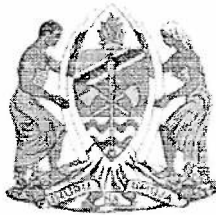


THE UNITED REPUBLIC OF TANZANIA  
NATIONAL AUDIT OFFICE



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, 2013

---

The Controller and Auditor General  
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February, 2014

AR/PPRA/2013

*(Established under Article 143 of the Constitution of the URT)*

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and further elaborated under Sect. 10 (1) of the Public Audit Act No 11 of 2008.

#### **Vision**

To be a centre of excellence in public sector auditing.

#### **Mission**

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

**In providing quality services NAO is guided by the following Core Values:**

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objectives and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior and the rule of law;
- ✓ **People focus:** We focus on stake holders needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organization; and
- ✓ **Best resource utilization:** We are an organization that values and uses public resources entrusted to it in efficient, economic and effective manner.

#### **We do this by:-**

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with adequate working tools and facilities that promote independence.

© This audit report is intended to be used by PPRA. However, upon receipt of the CAG report by the Board and once tabled in Parliament, the report becomes a matter of public record and its distribution may not be limited.

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### ACRONYMS AND ABBREVIATIONS

PPRA	Public Procurement Regulatory Authority
CAG	Controller and Auditor General
URT	United Republic of Tanzania
NAO	National Audit Office
NSSF	National Social Security Fund
LAPF	Local Authority Pension Fund
PPF	Parastatal Pension Fund
GEPF	Government Employees Pension Fund
PSPF	Public Sector Pension Fund
MoF	Ministry of Finance
ISA	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
PAA	Public Audit Act
TFRS	Tanzania Financial Reporting Standard
PPA	Public Procurement Act
PPAA	Public Procurement Appeals Authority
CEO	Chief Executive Officer
PCCB	Prevention and Combating of Corruption Bureau
ADB	African Development Bank
CTB	Central Tender Board
KIC	Kilimanjaro International Corporation
PMIS	Procurement Management Information System
PE	Procuring Entity
PMU	Procurement Management Unit
NAFCO	National Agricultural and Food Corporation
PFMRP	Public Financial Management Reform Programme
ADF	African Development Funds
TPJ	Tanzania Procurement Journal
MDAs	Ministries, Departments and Agencies
MIS	Management Information System
ISPGG	Institutional Support Project for Good Governance
TANRODS	Tanzania National Roads Agency

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

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## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2013

In compliance with the Public Procurement Act, 2004 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 30th June, 2013.

#### 1 BOARD OF DIRECTORS

The Board of Directors is the governing body of the Authority. It consists of the Chief Executive Officer and seven non-executive members including the Chairman. During the year under review, the Board comprised the individuals shown below under the chairmanship of Dr. Enos S. Bukuku whose statutory term ended 17<sup>th</sup> March 2013. In June, 2013 the President appointed Ambassador Dr. Matern Lumbanga as a Chairman of PPRA with effect from 20<sup>th</sup> June, 2013.

S/N	NAME	POSITION	AGE	QUALIFICATIONS /DISCIPLINE	NATIONALITY	APPOINTED/ STATUTORY TERM ENDED	DATE OF APPOINTMENT /STATUTORY TERM ENDED
1	Dr. Enos S. Bukuku	Chairman	63	Economist	Tanzanian	Statutory Term Ended	17 March 2013
2	Ambass. Dr. Matern C. Lumbanga	Chairman	67	Doctorate in International Relations	Tanzanian	Appointed	20 June 2013
3	Dr. Edmund B. Mndolwa	Member	65	Chartered Accountant	Tanzanian		
4	Ms. Mwamini M. Tulli	Member	56	Accountant	Tanzanian	Statutory Term Ended	19 July 2013
5	Hon. Justice T. B. Mihayo	Member	68	Lawyer	Tanzanian		
6	Hon. Mussa A. Zungu	Member	62	Aircraft Engineer	Tanzanian		
7	Dr. Leonard M. G. Chamuriho	Member	54	Structural Engineer	Tanzanian		
8	Eng. Omar A. Chambo	Member	53	Mining Engineer	Tanzanian		

#### 2 BOARD'S RESONSIBILITY FOR FINANCIAL REPORTING

The Board is 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 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 30th June, 2013.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

The Board also confirm 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, 2004. The functions of the Authority can be grouped into six major areas:-

- (i) Offering advisory services to Central Government, Local Government, Parastatal Organisations and the General Public on procurement related matters;
- (ii) Monitor compliance with the PPA, 2004, its regulations and guidelines;
- (iii) Preparing and disseminating standard tender documents and guidelines for better carrying out of procurement activities;
- (iv) Storing and disseminating information on procurement opportunities, tender awards and any other relevant information on public procurement system in the country
- (v) Designing and implementing procurement capacity building strategy in the country; and
- (vi) Facilitating resolution of procurement complaints.

### **4 MAJOR ACHIEVEMENTS DURING THE YEAR**

In FY 2012/13, PPRA managed to accomplish all its goals as provided in its Medium Term Strategic Plan (MTSP). Some of the major achievements are as highlighted below:

- (i) The Authority continued to implement its Medium Term Strategic Plan (MTSP) 2009/10 - 2013/14 through respective budget and action plan. Equally, the Authority conducted monitoring and evaluation exercise of MTSP for the period ended 30th June, 2013.
- (ii) 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 ADB funds under Phase II of the Institutional Support Project for Good Governance. A total of 29 staff attended short courses and 11 attended long term training to address the Authority's training needs.

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

- (iii) As an initial stage in developing its own office building, the Authority carried out a feasibility study on the best way of making use of the property located at Kurasini. A proposal has been made which takes into account the need to maintain the existing building which will be refurbished to temporarily accommodate PPRA office while a phased construction of the new office is taking place. Also, the Authority commenced refurbishment of the office space provided by GPSA which, on completion, is intended to be used as PPRA's Coastal Zone Office.
- (iv) In its capacity building function, the following were major achievements:
- a. Tailor made training was conducted to a total of nine hundred and forty six (946) participants from 49 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.
  - b. Two dissemination workshops for boards of directors and heads of public authorities and agencies were conducted. The theme of both workshops was "Third generation of procurement reforms in Tanzania: Are we achieving better procurement outcomes?" The first workshop for board members was conducted from 24th to 26th June 2013 in Arusha and attended by eighty six (86) participants. The second workshop was also conducted in Arusha from 10th to 12th July 2013 and attended by one hundred and eighty six (186) heads of public authorities including some board members.
  - c. A three-day workshop was held for chairpersons of LGAs committees responsible for finance and planning and attended by a total of 150 councillors. During the workshop, the councillors resolved, among other things, that ethics and accountability should be strengthened at all levels of operational and decision-making and those procurement practitioners who continuously show poor performance should be disciplined appropriately.
  - d. The Authority in collaboration with USAID-funded Wajibika project conducted two tailor-made training aimed at building the capacity of councils in Singida and Mwanza Regions. Wajibika is a project that supports the initiatives of the Government of Tanzania to strengthen Local Government Authorities' (LGA) capacity for fiscal and programmatic accountability under the Decentralization by Devolution (D by D) program II.
  - e. A three-day workshop on Procurement Governance was conducted and attracted 432 participants including chairpersons and secretaries of tender boards, representatives of user departments and internal audits units throughout the country. The workshop is conducted annually as a platform for tender boards secretaries to share experiences in implementing their functions and learn progress toward implementations of public procurement law.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

(vii) In its advisory role, the following were major achievements:

- a. Nine received applications for retrospective approvals were reviewed in collaboration with the Government Assets Management Department of the Ministry of Finance and the Technical Audit Section in the Internal Auditor General's Office. Out of the nine applications, PMG was advised to grant retrospective approval on one application with a total value of TZS 5.3 billion and not to grant approval on three applications with a total value of TZS 37.5 billion and USD 1.3 million. The applications were subjected to detailed investigations.
- b. 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.

(viii) In administrative review issues, seventeen applications were received whereby eleven (11) were reviewed and decision delivered by the Authority, five (5) were referred to PPAA because the procurement contracts were already in force and one application against the Songea District Council was not reviewed due to failure by the Accounting Officer to submit the requested documents for review. The complaints in the applications were mainly centered on tender documents and dissatisfaction with decisions issued by respective accounting officers on complaints submitted to them;

(ix) The Authority carried out procurement audits to 120 PEs covering items worth TZS 1.99 trillion. Similarly, it carried out value for money audits on 207 construction projects with a total value of TZS 777.1 billion in 47 PEs. The audit results show that the average level of compliance of 120 audited PEs is 64.3%, whereas the average performance of all audited projects is 62.3%, signifying that funds earmarked for the projects were fairly spent;

(x) As part of its audit function, the Authority also conducted a special audit to all World Bank funded Projects (under IDA credit) under the President's Office, Public Service Management (PO-PSM), implemented during the FY 2011/2012 and FY 2012/2013 in the first and second quarters. The audit was conducted following a request from PO-PSM. Generally, the outcome of the audit indicated good compliance level of 84%. However, a number of weaknesses especially in contract management were observed, which if not properly addressed could affect negatively the intended objectives of the project;



**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**REPORT OF THE BOARD OF DIRECTORS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

- (xi) In its system for checking and monitoring of procurement activities, the Authority reviewed one hundred and forty one (141) Annual Procurement Plans (APP) submitted by PEs;
- (xii) The Authority received, investigated and prepared reports on fifteen cases of allegations or complaints on mis-procurement;
- (xiii) The Authority conducted capability review assessment of three PEs namely; Tanzania National Parks (TANAPA), Bank of Tanzania and the Ministry of Energy and Minerals. This followed requests by the PEs in order to identify areas contributing to inefficiencies in their procurement processes and recommend improvement measures;
- (xiv) The Authority debarred 35 firms from participating in public tenders for failure to fulfil their contractual obligations with PEs;
- (xv) The Authority has continued to collaborate with Prevention and Combating of Corruption Bureau (PCCB) as per the signed Memorandum of Understanding (MOU). As part of MOU, the Authority submitted to PCCB 22 audit reports that had high corruption red flags;
- (xvi) With regard to sharing and dissemination of procurement information, the Authority achieved the following:-
  - a. Weekly TPJ editions with approximately 765,000 copies 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;
  - b. Five TV programmes, four talk shows and four TV spots recorded and aired through three local TV stations namely; TBC, ITV and Star TV. The programmes educate the public on various procurement issues and challenges faced by the sector;
  - c. A total of 80 books on various issues including procurement purchased and kept in the library for reference. 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 2013 (CONTINUED)**

- (xvii) PMIS rolled out through one training conducted for 35 staff of 19 PEs, and five tailor-made training for 23 staff of 5 PEs. Accordingly, 29 PEs were registered to the system, making a total number of PEs connected to use the system to be 345. Generally, the responses of trained PEs in submitting reports online were not satisfactory compared to the previous year;
- (xviii) The website updated with procurement information such as latest news on various procurement-related events as well as General Procurement Notices and Specific Procurement Notices;
- (xix) About 5000 message alerts on procurement opportunities pushed to 1135 mobile handset owners who had subscribed to the Mobile Tender Alert Service. The service was introduced to enable subscribers receive early alerts on new procurement opportunities on their mobile phone;
- (xx) One hundred and thirteen (113) registered users exchanged 119 posts while discussing 39 various procurement-related topics through the online discussion forum - <http://forums.ppra.go.tz>. The forum was established to provide an easy and readily available means for procurement stakeholders, irrespective of their location, to discuss or exchange information using Internet;
- (xxi) The Authority continued to develop concepts on various key modules that will be implemented under the e-procurement system, which include e-Tendering, e-Purchasing and e-Auction. The concepts will lead into preparation of appropriate detailed system requirement in line with PPA 2011;
- (xxii) A project on Enhancement of Procurement Capacity of Local Government Authorities Project (EPC-LGAP) which started in 2012 was officially launched on 13th June, 2013. The specific objective of EPC-LGAP is to enhance procurement capacity at local government level. Pre-conditions for commencing operations were finalised including the setting up of the Project Implementation Unit (PIU). Joint Local Partners Committee (JLPC) was established and serves as a steering committee for the project. The project management systems were set up and introduced based on the developed Project Implementation Manual (PIM) and followed by a number of other activities;

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

- (xxiii) On international collaboration issues, the Authority organized the Africa Regional Conference of the Commonwealth Public Procurement Network (CPPN) 2012 which was held in Dar es Salaam from 3rd to 5th October, 2012 and attended by 111 participants from commonwealth countries. The theme of the conference was "Public Procurement Reform Strategies: Achieving Effective and Sustainable Outcomes in Commonwealth African Countries."
- (xxiv) 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 2011/12 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
- (xxv) 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.

#### 5 RESULTS FOR THE YEAR

During the year ended 30<sup>th</sup> June 2013 the Authority earned a surplus of TZS 263.5 million (Year ended 30 June 2012: Deficit of TZS 77 Million). The figure stated after charging non-cash items amounting to TZS 40 million. While the expenditure have (Increased) by 14% from TZS 5,702 million to TZS 6,495 million revenue increased by 26% from TZS 6,350 million to TZS 8,026 million. This is due to the fact that in the year under review, the Authority received funds from ADB as explained in note 8(a) of the Financial Statements.

#### 6 SOLVENCY

The Authority's state of affairs as at 30<sup>th</sup> June, 2013 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. MEKONSULT was authorized to carry out the audit of the Public Procurement Regulatory Authority for the year ended 30<sup>th</sup> June 2013 on behalf of the Controller and Auditor General.

PUBLIC PROCUREMENT REGULATORY AUTHORITY

REPORT OF THE BOARD OF DIRECTORS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

**8 BOARD MEETINGS**

The Board of Directors held three (3) ordinary and eight (8) extra ordinary Board meetings.

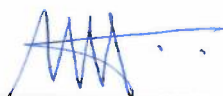
**9 BOARD COMMITTEE MEETINGS**

The Board has four committees namely; the Audit Committee, the Complaints Review Committee, the Advisory Committee and Technical Committee. During the year under the Audit committee meetings held Seven (7) ordinary and two (2) extra ordinary meetings, Complaints Review Committee eight (8), Advisory Committee three (3) meetings and Technical Committees three (3) meetings.


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

Name of Director	Board	Audit Committee	Complaints Review Committee	Advisory Committee	Technical Committee
Dr. Enos S. Bukuku	2			1	
Ms. Mwamini M. Tulli	8	9	4	1	3
Mr. Omary A. Chambo	5			2	
Dr. Edmund B. Mndolwa	8	6	4	2	1
Hon. Mussa A. Zungu (MP)	7	2	5		1
Hon. Justice T. Mihayo	9	6	8	3	3
Dr Leonard. M. Chamuriho	9		8	3	2
Dr. Ramadhan S. Mlinga	10	8	8	3	3

BY ORDER OF THE BOARD

  
.....  
Director

Date.....28.2.2014

  
.....  
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

RE: 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, 2013

### Introduction

I have audited the accompanying financial statements of Public Procurement Regulatory Authority which comprise a statement of financial position as at 30<sup>th</sup> June, 2013, statement of financial performance, a statement of changes in net assets, a cash flow statement, a comparison of budget and actual amounts, and notes comprising a summary of significant accounting policies and other explanatory notes set out from pages 11 to 34 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 is to express an independent opinion on these financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA) and such other 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 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 depended on auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls. 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 appropriate accounting standards and that; reasonable precautions have been taken to safeguard the collection of revenue, the receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed, expenditures of public monies have been properly authorized.

Furthermore, Sect.44 (2) of the Public Procurement Act No. 21 of 2004 and Regulation No. 31 of the Public Procurement (Goods, works, Non-consultant services and Disposal of Public Assets by Tender) Regulations requires 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.

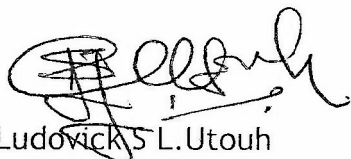
#### **Unqualified Opinion**

In my opinion, the financial statements present fairly in all material respect the financial position of Public Procurement Regulatory Authority as at 30<sup>th</sup> June, 2013, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

#### **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, 2004 and its related Regulations of 2005.



Ludovick S.L. Utouh  
**CONTROLLER AND AUDITOR GENERAL**

National Audit Office,  
Dar es Salaam, Tanzania.

28<sup>th</sup> February, 2014




PUBLIC PROCUREMENT REGULATORY AUTHORITY

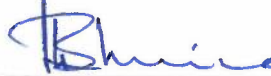
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2013

ASSETS	Notes	2013 TZS'000	2012 TZS'000
<b>Non-current assets</b>			
Property, Plant and Equipment	2	1,688,593	1,186,245
Intangible Assets	3	<u>1</u>	<u>21</u>
		<b><u>1,688,594</u></b>	<b><u>1,186,266</u></b>
<b>Current assets</b>			
Staff and other receivable	5	1,024,303	441,131
Prepayment-gratuity to contract employees		-	263,608
Cash and Cash Equivalent	6	<u>2,779,757</u>	<u>1,105,726</u>
		<b><u>3,804,060</u></b>	<b><u>1,810,465</u></b>
<b>Total assets</b>		<b><u>5,492,654</u></b>	<b><u>2,996,731</u></b>
<b>Liabilities</b>			
Deferred Income	4(iii)	1,088,833	1,128,443
Retirement benefit obligation (Due beyond a year)	7 (b)	-	69,523
		<b><u>1,088,833</u></b>	<b><u>1,197,966</u></b>
<b>Current liabilities</b>			
Retirement benefit obligation (Due within a year)	7 (a)	-	194,085
Liabilities recognized under transfer arrangement	8b(ii)	2,661,330	335,307
Account payable	9	<u>621,336</u>	<u>411,728</u>
		<b><u>3,282,666</u></b>	<b><u>941,120</u></b>
<b>Total liabilities</b>		<b><u>4,371,499</u></b>	<b><u>2,139,086</u></b>
<b>Net Asset</b>		<b><u>1,121,155</u></b>	<b><u>857,645</u></b>
<b>EQUITY</b>			
Accumulated Surplus brought forward		857,645	934,714
Surplus/Deficit for the year		<u>263,510</u>	<u>(77,069)</u>
<b>Total equity</b>		<b><u>1,121,155</u></b>	<b><u>857,645</u></b>

The statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

  
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Director

Date 28.2.2014

  
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Chief Executive Officer

Auditors' report - page 9 to 10

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2013**

	NOTE	2013 TZS '000	2012 TZS '000
<b>OPERATING REVENUE</b>			
<b>Transfer Revenue</b>			
Government Grant	10	4,635,215	4,547,734
ADB Grant	8(b)(i)	1,934,984	1,041,221
BTC- EPC LGAP Capitation Grant	11	81,352	-
Amortization of Deferred Income	4(iv)	<u>39,609</u>	<u>63,687</u>
		<b><u>6,691,160</u></b>	<b><u>5,652,642</u></b>
<b>Other Income</b>	12	<u>1,335,268</u>	<u>697,717</u>
<b>Total Operating revenue</b>		<b><u>8,026,428</u></b>	<b><u>6,350,359</u></b>
<b>OPERATING EXPENSES</b>			
Administrative Expenses	13	2,186,237	1,987,761
Staff Expenses	14	2,053,998	1,853,679
Capacity Building Expenses	15	755,331	380,015
Monitoring Expenses	16	707,432	756,504
Information Technology Expenses	17	286,223	267,462
Training Expenses	18	186,340	121,745
Office Setup Expenses	19	<u>319,913</u>	<u>334,608</u>
<b>Total Operating Expenses</b>		<b><u>6,495,474</u></b>	<b><u>5,701,774</u></b>
<b>Surplus/Deficit from Operating Activities</b>		<b><u>1,530,954</u></b>	<b><u>648,585</u></b>
<b>Other Expenses</b>			
Other Beneficiaries to ISPGG II Expenses	20	<u>1,267,444</u>	<u>725,654</u>
<b>Net Surplus/Deficit for the year</b>		<b><u>263,510</u></b>	<b><u>(77,069)</u></b>

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

Auditors' report - page 9 to 10



PUBLIC PROCUREMENT REGULATORY AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2013

	<u>2013</u> <u>TZS '000</u>	<u>2012</u> <u>TZS '000</u>
Net Assets at the beginning of the year	857,645	934,714
Net Surplus /(Deficit) for the year	<u>263,510</u>	<u>(77,069)</u>
Net Assets at the end of the year	<u>1,121,155</u>	<u>857,645</u>

The Statement of Changes in Net Assets is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

Auditors' report - page 9 to 10

PUBLIC PROCUREMENT REGULATORY AUTHORITY

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 TZS'000	2012 TZS'000
<b>Cash flows from operating activities</b>			
Net cash flow from operating activities	21	2,254,133	457,532
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	<u>(580,102)</u>	<u>-</u>
<b>Net cash flow from investing activities</b>		<b><u>(580,102)</u></b>	<b><u>-</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,674,031</b>	<b>457,532</b>
Cash and cash equivalents at beginning of the year		<u>1,105,726</u>	<u>648,194</u>
<b>Cash and cash equivalents at the end of year</b>	<b>6</b>	<b><u>2,779,757</u></b>	<b><u>1,105,726</u></b>

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 in hand or investments in money markets instruments.

The Statement of Cash Flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 16 to 34.

Auditors' report - page 9 to 10

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**A COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED 30 JUNE 2013**

Description	Budget amounts TZS'000	Actual amount TZS'000	Variance TZS'000	% change
Total Revenue	9,964,826	8,026,428	(1,938,398)	(19%)
<b>Expenses</b>				
Administrative expenses (net of Depreciation)	1,927,320	2,108,462	181,142	9%
Staff costs	2,008,281	2,053,998	45,717	2%
Capacity building expenses	762,307	755,331	(6,976)	(1%)
Monitoring expenses	1,392,567	707,432	(685,135)	(49%)
Information Technology	851,975	286,223	(565,752)	(66%)
Training expenses	141,847	186,340	44,493	31%
Office set up costs	1,097,746	319,913	(777,833)	(71%)
Depreciation	-	77,775	-	-
<b>Total (PPRA Only)</b>	<b>8,182,044</b>	<b>6,495,474</b>	<b>(1,764,344)</b>	<b>(22%)</b>
Other Beneficiaries to ISPGG II	1,661,820	1,267,444	(394,376)	24%
<b>Grand Total</b>	<b>9,843,865</b>	<b>7,762,918</b>	<b>(2,080,947)</b>	<b>(21%)</b>

# PUBLIC PROCUREMENT REGULATORY AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### 1. 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 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 2011

IPSAS 10, IPSAS 17, IPSAS 19 and IPSAS 21 were amended in year 2011 as part of IPSAS improvement process by the International Public Sector Accounting Standards Board (IPSASB).

IPSAS 10, *Financial Reporting in Hyperinflationary Economies* was amended to insert an Objective paragraph.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

IPSAS 17, *Property, Plant, and Equipment* was amended to include reference to IPSAS 26, *Impairment of Cash-Generating Assets*, where appropriate.

IPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* was amended to delete reference to insurance entities and to amend references to the exclusion of financial instruments within the scope of IPSAS 29, *Financial Instruments: Recognition and Measurement* from IPSAS 19.

IPSAS 21, *Impairment of Non-Cash-Generating Assets* was amended to include another indicator of impairment - where an asset's useful life has been reassessed as finite rather than indefinite.

**(ii) New standards and interpretations that are not yet effective**

IPSAS 32, *Service Concession Arrangements: Grantor* was issued in October 2011. This IPSAS sets out the accounting requirements of the grantor in a service concession arrangement. It is adapted from Interpretation 12 (IFRIC 12), *Service Concession Arrangements*, developed by the International Financial Reporting Interpretations Committee and published by the International Accounting Standards Board (IASB). This Standard is applicable for the annual financial statements covering periods beginning on or after January 1, 2014. Earlier application is encouraged, however, that fact has to be disclosed and apply IPSAS 5, *Borrowing Costs*, IPSAS 13, *Leases*, IPSAS 17, IPSAS 29, and IPSAS 31 at the same time.

**1.3 Property, Plant and Equipment**

Property, Plant 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:

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

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.

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.

## **PUBLIC PROCUREMENT REGULATORY AUTHORITY**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

#### **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 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.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

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.

**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



## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 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.

#### 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 2011/2012 are presented along with this year's figures.

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

2. MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Motor vehicle	Computers	Office Equipment	Furniture	Total
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Cost</b>							
As at 1 July 2012	822,600	301,000	654,782	178,107	277,554	117,622	2,351,665
Additions for the Year	-	-	-	181,375	398,727	-	580,102
As at 30 June 2013	<u>822,600</u>	<u>301,000</u>	<u>654,782</u>	<u>359,482</u>	<u>676,281</u>	<u>117,622</u>	<u>2,931,767</u>
<b>Depreciation</b>							
At 1 July 2012	-	24,080	634,716	176,193	240,174	90,257	1,165,420
Charge for the year	-	12,040	20,066	1,914	24,976	18,759	77,755
As at 30 June 2013	-	<u>36,120</u>	<u>654,782</u>	<u>178,107</u>	<u>265,150</u>	<u>109,016</u>	<u>1,243,175</u>
<b>Net book Value</b>							
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>
At 30 June 2012	<u>822,600</u>	<u>276,920</u>	<u>20,066</u>	<u>1,914</u>	<u>37,380</u>	<u>27,365</u>	<u>1,186,245</u>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**3. INTANGIBLE ASSETS**

	<b>TZS'000</b>
<b>Cost</b>	
Cost as at 01 July 2012	402,475
Additions	-
<b>Cost as at 30 June 2013</b>	<u><b>402,475</b></u>
<b>Amortisation</b>	
At 1 July 2012	402,454
Charge during the year	<u>20</u>
<b>At 30 June, 2013</b>	<u><b>402,474</b></u>
<b>Net Book Value</b>	
As at 30 June, 2013	<u><b>1</b></u>
As at 30 June 2012	<u><b>21</b></u>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**4. DEFERRED INCOME**

**(i) Assets in kind**

The Authority had received from USAID through their appointed consultant, namely Kilimanjaro International Corporation the following assets from FY 2006/07 to FY 2008/09 as analyzed below:-

<b>Sub-item</b>	<b>Quantity</b>	<b>TZS'000 equivalent</b>
Laptop Computers	9	16,954
Desktop Computers & Software	15	20,807
<b>Cost as at 30 June 2007</b>		<b>37,761</b>
MS SQL CAL 2000 English Open User CAL	1	17,236
Storage Controller HP Smart Array E200/64MB Controller (RAID 0/1/1+0) - Server	1	29,821
Rack Cabinet Pallet 10642 G2 (42U)	1	9,890
Storage Controller HP Smart Array E200i Controller with 128MB BBWC included (RAID 0,1/15,5)	1	15,959
HP LaserJet 3005dn	1	2,530
MS Windows SQL Server Standard Edition 2005 License	1	990
<b>Cost as at 30 June 2008</b>		<b>114,187</b>
Assets in kind recognized in the Statement of Comprehensive Income		(32,181)
<b>Net book value as at 30 June 2008</b>		<b>82,006</b>
<b>Additions: Motor vehicles</b>	<b>3</b>	<b>60,648</b>
Assets in kind recognized in the Statement of Comprehensive Income		(48,479)
<b>Net Book Value as at 30 June, 2009</b>		<b>94,175</b>
Assets in kind recognized in the Statement of Comprehensive Income		(43,052)
<b>Net Book Value as at 30 June, 2010</b>		<b>51,123</b>
Assets in kind recognized in the Statement of Comprehensive Income		(29,712)
<b>Net Book Value as at 30 June, 2011</b>		<b>21,411</b>
Assets in kind recognized in the Statement of Comprehensive Income		(17,580)
<b>Net Book Value as at 30 June, 2012</b>		<b>3,831</b>
Assets in kind recognized in the Statement of Comprehensive Income		(2,560)
<b>Net Book Value as at 30 June, 2013</b>		<b>1,271</b>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**4. DEFERRED INCOME (CONTINUED)**

**(ii) Assets inherited from the defunct Central Tender Board (Continued)**

The Value of these assets is as shown below and forms part of assets reported in the Property and Equipment movement schedule above.

<b>Sub item</b>	<b>Quantity</b>	<b>TZS'000</b>
Motor Vehicle	2	93,500
Office Furniture	Various	25,130
Office Equipment	Various	14,730
Desktop Computers	2	840
Laptops	2	2,000
<b>Total Value as at 30 June, 2009</b>		<b>136,200</b>
Assets in kind recognized in the Statement of Comprehensive Income		(8,569)
<b>Net value as at 30 June, 2009</b>		<b>127,631</b>
Assets in kind recognized in the Statement of Comprehensive Income		(34,277)
<b>Net value as at 30 June, 2010</b>		<b>93,354</b>
Assets in kind recognized in the Statement of Comprehensive Income		(34,195)
<b>Net value as at 30 June, 2011</b>		<b>59,159</b>
Assets in kind recognized in the Statement of Comprehensive Income		(34,067)
<b>Net value as at 30 June, 2012</b>		<b>25,092</b>
Assets in kind recognized in the Statement of Comprehensive Income		(25,009)
<b>Net value as at 30 June, 2013</b>		<b>83</b>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**4. DEFERRED INCOME (CONTINUED)**

(iii) Assets Received as Government grant which was previously owned by the defunct NAFCO

Sub item	TZS'000
Land	822,600
Building	301,000
<b>Total Value as at 30 June, 2010</b>	<b>1,123,600</b>
Assets in kind recognized in the Statement of Comprehensive Income	-
<b>Net value as at 30 June, 2010</b>	<b>1,123,600</b>
Assets in kind recognized in the Statement of Comprehensive Income	(12,040)
<b>Net value as at 30 June, 2011</b>	<b>1,111,560</b>
Assets in kind recognized in the Statement of Comprehensive Income	(12,040)
<b>Net value as at 30 June, 2012</b>	<b>1,099,520</b>
Assets in kind recognized in the Statement of Comprehensive Income	(12,040)
<b>Net value as at 30 June, 2013</b>	<b>1,087,480</b>
<b>Total (i+ii+iii)</b>	<b>1,087,482</b>

(iv) Assets in kind recognized in the statement of financial performance

Details	2013 TZS'000	2012 TZS'000
Assets in Kind from KIC (Note 4(i))	2,560	17,580
Assets in kind from CTB (Note 4(ii))	25,009	34,067
Assets in Kind from the Government (Note 4 (iii))	<u>12,040</u>	<u>12,040</u>
<b>Total</b>	<b><u>39,609</u></b>	<b><u>63,687</u></b>

**5. STAFF AND OTHER RECEIVABLES**

Details	2013 TZS'000	2012 TZS'000
Staff imprest receivables	482,563	349,747
Cash received from Imprest holders	(90)	-
Other receivables	<u>541,830</u>	<u>91,384</u>
<b>Total</b>	<b><u>1,024,303</u></b>	<b><u>441,131</u></b>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**6. CASH AND CASH EQUIVALENTS**

Details	2013	2012
	TZS'000	TZS'000
Cash at bank (ADB Project)	2,001,780	264,751
Cash at Bank (Operational account)	198,870	840,468
Cash at Bank (PFMRP Account)	578,310	-
Cash in Hand	797	507
<b>Total</b>	<b><u>2,779,757</u></b>	<b><u>1,105,726</u></b>

**7. 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 retired government contract employees. From February 2013, Treasurer - Ministry of Finance remits the gratuities directly to the GEPF (Refer Treasury 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.

Details	2013	2012
	TZS'000	TZS'000
a) Retirement benefit obligations falling due within one year	-	194,085
b) Retirement benefit obligation falling beyond one year	-	69,523

**8. (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.

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

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

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, Director of Public Prosecution, and the Attorney General and the Judiciary.

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, 2013, the Authority recognized a liability of TZS 2,661.3 million related to a transfer to it conditional upon implementing Institutional Support for Good Governance Project II.

**Liability recognized under transfer arrangements**

	2013	2012
	TZS'000	TZS'000
Opening balance brought forward	335,307	-
Transfer for printing and circulating of TPJ for year 2011/2012	<u>(78,480)</u>	-
<b>Adjusted opening balance brought forward</b>	<b><u>256,827</u></b>	<b>-</b>
Transfers received during the year	4,332,441	1,376,528
Forex revaluations	7,046	-
Transfer revenue recognized during the year	<u>(1,934,984)</u>	<u>(1,041,221)</u>
<b>Total liability recognized under transfer arrangements</b>	<b><u>2,661,330</u></b>	<b><u>335,307</u></b>

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

The Authority also receives funds for Development Activities under PFMRP - Basket funding. In 2012/13 Financial year, TZS 1,060 million was approved for Development activities.

At 30<sup>th</sup> June, 2013, the Authority had spent a total of TZS 417 million and committed the balance of TZS 950 million for the activities that were ongoing.



**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

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

	2013	2012
	TZS'000	TZS'000
Opening balance brought forward	-	3,169
Amount returned to PFMRP	-	(3,169)
Transfer received	<u>1,367,188</u>	<u>1,350,000</u>
<b>Total fund</b>	<b>1,367,188</b>	<b>1,350,000</b>
Transfer Revenue recognized during the year	<u>(1,367,188)</u>	<u>(1,350,000)</u>
Liability recognized under transfer arrangements	<u>-</u>	<u>-</u>

**(i) Transfer revenue recognized during the year**

Grants from ADB-ADF	1,934,984	1,041,221
Transfer from PFMRP - Basket Fund	<u>1,367,188</u>	<u>1,350,000</u>
	<b><u>3,302,172</u></b>	<b><u>2,391,221</u></b>

**(ii) Total Liability recognised under transfer arrangements:-**

	2013	2012
	TZS'000	TZS'000
Liability under grants from ADB - ADF	<u>2,661,330</u>	<u>335,307</u>
<b>Total</b>	<b><u>2,661,330</u></b>	<b><u>335,307</u></b>

**9. ACCOUNTS PAYABLE**

**Details**

	2013	2012
	TZS'000	TZS'000
Payables	366,468	327,518
Accruals and provisions	<u>254,868</u>	<u>84,210</u>
<b>Total</b>	<b><u>621,336</u></b>	<b><u>411,728</u></b>

**10. GOVERNMENT GRANT**

Operational funds	3,499,739	3,197,734
Basket funding	<u>1,060,476</u>	<u>1,350,000</u>
<b>Total</b>	<b><u>4,635,215</u></b>	<b><u>4,547,734</u></b>

**11. 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").

## PUBLIC PROCUREMENT REGULATORY AUTHORITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

#### 11. BTC-EPC LGAP CAPITATION GRANT (CONTINUED)

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, inclusive and corruption free at all levels; and Specific Objective of sustainably enhancing the procurement capacity at Local Government level.

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.

The Project is at its earliest stage of implementation and during the year 2012/2013 a total of TZS 81,352,000 was spent to finance project activities performed.

#### 12. OTHER INCOME

Details	2013 TZS '000	2012 TZS '000
Sales of bidding documents and PPA 2004	450	1,670
Fees on complaint reviews	170	110
Tailor-made training programmes	574,275	278,575
Advertisements in TPJ supplement	399,775	307,192
Tender update charges	1,228	-
Miscellaneous	359,370	102,068
Interest on Fixed deposit	-	8,102
<b>Total</b>	<b><u>1,335,268</u></b>	<b><u>697,717</u></b>

#### 13. ADMINISTRATIVE EXPENSES

Funded by Government subventions	1,791,472	1,706,182
ADB funding	316,990	66,241
Depreciation	77,775	215,338
	<b><u>2,186,237</u></b>	<b><u>1,987,761</u></b>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

14. STAFF EXPENSES

	2013 TZS'000	2012 TZS'000
Personnel emoluments	1,644,166	1,479,756
Gratuity and pension		
Defined contribution plans	70,900	63,127
Defined benefit plan	<u>286,533</u>	<u>263,608</u>
	<u>357,433</u>	<u>326,735</u>
NHIF	<u>52,399</u>	<u>47,188</u>
<b>Grand Total</b>	<b><u>2,053,998</u></b>	<b><u>1,853,679</u></b>

15. CAPACITY BUILDING EXPENSES

	2013 TZS'000	2012 TZS'000
<b>(a) Government Funding</b>		
Publish Tanzania Procurement Journal	46,760	58,599
Tailor-made training	175,075	89,362
To Survey and update database on average price of goods and services in collaboration with GPSA		4,551
To sensitize top government leaders and politicians on their role in compliance with PPA.	42,657	5,789
To disseminate PPA,2004 and its regulations	1,282	11,871
To participate in Procurement Forum Nationally & Internationally	93,103	55,772
Last financial year commitment and Imprest Expenses	93,971	3,990
To conduct 3-day workshop for heads of Procurement Management Units to deliberate on various procurement tools	82,891	63,681
<b>Total Government Funding</b>	<b>535,739</b>	<b>293,615</b>
<b>(b) ADB Funding</b>		
Publication of Procurement Journals	138,240	86,400
<b>Total ADB Funding</b>	<b>138,240</b>	<b>86,400</b>
<b>(c) BTC Funding</b>		
EPC-LGAP Expenses (Capitation Grant)	81,352	-
<b>Total BTC Funding</b>	<b>81,352</b>	<b>-</b>
<b>Total Funding from Government, ADB and BTC</b>	<b>755,331</b>	<b>380,015</b>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**16. MONITORING AND COMPLIANCE EXPENSES**

<b>Details</b>	<b>2013</b>	<b>2012</b>
<b>(a) Government funding</b>	<b>TZS'000</b>	<b>TZS'000</b>
Carrying out procurement investigations on allegations, reported cases, of suspected breaches in application of PPA 2004 and recommendation of appropriate actions	135,806	560
Carrying out procurement contracts and performance audits on procurement entities and disseminating the output/results to stakeholders	-	66,271
To monitor implementation of the previous financial year's audit recommendations	-	15,754
To carryout Value for Money audits/Investigations (Performance audits) in procuring entities/projects	37,255	72,498
To train PPRA staff on the basic corruption detection techniques in public procurement by June 2013	-	14,987
Last Financial Year Commitment and Imprest Expenses	533,021	570,393
<b>Sub-total (a)</b>	<b>706,082</b>	<b>740,463</b>
<b>(b) ADB funding</b>		
To Implement a system for checking and monitoring procurement processes in all MDAs	1,350	16,041
<b>Sub-total (b)</b>	<b>1,350</b>	<b>16,041</b>
<b>Total (a +b)</b>	<b>707,432</b>	<b>756,504</b>

**17. INFORMATION TECHNOLOGY EXPENSES**

<b>Details</b>	<b>2013</b>	<b>2012</b>
<b>(a) Government funding</b>	<b>TZS'000</b>	<b>TZS'000</b>
To provide general support and maintenance to Authority's IT systems	55,300	67,679
To Train 3 staff on IT technologies for management of Information Systems	-	28,271
Roll out PMIS and Monitor PMIS in 364 PEs (Last Financial Year Commitment and Imprest Expenses)	-	41,181
To prepare implementation strategies and acquire e-procurement solution (Last Financial Year Commitment and Imprest Expenses)	195,180	91,458
<b>Sub-total (a)</b>	<b>250,480</b>	<b>228,589</b>
<b>(b) ADB funding</b>		
To roll out Procurement MIS (PMIS) in 240 Government entities	35,743	38,873
<b>Sub-total (b)</b>	<b>35,743</b>	<b>38,873</b>
<b>Total (a+b)</b>	<b>286,223</b>	<b>267,462</b>

**PUBLIC PROCUREMENT REGULATORY AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)**

**18. TRAINING EXPENSES**

Source	2013	2012
	TZS'000	TZS'000
Government of Tanzania subventions	11,898	11,171
ADB funding	<u>174,442</u>	<u>110,574</u>
<b>Total</b>	<b><u>186,340</u></b>	<b><u>121,745</u></b>

**19. OFFICE SET UP EXPENSES**

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

Details	2013	2012
	TZS'000	TZS'000
Government funding		
Office Rent	<u>319,913</u>	<u>334,608</u>
<b>Total</b>	<b><u>319,913</u></b>	<b><u>334,608</u></b>

**20. OTHER EXPENSES**

**ADB funding**

Auditing and Budgetary Control Expense	763,227	219,773
Financial Management Expense	249,941	376,320
Business Environment Improvement Expense	151,683	8,409
Administrative Expense	94,089	121,152
Others	8,504	-
<b>Total</b>	<b><u>1,267,444</u></b>	<b><u>725,654</u></b>

**21. CASH GENERATED FROM OPERATIONS**

Reconciliation of surplus for the year to cash generated from operations:	<u>Notes</u>	2013	2012
Surplus/(Deficit) for the year:		TZS'000	TZS'000
<i>Adjustments for:</i>		263,510	(77,069)
Depreciation (including intangible assets)	2 & 3	<u>77,775</u>	<u>215,338</u>
<b>Cash generated from operations before working capital changes</b>		<b><u>341,285</u></b>	<b><u>138,269</u></b>
<b>Changes in working capital:</b>			
Increase in staff and other receivables		(583,172)	(305,954)
Decrease in assets in kind		(39,611)	(63,687)
Increase in liabilities recognized under transfer arrangement		2,326,023	332,138
Increase in accounts payable		<u>209,608</u>	<u>356,766</u>
<b>Cash generated from operations</b>		<b><u>2,254,133</u></b>	<b><u>457,532</u></b>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

22. 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:

Details	Number of persons	2013 TZS '000	2012 TZS '000
<b>(i) Directors remunerations</b>			
Directors' fees	8	12,000	12,000
Sitting allowance	8	150,550	118,000
<b>(ii) Senior staff remunerations</b>			
Salaries	17	1,195,744	1,093,293
Retirement benefit obligations	17	286,533	263,608
Housing allowance	17	120,600	119,400

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

23. COMMITMENTS

As at the financial position (balance sheet) date, the Authority had the following commitments:

Details	2013 TZS '000	2012 TZS '000
Approved and contracted for	2,018,249	793,957
Approved Local Purchase Orders (LPOs)	22,832	301,276
<b>Total</b>	<b><u>2,041,081</u></b>	<b><u>1,095,233</u></b>

24. 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 300 million, and as at 30 June 2013 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. Arbitration Hearing has been set on the 18.02.2014 at 1100hrs. The litigation gives rise to a contingent liability of TZS 300 million.

25. CURRENCY

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