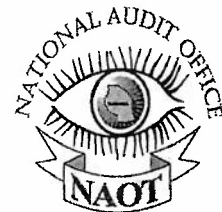


**THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF PUBLIC PROCUREMENT  
REGULATORY AUTHORITY FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE, 2014**

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The Controller and Auditor General  
National Audit Office  
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February, 2015

AR/PPRA/2014

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
ADF	African Development Funds
CAG	Controller and Auditor General
CEO	Chief Executive Officer
GEPF	Government Employees Pension Fund
GPSA	Government Procurement Services Agency
ISA	International Standards on Auditing
ISPGG	Institutional Support Project for Good Governance
ISSAIs	International Standards of Supreme Audit Institutions
LGAs	Local Government Authorities
LAPF	Local Authority Pension Fund
MDAs	Ministries, Departments and Agencies
MIS	Management Information System
MoF	Ministry of Finance
NAFCO	National Agricultural and Food Corporation
NAO	National Audit Office
NSSF	National Social Security Fund
PAA	Public Audit Act
PPAA	Public Procurement Appeals Authority
PE	Procuring Entity
PFMRP	Public Financial Management Reform Programme
PMIS	Procurement Management Information System
PMU	Procurement Management Unit
PPA	Public Procurement Act
PPPD	Public Procurement Policy Division
PPRA	Public Procurement Regulatory Authority
PSPF	Public Sector Pension Fund
PSPTB	Procurement and Supplies Professional and Technician Board
TFRS	Tanzania Financial Reporting Standard
TPJ	Tanzania Procurement Journal
URT	United Republic of Tanzania
USAID	United States Agency for International Development

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

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## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2014

In compliance with the Public Procurement Act, 2011 of Tanzania and the Tanzania Financial Reporting Standard (TFRS) No. 1 on Directors' Report, the Board of Directors submits their report and the audited financial statements of Public Procurement Regulatory Authority (PPRA) for the year ended 30<sup>th</sup> June, 2014.

#### 1 BOARD OF DIRECTORS

The Board of Directors of PPRA is a governing body consisting of a Chairman who is appointed by the President and six Non-Executive Directors appointed by the Minister for Finance. The Chief Executive Officer who is appointed by the President is the Secretary to the Board. Two members Hon. Mussa A. Zungu (MP) and Eng. Omar A. Chambo completed their second term on 19<sup>th</sup> July, 2014 and one member, Dr. Leonard M. Chamuriho completed his first term on 19<sup>th</sup> July, 2014 and was re-appointed for the second term of three years with effect from 16<sup>th</sup> September, 2014. To fill the vacant positions left by the two members, the Minister for Finance appointed Prof. Sylvia S. Temu and Eng. Boniface C. Muhegi as PPRA's Board of Directors for three years with effect from 16<sup>th</sup> September, 2014.

During the period under review, the Board had the following members.

S/ N	NAME	POSITION	QUALIFICATIONS /DISCIPLINE	NATIONALITY	DATE OF APPOINTMENT	END DATE OF STATUTORY TERM
1	Ambass. Dr. Matern C. Lumbanga	Chairman	Doctorate in International Relations	Tanzanian	20 <sup>th</sup> June, 2013	19 <sup>th</sup> June, 2016
2	Justice (retired.) Thomas B. Mihayo	Member	Lawyer	Tanzanian	12 <sup>th</sup> Oct. 2012	11 <sup>th</sup> Oct, 2015
3	Hon. Mussa A. Zungu	Member	Aircraft Engineer	Tanzanian	20 <sup>th</sup> July, 2011	19 <sup>th</sup> July, 2014
4	Eng. Omar A. Chambo	Member	Mining Engineer	Tanzanian	20 <sup>th</sup> July, 2011	19 <sup>th</sup> July, 2014
5	Dr. Edmund B. Mndolwa	Member	Chartered Accountant	Tanzanian	3rd Sept. 2013	2 <sup>nd</sup> Sept, 2016
6	Dr. Leonard M. Chamuriho	Member	Structural Engineer	Tanzanian	20 <sup>th</sup> July, 2011	19 <sup>th</sup> July, 2014
7	Mr. George D. Yambesi	Member	Human Resources Economist	Tanzanian	3 <sup>rd</sup> Sept. 2013	2 <sup>nd</sup> Sept, 2016
8	Dr. Laurent M. Shirima	Secretary to the Board	Structural Construction Engineer	Tanzania	1 <sup>st</sup> May, 2014	1 <sup>st</sup> May, 2017

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**2 BOARD'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The Board is required by the Public Procurement Act of 2011 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 Board confirms 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 30<sup>th</sup> June, 2014.

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

**3 PRINCIPAL ACTIVITIES**

The Public Procurement Regulatory Authority (PPRA) is established under the Public Procurement Act, 2011. The core functions of the Authority are provided under Section 9 of the Act and can be summarized into six categories as follows:

- (i) To offer advisory services on public procurement issues to public bodies and any other person;
- (ii) To monitor and enforce compliance with PPA;
- (iii) To issue standard bidding documents and guidelines for the better carrying out of procurement activities;
- (iv) To implement measures aimed at building procurement capacity in the country;
- (v) To store and disseminate information on procurement opportunities and tender awards;
- (vi) To determine, develop, introduce, maintain and update related system to support public procurement by means of information and communication technologies including the use of public electronic procurement.

The Authority is given powers to conduct investigation on its own initiatives or as a result of representation made to it by any person, to terminate procurement process for breaching the Act as well powers to require submission of information, to summon any person who can furnish information relating to an investigation or on any representation made to it.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**4 MAJOR ACHIEVEMENTS DURING THE YEAR**

In Financial Year (FY) 2013/14, PPRA managed to accomplish its goals as provided in its Medium Term Strategic Plan (MTSP). Some of the major achievements are as outlined in section 4.1 to 4.7.

**4.1 Strengthening the Authority**

The Authority continued to implement its Medium Term Strategic Plan (MTSP) FY 2009/10 - 2013/14 through respective budget and action plan. In addition, the Authority conducted monitoring and evaluation exercise of MTSP for the period ended 30<sup>th</sup> June, 2014.

The table below shows the overall achievement made in implementing MTSP

Strategic issue	Major achievements
To strengthen linkage between public procurement system and national economic growth and poverty reduction;	441 out of 453 PEs have been trained on how to align Procurement Plan with institutional and National Strategy for Economic Growth and Poverty Reduction (NSGRP)
To strengthen linkage between public procurement management and the national anti -corruption drive;	<ul style="list-style-type: none"> <li>(i) Red flag system has been established and is being implemented by to monitor and control corruption in public procurement;</li> <li>(ii) Anti-corruption strategy has been developed and implemented in collaboration with PCCB;</li> <li>(iii) PCCB officials have been trained on PPA, 2004 and its Regulations;</li> <li>(iv) PPA, 2004 and its Regulations have been revised to ensure more transparency and accountability during the implementation of procurement and execution of contracts.</li> </ul>
To strengthen Procuring Entities (PEs) compliance with the PPA 2004, Regulations and PPRA tools;	<ul style="list-style-type: none"> <li>(i) 445 PEs have established Tender Boards (TB) and 417 PEs have Procurement Management Unit (PMU) but not adequately staffed as required by the Law;</li> <li>(ii) The System for Checking and Monitoring Procurement (SCMP) is being implemented in 178 PEs. All PEs have already been trained on the implementation of the system; DMC</li> <li>(iii) The system for commonly used items has been established and database accessible through PPRA and GPSA websites;</li> </ul>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

Strategic issue	Major Achievements
To strengthen Procuring Entities (PEs) compliance with the PPA 2004, Regulations and PPRA tools (cont....)	<p>(iv) About 518 government leaders and politicians, including 17 cabinet Ministers, 24 Regional Commissioners, 25 Regional Administrative Secretaries and 133 District Commissioners, and 150 Tender Board chairpersons and members of Finance and Planning committees of LGAs; were sensitized on PPA, 2004 and its Regulations and amendments of the PPA, 168 CEOs and members of Board of Directors trained on PPA 2011</p> <p>(v) Procurement Management Information Systems (PMIS) to facilitate online reporting was established and rolled out to 364 PEs through training of 961 staff from PEs.</p> <p>(vi) Feasibility study on implementation of e-procurement in Tanzania was carried out in 2010 and gaps were identified in areas of legal framework, ICT security, infrastructure etc. In addressing the gaps, PPA 2011 and Regulations that came into effect in December 2013, has recognized e-procurement as acceptable method for conducting procurement to enhance transparency, efficiency and effectiveness. In addition, engagement with stakeholders is underway towards designing and phased implementation of a unified e-procurement solution for all entities.</p>
To strengthen PE and Bidders' proactive demand for and responsive to PPRA service;	<p>(i) Advocacy programme was prepared and sensitization seminars were conducted to Chairpersons of Board of Directors</p> <p>(ii) Public Education and Awareness Programme was prepared and implemented through local TVs</p>
Professionalization of the procurement function	<p>(i) The Authority promoted speedy establishment of PSPTB in 2008;</p> <p>(ii) The Authority supported the development of National Procurement Training Policy/Strategy by preparing training standards and submitted to the Ministry of Finance.</p>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

Strategic issue	Major Achievements
To strengthen PPRA Operational and Outreach Capacity;	(i) All PEs have been audited at least once; (ii) Value for money (performance) audits have been conducted in 344 construction projects in 83 PEs; (iii) Client Service Charter was prepared; (iv) PMIS is reviewed regularly to accommodate new requirements to support submission of APP, checklists and profiles of PMU staff and Tender Board members; (v) Business Continuity Management and Plan have been developed and progressively implemented; and (vi) Organization Structure and Scheme of Service were reviewed to match with the increased work-load and services.
To enhance networking and partnering	PPRA has participated in 19 international forums as reported in Annual Performance Evaluation Reports for year 2009/10, 2010/11, 2011/12 and 2012/13

**4.2 Capacity building**

- (i) Tailor made training was conducted to a total of eight hundred and forty seven (847) participants from 66 PEs, thus exceeding the target of 22 PEs for the year under review. The training followed requests from PEs to address the weaknesses observed during procurement audits.
- (ii) Two dissemination workshops for boards of directors and heads of public authorities and agencies were conducted. The theme of both workshops was "Implementations of Public Procurement Act: Lessons Learnt and Challenges." The first workshop for board members was conducted from 25th to 26th June 2013 in Arusha and attended by 82 Board of Directors, 44 Accounting officers and 42 staff from Public Entities.
- (iii) Dissemination of PPA 2011 and its Regulations was carried out to 261 staff from 43 MDAs and 9 LGAs. A total of 22 participants attended in Mwanza, 28 in Arusha, 38 in Mbeya 38 and 173 in Morogoro.
- (iv) An Annual Procurement Governance Workshop was conducted with a theme "Towards Implementation of Public Procurement Act 2011 and its Regulations of 2013". The Workshop attracted 336 participants including chairpersons and secretaries of tender boards, representatives of user departments and internal audits units throughout the country. The workshop was designed as a platform for improving procurement practices through sharing of experience and discussing challenges in the implementation of public procurement within procuring entities.



**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**4.3 Advisory services**

- (i) Reviewed fourteen (14) applications for retrospective approval, out of which, Pay Master General (PMG) was advised to grant retrospective approval to two (2) applications with a total value of TZS 799,654,000. PMG was also advised not to grant approval to five (5) applications with a total value of TZS 5,226,831,297 and USD 1,260,000. The Authority also advised PMG to reject two (2) applications from the Tanzania Building Agency (TBA) with a value of USD 1,100,000 and the Ministry of Home Affairs (MoHA) with a value of GBP 2,191,014.55 and Tshs.183,600,000 as local charges due to failure by these entities to submit data to support their applications. The Authority also ordered investigation to two (2) applications from Medical Stores Department with a value of USD 3,654,332.24 and one (1) from Tanzania Ports Authority with a value of TZS 37,453,754,873. The remaining two applications from TANROADS and Same District Council were under review.
- (ii) Conducted capability review assessment of two PEs namely Tanzania Ports Authority (TPA) and Tanzania Revenue Authority (TRA). Capacity gaps contributing to inefficiencies in the procurement processes were identified and improvement measures recommended. In particular, recommendations were provided to improve the setup of procurement governance organs, efficiency in the procurement processes and internal controls.
- (iii) General advisory services were provided on various issues relating to the application of PPA and its regulations, the use of SBDs as well as guidelines issued by the Authority.

**4.4 Enforcement of Compliance in Public Procurement**

- (i) In administrative review issues, Section 81 of the repealed PPA 2004 empowered the Authority to make administrative review of procurement complaints submitted by bidders. However, after coming into operation of PPA 2011 on 13th December 2013, the Authority is no longer involved in administrative review of procurement complaints. By virtue of Section 96 and 97 of the PPA 2011, the responsibility to review procurement complaints has been vested in accounting officers and the Public Procurement Appeals Authority (PPAA).

During the reporting year, the Authority received eleven (11) applications for administrative review whereby:

- a. Six (6) were reviewed and decisions delivered by the Authority in accordance with section 81 of PPA, 2004; and
- b. Five (5) were referred to PPAA because the procurement contracts were already in force.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

- (ii) Received, investigated and prepared reports on three cases of allegations or complaints on mis-procurement;
- (iii) As part of collaborative work between the Authority and the Prevention and Combating of Corruption Bureau (PCCB), the Authority continued to collaborate with PCCB as per the signed MoU. During the year under review, the Authority collaborated with PCCB in handling corruption cases related to public procurement.

**4.5 Introduction of e-Procurement in Tanzania and PMIS**

- (i) The Authority engaged with key stakeholders including eGA that is responsible for e-Government services, and PEs earmarked for piloting e-procurement namely MSD and GPSA. Accordingly, the agreed approach is to implement a unified solution of e-procurement in accordance with PPA 2011 and Regulations made under it.
- (ii) The Board of directors of the Authority was exposed to key issues necessary for implementation of e-procurement through benchmarking visits carried out in India. The visit was very useful to the Board given its new mandate under PPA 2011 to oversee implementation of full-fledged e-procurement system in Tanzania. Some members of Management also visited Korea, together with other stakeholders to learn Korea's e-procurement system.
- (iii) A Procurement Management Information System (PMIS), which is an early stage of e-Procurement, was rolled out through training conducted to 330 staff from 191 PEs making a total number of PEs registered to use the system to be 364.

**4.6 Systems for sharing and dissemination of information**

- (i) The weekly TPJ editions with approximately 765,000 copies were published and circulated countrywide, carrying information which include general procurement related news and events, tender advertisements, awarded contracts and articles on public procurement related issues;
- (ii) As a continuation of education program prepared and aired in the last review period, four additional TV programmes were under preparation to educate the public on improvements made in public procurement through the enactment of PPA 2011. Also, five radio jingles/advertisements on the new tools developed by PPRA to improve procurement performance and fight against corruption in procurement were developed.
- (iii) A total of 79 books on various issues including procurement were purchased and kept in the library. The authority has also embarked on an inter-loan library whereby one can exchange or lend certain information for users whenever such information is not available in the library. Libraries of other entities such as CRB, IFM, TACEA and Banks have provided PPRA with their publications.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

- (iv) The website and tender portal was updated with procurement information such as latest news on various procurement-related events as well as Fifty Five (55) General Procurement Notices (GPNs), 1563 Specific Procurement Notice (SPN) and 1861 Tenders awards;
- (v) A total of 4300 tender alerts was pushed to 1253 subscribers under the Mobile Tender Alert Service, which enable subscribed potential tenderers to receive early information on new procurement opportunities from PEs through their mobile phones;

**4.7 Others activities**

- (i) The United States Agency for International Development (USAID) and the United Republic of Tanzania (URT) entered into an agreement in September, 2013 to implement a four-year project for strengthening the role of PPRA as an Oversight Institution in Tanzania. The project is geared towards enhancing accountability by empowering PPRA to deliver on its Medium Term Strategic Plan (MTSP) as well as capacity strengthening of civil society for increased understanding of the procurement process and the importance of playing a watchdog role and in holding the government to account for the proper use of public resources. In this year the project supported two staff on long term training and a Board and Management study visit;
- (ii) The Authority has continued to enhance its collaboration with other oversight bodies in the country and other international bodies. During the year under review, PPRA submitted its Annual Performance Evaluation Report for FY 2012/13 to the Controller and Auditor General (CAG) and also participated in various workshops organized by the National Audit Office of Tanzania (NAOT). Similarly, the Authority has been submitting reports to PCCB on suspected cases of corruption; and
- (iii) The Authority has managed to win the support of the public through whistle blowers who have been providing tip-offs on malpractices in public procurement. On several occasions, the Authority has acted on whistle blowers' information and managed to unearth massive embezzlement of public funds.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**5 RESULTS FOR THE YEAR**

During the year ended 30<sup>th</sup> June 2014 the Authority incurred a deficit of TZS 203 million compared to the surplus of TZS 263.5 Million in 2013. Expenditure increased by 22% from TZS 6,495 million to TZS 7,935 million, while revenue increased by 11% from TZS 8,026 million to TZS 8,942 million. This is due to the fact that in the year under review, the PPRA started to implement a USAID funded project as explained in Note 14 of the Financial Statements.

**6 SOLVENCY**

The Authority's state of affairs as at 30<sup>th</sup> June, 2014 is reflected in these financial statements. The Board considers the Authority to be solvent.

**7 AUDITORS**

The Controller and Auditor General is the statutory auditor of PPRA by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under section. 10 (1) of the Public Audit Act No 11 of 2008. However, in accordance with Section 33 of the same Act, M/S. KEPLER Consultant was authorized to carry out the audit of PPRA for the year ended 30<sup>th</sup> June 2014 on behalf of the Controller and Auditor General.

**8 BOARD MEETINGS**

The Board of Directors held five (5) ordinary and seven (7) extra ordinary Board meetings.

Below is a summary indicating the number of meetings attended by the Board Members:

Name	Position in the Board	Expected Number of meetings to be attended	Number of meeting attended	
			Ordinary	Extra ordinary
Ambass. Dr. Matern C. Lumbanga	Chairman	12	5	7
Justice (rtd.) Thomas B. Mihayo	Member	12	4	6
Hon. Mussa A. Zungu (MP)	Member	12	2	7
Mr. Omary A. Chambo	Member	12	4	6
Dr. Edmund B. Mndolwa	Member	12	5	5
Dr Leonard. M. Chamuriho	Member	12	4	6
Mr. George D. Yambesi	Member (Appointed 3 <sup>rd</sup> September 2013)	12	2	3

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**9 BOARD COMMITTEES' MEETINGS**

During the period of review the Board had four committees namely; the Audit Committee, Complaints Review Committee, Advisory Committee and Technical Committee. Below is a summary indicating the number of meetings attended by the Board Committees' members:

**(i) Audit Committee**

Name	Position in the Committee	Expected Number of meetings to be attended	Number of meetings attended
Dr. Edmund B. Mndolwa	Chairman	8	4
Hon. Mussa A. Zungu (MP)	Member	8	3
Mr. Omary A. Chambo	Member	8	6
Dr Leonard. M. Chamuriho	Member	8	8
Mr. George Yambesi	Appointed in September, 2014	-	1

**(ii) Complaints Review Committee**

Name	Position in the Committee	Expected Number of meetings to be attended	Number of meetings attended
Justice (rtd.) Thomas B. Mihayo	Chairman	6	6
Hon. Mussa A. Zungu (MP)	Member	6	5
Dr. Edmund B. Mndolwa	Member	6	5
Dr Leonard. M. Chamuriho	Member	6	6

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**(iii) Advisory Committee**

Name	Position in the Committee	Expected Number of meetings to be attended	Number of meeting attended
Ambass. Dr. Matern C. Lumbanga	Chairman	4	3
Justice (rtd.)Thomas B. Mihayo	Member	4	4
Hon. Mussa A. Zungu (MP)	Member	4	3
Dr. Edmund B. Mndolwa	Member	4	3
Dr Leonard. M. Chamuriho	Member	4	4
Mr. George D.Yambesi	Member	4	2

**(iv) Technical Committee**

Name	Position in the Committee	Expected Number of meetings to be attended	Number of meetings attended
Justice (rtd.)Thomas B. Mihayo	Chairman	2	2
Hon. Mussa A. Zungu (MP)	Member	2	2
Mr. Omary A. Chambo	Member	2	1
Dr. Edmund B. Mndolwa	Member	2	2
Dr Leonard. M. Chamuriho	Member	2	2

**10 BOARD REMUNERATION**

The remuneration of Board of Directors is approved by the Treasury Registrar and are reviewed from time to time to match with what is being paid in similar Government organisations.

During the year under review the Directors were paid annual fees and sitting allowance as shown on page 12 of these financial statements.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**10 BOARD REMUNERATION (continued...)**

Details	Number of persons	2014 TZS '000	2013 TZS '000
Directors' fees	8	9,000	12,000
Sitting allowance	8	79,300	150,550
<b>Total Remuneration</b>		<u><b>88,300</b></u>	<u><b>162,550</b></u>

During the year under review the Board was also facilitated in two study tours, one in India to learn e-procurement issues and another one in USA to learn Governance issues. The total costs spent in India study tour was TZS 158 million whereas USA study tour was TZS 399 .5 million.

**11 RELATIONSHIP WITH STAKEHOLDERS**

The Authority continued to maintain good relationship with all stakeholders including NAOT, PCCB, MDAs, LGAs, Procurement Policy Division (PPD), Government Procurement Supplies Agency (GPSA), Public Procurement Appeals Authority (PPAA) and Procurement and Supplies Professional Board (PSPTB).

**12 COMPENSATION OF SENIOR STAFF**

The senior staff consists of the Chief Executive Officer, Heads of Divisions, Heads of independent Units and Heads of Sections. The remuneration of senior staff during the year were:-

Details	Number of staff	2014 TZS '000	2013 TZS '000
Salaries	17	1,197,895	1,195,744
Retirement benefit obligations	17	289,162	286,533
Housing allowance	17	116,400	120,600
		<u><b>1,603,457</b></u>	<u><b>1,602,877</b></u>

**13 STAFF WELFARE**

**13.1 Management & Employees relationship**

There was a continued good relationship between employees and management for the year 2013/2014.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**13.2 Training support**

During the year under review, PPRA continued to implement its Staff Development Plan (SDP), whereby sponsorship was provided for staff to attend short and long term training through Government subvention and AfDB funds under Phase II of the Institutional Support Project for Good Governance and USAID funded project as shown below. Under the said sponsorship, staff also attended various seminars, workshops and conferences within and outside the country as part of continuing professional development. Training attended mainly focused on PPRA's training needs and objectives as provided in SDP.

**Long and short-term training attended by staff**

S/N	Courses	No. of staff		
		Male	Female	Total
1	Diploma	1	1	2
2	Bachelor's degree	0	1	1
3	Post-graduate diploma	0	1	1
4	Professional level IV-Certified Procurement and Supplies Profession	1	0	1
5	Master's degree	4	2	6
6	Short courses	16	15	31

**13.3 Medical Assistance**

All staff in the Authority are members of the National Health Insurance Fund (NHIF) and when a staff does not get required medical facility under NHIF cover, the Authority refunds the staff accordingly all costs incurred. The Authority pays mandatory contribution each month to NHIF.

**13.4 Health & Safety**

The Authority takes all reasonable and practicable measures to safeguard health, safety and welfare of its staff. A safe working environment is ensured to all staff by providing a protective gears, training and supervision where necessary.

**13.5 Employees Benefit Plan**

The Government through Treasury pays mandatory contributions to a publicly administered pension scheme which qualifies to be a defined contribution plan. These include NSSF, PPF, PSPF, LAPF and GEPF.



**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

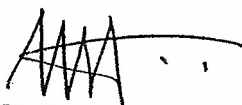
**13.6 Staffing**

The total number of existing employees during the year was 49 as compared to 142 approved manning levels. During the year 2013/14, PPRA was granted by the Public Service Management office (PO-PSM) a permit to recruit 50 Staff and through the recruitment exercise that was being coordinated by the Public Service recruitment secretariat (PSRS) until July, 2014 whereby 33 new staff were expected to be engaged by December, 2014. The Authority also requested from Prime Minister's Office - Public Service Management (PO-PSM) a permit for replacement of four positions left by staff in financial year 2013/14 and recruitment of 49 more staff in financial year 2014/15.

**13.7 Gender Parity**

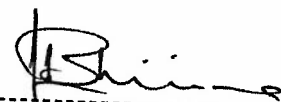
Out of the total number of staff in PPRA as at 30<sup>th</sup> June, 2014, 29 staff were male and 20 staff female.

**BY ORDER OF THE BOARD**



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Chairman of the Board

Date 02/02/2015



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Chief Executive Officer

## AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: Ambassador Matern Lumbanga,  
Chairman of the Board,  
Public Procurement Regulatory Authority,  
P.O.Box 49,  
DAR ES SALAAM.

REF: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PUBLIC PROCUREMENT REGULATORY AUTHORITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014

### Introduction

I have audited the accompanying financial statements of Public Procurement Regulatory Authority which comprise a Statement of Financial position, a Statement of Financial Performance, a Statement of Changes in Net Assets, Statement of Cash Flows and a comparison of budget and actual amounts, and notes comprising a summary of significant accounting policies and other explanatory notes set out from pages 17 to 41 of this report.

### Directors' Responsibility for the financial statements

The Board of Directors of Public Procurement Regulatory Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS) accrual. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### Responsibilities of the Controller and Auditor General

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA) and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, I considered the internal controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the PAA No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that; reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

Furthermore, Sect.48 (3) of the Public Procurement Act No. 7 of 2011 and the Public Procurement (Goods, works, Non-consultant services and Disposal of Public Assets by Tender) Regulations of 2013 require me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

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

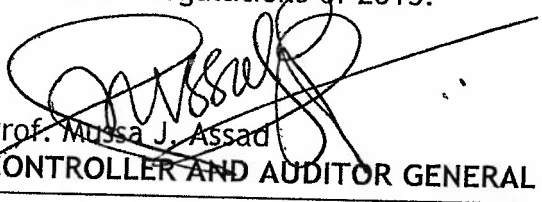
### **Unqualified Opinion**

In my opinion, the financial statements present fairly the financial position of Public Procurement Regulatory Authority as at 30<sup>th</sup> June, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and Public Procurement Act, 2011.

### **Report on Other Legal and Regulatory Requirements**

#### **Compliance with Public Procurement Act**

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that Public Procurement Regulatory Authority procurement processes have generally complied with the Public Procurement Act No. 7 of 2011 and its related Regulations of 2013.

  
Prof. Mussa J. Assad  
**CONTROLLER AND AUDITOR GENERAL**

National Audit Office,  
Dar es Salaam, Tanzania.

2<sup>nd</sup> February, 2015




PUBLIC PROCUREMENT REGULATORY AUTHORITY


STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2014

ASSETS	Notes	2014 TZS'000	2013 TZS'000
<b>Current Assets</b>			
Cash and Cash Equivalent	7	3,253,227	2,779,757
Receivable from exchange transactions	5	1,644,895	541,830
Receivable from non-exchange transactions	6	716,245	482,473
		<u>5,614,367</u>	<u>3,804,060</u>
<b>Non-current assets</b>			
Property and Equipment	2	1,883,464	1,688,592
Intangible Assets	1.4 & 3	1	1
		<u>1,883,465</u>	<u>1,688,593</u>
<b>TOTAL ASSETS</b>		<u>7,497,832</u>	<u>5,492,653</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	10	454,353	366,468
Payables from non-exchange transactions	11	1,081,681	254,868
Liabilities recognized under transfer arrangement	9 b (ii)	3,967,044	2,661,330
Deferred Income	4	1,076,793	1,088,833
		<u>6,579,871</u>	<u>4,371,499</u>
<b>Total liabilities</b>		<u>6,579,871</u>	<u>4,371,499</u>
<b>Net assets</b>		<u>917,961</u>	<u>1,121,154</u>
Accumulated Surplus		1,121,155	857,644
Surplus/Deficit for the year		(203,194)	263,510
<b>TOTAL NET ASSETS AND LIABILITES</b>		<u>7,497,832</u>	<u>5,492,653</u>

The Statement of Financial Position is to be read in conjunction with the notes forming part of the financial statements set out on pages 22 to 41.

  
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Chairman of the Board

Date: 02/02/2015

  
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Chief Executive Officer

Auditors' report - page 15 to 16

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2014**

	NOTE	2014 TZS '000	2013 TZS '000
<b>Revenue from Non Exchange Transactions</b>			
Transfer from Government	12	4,218,505	4,635,215
ADB Grant	9(a)	2,294,949	1,934,984
USAID Grant	14	246,264	-
BTC- EPC LGAP Capitation Grant	13	339,894	81,352
Amortization of Deferred Income	4	12,040	39,609
		<u>7,111,652</u>	<u>6,691,160</u>
Revenue from Exchange Transactions	15	1,830,589	1,335,268
<b>Total revenue</b>		<u>8,942,241</u>	<u>8,026,428</u>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	16	2,472,186	2,186,237
Staff Expenses	17	2,102,663	2,053,998
Capacity Building Expenses	18	1,094,956	755,331
Monitoring Expenses	19	974,224	707,432
Information Technology Expenses	20	366,781	286,223
Training Expenses	21	588,961	186,340
Office Setup Expenses	22	335,491	319,913
Other Beneficiaries to ISPGG II Expenses	23	1,210,173	1,267,444
<b>Total Expenses</b>		<u>9,145,435</u>	<u>7,762,918</u>
<b>Surplus / (Deficit) for the year</b>		<u>(203,194)</u>	<u>263,510</u>

The Statement of Financial Position is to be read in conjunction with the notes forming part of the financial statements set out on pages 22 to 41.

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Chairman of the Board

Date: 02/02/2015

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Chief Executive Officer

Auditors' report - page 15 to 16

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2014**

	2014 TZS '000	2013 TZS '000
Net Assets at the beginning of the year	1,121,155	857,645
Net Surplus / (Deficit) for the year	<u>(203,194)</u>	<u>263,510</u>
Net Assets at the end of the year	<u>917,961</u>	<u>1,121,155</u>

The Statement of Changes in Net Assets is to be read in conjunction with the notes forming part of the financial statements set out on pages 22 to 41.

Auditors' report - page 15 to 16

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2014**

	Notes	2014 TZS'000	2013 TZS'000
<b>Cash flows from operating activities</b>			
Net cash flow from operating activities	24	765,874	2,254,133
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	<u>(292,404)</u>	<u>(580,102)</u>
Net cash flow from investing activities		<u>(292,404)</u>	<u>(580,102)</u>
Net increase/(decrease) in cash and cash equivalents		473,470	1,674,031
Cash and cash equivalents at beginning of the year		2,779,757	1,105,726
Cash and cash equivalents at the end of year	7	<u>3,253,227</u>	<u>2,779,757</u>

**Notes to the Cash Flow statements**

**(a) Cash and Cash Equivalents**

Cash and cash equivalents was made by balances with banks and there was no cash invested in money markets instruments.

The Statement of Cash Flow is to be read in conjunction with the notes forming part of the financial statements set out on pages 22 to 41.

Auditors' report - page 15 to 16

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**A COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2014**

Description	Budget amounts TZS'000	Actual amount TZS'000	Variance (Actual- Budget) TZS'000	% change from the Budget
Total Revenue	<u>11,152,204</u>	<u>8,942,241</u>	(2,209,963)	-20%
<b>Expenses</b>				
Administrative expenses (net of Depreciation)	2,506,904	2,374,654	(132,250)	-5%
Staff costs	1,709,977	2,102,663	392,686	23%
Capacity building expenses	1,440,482	1,094,956	(345,526)	-24%
Monitoring expenses	1,542,219	974,224	(567,995)	-37%
Information Technology	829,170	366,781	(462,389)	-56%
Training expenses	1,264,864	588,961	(675,903)	-53%
Office set up costs	2,547,560	335,491	(2,212,069)	-87%
Depreciation	-	97,532	-	-
<b>Total (PPRA Only)</b>	<u>11,841,176</u>	<u>7,935,262</u>	<u>(3,905,914)</u>	<u>-33%</u>
Other Beneficiaries to ISPGG II	1,810,253	1,210,173	(600,080)	-33%
<b>Grand Total Expenses</b>	<u>13,651,429</u>	<u>9,145,435</u>	<u>(4,505,994)</u>	<u>-33%</u>



# PUBLIC PROCUREMENT REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

### 1. GENERAL INFORMATION

#### (a) Statute

- (i) The Public Procurement Regulatory Authority was established by the Public Procurement Act, No. 21 of 2004 (as repealed by Act No 7 of 2011) .The Act stipulates in detail the objectives, functions and powers of the Authority. The Authority offices are located at the 8<sup>th</sup> 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 and Economic Affairs. 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) accrual basis. The complete set of the financial statements comprises a statement of financial position, a statement of financial performance, a statement of changes in net assets/equity, a cash flow statement, a comparison of budget and actual amounts, and notes comprising a summary of significant accounting policies and other explanatory notes.

The measurement basis applied in the preparation of these financial statements is the historical cost basis adjusted for revaluations of assets, except where otherwise stated. The financial statements are presented in Tanzanian Shillings (TZS).

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

##### 1.2 Changes in accounting policy and disclosures

###### (i) New and improvements to IPSASs 2014

The following IPSAS was amended in year 2014 as part of IPSAS improvement process by the International Public Sector Accounting Standards Board (IPSASB):-

IPSAS 31, Intangible Assets- Amendments to clarify acceptable methods of amortizing intangible assets, as a result of the narrow scope amendment, Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 28 issued in May 2014 by the IASB).

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**1.3 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	Rate (%) Per Annum
Motor vehicles	25
Computers	33.3
Furniture, Fittings and Equipments	25
Buildings	4

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 Statement of Financial Performance during the financial period in which it is incurred. The asset's residual values and useful lives are reviewed and adjusted if appropriate at each statement of financial position 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.

**1.4 Intangible assets**

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

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

Expenditure which enhances and extends the computer software programmes beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight line method over their useful lives, estimated at two years (50%).

#### 1.5 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). No impairment review for the assets was carried out by the Authority since such events or changes did not exist during the year under review.

#### 1.6 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 consumables are stated at cost less any provision for obsolescence. Any obsolete items are provided for in full in the year they are detected.

#### 1.7 Revenue recognition

Revenue is recognized on accrual basis of accounting. Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the Authority.

#### 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. 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

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

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.

**1.8 Employees Benefits**

**(i) Pension obligation**

The Authority has defined benefits and defined contribution plans. For defined contribution plan, the Authority contributes to publicly administered pension plans (PSPF, LAPF, NSSF and 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 statement of financial position 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 statement of financial position 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 four years, based on 25% of the monthly basic salary and qualifies as a defined benefit plan.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**1.8 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 Statement of Financial Performance.

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.

Balances in the Financial Position which are in foreign currency are translated at the closing rate at the date of that statement of Financial Position

**1.9 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 the Statement of Financial Performance. When they are for expenses or losses already incurred, they are recognized immediately in Statement of Financial Performance.

**1.10 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.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**1.11 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.

**1.12 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 denominated 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.

**1.13 Comparative Figures**

Where necessary, the comparative figures will be classified to conform to changes in presentation in the respective year of reporting. Comparative figures for the period 2012/2013 are presented along with this year's figures.

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

2. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Motor vehicle	Computers	Office Equipment	Furniture	Total
Cost	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
As at 1 July 2013	822,600	301,000	654,782	359,482	676,281	117,622	2,931,767
Additions for the Year	-	-	292,404	-	-	-	292,404
As at 30 June 2014	<u>822,600</u>	<u>301,000</u>	<u>947,186</u>	<u>359,482</u>	<u>676,281</u>	<u>117,622</u>	<u>3,224,171</u>
Depreciation							
At 1 July 2013	-	36,120	654,782	178,107	265,150	109,016	1,243,175
Charge for the year	-	12,040	24,367	24,072	28,798	8,255	97,532
As at 30 June 2014	-	<u>48,160</u>	<u>679,149</u>	<u>202,179</u>	<u>293,948</u>	<u>117,271</u>	<u>1,340,707</u>
Net book Value							
At 30 June 2014	<u>822,600</u>	<u>252,840</u>	<u>268,037</u>	<u>157,303</u>	<u>382,333</u>	<u>351</u>	<u>1,883,464</u>
At 30 June 2013	<u>822,600</u>	<u>264,880</u>	-	<u>181,375</u>	<u>411,131</u>	<u>8,606</u>	<u>1,688,592</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)

3. INTANGIBLE ASSETS

	TZS'000
<b>Cost</b>	
Cost as at 01 July 2013	402,475
Additions	-
<b>Cost as at 30 June 2014</b>	<u>402,475</u>
<b>Amortisation</b>	
At 1 July 2013	402,474
Charge during the year	-
<b>At 30 June, 2014</b>	<u>402,474</u>
<b>Net Book Value</b>	
As at 30 June, 2014	<u>1</u>
As at 30 June 2013	<u>1</u>



**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**4. DEFERRED INCOME**

Included in deferred income are assets in kind received from USAID through their appointed consultant namely Kilimanjaro International Corporation, assets inherited from the defunct Central Tender Board and assets received as Government grant which previously were owned by the defunct NAFCO. These have been included in property and equipment Note number 2. The movement in the current year is shown below;

	TZS'000
Opening balance as at 01 <sup>st</sup> July, 2013	1,087,480
Assets in kind recognized in the Statement of financial performance	<u>(12,040)</u>
Net value as at 30 June, 2014	<u><b>1,076,793</b></u>

**5. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	2014 TZS'000	2013 TZS'000
Details		
Debtors	1,644,895	541,830
Total	<u><b>1,644,895</b></u>	<u><b>541,830</b></u>

**6. RECEIVABLES FROM EXCHANGE TRANSACTIONS**

	2014 TZS'000	2013 TZS'000
Details		
Staff imprest receivables	716,245	482,563
Cash received from Imprest holders	-	(90)
Total	<u><b>716,245</b></u>	<u><b>482,473</b></u>

**7. CASH AND CASH EQUIVALENTS**

	2014 TZS'000	2013 TZS'000
Details		
Cash at bank (ADB Project)	2,945,875	2,001,780
Cash at Bank (Operational account)	45,178	198,870
Cash at Bank (PFMRP Account)	35,732	578,310
Cash at Bank (USAID Project Account)	894	-
Cash at Bank (NMB Collection Account)	162,761	-
Cash at Bank (PPRA Gratuity Bank Account)	60,644	-
Cash in Hand	2,143	797
Total	<u><b>3,253,227</b></u>	<u><b>2,779,757</b></u>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**8. RETIREMENT BENEFIT OBLIGATIONS**

Gratuities for contract employees are regulated by the Provident Fund (Government Employees) Act, Cap. 51. Gratuity arrangement is based on 25% on the monthly basic pay, and qualifies as a defined benefit plan. Gratuities are remitted to the Government Employees Provident Fund (GEPF) which is responsible for keeping the funds and payment of gratuity of government contract employees. From February 2013, Treasury - Ministry of Finance remits the gratuities directly to the GEPF (Refer Treasury Registrar Circular with Ref. No. C/BE.115/187/01/154 of 11 July 2013).

PPRA has ceased reporting funds remitted to the GEPF as deposits and liability due to employees because gratuities remitted to the GEPF are not PPRA's asset recoverable on demand and, once gratuities are remitted to the GEPF, the responsibility to pay gratuities to retired contract employees rests with the GEPF.

**9. LIABILITIES RECOGNISED UNDER TRANSFER AGREEMENT**

**(a) LIABILITIES RECOGNISED UNDER ADB-ADF TRANSFER ARRANGEMENTS**

The United Republic of Tanzania signed a Protocol of Agreement with the African Development Fund (ADB-ADF) for the Institutional Support Project for Good Governance II on November 2010. The total fund agreement in various convertible currencies does not exceed the equivalent of five million two hundred thousand Units of Account (UA 5,200,000). The project has two distinct components, namely (i) Improving Budget Credibility and Transparency and (ii) Enhancing Economic Policy Management. The rationale for this second phase is based on the need to consolidate the gains attained in the first phase, particularly in terms of improving the rate of conformity to *the Public Procurement Act (PPA)*. The project's specific objective is to enhance the capacity, accountability and integrity in the management of public resources both in Mainland Tanzania and Zanzibar. The Project was started in May, 2011 and is expected to close on 31<sup>st</sup> December, 2014.

The direct project beneficiaries in the Mainland Tanzania are Ministry of Finance (MoF) which includes the PFMRP Secretariat in MoF, the External Finance Department, Policy Analysis Department, the Budget Department and the Treasury (Internal Audit Office). Mainland beneficiaries also include the PPRA, NAOT and PCCB, as well as related procurement and public finance entities in local governments. In Zanzibar the beneficiary agencies include the following departments and offices within the MoF: External Finance, Economic Management and Budgeting, National Planning, Department of Sock Verification and Public Procurement (Public Procurement Division and the Registrar General's Office (RGO)). The Zanzibar beneficiaries also include Office of the Controller and Accountant General (OCAG), the Zanzibar Institute of Financial Administration (ZIFA), the House of Representatives, Directorate of Public Prosecution, and the Attorney General and the Judiciary.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014 (CONTINUED)**

**9 (a) LIABILITIES RECOGNISED UNDER ADB-ADF TRANSFER ARRANGEMENTS  
(Continued)**

The overall implementation of the Mainland component is under the overall supervision and guidance of a Project Steering Committee (PSC) under the chairmanship of the Chief Executive Officer (CEO) of the PPRA. Financial management is being carried out by the Project Coordination Unit (PCU) under the supervision of the Chief Executive Officer (CEO) of the PPRA.

At 30 June, 2014, the Authority recognized a liability of TZS 3,918 million related to a transfer to it conditional upon implementing Institutional Support for Good Governance Project II.

**Liability recognized under transfer arrangements**

	2014 TZS'000	2013 TZS'000
Opening balance brought forward	2,661,330	335,307
Transfer for printing and circulating of TPJ for year 2011/2012	-	(78,480)
<b>Adjusted opening balance brought forward</b>	<u>2,661,330</u>	<u>256,827</u>
Transfers received during the year	3,581,979	4,332,441
Forex revaluations	18,684	7,046
Transfer revenue recognized during the year	<u>(2,294,949)</u>	<u>(1,934,984)</u>
<b>Total liability recognized under transfer arrangements</b>	<u><u>3,967,044</u></u>	<u><u>2,661,330</u></u>

**(b) LIABILITIES RECOGNISED UNDER PFMRP - BASKET FUNDING TRANSFER ARRANGEMENT**

The Authority also receives funds for Development Activities under PFMRP - Basket funding. In 2013/14 Financial year, TZS 2,067 million was approved for Development activities and received TZS 1,315 million from the Basket. At 30<sup>th</sup> June, 2014, the Authority had spent a total of TZS 367 million and committed the balance of TZS 947 million for the activities that were ongoing and therefore there was no any liability which was recognized.

	2014 TZS'000	2013 TZS'000
Opening balance brought forward	-	-
Transfer received	1,314,688	1,367,188
<b>Total fund</b>	<u>1,314,688</u>	<u>1,367,188</u>
Transfer Revenue recognized during the year	(1,314,688)	(1,367,188)
<b>Liability recognized under transfer arrangements</b>	<u><u>-</u></u>	<u><u>-</u></u>

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**(c) LIABILITIES RECOGNISED UNDER USAID PROJECT FUNDING TRANSFER ARRANGEMENT**

The United States Agency for International Development (USAID) and the United Republic of Tanzania (URT) entered into an agreement in September, 2013 to implement a four-year project for strengthen the role of Public Procurement Regulatory Authority (PPRA) as an Oversight Institution in Tanzania. The project is geared towards enhancing accountability by empowering the oversight body to deliver on its Medium Term Strategic Plan (MTSP) as well as capacity strengthening of civil society for increased understanding of the procurement process and the importance of playing a watchdog role and in holding the government to account for the proper use of public resources. The total fund agreement for the project is USD 2.4 million , out of which USD 806,821 was approved to be utilized in the first year which begun in October,2013.

This project will be managed by PPRA through its own staff with Technical Assistance from Capacity Development for Partners of Accountability (CDPA). The USAID Project Manager will work with the Director of Corporate Services (Partner Project Manager) to ensure proper administration of the Project, prudent management of the Project, compliance with the terms and conditions of the Project Implementation Letter (PIL), and maintenance of proper documentation.

At 30 June, 2014, the Authority received TZS 246 million and spent TZS 276 million on project activities. This situation occurred after implementing a Board Study tour which was later on found under budgeted. The Authority upon retirement was given additional funds in July, 2014 which covered this over expenditure.

	2014
	TZS'000
Transfer received	246,264
<b>Total fund</b>	<u>246,264</u>
Transfer Revenue recognized during the year	246,264
<b>Liability recognized under transfer arrangements</b>	<u>                  -</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**9(c) Liabilities Recognised under Transfer Agreement (continued)**

**(i) Total Liability recognized under transfer arrangements:-**

	2014	2013
	TZS'000	TZS'000
Liability under grants from ADB - ADF	3,967,044	2,661,330
<b>Total</b>	<u>3,967,044</u>	<u>2,661,330</u>

**10. PAYABLES FROM EXCHANGE TRANSACTIONS**

	2014	2013
	TZS'000	TZS'000
Accounts payables	394,353	366,468
Accruals for audit fees (2013/2014)	60,000	-
<b>Total</b>	<u>454,353</u>	<u>366,468</u>

**11. PAYABLES FROM NON EXCHANGE TRANSACTIONS**

Details	2014	2013
	TZS'000	TZS'000
Accruals and provisions	1,081,681	254,868
<b>Total</b>	<u>1,081,681</u>	<u>254,868</u>

**12. GOVERNMENT GRANT**

Details	2014	2013
	TZS'000	TZS'000
Operational funds	2,496,423	3,499,739
Basket Funding	1,314,688	1,060,476
<b>Total</b>	<u>4,218,505</u>	<u>4,635,215</u>

During FY 2013/14 the Authority was allocated only Tshs.800 million for Other Charges as compared to Tshs.1, 377 million and hence decreases in Operational funds.

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**13. BTC-EPC LGAP CAPITATION GRANT**

The United Republic of Tanzania has an ongoing General Agreement with the Kingdom of Belgium for Development Cooperation that was signed on 16<sup>th</sup> October 2002. On 8th December 2011 the United Republic of Tanzania through the Ministry of Finance signed Specific Agreement with the Kingdom of Belgium for Enhancement of Procurement Capacity of Local Government Authorities (hereinafter referred to as “EPC LGAP”/ “the Project”).

The Project is a five year intervention (2012-2017) with Overall Objective of ensuring systems and structures of governance uphold the rule of law and are democratic, effective, accountable, predictable, transparent, and inclusive and corruption free at all levels; and Specific Objective of sustainably enhancing the procurement capacity at Local Government level.

**13. BTC-EPC CAPITATION GRANT (CONTINUED)**

Total budget for the Project is of a maximum of 5,264,000 EUR of which the Kingdom of Belgium undertakes to contribute a maximum amount of 5,000,000 EUR while the United Republic of Tanzania undertakes to contribute a maximum amount of 264,000 EUR.

PPRA has been designated as the entity responsible for supervision of technical arrangements of the Specific Agreement on behalf of Tanzanian Party while the Kingdom of Belgium has entrusted the implementation and follow up of its obligations to the Belgian Technical Cooperation (BTC).

A Joint Local Partner Committee is the highest level of strategic decision-making with regard to the implementation of the project while Project Implementation Unit (PIU) comprising of seconded staff from PPRA, Prime Minister’s Office Regional Administration and Local Government (PMO-RALG), and BTC contracted personnel (an International Sector Expert, a Financial Controller, and a Project Accountant), is responsible for coordination and execution of the interventions.

This is the second year of its implementation and in this year 2013/2014 total of TZS 339,893,511 was spent to finance project activities performed.

**14. USAID GRANT**

	2014	2013
	TZS ‘000	TZS 000
February 2014 Disbursement	190,264	-
March 2014 Disbursement	56,000	-
<b>Total</b>	<u>246,264</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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**15. REVENUE FROM EXCHANGE TRANSACTIONS**

	2014 TZS '000	2013 TZS '000
Sales of bidding documents and PPA 2011	300	450
Fees on complaint reviews	110	170
Tailor-made training programmes & Workshops	267,683	574,275
Advertisements in TPJ Tender	375,671	399,775
Tender update charges	2,264	1,228
Miscellaneous	232,148	359,370
PMIS Training Fees	171,530	-
Procurement Capability Assessment Fees	291,154	-
Dissemination Workshop Fees	253,880	-
Preferential Scheme Registration Fees	35	-
Procurement Governance Workshop fee	173,740	-
General Procurement Notice Advert in TPJ	3,750	-
Tender Information Disclosure in TPJ	46,900	-
Project Performance based Institutional fee (BTC-EPC)	11,424	-
<b>Total</b>	<b><u>1,830,589</u></b>	<b><u>1,335,268</u></b>

**16. ADMINISTRATIVE EXPENSES**

	2014 TZS '000	2013 TZS '000
Funded by Government subventions	2,000,943	1,731,472
Audit fees	60,000	60,000
ADB funding	84,124	316,990
USAID funding	229,587	-
Depreciation	97,532	77,775
<b>Total</b>	<b><u>2,472,186</u></b>	<b><u>2,186,237</u></b>

**17. STAFF EXPENSES**

	2014 TZS '000	2013 TZS '000
Personnel emoluments	1,689,308	1,644,166
Defined contribution plans	71,064	70,900
Defined benefit plan	289,162	286,533
NHIF	53,129	52,399
<b>Grand Total</b>	<b><u>2,102,663</u></b>	<b><u>2,053,998</u></b>

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**18. CAPACITY BUILDING EXPENSES**

	2014 TZS'000	2013 TZS'000
<b>(a) Government Funding</b>		
Publishing Tanzania Procurement Journal	28,923	46,760
Tailor-made training	94,495	175,075
Sensitization of top government leaders and politicians on their role in compliance with PPA.	8,498	42,657
Dissemination of PPA, 2004 and its regulations	62,627	1,282
Participation in Procurement Forum Nationally & Internationally	51,285	93,103
Last financial year commitment and Imprest Expenses	275,444	93,971
Annual Procurement Governance Workshop	123,496	82,891
<b>Total Government Funding</b>	<u>644,768</u>	<u>535,739</u>
<b>(b) ADB Funding</b>		
	2014 TZS'000	2013 TZS'000
Publication of Procurement Journals	108,120	138,240
Development of Proc. Training Course	2,174	138,240
<b>Total ADB Funding</b>	<u>110,294</u>	<u>138,240</u>
<b>(c) BTC Funding</b>		
EPC-LGAP Expenses (Capitation Grant)	339,894	81,352
<b>Total BTC Funding</b>	<u>339,894</u>	<u>81,352</u>
<b>Total Funding from Government, ADB and BTC</b>	<u>1,094,956</u>	<u>755,331</u>



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19. MONITORING AND COMPLIANCE EXPENSES

	2014 TZS'000	2013 TZS'000
<b>(a) Government funding</b>		
Procurement investigations	12,500	135,806
Procurement contracts and performance audits	183,739	-
Monitoring implementation of the previous financial year's audit recommendations	250	-
Value for Money audits/Investigations (Performance audits)	-	37,255
Last Financial Year Commitment and Imprest Expenses	723,723	533,021
Capability Assessment Reviews	46,220	-
<b>Sub -Total (a)</b>	<u>966,432</u>	<u>-</u>
<b>(b) ADB Funding</b>		
Implement the system for checking and monitoring procurement (SCMP) processes in all MDAs	1,952	1,350
Procurement Investigations	5,840	-
<b>Sub-total (b)</b>	<u>7,792</u>	<u>1,350</u>
<b>Total (a +b)</b>	<u>974,224</u>	<u>707,432</u>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**20. INFORMATION TECHNOLOGY EXPENSES**

	2014	2013
	TZS'000	TZS'000
<b>(a) Government funding</b>		
General support and maintenance to Authority's IT systems	39,556	55,300
Roll out PMIS and Monitor PMIS in 364 PEs (Last Financial Year Commitment and Imprest Expenses)	10,500	-
Preparation of implementation strategies and acquisition of e-procurement solution (Last Financial Year Commitment and Imprest Expenses)	-	195,180
Survey on E-Procurement	5,602	
<b>Sub-Total (a)</b>	<u>55,658</u>	<u>250,480</u>
<b>(b) ADB funding</b>		
Roll out PMIS in 240 Government entities	111,879	35,743
E-procurement initiatives	198,342	-
Reviewing of the ICT Policy	902	-
<b>Sub - Total</b>	<u>311,123</u>	<u>35,743</u>
<b>Total (a+b)</b>	<u>366,781</u>	<u>286,223</u>

**21. TRAINING EXPENSES**

	2014	2013
	TZS'000	TZS'000
<b>Source</b>		
Government of Tanzania subventions	66,932	11,898
ADB funding	506,247	174,442
USAID funding	15,783	-
<b>Total</b>	<u>588,961</u>	<u>186,340</u>

**22. OFFICE SET UP EXPENSES**

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

	2014	2013
	TZS'000	TZS'000
<b>Details</b>		
Office Rent	335,491	319,913
<b>Total</b>	<u>335,491</u>	<u>319,913</u>

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**23. OTHER EXPENSES (ADB funding)**

	2014	2013
	TZS'000	TZS
National Audit Office (NAOT)	148,858	763,227
Ministry Of Finance (MoF)	342,205	249,941
Prevention and Combating of Corruption Bureau (PCCB)	612,870	151,683
Project Implementing Unit (PIU)	106,240	102,593
<b>Total</b>	<b>1,210,173</b>	<b>1,267,444</b>

**24. CASH GENERATED FROM OPERATIONS**

Reconciliation of surplus for the year to cash generated from operations:

	<u>Notes</u>	2014	2013
		TZS'000	TZS'000
Surplus/(Deficit) for the year:		(203,194)	263,510
<b>Adjustments for:</b>			
Depreciation	2	97,532	77,775
<b>Cash generated from operations before working capital changes</b>		<b>(105,662)</b>	<b>341,285</b>
<b>Changes in working capital:</b>			
Increase in staff and other receivables		(1,336,836)	(583,172)
Decrease in assets in kind		(12,040)	(39,611)
Increase in liabilities recognized under transfer arrangement		1,305,714	2,326,023
Increase in accounts payable		914,698	209,608
<b>Cash generated from operations</b>		<b>765,874</b>	<b>2,254,133</b>

**25. 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 details of the payments to related parties have been included in Note number 10 and 12 in the Director's Report.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY  
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**26. COMMITMENTS**

As at the financial position date, the Authority had the following commitments:

Details	2014 TZS '000	2013 TZS '000
Approved and contracted for	2,924,565	2,018,249
Approved Local Purchase Orders (LPOs)	25,294	22,832
<b>Total</b>	<b><u>3,949,859</u></b>	<b><u>2,041,081</u></b>

**27. CONTINGENT LIABILITY**

Litigation is in progress against PPRA relating to a labour dispute No. CMA/DSM/ILA/374/12/210 instituted by one Raymond J. Mbishi for claim of unfair termination. The plaintiff claims compensation of TZS 364,301,236.44, and as at 30 June 2014 and to the date of this report, said labour dispute is still pending in the Commissioner for Mediation and Arbitration in Dar es Salaam Zone. Until the date of signing these accounts ruling was not delivered. The litigation gives rise to a contingent liability of TZS 364 million.

**28. CURRENCY**

These financial statements are presented in Tanzania shillings (TZS).