



POLICY FORUM

**REPORT AND ACCOUNTS
AS AT 31 DECEMBER 2005**



**POLICY FORUM
STEERING COMMITTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

The steering committee submit their report and the audited financial statements for the year ended 31 December 2005 which have been prepared in accordance with the International Financial Reporting Standards (IFRS).

1 BACKGROUND

Policy Forum, which commenced operation in July 2003, is a consortium of about 70 civil society organizations in Tanzania engaging with key policy processes. The Steering Committee has delegated the day to day running of the Forum's activities to a management team led by the Policy Forum Coordinator. HakiElimu was requested and agreed to act as trustee of the Policy Forum and this role is expected to end 31 December 2006 where another member will take over.

Main Objective

The main objective of Policy Forum is to seek enhanced, transparent and accountable governance and improved quality of life of the Tanzanian people. This include effective protection of human rights through the strengthened ability of civil society to constructively influence key policy decisions relating to poverty reduction, equity and democratization and other key policy issues.

2 FINANCIAL AND LEGAL STATUS

Policy Forum's funding is derived from grants and donations from local or international donors, contributions from committed individuals, bank interest and consultancy income. During the year ended 31 December 2005, the Policy Forum received grants from Hivos, Norwegian Peoples Aid, CARE Tanzania, and HakiElimu.

The use of these funds for the year ended 31 December 2005 and the state of funding on that date is shown in the Statement of Income and Expenditure and Balance Sheet on pages 4 and 5.

The Forum has submitted an application for registration under the Companies Ordinance (Cap 212) as a company limited by guarantee not having share holding capital (not-for-profit company). In the meantime it is unincorporated and operates under HakiElimu's trusteeship. Policy Forum's office is located at Magore Road, Upanga, P. O. Box 38486, Dar es Salaam, Tanzania.

3 ADMINISTRATION POLICIES AND FINANCIAL REGULATIONS

Policy Forum follows the Administration Policies and Financial Regulations of HakiElimu. These documents provide a solid basis for strengthened accountability and high standards within the Forum.

4 STEERING COMMITTEE MEMBERS

The Forum members and their representatives on the Steering Committee at the date of this report are:

Organization	Name	Position	Nationality
HakiElimu	Rakesh Rajani	Chairperson	Tanzanian
Legal & Human Rights Centre	Helen Kijo-Bisimba	Vice Chairperson	Tanzanian
Save the Children (UK)	Martine Billanou	Member	French
CARE Tanzania	Zabdiel Kimambo	Member	Tanzanian
Kivulini	Jimmy Luhende	Member	Tanzanian
Tanzania Education Network	Joseph Kisanji	Member	Tanzanian
The Leadership Forum	Hebron Mwakagenda	Member	Tanzanian
Policy Forum	Gertrude Mugizi, Coordinator	Ex-officio	Tanzanian

**POLICY FORUM
STEERING COMMITTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2005**

5 FUNDING AND EXPENDITURE

Policy Forum prepares a multi-year strategy and budget. This budget is funded by Hivos (Netherlands), DFID (UK) and member contributions. Funds unused at the year end are carried forward for use in approved programs during the subsequent year.

Expenditure is managed in accordance with approved budgets, with Policy Forum member organizations largely responsible for the implementation of program activities. However, in 2004 and 2005 members' uptake of agreed activities was limited due to several factors, and consequently actual expenditure in both years was significantly below budget. In response Policy Forum has reorganized its strategic approach and will in 2006 strengthen its Secretariat to include 2 policy analysts and 2 interns who shall constitute a 'pooled power' resource for all the members. Under this new arrangement implementation and expenditure management will be the prime responsibility of the Secretariat.

6 STEERING COMMITTEE RESPONSIBILITIES

It is the Steering Committee's responsibility to prepare financial statements for each financial period that gives a true and fair view of the state of affairs of the Forum as at the end of the financial period and of its income and expenditure for that period.

The Steering Committee confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2005. The Steering Committee also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The Steering Committee is responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Forum and for preventing and detecting fraud.

7 HAKIELIMU'S MANAGEMENT ROLE

Effective 2003, HakiElimu has acted as trustees of Policy Forum. HakiElimu used its finance and administration policies to manage Policy Forum, received funds and made payments on behalf of Policy Forum. With effect from 1 July 2005 separate Tzs and Euro bank accounts were opened for Policy Forum, and a separate set of financial statements were prepared for the Policy Forum for the year ended 31 December, 2005. Previously, the financial position of the Policy Forum was presented as a liability in the accounts of HakiElimu. Set out in Appendix 1 to these accounts is a reconciliation of the previously reported net fund balance as per the HakiElimu Financial Statements, to the reported Fund balance under IFRS. HakiElimu's role will continue until 31 December 2006, after which it will cease to manage day today transactions of Policy Forum. The Steering Committee is working on alternative arrangements for the management of Policy Forum to take over from HakiElimu.

8 AUDITORS

The 2005 Annual General Meeting (AGM) appointed KPMG as the auditors for Policy Forum for the period ended 31 December, 2005. A resolution to appoint auditors of the Forum for the period ending 31 December 2006 will be proposed at the 2006 AGM.

By order of the Steering Committee,

.....
Chairperson

.....
Coordinator

19/6/08
.....
Date

20/6/06
.....
Date



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AUDITORS' REPORT

TO THE MEMBERS OF POLICY FORUM

We have audited the financial statements set out on pages 4 to 12 which have been prepared on the basis of accounting policies set out in Note 1. We have obtained all the information which to the best of our knowledge and belief were necessary for the purposes of our audit and provide a reasonable basis for our opinion. The financial statements are in agreement with accounting records.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Policy Forum at 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG

Certified Public Accountants
DAR ES SALAAM

Date: 20 June 2006

**POLICY FORUM
STATEMENT OF INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Note	2005 Tzs '000	2004 Tzs '000
INCOME			
Revenue grants	2	182,948	313,771
Release of capital grant	7	4,005	3,890
Release of deferred grant	8	82,594	8,516
Consultancy fee income		50	-
Foreign exchange gain		<u>2,201</u>	<u>-</u>
Total		<u>271,798</u>	<u>326,177</u>
EXPENDITURE			
Increased NGO base in key policy processes		41,137	37,584
Increased analytical & activist capacity of NGOs for policy engagement		11,930	7,534
Monitoring policy effects		-	5,132
Sharing of information on key policy processes		119,507	53,247
Planning monitoring & evaluation activities		6,136	1,437
Secretariat salaries and other benefits		36,192	33,172
Other Running costs		22,589	19,261
Depreciation	5	<u>4,005</u>	<u>3,890</u>
Total		<u>241,496</u>	<u>161,257</u>
Surplus for the year	3	<u>30,302</u>	<u>164,920</u>

The Statement of Income and Expenditure is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 12.

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**POLICY FORUM
BALANCE SHEET
AS AT 31 DECEMBER 2005**

	Note	2005 Tzs '000	2004 Tzs '000
ASSETS			
Non current assets			
Property and equipment	5	7,619	10,707
Current assets			
Due from HakiElimu		69,238	-
Cash and bank balances	9	<u>299,960</u>	<u>348,949</u>
		<u>369,198</u>	<u>348,949</u>
Total Assets		<u>376,817</u>	<u>359,656</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated surplus		296,657	266,355
Grants liabilities			
Deferred grants	8	-	82,594
Capital Grants	7	<u>7,619</u>	<u>10,707</u>
		7,619	93,301
Current liabilities			
Creditors and accruals	6	<u>72,541</u>	-
Total equity and liabilities		<u>376,817</u>	<u>359,656</u>

.....
Chairperson

..... 19/6/06
Date

.....
Coordinator

..... 20/6/06
Date

The Balance Sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 12

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**POLICY FORUM
STATEMENT OF CHANGES IN RESERVES AND FUND BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2005**

	Total
	Tzs '000
At 1 January 2004	101,435
Surplus for the year	<u>164,920</u>
At 31 December 2004	266,355
Surplus for the year	<u>30,302</u>
At 31 December 2005	<u>296,657</u>

The Statement of changes in grants and reserves is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 8 to 12

Report of the Auditors – page 3

Policy Forum receives funds
consideration of annual reports.

Revenue grants

Revenue grants represents balance of funds received and spent on general activities during the period, and which are for the benefits of the Policy Forum.

Other income

Income from other sources is recognised when received, and is set aside for

Items of property and equipment are stated at cost less accumulated (below). Where parts of an item of property and equipment have different useful lives they are accounted for as separate items.

**POLICY FORUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

1 PRINCIPAL ACCOUNTING POLICIES

(a) Statement of compliance with International Financial Reporting Standards

Policy Forum is managed by HakiElimu. The Policy Forum's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB) and adopted by the National Board of Accountants and Auditors (NBAA). These financial statements have been prepared based on the International Financial Reporting Standards in effect at 31 December 2005, and the Standards have been applied retrospectively for the year ended 31 December 2004.

(b) Basis of preparation

The financial statements have been prepared on accrual basis under the historical cost convention, and in accordance with IFRS. This is the first year in which separate accounts for Policy Forum have been prepared (previously they were reported as part of HakiElimu accounts). The preparation of financial statements in conformity with IFRS requires management to make judgements and interpretations that affect the application of policies and reported amounts of assets and liabilities, income and expenses, especially regarding carrying values of assets and liabilities that are not readily apparent from other sources. Historical experience has been used to guide these estimates.

(c) Income

Grant income

Policy Forum operates on a basket funding arrangement where donors pull funds together to finance activities of the Forum as whole, based on a program strategy and budget. All funds received from donors are credited to grants income account. Grant income received is allocated to deferred grants, capital grants and revenue grants as explained below.

Deferred grants

Funds received in excess of the budget for the period are allocated to a deferred grants account. Such deferred grants are released to the Statement of Income and Expenditure in the following year, to the extent that the amount so released does not exceed the budget for the respective year.

Policy Forum receives funds exceeding budget to enable expenditure at beginning of the following year prior to consideration of annual reports. Some donors also prefer to release funds in advance in fewer disbursements.

Capital grants

Grants earmarked for the acquisition of property, plant and equipment are allocated to a capital grants account. The capital grants are amortised to the Statement of Income and Expenditure on a systematic basis to match the depreciation charge on the assets acquired using the grants.

Revenue grants

Revenue grants represents balance of funds received and spent on general operations of the Forum's programmes and activities during the period, and which are for the benefits of the Policy Forum and not dependent on future activities of the Forum.

Other income

Income from other sources is recognised when received, and is set aside to contribute towards long term sustainability of Policy Forum, except for income from interest, whose use is in accordance with donor contracts.

(d) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(e) below). Where parts of an item of property and equipment have different useful lives they are accounted for as separate items.

POLICY FORUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

Depreciation is charged to the statement of income and expenditure on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The rates of depreciation in use are:

Computer equipment	33.3%
Other equipment & tools	25%
Furniture & fittings	12.5%

(e) Impairment

The carrying amounts of the Forum's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount, and an impairment gain is recognized when the carrying amount is below the recoverable amount. Impairment losses/gains are recognised in the statement of income and expenditure.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

(f) Creditors and other payables

Creditors and other payables are stated at cost.

(g) Foreign currency transactions

Foreign currency transactions are translated at the rate of exchange ruling on the date of transaction. Closing balances in foreign currency monetary assets and liabilities are translated at the rate of exchange ruling on the balance sheet date. Resulting exchange differences are recognised as foreign exchange gain or loss in the income and expenditure statement for the period.

(h) Comparative figures

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

(i) Reporting Currency

These financial statements are presented in thousands of Tanzania Shillings (Tzs '000).

POLICY FORUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

2 GRANTS

	2005	2004
	Tzs '000	Tzs '000
Member's contributions		
HakiElimu	15,000	42,000
Norwegian People's Aid	10,000	50,000
CARE Tanzania	22,591	-
Concern	-	6,066
Save the Children Fund	-	<u>50,741</u>
	47,591	148,807
Donor		
DFID	-	119,969
Hivos	<u>136,274</u>	<u>132,551</u>
	136,274	252,520
Total grants received in 2005	183,865	401,327
Allocation to Deferred grants (note 8)	-	(82,594)
Allocation to Capital grants (note 7)	<u>(917)</u>	<u>(4,962)</u>
Revenue grant	182,948	313,771
Deferred grants		
Balance brought forward	82,594	-
Grant Income received	183,866	401,327
Budget for the year	<u>(450,600)</u>	<u>(318,733)</u>
Deferred grants	<u>-</u>	<u>82,594</u>

3 SURPLUS FOR THE YEAR

	2005	2004
	Tzs '000	Tzs '000
This is stated after charging:		
Auditors' remuneration	2,331	-
Staff costs	36,192	33,172
Exchange gain	<u>(2,201)</u>	-
Depreciation	<u>4,005</u>	<u>3,890</u>

4 RELATED PARTY TRANSACTIONS

Except with regard to certain expenditure paid by HakiElimu prior to the setting up of its own bank account (refer note 6), Policy Forum follows the HakiElimu policies which do not allow for procurement from or service contracts with steering committee members or members of staff.

**POLICY FORUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

5 PROPERTY AND EQUIPMENT

	Computer equipment Tzs '000	Other equipment & tools Tzs '000	Furniture & fittings Tzs '000	Total Tzs '000
Cost				
At 1 January 2005	4,885	7,267	3,573	15,725
Additions	<u>-</u>	<u>917</u>	<u>-</u>	917
At 31 December 2005	<u>4,885</u>	<u>8,184</u>	<u>3,573</u>	<u>16,642</u>
Depreciation				
At 1 January 2005	2,427	2,144	447	5,018
Charge for the year	<u>1,627</u>	<u>1,931</u>	<u>447</u>	4,005
At 31 December 2005	<u>4,054</u>	<u>4,075</u>	<u>894</u>	<u>9,023</u>
Net Book Value				
At 31 December 2005	<u>831</u>	<u>4,109</u>	<u>2,679</u>	<u>7,619</u>
At 31 December 2004	<u>2,458</u>	<u>5,122</u>	<u>3,127</u>	<u>10,707</u>

6 ACCOUNTS PAYABLE

	2005 Tzs'000	2004 Tzs'000
Audit fees	2,331	-
Sundry Accruals	12,600	-
Due to HakiElimu (for costs paid on behalf of Policy Forum)	<u>57,610</u>	<u>-</u>
	<u>72,541</u>	<u>-</u>

7 CAPITAL GRANTS

	2005 Tzs'000	2004 Tzs'000
As at 1 January	10,707	9,635
Grants received during the year	917	4,962
Release to statement of Income and Expenditure	<u>(4,005)</u>	<u>(3,890)</u>
At 31 December	<u>7,619</u>	<u>10,707</u>

8 DEFERRED GRANTS

	2005 Tzs'000	2004 Tzs'000
As at 1 January	82,594	8,516
Grants received during the year	-	82,594
Release to statement of Income and Expenditure	<u>(82,594)</u>	<u>(8,516)</u>
At 31 December	<u>-</u>	<u>82,594</u>

9 CASH AND BANK BALANCES

	2005 Tzs' 000	2004 Tzs' 000
Tzs balances	230,722	348,949
Euro balances in Tzs equivalents	<u>69,238</u>	<u>-</u>
Total	<u>299,960</u>	<u>348,949</u>

**POLICY FORUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005**

10 BUDGET VS ACTUAL EXPENDITURE FOR THE YEAR ENDED 31 DECEMBER 2005

Account description	Budget	Actual	Actual/Budget
	Tzs '000	Tzs '000	%
1. Programs			
1.1 Increased NGO base in key policy process	83,400	41,137	49
1.2 Increased analytical & activist capacity	60,000	11,930	20
1.3 Monitoring policy effects	38,400	-	-
1.4 Share information on key policy process	164,400	119,507	73
1.5 Planning monitoring & evaluation	<u>13,200</u>	<u>6,136</u>	<u>29</u>
Total all programs (1.1 -1.5)	359,400	178,711	50
2. Secretariat salaries and wages	42,000	36,192	86
3. Equipment and furniture			
Computer equipment	2400	-	-
Other equipment	1,200	917	76
Office furniture	<u>600</u>	<u>-</u>	<u>-</u>
	4,200	917	22
4. Running costs			
Office rent	12,960	12,421	96
Office set up repair equipment installation	240	438	183
Electricity, water and other utilities	3,600	1,448	40
Communication (Tel. fax internet & postage)	4,800	2,538	53
Security/cleaning services and insurance	5,400	2,745	51
Stationary and supplies	3,000	2,726	91
Bank/legal fees	600	194	32
Transport	<u>1,200</u>	<u>78</u>	<u>7</u>
	31,800	22,588	71
Subtotal all non-program (2- 4)	78,000	59,699	77
Unanticipated/contingency	<u>13,200</u>	<u>-</u>	<u>-</u>
Grand Total	<u>450,600</u>	<u>238,408</u>	<u>53</u>

(See also Steering Committee's report point 5 on page 2)

Reconciliation to the income statement

As per the budget versus actual expenditure Grand total	Tzs'000 238,408
Add: depreciation not in the analysis	4,005
Less: capitalized expenditure not in the income statement	<u>(917)</u>
Total expenditure as reported in the income statement	<u>241,496</u>

11 REGISTRATION AND REGISTERED OFFICE

The Forum has submitted an application for registration under the Companies Ordinance (Cap 212) as a company limited by guarantee not having share capital (not-for-profit company). In the meantime it is unincorporated and operates under HakiElimu's trusteeship. Policy Forum's office is located at Magore Road, Upanga, P.O. Box 38486, Dar es Salaam, Tanzania

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APPENDIX I

PRESENTATION OF FIRST SET OF FINANCIAL STATEMENTS IN TERMS OF IFRS

As stated in note 1(a) above, these are Policy Forum's first separate set of financial statements. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial position of the Policy Forum was previously reported as a liability in the financial statements of HakiElimu which had been prepared on a cash basis of accounting.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 December 2005, the comparative information presented in these financial statements for the year ended 31 December 2004 and in the presentation opening balance sheet at 1 January 2004.

In preparing its opening IFRS balance sheet, the Forum has adjusted amounts reported previously (as a note to the HakiElimu accounts). An explanation of how the transition from the cash basis of accounting to IFRS has affected the Forum's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

Reconciliation of equity/reserves

	Note	As at 1 January 2004			As at 31 December 2004		
		Cash basis of accounting Tzs'000	Effects of IFRS Tzs'000	IFRS Tzs'000	Cash basis of accounting Tzs'000	Effects of IFRS Tzs'000	IFRS Tzs'000
Assets							
Non current assets							
Property, plant and equipment	(a)	-	9,635	9,635	-	10,707	10,707
Current assets							
Cash and bank balances		109,951	-	109,951	348,949	-	348,949
Total assets		109,951	9,635	119,586	348,949	10,707	359,656
Equity and liabilities							
Grants and reserves							
Capital Grants	(b)	-	9,635	9,635	-	10,707	10,707
Deferred grant		-	8,516	8,516	-	82,594	82,594
Accumulated surplus		109,951	(8,516)	101,435	348,949	(82,594)	266,355
		109,951	9,635	119,586	348,949	10,707	359,656
Total equity and liabilities		109,951	9,635	119,586	348,949	10,707	359,656

(a) Recording net book value of fixed assets previously expensed under cash basis of accounting.

(b) Creating capital grants equal to the fixed assets net value - all grants to finance assets to be recognized in a capital grants account, and deferred over the lives of assets.

Reconciliation of surplus for 2004

	Note	Cash basis of accounting Tzs '000	Effect Tzs '000	IFRS Tzs '000
Income				
Revenue grants	(c)	401,327	(87,556)	313,771
Release of capital grant	(d)	-	3,890	3,890
Release of deferred grant	(e)	-	8,516	8,516
Total		<u>401,327</u>	<u>(75,150)</u>	<u>326,177</u>
Expenditure				
Increased NGO base in key policy processes		37,584	-	37,584
Increased analytical & activist capacity of NGOs for policy engagement		7,534	-	7,534
Monitoring policy effects		5,132	-	5,132
Sharing of information on key policy processes		53,247	-	53,247
Planning monitoring & evaluation activities		1,437	-	1,437
Secretariat salaries and other benefits		33,172	-	33,172
Computer and equipment		3,260	(3,260)	-
Other Running costs		20,963	(1,702)	19,261
Depreciation		-	3,890	3,890
Total		<u>162,329</u>	<u>(1,072)</u>	<u>161,257</u>
Surplus for the year		<u>238,998</u>	<u>(74,078)</u>	<u>164,920</u>

(c) Total reduced by amount transferred to deferred grants and capital grants as per IFRS requirements (see note 1(c)).

(d) Release of capital grants equivalent to depreciation charge as per IFRS requirements (see note 1c).

(e) Capitalisation of the previously expensed items of property, plant and equipment due to shift to accrual basis as per IFRS.