



PPRA

Public Procurement Regulatory Authority

**ANNUAL REPORT AND
AUDITED ACCOUNTS
FOR THE FINANCIAL
YEAR 2006/2007**

TABLE OF CONTENTS

PART I

CORPORATE INFORMATION	ii
LETTER OF TRANSMITTAL.....	1
CHAIRMAN'S STATEMENT.....	2
CHIEF EXECUTIVE OFFICER'S REPORT.....	3
ORGANISATION STRUCTURE	6
BOARD OF DIRECTORS	7
MANAGEMENT TEAM.....	8
PERFORMANCE OVERVIEW.....	9
PART II	
AUDITED FINANCIAL STATEMENTS	18-35

PART I

CORPORATE INFORMATION

NAME OF THE INSTITUTION

Public Procurement Regulatory Authority

LEGAL FORM

A Government owned body established by an Act of Parliament No. 21 of 2004, under the Ministry of Finance.

REGISTERED OFFICE AND ADDRESS

The Chief Executive Officer,
Public Procurement Regulatory Authority,
PPF Tower, 8th floor,
Ohio Street and Garden Avenue,
P.O. Box 49,
DA ES SALAAM,
TANZANIA.

Tel: +255 22 2121236/7, 2133466

Fax: +255 22 2121238

Email: ceo@ppra.go.tz

P. O. Box 49, Dar -es -Salaam

Website: <http://www.ppra.go.tz>

AUDITOR

CONTROLLER AND AUDITOR GENERAL

Certified Public Accountants

Registered Accountants and Auditors

BANKERS

CRDB Bank Limited

Tower Branch

P.O. Box 268

DAR ES SALAAM

LETTER OF TRANSMITTAL



*Hon. Mustafa Haidi Mkulo
(MP)*

Hon. Mustafa Mkulo (MP),
Minister for Finance,
P.O. Box 9111,
DAR ES SALAAM.

Honourable Minister,

Pursuant to Section 26(1) (a) of the Public Procurement Act No. 21 of 2004, I have the honour, on behalf of the Board of Directors of the Public Procurement Regulatory Authority (PPRA), to submit to you the Annual Report and Audited Financial Statements of the Public Procurement Regulatory Authority for the financial year 2006/07.

The report has generally disclosed the state of the financial affairs, performance and operations of PPRA.

Yours sincerely,



Dr. Enos S. Bukuku
PPRA Board Chairman

CHAIRMAN'S STATEMENT



Dr. Enos S. Bukuku

The Board of Directors of the Public Procurement Regulatory Authority (PPRA) has the pleasure to submit its annual report for the financial year 2006/2007. The Board of Directors is the governing body of PPRA appointed in accordance with the First Schedule to the Public Procurement Act No. 21 of 2004 (PPA 2004). The main responsibility of the Board is to oversee the management and operations of PPRA.

This being the first performance report since PPRA became operational on 1st May, 2005, it has highlighted PPRA performance in the two years of its existence. The report has indicated the achievements attained by the Authority in strengthening its oversight efficiency, in building procurement capacity, in developing various procurement guidelines, in monitoring of the procurement activities by Procurement Entities and in setting up the system of sharing procurement information.

On behalf of the Board of Directors of PPRA, I wish to register my sincere gratitude to the Government, in particular the Ministry of Finance and Economic Affairs, and Development Partners for the financial support to PPRA and all stakeholders for their contributions towards improving the procurement system of Tanzania. I also wish to extend my profound gratitude to the Management and Staff of PPRA for their devotion and commitments towards realising the recorded achievements during the year under review. I urge them to maintain the same spirits for the good prosperity of the procurement system of Tanzania. The Board of Directors' shall always endeavour to ensure that the PPRA mission and objectives are achieved.

CHIEF EXECUTIVE OFFICER'S REPORT



Dr. Ramadhan S. Mlinga

The Public Procurement Regulatory Authority was established by the Public Procurement Act No. 21 of 2004 with the responsibility to regulate and oversee implementation of the Act and its Regulations by Procuring Entities. The Act has stipulated in detail the objectives, functions and powers of the Authority. The mandate of the Authority is to ensure that the procurement process in the public sector is open, fair, transparent, effective, efficient and provides value for money.

The Authority is governed by the Board of Directors and its day to day activities are accomplished by the Chief Executive who is assisted by four Directors and three Heads of Units.

The core functions of PPRA are provided under Section 7 of the Act and can be grouped into six categories as follows:-

- To offer advisory services to public bodies and any other person;
- To monitor and enforce compliance with the Act;
- To issue standard bidding documents and guidelines for the better carrying out of procurement activities;
- To implement measures aimed at building procurement capacity in the country;
- To store and disseminate information on procurement opportunities and tender awards; and
- To facilitate resolution of procurement complaints.

This is the first performance report since PPRA became operational on 1st May 2005. For the last two years that the PPRA has been in operation, it has strengthened itself and established various tools that would enable it to carry out its oversight functions effectively and efficiently. The following were major achievements during the period that PPRA has been in operation:

- (a) Prepared and approved the Organisation Structure and Scheme of Service of the Authority.
- (b) Strengthened PPRA including recruitment of staff, establishment of the office and acquisition of working facilities and training of PPRA staff in procurement, management and auditing.
- (c) Prepared the Procurement Capacity Building Strategy (PCBS) to guide the operations of the Division of Capacity Building and Advisory Services. As initial stages of implementing the strategy, PPRA has conducted training to staff of Procuring Entities (PEs) on public procurement policies, principles and practice to more than 2400 PEs officials, suppliers, service providers and contractors.

- (d) Prepared a System for Checking and Monitoring Procurement (SCMP) activities of PEs to guide the operations of the Division of Monitoring and Compliance. So far the system has been tested in five pilot PEs and about 148 PEs have been trained in the implementation of the system starting from the Financial year 2007/08.
- (e) Carried out procurement, contract and performance audits under the Millennium Challenge Threshold programme in which twenty (20) PEs were audited.
- (f) Carried out investigation on ten (10) cases of allegations or complaints on mis-procurement as part of its responsibility to administer and enforce compliance with the PPA, 2004 and the Regulations and guidelines issued under it.
- (g) Prepared Procurement Management Information System (PMIS) to guide the operations of the Division of Information Technology. As initial stages of rolling out the PMIS, a survey on Local Government Authorities (LGAs), Ministries, Departments and Agencies (MDAs) was carried out to determine their readiness to use PMIS. The findings provided an indication of the readiness of the PEs to use PMIS ;
- (h) Prepared various Standard Tender Documents and Guidelines for carrying out procurement.
- (i) Prepared Financial and Staff Regulations to guide the operations of the Division of Finance and Administration;
- (j) Prepared the Internal Audit Manual and Charter to guide the operations of the Internal Audit Unit.
- (k) Identified other areas of improvement of the Act through experience gained by PPRA in implementing the Act and through a Country Procurement Assessment Review (CPAR) which was carried out in 2006 and culminated in a stakeholders workshop in February 2007.

Despite the achievements so far made, PPRA is faced with the challenge of ensuring the sustainability of these achievements, particularly on the following areas:

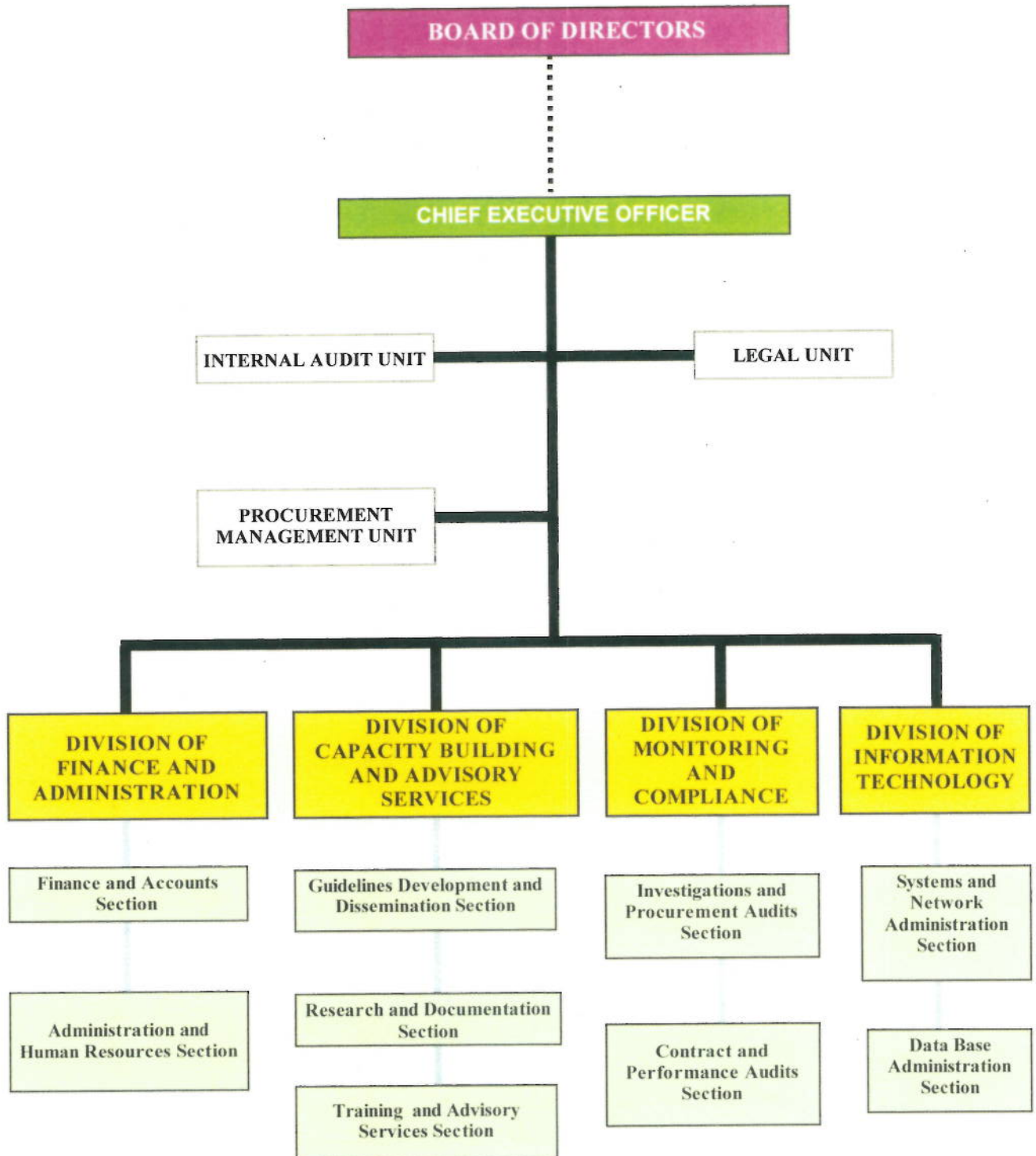
- a) Implementing various strategies and tools that have been developed; and monitor their effectiveness in improving procurement practice in the country.
- b) Implementing further reforms in the identified areas to ensure that procurement practice is free of inefficiency, abuse, corruption and offers value for money to the public.
- c) Ensuring that a Procurement Professional Body and Procurement Cadre are established,
- d) Ensuring Procurement Management Units (PMUs) with conducive working conditions are established.
- e) Mobilizing adequate financial resources to implement various programmes aimed at improving procurement practice in the country.

Following the achievements and challenges of 2006/07, as a way forward, PPRA is geared towards carrying out more activities in the next financial year. In 2007/08 the Authority shall consolidate all achievements that has been made so far and shall ensure that all programs and systems that have been developed are properly implemented and/or rolled out to the PEs. The Authority and other stakeholders of procurement shall consolidate the achievements that have been made by;

- (a) Implementing various strategies and tools that have been developed; and monitor their effectiveness in improving procurement practice in the country. This includes implementation of Procurement Capacity Building Strategy (PCBS) and System for Checking and Monitoring (SCMP), and rolling out of the Procurement Management Information System (PMIS). The implementation of these strategies and tools shall be part of the Medium Term Strategic Plan for the PPRA to be developed.
- (b) Embarking on a special programme of capacity building for the LGAs to carry out procurement.
- (c) Implement further reforms in the identified areas to ensure that procurement practice is free of inefficiency, abuse, corruption and offers value for money to the public.
- (d) Put special focus on strengthening of Procurement Professional Body, Establishment of Procurement Cadre and Staffing of and creating a conducive working environment for PMUs;
- (e) Marketing the various developed strategies to potential Development Partners with keen interest in procurement reforms for possible support and funding which is very much required if significant progress is to be made in strengthening the procurement system in the country. This will be particular be very crucial as the Authority approaches the end of the Financial Support which is provided under the Millennium Challenge Threshold (MCT) and African Development Bank (ADB) programmes which to a large extent have helped PPRA achieve some of its objectives.

The work that has been accomplished in the last two year has set a firm foundation for the Authority to execute its oversight function. It is the expectation of the Authority that year 2007/08 is going to bring desired results and better prospects for all stakeholders of Tanzania procurement system.

ORGANISATION STRUCTURE



BOARD OF DIRECTORS



*Dr. Enos S. Bukuku
Chairman*



*Mrs. Salome T. Sijaona
Member*



*Mr. Abubakari Rajabu
Member*



*Mr. Julius Mamiro
Member*



*Mr. Peter Magungul
Member*



*Mr. Justine Mding'i
Member*



*Mrs. Mwamini Tulli
Member*



*Mrs. Bertha Soka
Secretary*



*Dr. Ramadhan S. Mlinga
Member*

MANAGEMENT TEAM



*Dr. Ramadhan S. Mlinga
Chief Executive Officer*



*Dr. Laurent M. Shirima
Director, Capacity Building
and Advisory Services*



*Eng. Nyoka S. Kuswira
Director, Monitoring
and Compliance*



*Mrs. Harriet Mwakibinga
Director, Finance and
Administration*



*Mr. Peter Shilla
Director, Information
Technology*



*Mrs. Bertha Soka
Head of Legal Unit*



*Mr. Christopher Mwakibinga
Chief Internal Auditor*



*Mr. Robert Kitalala
Head of Procurement Management Unit*

PERFORMANCE OVERVIEW

1.0 Introduction

The 2006/07 financial year has been successful year for the Authority. Various interventions which were started in 2005/06 were completed and approved either by the Board of Directors or by the Ministry of Finance. Such interventions include preparation of the Organisation Structure and Scheme of Service for the Authority; preparation of the Procurement Capacity Building Strategy; and preparation of a System of Checking and Monitoring Procurement activities of the PEs.

Detailed information on the achievements made by PPRA and the performance of the PEs in implementing the Act are available in the Annual Report of PPRA for the Financial Year 2006/07 which was prepared and submitted to the Minister for Finance in October 2007 in accordance with section 26 of the Act.

In this report an abridged version of the mentioned report is given.

2.0 Strengthening of PPRA

The following actions were taken during the year under review to strengthen PPRA to undertake its oversight functions:-

- Recruitment of fifty (50) staff out of the planned 51 staff in accordance with the approved establishment
- Completion of the partitioning of offices located at PPF Tower, 8th Floor, Ohio/ Garden Avenue and equipping with necessary furniture and office equipments.
- Preparation of Administrative and Staff Regulations and the Financial Regulations which provide guidance on administration of resources (human resources and other resources) and financial operations and internal control of the Authority. The Authority has also developed an Internal Audit Manual to guide activities of the Internal Audit Unit.
- Training of staff in which 36 staff attended various short term training and familiarization visits to other organization outside the country

3.0 Development and Dissemination of Procurement Guidelines

To help PEs to comply with PPA 2004, PPRA has issued various documents, including Standard Bidding Documents (SBDs), guidelines and manuals. During the period Six (6) SBDs and nine new SBDs were prepared. In addition user guides and guidelines for Preparing Responsive Bids for the above mentioned SBDs have been prepared as well and posted on the PPRA website.

4.0 Capacity Building of Procuring Entities and Bidders

During the year under review the following activities were carried out with the aim of assisting PEs to improve their capacity to carry out procurement in accordance with the Act.

- As a long time measure to improve capacity, PPRA has prepared a Procurement Capacity Building Strategy (PCBS) which focuses on six major areas, namely;
 - ❖ **Training** which is a core intervention in the PCBS. A structure of training has been put forward to impart skills necessary for enhancement of procurement practice. Training strategy is also

concerned with all the support structures that are necessary to realize a strong and sustainable procurement workforce and systems.

- ❖ **Regulatory Harmonisation** which is intended to address policy disjuncture which may affect public procurement performance. Strategic interventions in this area are designed to ensure that the law allows for the necessary linkages and joint action between agencies in order to ensure enhanced performance in procurement.
- ❖ **Oversight Efficiency** which refers to the effectiveness and efficiency in which the PPRA undertakes its oversight responsibilities for the procurement process. It addresses legal compliance, capacity development to enhance performance and the overall integrity of the public procurement process.
- ❖ **Professionalizing Procurement** which is concerned with the standards that are developed and enforced, and the manner in which the procurement field is governed to ensure that practitioners are properly qualified and always ready to perform effectively and that the management process is managed with integrity.
- ❖ **Regularising staffing levels** in the PEs to meet the requirements of the new regulatory framework, systems and processes.
- ❖ **Maximizing performance** by addressing organizational systems and structures which will constitute an acceptable vehicle for effective procurement performance management.

PPRA has prepared a detailed action plan for the implementation of the PCBS starting from the F/Y 2007/08.

- PPRA carried out training and dissemination of the Public Procurement Policies, Principles and Practices. A total of 858 individuals attended structured training organized by PPRA in five Modules: Module 1: General Overview of PPA 2004 and Regulations; Module 2: Introduction to the Procurement of Goods; Module 3: Introduction to the Procurement of Works; Module 4: Introduction to the Procurement of Consultancy Services; and Module 5: Introduction to the Procurement of Non Consultancy Services.
- In addition to the structured training, tailor-made training was conducted through workshops to 752 individuals from various public organisations. Unlike the regular workshops the tailor made seminars were not organized in modules, but rather gave an overview of the Act, Regulations and procurement procedures.
- PPRA took the initiative of disseminating to potential bidders the important provisions of the PPA 2004 and its regulations as well as the procedures for procurement of goods, works and services; and on how to handle procurement complaints to potential bidders of public tenders. The disseminations were conducted in cooperation with Public Procurement Appeals Authority (PPAA) and Contractors Registration Board (CRB). Overall the participants in PPAA debriefings was over 360, while in CRB annual consultative meetings and other seminars participants were more than 400.
- As a routine annual event, PPRA conducted an Annual Workshop for Secretaries of Tender Board on 14th to 16th May 2007 at Paradise Hotel- Bagamoyo. About 182 Head of PMUs /Secretaries of the Tender Bodies from MDAs and LGAs attended. The theme of the workshop was Towards Efficient and Corruption Free Public Procurement. Presentations focused on the following major areas: procurement reforms and progress made by the PPRA; further areas of procurement reforms; integrity in procurement; challenges and experience of private sector in public procurement; procurement plan, budgeting and disbursement; and performance of procurement contracts.
- PPRA conducted a workshop for Members of Parliament of the Economic and Financial Affairs Committee on the 28th and 29th March, 2007. They were introduced to the various provisions of the

Act and the Regulations, and the interventions being undertaken by the PPRA to ensure effective implementation of the Act by the PEs.

5.0 Provision of Advisory Services

PPRA has been offering Advisory services to all PEs throughout the country. During the financial year 2006/07 the Authority has provided advisory services in the following areas:- the use of Standard Bidding Documents; the use of various Guidelines issued by the Authority; and application of PPA 2004 and its regulations.

6.0 Checking and Monitoring Procurement by PEs

In its capacity as an oversight body in ensuring effective implementation of the PPA 2004 and its Regulations the Authority carried out the following activities:

- PPRA has prepared a system which will be used to monitor compliance of PEs with PPA 2004. The System was tested in five pilot PEs namely: TANESCO, TANROADS, Ministry of Health and Social Welfare, Ministry of Water and Ministry of Agriculture, Food Security and Cooperatives. During the pilot testing, weaknesses in the proposed system were identified and inputs were provided for improvement. As preparation for the implementation of the system in 2007/08, PPRA has conducted training to heads of Procurement Management Units (PMUs) and Internal Auditors of 22 Ministries, 109 Agencies/ Authorities/ Independent/ Government/ Departments/Parastatals and 17 Regional Secretariats. A total of 371 staff attended the training including 142 Heads of PMUs, 125 Internal Auditors and 104 PMUs staff.
- Tanzania participated in the pilot testing of the methodology for Assessing Country Procurement Systems. The “*Methodology for the Assessment of National Procurement Systems*” version 4 (July 2006), which was developed in cooperation between a joint venture for procurement consisting of World Bank, Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and a number of developing countries. The methodology provides a harmonized tool, which developing countries and development partners can use to assess quality and effectiveness of national procurement systems. The assessment was done in a sample of twenty (20) PEs and indicated good performance in public opening of tenders, use of objective evaluation criteria, public advertisement of tenders and use of competitive methods of procurement. On the other hand, the assessment indicated poor performance in the following: not communicating award decisions to unsuccessful bidders, poor records keeping, non-preparation of projects completion reports, non-preparation of annual procurement plans , and non-use of standard bidding documents.
- PPRA carried out procurement audits in twenty (20) PEs. Based on the assessment of the audited PEs, the overall performance in complying with PPA 2004 and its Regulations was 39%. TANROADS attained the maximum performance of 75% while NHC attained the minimum performance of 14%. In general the audits indicated good performance in the following areas: public opening of tenders; use of objective evaluation criteria; public advertisement of tenders; and use of competitive methods of procurement. On the other hand, the assessment indicated poor performance in the following areas: communication of award decision to unsuccessful bidders; record keeping; preparation of project completion reports; preparation of annual procurement plans; and use of standard bidding documents.
- During the reporting period PPRA investigated ten (10) cases of allegations and complaints on mis-procurement. The allegations and complaints were mainly in the following areas: Improper evaluation of tenders; Use of biased specifications; Rejection of tenders on opening; and Incorrect tendering procedures. Generally, the investigations revealed that there is inadequate knowledge of PPA 2004, the Regulations and Standard Tender Documents (STDs) by both bidders and PEs staff; thus necessitating more efforts in building their capacity.

- During the period under review, nine procurements carried out by PEs were randomly selected and reviewed to check compliance. The following major weaknesses were revealed in the review: Non-usage of standard tendering documents prepared by PPRA; Inappropriate usage of procurement methods; Inappropriate tender evaluation; Allowing short tendering period; Not seeking compulsory approvals; Non-notification of award decisions to unsuccessful bidders; Inappropriate award communication; Inappropriate appointment of evaluation committees; and Awarding contracts beyond tender validity periods. The identified weaknesses were mainly due to inadequate knowledge of the PPA 2004 and its Regulations by the Accounting Officers, PMU staff, members of the Tender Board, and User Departments.

7.0 Sharing and Dissemination of Procurement Information

In its effort to provide information on procurement activities in the country, PPRA carried out the following activities:

- Prepared a dummy and registered a procurement journal that was strongly recommended in the 2003 CPAR. The journal referred to as *The Tanzania Procurement Journal* was registered on 6th June 2007 with certificate of registration No. 00000401 and ISSN No. 1821-6021. The journal will be produced bi-weekly and sold or distributed to the stakeholders.
- Establishment of the Authority's Website; www.ppra.go.tz. The following information is posted in the website and updated regularly: PPA No. 21 of 2004 and its Regulations; Standard Bidding Documents (SBDs) for Works, Goods, Supply and Installation, Non-consultant services, Request for Proposal (RFP) for Consultant services and Standard Invitation for Quotation; Tender Notices and awarded tenders by the PEs; Guidelines on Tender evaluation and Preparation of responsive bids; Templates and Guidelines on preparation of Annual Procurement Plan (APP); and Various Circulars issued to PEs and Information on Training/workshop/Seminars conducted by the Authority.
- In order to enhance its capacity to enforce compliance with PPA 2004 by all PEs, the Authority has prepared a Procurement Management Information System (PMIS) which will make use of Information and Communication Technologies (ICTs). When implemented to PEs, the PMIS will facilitate the following:- Electronic submission by PEs of procurement information to the Authority; Secure storage of all procurement information, some of which can be shared to the procurement stakeholders and Computation of various compliance indicators of PEs.
- During the year ending June, 2007, the Authority carried out surveys to determine readiness of PEs to use PMIS. The survey which covered 39 LGAs and 142 MDAs indicated the following results:-
 - 60.6% of surveyed MDAs and 77% of surveyed LGAs have requisite computer that can be used for PMIS;
 - 87.3% of surveyed MDAs and 77% of surveyed LGAs have the requisite Internet services; and
 - 70.4% of surveyed MDAs and 82% of surveyed LGAs have PMU's staff with computer skills necessary for using PMIS.

The Authority will continue with surveys to cover other Procuring entities and the results will be used while planning the roll out of the PMIS in 2007/08, starting with those that are e-ready for the PMIS.

8.0 Other Interventions aimed at Improving the Procurement System

In addition to the above reported activities, PPRA carried out the following activities aimed at improving the country procurement system:

- PPRA has prepared a structure and staffing levels for PMU and scheme of service of procurement professionals and forwarded it to the Permanent Secretary, President's office, Public Service Management for review and guidance. Once approved it will be instrumental in the formation of PMUs in MDAs, LGAs and Parastatal organisations.
- PPRA in collaboration with NBMM have been working together towards amending the National Board for Materials Management (NBMM) Act No. 9 of 1981 in order to take care of the new developments in the procurement profession and to be in line with the PPA 2004. PPRA organized a stakeholders meeting to discuss the proposed amendments which were then approved by the Cabinet.
- PPRA conducted a survey to establish a comprehensive directory of PEs in the public sector. The directory categorizes PEs into Ministries, Independent Departments; Agencies; Regional Administrative Secretariats; Local Government Authorities, etc The Directory was posted to the PPRA Website and updating is done from time to time. So far, there are about 332 PEs comprising 27 ministries, 19 independent departments, 49 executive agencies including urban water and sanitation authorities, 94 parastatal organizations, 21 Regional Administration Secretaries and 122 LGAs.
- Further a survey was carried out in MDAs and LGAs to determine the status and capacity of implementing the Act. The survey focused on organizational aspects of the PEs, procurement types and volume, operational issues including transaction costs, as well as dispute resolution mechanism. Initially the survey was carried out in MDAs and has been extended to include all LGAs. Results of the survey shall assist PPRA to propose remedial actions to improve the procurement system in the country.
- PPRA formed a Joint Committee comprising members from LGA, the President's Office – Public Service Management (PO-PSM), PPRA and the Government Store to lay down the basic pre-requisite for procurement of common use items. The committee has prepared and submitted a paper on basic prerequisites for procurement of common use items. At the end of the year PPRA was in the final stages of recruitment of a consultant who shall develop a system for procurement of common use items based on the Terms of Reference (ToRs) developed by the joint committee.
- PPRA in conjunction with the World Bank Tanzania office organized a two days workshop on 10th and 11th January 2007 at Movenpick Royal Palm Hotel, Dar es Salaam to present the findings of the Country Procurement Assessment Review and obtain the stakeholders' views and comments on the issues identified and the timing of implementation of the recommended actions. A total of 185 participants from Government and other important stakeholders attended the workshop. The issues identified and the timings proposed for implementation of the recommended actions were forwarded to the Government for consideration.

9.0 Financial Performance for Fy 2006/07

During the financial year 2006/07, the Authority received a total sum of Tshs. 3,318,501,399 from the Government for meeting recurrent expenditure, as compared to the budgeted amount of Tshs. 3,500,000,000. The Authority also received for the Development expenditure, a total sum of Tshs. 189,883,330.00 from the Loan obtained by the Government from African Development Fund (ADF)

under the project titled Institutional Support Project for Good Governance (Tanzania Mainland) out of the whole project budget of Tshs. 5,507,741,000. In addition to this the Authority also earned income of Tshs. 5,469,801 from sale of documents and tailor made trainings. It also earned Tshs. 1,294,521 from short term deposits.

The actual expenditure as at the year end was about Tshs. 3,112,565,407 (excluding commitments). The Authority as at 30th June, 2007, had commitments amounting to Tshs. 180,240,482 on recurrent expenditure. The total expenditure reported consists of operating expenses and expenditure incurred on purchase of Fixed Assets.

10.0 Constraints and Challenges

Despite of the recorded achievements, the Authority faced a number of challenges during this Financial Year. Notable ones include the following:-

- a) **Lack of demand of PPRA services:** To succeed in the future there is a need for PPRA to establish itself as an organization that can add value to PEs activities. The services of PPRA should reach a level where they are demanded by the PEs themselves rather than being imposed onto them. For example PEs should see the System for Checking and Monitoring Procurement as assisting them to achieve their overall organizational objectives of achieving value for money in procurements carried out rather than as a tool used by PPRA to monitor them.
- b) **Unavailability of adequate funds to finance all procurement oversight and capacity building efforts:** This is particularly very critical given the backlog in the availability of qualified and experienced procurement practitioners. For the capacity building efforts to succeed the government must set aside adequate funds to finance the capacity building efforts. The amount of funds set aside for this should be benchmarked against possible benefits of having an efficient and effective public procurement system.
- c) **Lack of ownership of the procurement reforms:** Experience so far shows that capacity building efforts are spearheaded by PPRA, but the PEs have not seen the need of themselves reforming their ways of conducting business. For capacity building efforts to work well, the PEs should own the process.
- d) **Lack of coordination of various oversight agencies:** Overlapping efforts by various oversight agencies can bring unnecessary bureaucracy and confusion to procuring entities in implementing the PPA 2004. To avoid this, activities of oversight bodies like PPRA, the National Audit Office, Public Procurement Appeals Authority, the Prevention and Combating of Corruption Bureau, the Directorate of Public Prosecution, the Technical Audit Unit of Ministry of Finance and the Stock Verification Department of the Ministry of Finance need to be well coordinated.
- e) **Absence of a permanent office building:** The Authority's current offices are at the PPF Tower building which is very expensive and therefore not sustainable in the long run. The Authority is still looking for a permanent office premise or plot to construct its office building.
- f) **Operationalizing Staff Incentive Package:** The failure of the Ministry of Finance to approve PPRA's proposed staff incentive package has led to a negative impact on staff morale.
- g) **Confidence in the procurement system:** Lack of trust by suppliers and contractors on the way procurement and complaints are being handled by the PEs has resulted into lack of cooperation with the Authority's Intervention to improve the procurement system in the country.
- h) **Slow process of approving the scheme of service and formation of PMUs:** Some MDAs

despite receiving a circular from PO-PSM on establishment of PMUs are skeptical about its implementation in the absence of approved new scheme of service for the procurement cadre. The Ministries responsible for Finance and for Infrastructure Development have not resolved the issue of procurement cadre as suggested by PO-PSM.

- i) Slow pace of professionalizing procurement:** The formation of a Procurement Professional Body has taken too long and contributes to PEs carrying out procurement by using unprofessional staff.

11.0 Prospects and Work Plan Outline for Year 2007/08

Following the achievements of 2006/2007, PPRA is geared towards carrying out more activities in the next financial year. In the last two years, the major emphasis was put on development of essential tools that would be used by the PPRA to carry out its oversight function effectively and efficiently and also by the PEs to carry out procurement function in accordance with the Act and the Regulations.

In 2007/08 the Authority shall consolidate all achievements that has been made so far and shall ensure that all programs and systems that have been developed are properly implemented and/or rolled out to the PEs. The Authority and other stakeholders of procurement shall consolidate the achievements that have been made by;

- (a) Implementing various strategies and tools that have been developed; and monitor their effectiveness in improving procurement practice in the country. This includes implementation of PCBS and SCMP, and rolling out of the PMIS. The implementation of these strategies and tools shall be part of the Medium Term Strategic Plan for the PPRA to be developed.
- (b) Embarking on a special programme of capacity building for the LGAs to carry out procurement.
- (c) Implement further reforms in the identified areas to ensure that procurement practice is free of inefficiency, abuse, corruption and offers value for money to the public.
- (d) Put special focus on strengthening of Procurement Professional Body, Establishment of Procurement Cadre and Staffing of and creating a conducive working environment for PMUs;
- (e) Marketing the various developed strategies to potential Development Partners with keen interest in procurement reforms for possible support and funding which is very much required if significant progress is to be made in strengthening the procurement system in the country. This will be particularly crucial as the Authority approaches the end of the Financial Support which is provided under the MCT and ADBs programmes which to a large extent have helped PPRA achieve some of its objectives.

The work that has been accomplished in the last two year has set a firm foundation for the Authority to execute its oversight function. It is the expectation of the Authority that year 2007/07 is going to bring desired results and better prospects for all stakeholders of Tanzania procurement system.

PART II

REPORT OF THE DIRECTORS

In compliance with the Public Procurement Act, 2004 of Tanzania and the Tanzania Financial Accounting Standard No. 12 on Directors Report, the Directors submit their report and the audited financial statements of Public Procurement Regulatory Authority (PPRA) for the year ended 30 June, 2007.

Directors

The Directors of the Authority at the date of this report, who held office during the year since 1 July 2005 except as otherwise stated are:

<i>Name</i>	<i>Position</i>	<i>Nationality</i>
Dr. Enos Bukuku	Chairperson	Tanzanian
Mrs. Salome Sijaona	Director	Tanzanian
Mr. Abubakar Rajabu	Director	Tanzanian
Mr. Peter Magunguli	Director	Tanzanian
Mr. Justin Mding'i	Director	Tanzanian
Mr. Julius Mamiro	Director	Tanzanian
Ms. Mwamini Tulli	Director	Tanzanian
Dr. Ramadhan.S. Mlinga	Director	Tanzanian

Directors Responsibility for Financial Reporting

The Directors are required by the Public Procurement Act of 2004 to prepare financial statements that give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the surplus or deficit of the Authority for that period. The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 30th June 2007. The Directors also confirm that the International Financial Reporting Standards have been followed. The Directors are responsible for keeping of proper accounting records, for safeguarding the assets of the Authority and hence for taking reasonable steps for prevention of fraud and other irregularities.

Principal Activities

The Public Procurement Regulatory Authority (PPRA) was established under the Ministry of Finance by the Public Procurement Act No.21 of 2004. The functions of the Authority can be grouped into six major areas:-

- (a) Offering advisory services to Government Entities and individuals and general public on procurement related matters;
- (b) Monitor compliance with the PPA 2004, its regulations and guidelines;
- (c) Prepare and disseminate Standard tender documents and guidelines for better carrying out of procurement activities;
- (d) Store and disseminate information on procurement opportunities, tender awards and any other relevant information on public procurement system in the country
- (e) Design and implement procurement capacity building strategy in the country; and

- (f) Facilitate resolution of procurement complaints.

Results of the Year

The Public Procurement Regulatory Authority earned a surplus of Tshs.645,767,827 out of the total receipts of Tshs. 3,487,571,820 against total operating expenses of Tshs. 2,841,786,993.

Solvency

The Authority's state of affairs as at 30th June, 2007 is set out on page 4 of these financial statements. The directors consider the Authority to be solvent within the meaning ascribed by the Companies Act, CAP 212.

Auditors

The Controller and Auditor General is the Statutory auditor of the Public Procurement Regulatory Authority (PPRA) by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under section 30 (1) c of the Public Finance Act (PFA) No 6 of 2001 (revised 2004). However, in accordance with section 37(5) of the PFA, Innovex Auditors together with National Audit Office were authorised to carry a joint audit of the PPRA accounts on behalf of the Controller and Audit or General.

Board Meetings

The Board of Directors held one ordinary meeting and seven extraordinary board meeting during the year under review. There were also six ordinary meetings of the Board's committees during the year.

BY ORDER OF THE BOARD



.....
Director

Date.....17 March.....2008



.....
Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

We have audited the financial statements on pages 19 to 35 in accordance with the International Standards on Auditing. The financial statements are in agreement with the accounting records and we obtained the information and explanations we required.

Respective responsibilities of directors and auditors

As described on page 2, the Authority's directors are responsible for the preparation of financial statements. Our responsibility is to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Authority as at 30 June 2007 and of the changes in net assets and cash flows of the Authority for the year then ended in accordance with the International Public Sector Reporting Standards and comply with the Public Procurement Act, 2004 and the Public Procurement Regulations, 2005.

Innovex Auditors

Innovex Auditors
Certified Public Accountants
Dar es Salaam
Per Christopher Mageka



27/03/2008
Date

STATEMENT OF FINANCIAL POSITION

The financial statements on pages 5 to 8 were approved for issue by the Board of Directors on 11 February 2008 and signed on its behalf by:

	<u>Notes</u>	<u>2007</u> TShs
Assets		
Non-current assets		
Property and Equipment	2	<u>395,324,137</u>
Current assets		
Staff and other receivables	3	162,031,802
Cash and cash equivalents	4	<u>427,082,031</u>
		<u>589,113,833</u>
Total assets		<u>984,437,970</u>
Liabilities		
Non-current liabilities		
Retirement benefit obligations	5	<u>159,906,558</u>
Current liabilities		
Liabilities recognized under transfer arrangements	6	65,337,607
Accounts payable	7	<u>113,408,978</u>
		<u>178,746,585</u>
Total liabilities		<u>338,653,143</u>
Net assets		<u>645,784,827</u>



.....
 Director

Date *17 March*2008



.....
 Chief Executive Officer


The Notes on pages 23 to 35 form an integral part of these financial statements

Report of the auditors –Page 18

STATEMENT OF FINANCIAL PERFORMANCE

	<u>Notes</u>	<u>2007</u>
		TShs
Operating revenue		
Transfer revenue:		
Assets in kind	2(i)	37,760,375
ADB grant		124,545,723
Government grant	8	3,318,501,400
		3,480,807,498
Other income		5,469,801
Total operating revenue		3,486,277,299
Operating expenses		
Administrative expenses	10	836,755,087
Capacity building expenses	11	404,803,564
Monitoring expenses	12	206,281,021
Training expenses	13	187,235,441
Office set up costs	14	228,278,154
Staff costs	15	960,567,298
Depreciation	2	17,866,428
Total operating expenses		2,841,786,993
Surplus from operating activities		644,490,306
Finance income		1,294,521
Total non operating revenue		1,294,521
Net surplus for the year		645,784,827

The financial statements on pages 22 to 34 were approved for issue by the board of directors on 11 February 2008 and signed on its behalf by:



Director

Date *17 March*.....2008



Chief Executive Officer

The Notes on pages 23 to 35 form an integral part of these financial statements

Report of the auditors –Page 18

STATEMENT OF CHANGES IN NET ASSETS

	<u>Accumulated Surplus</u>	<u>Total</u>
	Tshs	TShs
Net Surplus for the year	645,784,827	645,784,827
Balance as at 30/06/2007	<u>645,784,827</u>	<u>645,784,827</u>

The Notes on page 23 to 35 form an integral part of these financial statements

Report of the auditors –Page 18

CASH FLOW STATEMENT

	<u>Notes</u>	<u>2007</u> Tshs
Operating activities		
Net cash from operations	9	840,272,596
Investing activities		
Purchase of property, plant and equipment	2	<u>(413,190,565)</u>
Net cash used in investing activities		<u>(413,190,565)</u>
Increase in cash and cash equivalents		<u><u>427,082,031</u></u>
Movement in cash and cash equivalents		
Increase in cash and cash equivalents		<u>427,082,031</u>
Cash and cash equivalents at the end of year	4	<u><u>427,082,031</u></u>

The Notes on page 23 to 35 form an integral part of these financial statements

Report of the auditors –Page 18

NOTES TO THE FINANCIAL STATEMENTS

GENERAL INFORMATION

(a) Statute

- (i) The Public Procurement Regulatory Authority was established by the Public Procurement Act, No. 21 of 2004. The Act stipulates in detail the objectives, functions and powers of the Authority. The Authority offices are located at the 8th Floor of PPF Tower, Ohio/Garden Avenue, Dar es Salaam.
- (ii) The overall management of PPRA is vested in the Board of Directors as the Governing body under the supervision of the Ministry of Finance. The Chief Executive Officer carries out the day to day operations of the Authority.

(b) Principal Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of Preparation

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). Early adoption of the International Public Financial Accounting Standards, has been applied in preparing these financial statements. The transition to IPSAS in Tanzania is not mandatory. These financial statements are the first financial statements of the Authority. The policies set below have been consistently applied to all the year (s) presented except for those relating to the classification and measurement of financial instruments. The Authority has made early adoption of IPSAS 1, IPSAS 2, IPSAS 17 and IPSAS 23 with effect from 1 July 2006. IPSAS 17, "Property, Plant and Equipment" assets acquired through non exchange transaction are measured at their fair value as at the date of acquisition. Transferred assets are measured at their fair value as at the date of acquisition.

These financial statements have been prepared under historical cost convention. No adjustments have been made for other inflationary factors affecting the accounts.

The preparation of financial statements in conformity with IPSAS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a high degree of judgment or complexity, on where assumptions and estimates are significant to the financial statements are disclosed in Note 1.18

The principal accounting policies adopted in the preparation of these financial statements are set out below.

The financial statements comply with International Public Sector Accounting Standards for the accrual basis of accounting. The measurement base applied is historical cost adjusted for revaluations of assets. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

1.2 Property and Equipment

Property and equipment are initially recorded at cost. These assets are subsequently shown at historical cost, less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to Authority and the cost of the item can be reliably measured. Where an asset is acquired at no cost, or for a nominal cost through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Depreciation is calculated on a straight line method so as to allocate the cost or revalued amount to its residual value over estimated useful life as follows:

Description	<i>Rate (%) Per Annum</i>
Motor vehicles	25
Computers	33.3
Furniture, Fittings and Equipments	25

Major renovations are depreciated over the remaining useful life of the related assets or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance expenditure is charged to the profit and loss account during the financial period in which it's incurred. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.3 Impairment of Assets

Assets that are subject to the depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash generating units).

1.4 Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined on a weighted average cost method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the open market less applicable selling expenses. Store and consumers are stated at cost less any provision for obsolescence. Any obsolete items are provided for in full in the year they are detected.

1.5 Revenues

Transfer Revenue

Assets and revenue recognized as a consequence of a transfer are measured at the fair value of the assets recognized as at the date of recognition. Monetary assets are measured at their nominal value unless the time value of money is material, in which case present value is used, calculated using a discount rate that reflects the risk inherent in holding the asset. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognized when a binding transfer arrangement is in place but cash or other assets have not been received.

Assets and revenue arising from transfer transactions are recognized in the period in which the transfer arrangement becomes binding, except for some services in-kind. The Authority recognizes only those services in-kind that are received as part of an organized program and for which it can determine a fair value by reference to market rates. Other services in-kind are not recognized.

Where a transfer is subject to conditions that, if unfulfilled, require the return of the transferred resources, the Authority recognizes a liability until the condition is fulfilled.

1.6 Financial Instruments

PPRA does not hold non-derivative financial assets with fixed or determinable payments that are not quoted in active market. They arise when PPRA provides goods and/or services directly to a debtor with no intention of trading the receivables. Payables and Receivables are included in trade payables or receivables respectively in the balance sheet. Financial instruments, including cash and transfers receivable that satisfy the definition of a financial instrument, and other assets will also be measured at fair value as at the date of acquisition.

1.7 Accounts Payables

Trade payables are stated at their nominal value.

Except for accruals and provisions, there were no major estimates and assumptions made during the year that have a significant risk of causing material adjustment to the carrying amounts of Authority's assets and liabilities within the next financial year.

1.8 Employees Benefits

(i) Pension obligation

The Authority has defined benefits and defined contribution plans. For defined contribution plans, the Authority contributes to publicly administered pension funds (Public Service Pension Fund (PSPF), Local Governments Pension Fund (LAPF), National Social Security Fund (NSSF) and Parastatals Pension Fund (PPF) on a mandatory basis. The Authority has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefits expense when they are due. The liability recognized in the balance sheet in respect of the defined benefits plan is the present value of the defined obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs.

(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 unfunded non-contributory 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.

The liability recognized in the balance sheet in respect of the defined benefits plan is the present value of the defined obligation at the balance sheet date, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined retirement benefit

obligations are calculated after every three years by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employee's expected remaining working lives.

1.9 Foreign Currency Translation

(a) Functional and Presentation Currency

Items included in the financial statements are measured in Tanzanian shillings, the currency of the primary environment in which the entity operates ("functional currency"). The financial statements are presented in Tanzanian Shillings, which is the Authority's functional and presentation currency.

(b) Transaction and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the Income Statement.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined.

1.10 Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. When the conditions attaching to government grants have been complied with they are recognized in profit or loss. When they are for expenses or losses already incurred, they are recognized immediately in profit or loss.

Government subventions and ADB grants are accounted for on cash basis and recorded in the Financial Performance Statement while Millennium Challenge Threshold 1 grant has been recorded in the Financial Performance Report as revenue on receipt of non current assets as the grant, is not subject to conditions that , if unfulfilled require the return of transfer resources. The Millennium Challenge Threshold programme is being implemented by USAID using an appointed consultant.

1.11 Cash and cash equivalent

Cash and cash equivalent include cash in hand, deposit held at call with banks, other short –term highly liquid investments with original maturities of three months or less, and bank overdraft. Bank overdraft is shown within borrowings in current liabilities.

1.12 Provisions

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

1.13 Financial risk management

The Authority's activities expose it to a variety of financial risks: foreign currency risks. The Authority's overall risk management programme seeks to minimize potential adverse effects on the company's financial performance. Risk management is carried out by the management on behalf of the Board of Directors.

Foreign currency risks

As and when the need arises, the Authority enters into transactions denominated in foreign currencies (primarily United States Dollars (US\$)). In addition, the Authority has assets and liabilities dominated in United States Dollars (US\$). As a result, The Authority is subjected to transaction and translation exposure from fluctuations in foreign currency exchange rates. The effect of foreign currency risk however is not significant and therefore the management does not hedge against foreign currency risks.

1.14 Estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment and their residual values. The rates used are set out in Note 1.2 above.

1.15 Comparative Figures

Where necessary, the comparative figures will be classified to conform to changes in presentation in the respective year of reporting. We have not reported any comparative figures in this financial year because this is the first independent Financial Report since formation of the Authority. Prior to this financial year, the accounts of the Authority were being maintained by the Ministry of Finance and formed part of the Financial Statements of the Ministry.

2. PROPERTY AND EQUIPMENT

	Vehicles TShs	Computers Tshs	Furniture & Fittings TShs	Total TShs
Cost				
Additions	329,125,830	63,896,735	20,168,000	413,190,565
Cost at year end	329,125,830	63,896,735	20,168,000	413,190,565
Depreciation				
Charge during the year	13,713,576	2,475,910	1,676,942	17,866,428
At year end	13,713,576	2,475,910	1,676,942	17,866,428
Net book value				
At 30 June 2007	315,412,254	61,420,825	18,491,058	395,324,137

(i) **Assets provided by USAID**

During the year 2006/07 the Authority was provided by USAID through their appointed consultant, namely Kilimanjaro International Corporation the following assets:-

Sub item	Quantity	Cost (in USD)	Cost (in Tshs. equivalent)
Lap Top Computer	10	13,200	16,953,638
Desk top Computers & Software	15	16,200	20,806,737
Total		29,400	37,760,375

(ii) **Assets inherited from Central Tender Board**

There are various assets which were inherited from the Central Tender Board which the Authority has been using during the year. These assets however, have not been fully transferred from the Ministry of Finance books to the Authority's and thus have not been included in the financial position. The assets include:

- Furniture and Fittings
- Office equipment
- Motor vehicles (2)
- Computers and printers

3. STAFF AND OTHER RECEIVABLES

	2007 Tshs
Staff imprests receivables	155,412,706
Other receivables	6,619,096
	162,031,802

4. CASH AND CASH EQUIVALENTS

Cash at bank	247,742,878
Cash in hand	19,339,153
Short term deposits	160,000,000
	427,082,031

5. RETIREMENT BENEFIT OBLIGATIONS

The Authority has a funded non-contributory contract employee gratuity which provides for lump sum payments to its contract employees on their termination or completion of their contract periods. The arrangement is based on 25% on the monthly basic pay and qualifies as a defined benefit plan. Since this is the first year of the plan no actuarial has been carried out of the Arrangement as at 30 June 2007. In addition no payment has been made under this Arrangement.

6. LIABILITIES RECOGNISED UNDER TRANSFER ARRANGEMENTS

The United Republic of Tanzania signed a Protocol of Agreement with the African Development Fund for the Institutional Support Project for Good Government on 11 of February 2005. The total fund agreement in various convertible currencies does not exceed the equivalent of four million seven hundred and ninety seven thousand Units of Account (UA 4,797,000). The project has two distinct components, namely (i) Strengthening the Procurement Component in Mainland's Public Financial Management Reform Programme; and (ii) Supporting Good Governance Reforms in Zanzibar.

At June 30, 2007, the Authority recognized a liability of Tshs 65,354,608 related to a transfer to it conditional upon it implementing Institutional Support for Good Governance Project. As at June 30, 2007, the Authority had received a cash payment of Tshs 189, 883,330, out of this amount a total of Tshs 98, 954, 923 had been spent for training component and Tshs 25, 590, 800 for operating expenses of the project. However, the implementations of other components had not commenced, although tenders for consultancy services were called for between April and August and evaluation processes are going on. The amounts disbursed on account of this Protocol shall be applied solely for the purposes for which they were disbursed.

	2007 Tshs
Transfers received	189,883,330
Transfer revenue recognized during the year	<u>(124,545,723)</u>
	<u><u>65,337,607</u></u>

7. ACCOUNTS PAYABLE

Payables	43,606,200
Accruals and provisions	67,706,298
Other payables	<u>2,096,480</u>
	<u><u>113,408,978</u></u>

8. GOVERNMENT GRANT

	<u>Date</u>	2007 <u>Tshs</u>
Permanent Secretary –Ministry of Finance	4/0/2006	291,666,700
Permanent Secretary –Ministry of Finance	12/09/2006	241,666,700
Permanent Secretary –Ministry of Finance	26/10/2006	291,667,000
Permanent Secretary –Ministry of Finance	30/10/2006	291,667,000
Permanent Secretary –Ministry of Finance	19/12/2006	291,667,000
Permanent Secretary –Ministry of Finance	28/12/2006	291,667,000
Permanent Secretary –Ministry of Finance	1/02/2007	291,667,000
Permanent Secretary –Ministry of Finance	20/03/2007	291,667,000
Permanent Secretary –Ministry of Finance	17/04/2007	291,667,000
Permanent Secretary –Ministry of Finance	29/05/2007	291,667,000
Permanent Secretary –Ministry of Finance	12/06/2007	24,082,102
Permanent Secretary –Ministry of Finance	22/06/2007	367,584,898
Permanent Secretary –Ministry of Finance	29/06/2007	60,165,000
		<u>3,318,501,400</u>

9. CASH GENERATED FROM OPERATIONS

	<u>Notes</u>	<u>Tshs</u>
Reconciliation of surplus for the year to cash generated from operations:		
Surplus for the year:		645,784,827
Adjustments for:		
Depreciation	2	17,866,428
Cash generated from operations before working capital changes		663,651,255
Changes in working capital:		
Increase in staff and other receivables		(162,031,802)
Increase in retirement benefit obligations		159,906,558
Increases in liabilities recognized under transfer arrangement		65,337,607
Increase in accounts payable		113,408,978
Cash generated from operations		840,272,596

10. ADMINISTRATIVE EXPENSES

	2007 Tshs
(a) Funded by Government Subvention	
Leave Travel	12,639,000
House Allowances	202,839,735
Extra Duty Allowance	22,346,000
Utilities	31,070,000
Postal Charges	1,206,600
Advertising	26,145,880
Periodicals & Newspapers	1,279,080
Food & Refreshments	3,347,400
Cleaning Supplies	120,000
Computer Accessories Supplies	19,490,053
Honorarium	39,065,000
Sundry Expenses	9,557,703
Kitchen Appl, Utensil & Cro	58,000
Contract (Private Garage)	14,067,873
Electricity	13,547,876
Sundry – Domestic	866,500
Diesel	14,693,416
Sitting Allowances	119,970,000
Per diem Domestic	53,105,000
Travel tickets domestic	1,997,700
Stationary Supplies	21,798,849
Outfit Allowance	4,621,319
Conference facility	14,745,875
Travel tickets foreign	60,395,700
Bank Charges	2,376,207
Printing	40,815,200
Per diem foreign	46,740,429
Professional fees	593,000
Telephone and Telegrams	132,132
Consultancy Fees	890,000
Motor vehicles expenses	3,442,760
Audit expenses	26,000,000
Entertainment Allowance	1,200,000
	<u>811,164,287</u>
(b) funded by ADB	
Advertising	25,590,800
	<u>25,590,800</u>
Total (a) + (b)	<u><u>836,755,087</u></u>

11. CAPACITY BUILDING EXPENSES

Activity	2007 <u>Tshs</u>
Implementation and monitoring of procurement capacity building strategy.	205,512,008
Conducting one day workshop in four Zonal Centers for all stakeholders in Public Procurement annually	62,215,000
Conducting one 3 day workshop for heads of Procurement Management Units annually	121,316,556
Conducting one day workshop for Members of Parliament annually	15,760,000
	404,803,564

12. MONITORING AND COMPLIANCE EXPENSES

The major activity involved testing of the checking and monitoring system in five pilots Procuring Entities.

Details	2007 <u>Tshs</u>
Travel tickets – domestic	7,058,500
Per diem – domestic	69,110,000
Sundry – Domestic	834,850
Diesel	675,225
Sitting Allowance	27,600,000
Stationary Supplies	6,450
Honorarium	33,492,500
Conference	49,113,923
Consultancy Fees	14,767,813
Sundry Expenses	1,275,840
Facilitation	400,000
Photocopies	1,945,920
	206,281,021

13. TRAINING EXPENSES

Source	2007 <u>Tshs</u>
GOT subventions	88,280,518
ADB funds	98,954,923
	187,235,441

During the financial year 2006/2007, thirty six (36) staff were sponsored / supported for training as follows: short term training (23), seminar / workshop participation (7) and familiarization visits (6).

14. OFFICE SET UP COSTS

The Authority incurred the following costs for setting up its offices at the PPF Tower.

	2007
	<u>Tshs</u>
Office partitioning	54,099,463
Office Rent	148,901,812
Web hosting fees	25,176,079
TTCL Connection charges	100,800
	228,278,154
	228,278,154

15. STAFF COSTS

The following items are included with staff costs:

Social security costs:

Defined contribution plans	23,274,424
Defined benefit plan	159,906,558
Other statutory payroll remittances	40,690,349
	223,871,331
	223,871,331

16. RELATED PARTY TRANSACTIONS AND BALANCES

The key management personnel (as defined by IPSAS 20, "Related Party Disclosures") are the members of board of directors and management, who together constitute the governing body of the Public Procurement Regulatory Authority (PPRA). The aggregate remuneration and number of members of the Board of Directors and management are:

	Number of persons	2007
		<u>TShs</u>
(a) Directors remunerations		
The remuneration of directors were as follows:		
Directors' fees	8	10,500,000
Sitting allowance	8	26,500,000
(b) Senior staff remunerations		
Salaries	17	651,342,372
Retirement benefit obligations	17	159,906,558
Housing allowance	17	202,839,735
		1,014,588,665
		1,014,588,665

The senior staff consists of the Chief Executive Officer, the Heads of Divisions and Heads of independent Units.

17. COMMITMENTS

	2007
	<u>TShs</u>
As at the balance sheet, the Authority had the following had capital commitments:	
Approved and contracted for	136,815,732
Approved Local Purchase Orders (LPOs)	43,424,750
	<u>180,240,482</u>

18. CURRENCY

These financial statements are presented in Tanzania shillings.

