



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE



**BABATI URBAN WATER SUPPLY AND SANITATION AUTHORITY
(BAWASA)**

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL AND COMPLIANCE AUDIT FOR THE
FINANCIAL YEAR ENDED 30 JUNE 2025**

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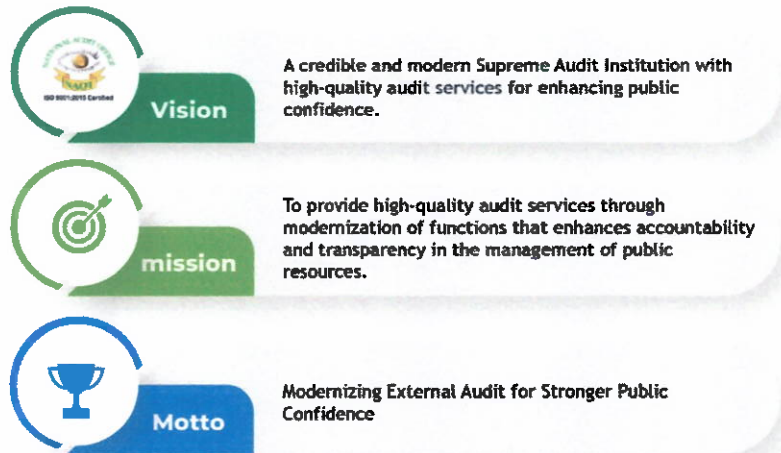
AR/PA/BAWASA/2024/25

About the National Audit Office

Mandate

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

NAOT Vision, Mission & Motto



Core Values



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ABREVIATIONS

AIDS	Acquired Immune Deficiency Syndrome
AR	Audit Report
BAWASA	Babati Urban Water Supply and Sanitation Authority
CRDB	Cooperative Rural Development Bank
EWURA	Energy and Water Utilities Regulatory Authority
ERB	Engineers Registration Board
HDPE	High Density Polyethylene
HIV	Human Immune deficiency Virus
ICT	Information and Communication Technology
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards for Supreme Audit Institutions
MoW	Ministry of Water
NBAA	National Board of Accountants and Auditors
NHIF	National Health Insurance Fund
PA	Public Authority
PPRA	Public Procurement Regulatory Authority
PSSSF	Public Sector Social Security Fund
TFRS	Tanzania Financial Reporting Standards
TRA	Tanzania Revenue Authority

1.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Hon. Chairperson,
Board of Directors,
Babati Water Supply and Sanitation Authority,
P.O. Box 245,
Babati, Tanzania.

1.1 REPORT ON THE AUDIT OF FINANCIAL STATEMENTS

Unqualified Opinion

I have audited the financial statements of Babati Water Supply and Sanitation Authority (BAWASA), which comprise the statement of financial position as at 30 June 2025, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Babati Water Supply and Sanitation Authority as at 30 June 2025, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS), Accrual basis of accounting, as issued by the International Public Sector Accounting Standards Board (IPSASB) and in the manner required by the Public Finance Act, Cap. 348.

Basis for Opinion

I conducted my audit in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the section below entitled "Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements. I am independent of the Babati Water Supply and Sanitation Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information. The other information comprises the Report by Those Charged with Governance, statement of management responsibility and Declaration by the Head of Finance, but does not include the financial statements and my audit report thereon, which I obtained prior to the date of this auditor's report.

My opinion on the financial statements does not cover the other information, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this audit report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Responsibilities of the Controller and Auditor General for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an audit report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the entity to cease to continue as a going concern; and
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. I describe these matters in my audit report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

In addition, Section 10 (2) of the Public Audit Act, Cap. 418 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards.

1.2 REPORT ON COMPLIANCE WITH LEGISLATIONS

1.2.1 Compliance with the Public Procurement laws

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

I conducted a compliance audit of the procurement of works, goods, and services at Babati Water Supply and Sanitation Authority for the year ended 30 June 2025 as per the Public Procurement Act, 2023, the Public Procurement Regulations, 2024, and related directives. I examined each phase of the procurement life cycle, including advertising of tenders, evaluation of bids, award of contracts and contract management, to confirm that the entity issued competitive solicitations, applied approved evaluation criteria, secured authorizations before award and maintained complete transaction records.

Conclusion

Based on the audit procedures performed, I conclude that, except for the matter described below, Babati Water Supply and Sanitation Authority generally complies, in all material respects, with the requirements of the Public Procurement laws in Tanzania.

Weaknesses noted in the implementation of projects through the force account

The BAWASA implemented four projects with a total value of TZS 21,747,101,433.16 using force account, despite the project value exceeding the threshold of 500 million shillings. This was done without complying with the requirements of Regulation 167 of Public Procurement Regulations, 2024, which requires the performance of adequate analysis, including justification for the use of force account in terms of technical expertise and cost comparison with the use of contractors. This weakness was caused by the management's oversight of the requirements of the procurement laws when implementing projects through the force account. As a result, there is a risk of project failure and potential loss of public funds. In addition, this limited the Regulatory Authority's ability to audit the projects and provide appropriate advice to ensure successful implementation.

1.2.2 Compliance with the Budget Act and other Budget Guidelines

Subject matter: Budget formulation and execution

I conducted a compliance audit of budget formulation and execution at Babati Water Supply and Sanitation Authority for the year ended 30 June 2025, as per the Budget Act, Cap 439 and the Budget Guidelines issued by the Ministry of Finance. I reviewed budget submissions, approval memoranda, commitment registers, ledger entries and variance analyses to confirm that the entity prepared estimates in the prescribed format, obtained timely authorizations before incurring obligations, recorded transactions accurately and reported variances as required.

Conclusion

Based on the audit procedures performed, I conclude that, except for the matters described below, Babati Water Supply and Sanitation Authority generally complies, in all material respects, with the requirements of the Budget Act and related Budget Guidelines.

Non-preparation of the Annual Action Plan and the Budget Performance Report

The Authority did not prepare an Annual Action Plan to guide the execution of its approved budget. In addition, neither quarterly nor annual budget performance reports were prepared, contrary to Section 53 (1) of the Budget Act, Cap 439 which requires the Accounting Officer to prepare and submit to the Permanent Secretary a quarterly expenditure commitments report indicating actual and forecast commitments and the cash position of a vote or fund, based on activities of the vote or fund and the execution of the budget of the vote or fund.

This was attributed to the absence of a designated Planning/Budget Officer responsible for coordinating and overseeing budget planning, implementation, and reporting activities. As a result, budget execution may be inefficient or ad hoc, thereby impairing management's ability to monitor budget implementation, identify deviations, and take timely corrective actions.



Charles E. Kichere
Controller and Auditor General,
Dodoma, United Republic of Tanzania.
March 2026



3.0 STATEMENT OF RESPONSIBILITY BY THOSE CHARGED WITH GOVERNANCE

The Directors are required, under section 25(1) of the Legislation and Operations Guidelines of 2008 for Urban Water and Sanitation Authorities, to prepare financial statements for each financial year that give a true and fair view of the situation of the Authority and of the results of operations.

The Directors are also required to ensure that the Authority keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud, error, and other irregularities.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS). The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Authority and the result of operations.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control. Nothing has come to the attention of the Directors to indicate that the Authority will not remain as a going concern for at least twelve months from the date of these financial statements.

Approval of Financial Statements

The financial statements of Babati Urban Water Supply and Sanitation Authority, as identified in the first paragraph, were approved by the Board in 18 February 2026 and signed by:


Dr. Elibariki Olomi
Board Chairperson

DATE

09/03/2026


Eng. Iddy Y. Msuya
Managing Director

4.0 DECLARATION OF THE FINANCE MANAGER

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

It is the duty of a Professional Accountant to assist the Board of Directors to discharge the responsibility of preparing financial statements of an entity showing true and fair view of the entity's position and performance in accordance with applicable International Public Sector Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of financial statements rests with the Board of Directors as disclosed under the statement of Directors Responsibility in an earlier page.

I CPA Hamadi Ramadhan Mlaku, being the Finance Manager of Babati Urban Water Supply and Sanitation Authority (BAWASA), hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30 June 2025 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the financial statements give a true and fair view the position of Babati Urban Water Supply and Sanitation Authority as on that date and that they have been prepared based on properly maintained financial records.



CPA Hamadi R. Mlaku, ACPA 6396
Finance Manager
March 2026

5.0 FINANCIAL STATEMENTS

5.1 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

ASSETS	Notes	30 JUNE 2025 TZS	30 JUNE 2024 TZS
Current assets			
Cash and Cash Equivalents	5.7.3 (a)	2,692,033,380	5,807,095,655
Inventories	5.7.1	5,612,329,877	4,948,197,844
Trade and Other Receivables	5.7.2	304,596,559	338,364,470
Total current assets		8,608,959,816	11,093,657,969
Non-current assets			
Property, Plant and Equipment	5.7.5	92,154,100,254	47,162,938,276
Intangible Assets	5.7.6	31,596,632	-
Work in Progress (WIP)	5.7.4	15,874,985,367	2,090,094,275
Total non-current assets		108,060,682,253	49,253,032,551
TOTAL ASSETS		<u>116,669,642,069</u>	<u>60,346,690,520</u>
Current liabilities			
Trade and Other Payables	5.7.9	6,875,873,678	3,069,473,583
Total Liabilities		6,875,873,678	3,069,473,583
Equity			
Taxpayers' Fund	5.7.10	324,844,080	209,540,383
Accumulated surplus	5.7.7	109,468,924,311	57,067,676,554
Total Equity		109,793,768,391	57,277,216,937
TOTAL EQUITY AND LIABILITIES		<u>116,669,642,069</u>	<u>60,346,690,520</u>

These financial statements were approved by the Board of Directors on 18 February 2026 and signed on its behalf by:


Dr. Elibariki Olomi
Board Chairperson

DATE

09/03/2026


Eng. Iddy Y. Msuya
Managing Director

5.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

	Notes	2024/25 TZS	2023/24 TZS
REVENUE			
Revenue from non-exchange transactions	5.7.12	22,863,307,683	29,628,090,089
Revenue from exchange transactions	5.7.12	7,504,267,461	5,710,504,601
Total Revenue		30,367,575,144	35,338,594,690
EXPENSES			
Direct Costs	5.7.13	4,456,060,020	2,980,995,904
Personnel expenses	5.7.14	3,459,338,358	2,864,900,552
Administrative expenses	5.7.15	1,569,434,565	958,648,797
Other expenses	5.7.16	270,409,435	237,678,598
Finance costs	5.7.17	223,520	68,860
ECL for Cash and Cash Equivalent	5.7.3(b)	-	94,476,668
Depreciation Expenses	5.7.5	4,739,997,114	2,037,669,779
Amortization for Intangible Asset	5.7.6	3,949,579	7,504,200
Impairment Loss	5.7.5	-	1,115,251,003
Total Expenses		14,499,412,591	10,297,194,361
Surplus for the year		15,868,162,553	25,041,400,329

These financial statements were approved by the Board of Directors on 18 February 2026 and signed on its behalf by:


Dr. Elibariki Olomi
Board Chairperson

DATE

09/03/2026


Eng. Iddy Y. Msuya
Managing Director

5.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025

	Notes	Taxpayers' Fund TZS	Accumulated Surplus TZS	Total TZS
At 1 July 2024	5.7.22	209,540,383	57,236,414,123	57,445,954,506
	(a)			
Taxpayers' Fund Transferred from Orkesumet Clustering	5.7.23	115,303,697	-	115,303,697
Accumulated Surplus from Orkesumet Clustering	5.7.23	-	36,364,347,635	36,364,347,635
Surplus for the Year		-	15,868,162,553	15,868,162,553
At 30 June 2025		<u>324,844,080</u>	<u>109,468,924,311</u>	<u>109,793,768,391</u>
At 1 July 2023		209,540,383	32,026,276,225	32,235,816,608
Surplus for the year		-	25,041,400,329	25,041,400,329
At 30 June 2024		<u>209,540,383</u>	<u>57,067,676,554</u>	<u>57,277,216,937</u>

These financial statements were approved by the Board of Directors on 18 February 2026 and signed on its behalf by:


Dr. Elibariki Olomi
Board Chairperson

DATE

09/03/2026


Eng. Iddy Y. Msuya
Managing Director

5.4 CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2025

	Note	2024/25	2023/24
Cash flows from operating activities		TZS	TZS
Receipts and Payments			
Receipts from customers (own sources)	5.7.18	7,945,972,579	6,125,490,983
Cash paid to employees and suppliers	5.7.19	(6,467,097,656)	(17,840,092,116)
Receipt from Government (Non-exchange)	5.7.11	<u>21,965,070,558</u>	<u>29,468,489,867</u>
Net cash from operating activities		23,443,945,481	17,753,888,734
Cash flows from investing activities			
Purchase of property, plant, & equipment	5.7.20	(26,617,134,886)	(12,623,180,420)
Net increase in Cash and Cash Equivalents		(3,173,189,405)	5,130,708,314
CASH AND CASH EQUIVALENTS:			
Cash and Cash Equivalents at the beginning of the year	5.7.3 (a)	<u>5,916,342,084</u>	<u>354,602,639</u>
Cash and Cash Equivalents at the end of the year		<u>2,743,152,679</u>	<u>5,485,310,953</u>
Transfer from Orkesumet		=	<u>431,031,131</u>
Restated Balance at the end of the year		<u>2,743,152,679</u>	<u>5,916,342,084</u>

These financial statements were approved by the Board of Directors on 18 February 2026 and signed on its behalf by:


Dr. Elibariki Olori
Board Chairperson

DATE

09/03/2026


Eng. Iddy Y. Msuya
Managing Director

5.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2025

	Original Budget {A} TZS	Final Budget {B} TZS	Actual Amounts on comparable basis {C} TZS	Difference: Final Budget Vs Actual {C-B} TZS	Variance (%)
RECEIPTS					
Water charges	7,038,254,290	7,038,254,290	6,765,935,970	(272,318,320)	-4%
New water connection fees	948,672,000	948,672,000	856,970,606	(91,701,394)	-10%
Reconnection fees	5,000,000	5,000,000	3,330,000	(1,670,000)	-33%
Fines, penalties & forfeits	20,068,026	20,068,026	15,797,653	(4,270,373)	-21%
Other income	64,671,576	64,671,576	294,238,350	229,566,774	355%
Stolen/Broken Meter	8,400,000.00	8,400,000.00	9,700,000	1,300,000	15%
Government grants	38,716,768,268	38,716,768,268	21,965,070,558	(16,751,697,710)	-43%
Total Receipts	46,801,834,160	46,801,834,160	29,911,043,137	(16,890,791,023)	
PAYMENTS					
Direct costs	1,989,101,100	1,989,101,100	1,265,803,806	(723,297,294)	-36%
Employees' benefits	3,479,340,264	3,479,340,264	3,445,998,765	(33,341,499)	-0.1%
Administrative costs	1,766,388,760	1,766,388,760	1,509,634,565	(256,754,195)	-15%
Other Expenses	490,128,768	490,128,768	245,437,000	(244,691,768)	-50%
Finance costs	1,560,000	1,560,000	223,520	(1,336,480)	-86%
Total	7,726,518,892	7,726,518,892	6,467,097,656	(1,259,421,236)	
Net Receipts before Capital Expenditure			23,443,945,481		
Capital Expenditure	39,075,315,268	39,075,315,268	26,617,134,886	12,458,180,382	
Total Payments	46,801,834,160	46,801,834,160	33,084,232,542	13,717,601,619	
Receipt after Capital Expenditure			(3,173,189,405)		

Explanations of variances between the budget and actual amounts are provided under Note 5.6.21 of these financial statements.

These financial statements were approved by the Board of Directors on 18 February 2026 and signed on its behalf by:


Dr. Elibariki Olomi

Board Chairperson

DATE

07/03/2026


Eng. Iddy Y. Msuya
Managing Director