (capital grants) are presented in the balance sheet at fair value over the periods necessary to match them with the related costs where as grants related to income (revenue grants) are recognised as other income during the period in which they arise.

(viii) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method and comprises the purchase price plus costs of importation and delivery. Net realisable value represents the estimated selling price less estimated distribution costs.

(ix) Investment Property

Investment property includes: (i) completed investment property; and (ii) investment property under construction. Completed Investment property comprises real estate (land or building, or both) held by the Authority or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Rental income from investment property is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. Where the Authority uses part of the property for its own use, and part to earn rentals or for capital appreciation, and the portions can be sold or leased out separately, they are accounted for separately. Therefore, the part that is rented out is investment property. If the portions cannot be sold or leased out separately, the property is investment property only if the owner-occupied portion is insignificant. Investment property is initially measured at cost, including transaction costs. After initial recognition, investment property is accounted for in accordance with the cost model for Property, Plant and Equipment, explained under part (h) of note 1 to the financial statements. Depreciation on investment properties is calculated using the straight-line method to allocate the cost over the assets' estimated useful life, being 33 years (3%).

Any resulting increase in the carrying amount of Investment properties is recognized in the statement of comprehensive income for the period to the extent that it reverses a previously recognised impairment loss and any remaining increase recognized to revaluation surplus within equity. Resulting decreases are fully recognized in the statement of comprehensive income for the period. Transfers to or from Investment property is made when change in use occurs, and is accounted as follows:

- Commencement of owner-occupation (transfer from Investment property to owner-occupied property);
- Commencement of development with a view to sale (transfer from investment property to inventories);
- End of owner-occupation (transfer from owner-occupied property to investment property);
- End of construction or development (transfer from capital work in progress to investment property).

Investment properties are derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised as income or expense in the statement of comprehensive income for the period. Compensation from third parties is recognised when it becomes receivable.

(x) Property, plant and equipment

Land, buildings, frequency monitoring equipment, motor vehicles, office furniture, fittings and fixtures, motor cycles and computer accessories are shown at fair value based on periodic valuations by external independent valuers less subsequent depreciation for land, buildings, frequency monitoring equipment, motor vehicles, office furniture, fittings and fixtures, motor cycles and computer accessories. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less accumulated depreciation.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits are associated with item will flow to the Authority and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance are charged to the income statements during the financial period in which they are incurred. Increases in the carrying amount arising on revaluation of land, buildings, frequency monitoring equipment, motor vehicles, office furniture, fittings and fixtures, motor cycles and computer accessories are credited to other reserves in the Authority's equity. Decreases that off-set previous increases of the same asset are charged against other reserves directly in equity, all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

(xi) Depreciation

Land is not depreciated. Depreciation on other assets is calculated using straight line method to allow their costs or revalued amounts to their residual values over their expected useful lives as follows:

Asset Category	%
Buildings	3
Frequency monitoring equipment	20
Motor vehicles	20
Computers and accessories	33.3
Office equipment	10
Office furniture, fittings and fixtures	10
Motor cycles	10

(xii) Intangible assets

Generally, costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Authority and has a probable benefit accruing to the Authority beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends the computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets are amortised using the straight line method over their useful lives, estimated at four years. However, during the year there were no costs associated with developing computer software programmes.

(xiii) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made by the Authority under operating leases are charged to the income statement on the straight-line basis over the term of lease. Payments made to acquire leasehold land are treated as prepaid operating leases and are amortised on the straight line basis over the term of lease.

Assets acquired under finance leases and hire purchase agreements are capitalised at the dates of the agreements. The interest element of each instalment is charged to the income statement at the time each instalment falls due.

(xiv) Foreign currencies

Assets and liabilities which are denominated in foreign currencies are translated into Tanzanian shillings at the rates of exchange ruling on the statement of financial position date. Transactions during the year, which are expressed in foreign currencies, are translated at the rates of exchange ruling on the dates of the transactions. Other exchange gains and losses are dealt with in the income statement.

(xv) Financial instruments

Financial assets and liabilities are recognised on the Authority's statement of financial position when the Authority has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are classified as current liabilities unless the Authority has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(xvi) Provision for liabilities and charges

Provisions are recognised when the Authority has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(xvii) Impairment

At each balance sheet date, the Authority reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

(xviii) Retirement benefits obligations

(i) Pension obligations

The Authority makes statutory contributions to the National Social Security Fund (TCRA), Zanzibar Social Security Fund (ZSSF), Public Service Pensions Fund (PSPF) and Parastatal Pensions Fund (PPF). The Authority's obligations in respect of these contributions are 10% of the employees' gross emoluments in respect of TCRA members and 15% of the employees' gross emoluments in respect of PPF, ZSSF and PSPF members. The Authority's contributions in respect of these retirement benefits obligations are charged to the income statement in the year to which they relate.

(ii) Other Entitlements

The estimated monetary liability for employees' accrued entitlements at the balance sheet date is recognized as accrued expenses.

(iii) Post-retirement medical aid benefits and retirement gratuities

The Authority has a contracted employee gratuity arrangement, which provides for lump sum payments to its contract employees on their termination or completion of contract period of three to five years, based on 25% of the monthly basic salary and qualifies as a defined benefit plan.

(xix) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents therefore includes all the short term deposits.

2. REGULATORY FEES

	2010 TZS'000	2009 TZS'000
Network Facility Fee (NF)	6,212,082	5,021,100
Network Services Licence (NS)	7,052,340	13,452,829
Application Services Licence (ASL)	361,803	187,157
Content Services Licence (CSL)	703,025	547,010
Postal licence (PL)	238,815	217,958
Installation and Maintenance (I&M)	32,002	37,029
Importation and Distribution (I&D)	16,050	68,625
Radio Frequency Spectrum User Fees (RFS)	16,427,579	15,873,443
Numbering Resources	8,483,421	7,039,737
	<u>39,527,117</u>	<u>42,444,888</u>

3. OTHER OPERATING INCOME

	2010 TZS'000	2009 TZS'000
Interest income	1,008,480	581,512
Gain on foreign exchange	457,924	380,282
Other incomes	119,721	73,385
Rent Income	411,090	-
	<u>1,997,215</u>	<u>1,035,179</u>

4. SURPLUS INCOME

	2010 TZS'000	2009 TZS'000
The operating surplus is arrived at after charging:		
Provision for specific trade debts	-	1,426,428
Irrecoverable trade debts	-	1,822,518
Auditors' remuneration	91,560	86,870
Staff costs (Note 5)	7,105,393	5,335,245
Amortisation	26,844	80,952
Directors emoluments	26,250	35,000
Board of director's expenses	368,587	394,544
Legal fees	44,542	23,959
	<u>44,542</u>	<u>23,959</u>

5. STAFF COSTS

	2010	2009
	TZS'000	TZS'000
Wages and salaries	4,202,738	3,024,564
Terminal benefits	254,802	71,170
Recruitment costs	46,683	34,979
Social security costs	442,181	435,001
Transport/ house allowance	1,460,227	1,207,286
Long service awards	63,772	43,400
Medical expenses	197,245	175,238
Gratuity expenses	146,019	77,460
Staff welfare	226,736	206,416
Staff uniforms	33,949	59,731
Industrial relations	31,041	-
	<u>7,105,393</u>	<u>5,335,245</u>

6. TAXATION

Neither corporation nor deferred taxes have been provided as the Authority revenues are exempt from income taxation per the provisions of Income Tax Act, 2004, item 1b of the Second Schedule.

7. INVESTMENT PROPERTY

As at 30th June 2010, Investment Property included the portion of Mwasiliano Towers sublet to tenants for office use.

Occupancy of Mwasiliano Towers occurred on 1st January, 2010, before final construction certificate of completed construction work was issued. Status of construction completion stage was 90% with outstanding work being elevator configuration and minor civil works.

As the property was put into use at this stage of construction, management took the decision to transfer construction costs, previously recognised under capital work in progress to property, plant and equipment and investment property asset categories on the basis of use of the property as at 30th June 2010.

Carrying amount of Mwasiliano Towers between own use and space rented, as at 30th June 2010, is distributed as follows:

7(a). Carrying amount of Mwasiliano Towers

	2010 TZS' 000	2009 TZS' 000
Balance as at 1st July	-	-
Transfer from Capital work in progress to investment property and Property Plant and equipment	40,470,618	-
Less: Depreciation for the period	607,059	-
Balance as at 30th June	39,863,559	-

7(b). Investment property portion of Mwasiliano Towers: Carrying amount of Mwasiliano Towers is distributed between own use and rented space as follows:

	2010 Square Metres	2010 Cost/Value TZS' 000	2009 TZS' 000
Total Area of occupancy (in Square-metres) /cost value of Mwasiliano Towers	9,175	39,863,559	
Own use	6,863	29,818,376	-
Investment Property: Sublet for office use	2,312	10,045,182	-

7. INVESTMENT PROPERTY (CONTINUED)

Until 30th June 2010, the final certificate for construction of Mwasiliano Towers had not been issued. As at 30th June 2009, the cost of construction of Mwasiliano Towers was recognised under capital work in progress, as the property was under construction then.

8. PLANT, PROPERTY AND EQUIPMENT Year ended 30 June 2010

Cost	Land	Buildings	Monitoring Equipment (Note A Below)	Motor Vehicles,	Office Furniture & Fittings	Office Equipment	Computers Printers	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Opening balance	1,100,000	2,408,000	6,145,788	2,011,500	240,753	499,398	307,807	12,713,245
Additions	-	30,272,463	218,768	-	434,260	82,443	253,380	31,261,314
Disposals	-	-	-	-	(144,014)	(111,743)	(160,986)	(416,742)
Closing balance	1,100,000	32,680,463	6,364,556	2,011,500	530,999	470,098	400,201	43,557,817
Accumulated depreciation								
Opening balance	-	72,240	1,227,517	402,300	23,845	47,681	96,251	1,869,834
Adjustment (Note B below)	-	-	(86,685)	-	-	-	-	(86,685)
Disposals	-	-	-	-	(14,880)	(9,176)	(51,975)	(76,033)
Charge for the year	-	526,327	1,199,874	402,300	31,237	39,194	91,788	2,290,720
Closing balance	-	598,567	2,340,706	804,600	40,202	77,699	136,064	3,997,838
NET BOOK VALUE								
As at 30 June 2010	1,100,000	32,081,896	4,023,850	1,206,900	490,797	392,399	264,137	39,559,979
As at 30 June 2009	1,100,000	2,335,760	4,918,270	1,609,200	216,908	451,717	211,556	10,843,411

Note A: Monitoring equipment

Monitoring equipment comprise the following classes of assets with associated cost values, used in monitoring regulated services. Under monitoring equipment only frequency monitoring equipment and content monitoring equipment are in full use, and are depreciated annually as per accounting policy. The other classes of assets are at various stages of installation, and consequently no depreciation has been charged on in the financial statements for the year.

Description	Amount TZS
Frequency monitoring equipment	5,704,158
Content Monitoring Equipment	315,462
Automatic Mail Quality Measurement	141,275
Automation of Type Approval Activities	203,661
	6,364,556

Note B: Monitoring equipment

This adjusts accounting error, of applying 21.5% depreciation rate, instead of 20% rate, the prevailing accounting policy.

9. CAPITAL WORK IN PROGRESS

	2010 TZS'000	2009 TZS'000
Cost at 1 July	33,692,108	26,777,245
Addition	6,778,510	6,914,863
Subtotal:	40,470,618	33,692,108
Transfer to Buildings and investment property (note 7a)	(40,470,618)	-
Cost at 30 June	-	33,692,108

10. INTANGIBLES

	2010 TZS'000	2009 TZS'000
Cost		
At 1 July	350,650	350,650
Additions during the year	-	-
At 30 June	<u>350,650</u>	<u>350,650</u>
Accumulated amortisation		
At 1 July	323,806	242,855
Amortised during the year	26,844	80,951
At 30 June	<u>350,650</u>	<u>323,806</u>
Net book value		
At 30 June	<u>-</u>	<u>26,844</u>

11. TRADE AND OTHER RECEIVABLES

	2010 TZS'000	2009 TZS'000
Trade receivables	20,249,430	15,808,618
Provision for specific bad debts	(5,119,557)	(5,119,557)
Net trade receivables	<u>15,129,873</u>	<u>10,689,061</u>
Staff receivables	540,276	531,303
Loans to related parties	215,000	-
Other receivables	650,566	527,496
Total	<u>16,535,715</u>	<u>11,747,860</u>

Trade receivables (net of allowances) held by TCRA at 30 June 2010 amounted to TZS.15 billion (2009: TZS. 10.6 billion) the average credit period on sales of services is 30 days.

12. TRADE AND OTHER PAYABLES

Trade payables	1,998,062	195,000
Accruals	-	163,065
Other payables	1,755,070	1,762,919
Total	<u>3,753,132</u>	<u>2,120,984</u>

13. CASH GENERATED FROM OPERATIONS

	2010 TZS'000	2009 TZS'000
(a) Reconciliation of operating surplus to net cash used in operations		
Surplus income for the year	14,304,397	21,830,145
Adjustments:		
Depreciation	2,357,006	1,869,834
Amortisation of intangibles	26,844	80,951
Prior year adjustments (net)	-	(1,551,388)
Assets disposed off by scrapping	340,709	-
Surplus before working capital changes	17,028,956	22,229,542
Movement in trade and other receivables	(4,787,855)	(5,322,228)
Movement in trade and other payables	1,632,148	220,712
Net cash used in operations	13,873,249	17,128,026
(b) Cash and cash equivalents		
	2010 TZS'000	2009 TZS'000
Bank balances	8,412,965	9,139,226
Short term investments/deposits	14,529,537	8,705,118
Total	22,942,502	17,844,344

14. COMMITMENTS

Capital expenditure authorized and contracted for	2,500,000	1,167,225
Capital expenditure authorized but not contracted for	1,500,000	2,391,520
Contracts relating to recurrent expenditures authorized and contracted	128,300	-
Contracts relating to recurrent expenditures authorized but not contracted	289,000	-
Total	4,417,300	3,558,745

15. RISK MANAGEMENT POLICIES

The financial risk management policies are outlined below:

Exchange risk

The Authority's operations are predominantly in Tanzania Shillings and U.S Dollars where the currency fluctuates against the major international currencies. A sizeable portion of the Authority's purchases are denominated in foreign currencies, principally, the US Dollar. Management considers the exchange risk to be minimal and has therefore not entered into any financial contracts to hedge against the exchange risk.

Interest rate risk

The Authority has non-interest bearing balances from regulatory revenue used to fund ongoing activities.

Credit risk

The Authority's credit risk is primarily attributable to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by management based on past experience and their assessment of the current economic environment.

Fair value

Except for non-interest bearing balances due to/from related parties, there is no material difference between the fair value and the carrying value of the Authority's financial assets and liabilities.

16. CURRENCY

These financial statements are prepared in Tanzania Shillings thousands (TZS'000)

17. COMPARATIVES

Where necessary, comparative figures have been adjusted or reclassified to conform to changes in presentation in the current year.

18. RELATED PARTY TRANSACTIONS

Key Management compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The following transactions were carried out with related parties:

	2010	2009
	TZS'000	TZS'000
(a) Directors fees	35,000	35,000
(b) Key management remuneration	852,292	774,811
(c) Loans/Advances to key management personnel	186,595	175,640

The loans to key management personnel are repayable monthly over four years at an interest rate of 3% per annum and advances are repayable over a period of twelve months interest free.

19. ADMINISTRATIVE EXPENSES

	2010	2009
	TZS'000	TZS'000
Advertisement and publicity	660,057	414,702
Amortization of intangibles	26,844	80,952
Audit fee	91,560	86,870
Automation of Type Approval Activities	35,566	39,435
Bad Debts	-	3,266,404
Bank Charges	62,916	79,469
Board of Directors Expenses	368,587	394,544
Building repairs costs	54,673	73,897
Communications Museum	1,500	1,495
Complaints Committee	18,215	59,085
Computer Consumables	51,110	69,332
Conference and Meetings	1,729,169	1,285,542
Consultancy fee	314,096	285,323
Consumer Consultative Council	300,000	292,173
Consumer Education	155,623	4,208
Content Committee	157,263	103,450
Content Monitoring	100,124	122,842
Contribution to Internet Exchange Project	-	34,779
Contribution to Tanzania Network Information Centre	413,826	227,133
Corporate social responsibility/donations	513,578	383,643
Database Development	750	1,200
Depreciation	2,357,006	1,869,834
Directors fees	26,250	35,000
Disposal of Fixed Assets(Scrap)	340,709	-
Electricity and water charges	240,136	90,984
Fair Competition & Tribunal	783,995	-
Field and Inspections	233,383	293,164
Finance and Audit Committee	48,907	33,590

19. ADMINISTRATIVE EXPENSES (Continued)

	2010	2009
	TZS'000	TZS'000
Games and Sports	6,688	4,844
General expenses	118,569	490,512
Hospitality	36,078	34,014
ICT Week Events	8,882	9,279
Inquiry Expenses Account	-	1,900
Insurance premiums	135,849	210,943
Land rent	2,460	3,000
Legal advisory costs	44,542	23,959
Licensing	49,331	57,785
Mwasiliano Towers Management Fee	4,950	-
Motor vehicles running expenses	227,372	162,755
National Gender Communications Committee	-	4,839
Newspapers, books and periodicals	89,133	28,971
Nomination committee Expenses-	-	18,960
Office cleaning and fumigation costs	70,512	56,361
Office rents	98,467	104,609
Office security expenses	61,497	50,160
Performance Audit	11,812	12,948
Planning and budgeting expenses	98,903	88,723
Post code project expenses	243,371	87,295
Postage & courier, fax, emails and telephone	316,928	299,908
Postcode Date Base	9,330	10,678
Repair and maintenance of equipment	30,598	29,143
Research and Development	66,257	77,903
Revenue collection costs	42,212	37,190
Review Panel	-	19,595
Sectoral/ management meetings costs	157,735	68,740
Seminar and workshops	1,124,508	1,347,106
Service Charges	-	7,074
Stationery and printing	51,401	33,518
Study groups expenses	717,443	547,706
Subscription to professional bodies	4,155	3,715
Tender board expenses	155,624	208,153
Training expenses	2,237,259	1,526,662
Travelling on duty (local and abroad)	782,069	729,457
	16,089,778	16,027,455

20. CONTRIBUTIONS TO INTERNATIONAL ORGANISATIONS

	2010	2009
	TZS'000	TZS'000
Pan African Postal Union – (PAPU)	36,340	34,409
African Telecommunication Union – (ATU)	35,330	33,971
International Telecommunication Union – (ITU)	73,246	24,133
Universal Postal Union – (UPU)	75,221	27,743
Commonwealth Telecom Organisation – (CTO)	47,870	37,404
Communication Regulators Association for Southern Africa	46,800	40,000
Commonwealth Broadcasting Association – (CBA)	6,235	-
ACRAN	-	1,875
African Advanced Level Telecommunication Institute – (AFRALTI)	54,443	53,887
SAPRA	-	33,800
	<hr/>	<hr/>
Total	375,485	287,222
	<hr/>	<hr/>

National Audit Office, Samora Avenue/Ohio Street, P.O. Box 9080, Tel: +255 (022) 2115157/8
Fax: 255 (022) 2117527, E-mail: ocag@nao.go.tz Website: www.nao.go.tz