



THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
FOR THE YEAR ENDED 30TH JUNE, 2019

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AR/PPRA/2018/2019

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PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

Abbreviations

| | |
|----------|--|
| ADF | African Development Fund |
| AfDB | African Development Bank |
| AO | Accounting Officer |
| APGW | Annual Procurement Governance Workshop |
| BOT | Bank of Tanzania |
| BTC | Belgian Technical Cooperation |
| CAG | Controller and Auditor General |
| CEO | Chief Executive Officer |
| DC | District Council |
| EAPF | East African Public Procurement Forum |
| e-GA | Electronic Government Agency |
| FY | Financial Year |
| GEPF | GEPF Retirement Benefits Fund |
| GPSA | Government Procurement Services Agency |
| HESLB | Higher Education Students Loans Board |
| HIV/AIDS | Human Immune-Deficiency/ Acquired Immune Deficiency Syndrome |
| IAs | Internal Auditors |
| IAUs | Internal Audit Units |
| IPSAS | International Public Sector Accounting Standards |
| ISA | International Standards on Auditing |
| ISPGG | Institutional Support Project for Good Governance |
| ISSAIs | International Standards of Supreme Audit Institutions |
| LGAs | Local Government Authorities |
| LAPF | LAPF Pensions Fund |
| LPO | Local Purchase Order |
| MDAs | Ministries, Independent Departments and Agencies |
| MoEST | Ministry of Education, Science and Technology |
| MoFP | Ministry of Finance & Planning |
| MTSP | Medium Term Strategic Plan |
| NAOT | National Audit Office of Tanzania |
| NHIF | National Health Insurance Fund |
| NSSF | National Social Security Fund |
| PAA | Public Audit Act No. 11 of 2008 |
| PAR | Public Audit Regulations of 2009 |
| PAC | Public Accounts Committee |
| PFA | Public Finance Regulations, 2001 |
| PCCB | Prevention and Combating of Corruption Bureau |
| PE | Procuring Entity |
| PFM | Public Financial Management |
| PMO | Prime Minister's Office |
| PMIS | Procurement Management Information System |
| PMU | Procurement Management Unit |
| PO-PPGG | President's Office - Public Service and Good Governance |
| PPA | Public Procurement Act, 2011 |
| PPAA | Public Procurement Appeals Authority |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

| | |
|--------|--|
| PPD | Public Procurement Policy Division |
| PPP | Public-Private Partnership |
| PPR | Public Procurement Regulations, 2013 |
| PPRA | Public Procurement Regulatory Authority |
| PSC | Project Steering Committee |
| PSPF | Public Service Pensions Fund |
| PSPTB | Procurement and Supplies Professionals and Technicians Board |
| PVCA | Procurement Value Chain Analysis |
| RFP | Request for Proposal |
| SDP | Staff Development Plan |
| TB | Tender Board |
| TFRS | Tanzania Financial Reporting Standards |
| TANePS | Tanzania National e-Procurement System |
| TARURA | Tanzania Rural and Urban Roads Agency |
| TPJ | Tanzania Procurement Journal |
| TZS | Tanzania Shilling |
| UDs | User Departments |
| URT | United Republic of Tanzania |
| USAID | United States Agency for International Development |
| VAT | Value Added Tax |
| VETA | Vocational Education and Training Authority |
| VfM | Value for Money |

1.0 GENERAL INFORMATION

1.1. Mandate

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 in Sect. 10 (1) of the Public Audit Act No.11 of 2008.

1.2. Vision, Mission and Core Values

Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core Values

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

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Teamwork Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experiences.

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 appropriate training, adequate working tools and facilities that promote their independence.

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PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

1.3. Audit Objectives

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4. Audit Scope

The audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the *Public Procurement Regulatory Authority- "The Authority" (PPRA)*

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the *PPRA*.

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the *Authority (PPRA)*.

1.5. Audit Methodology

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations and directives issued by PAC to ensure that proper action has been taken in respect of all matters raised.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

2.0 DIRECTORS REPORT FOR THE YEAR ENDED 30TH JUNE 2019

2.1 Introduction

In compliance with the Public Procurement Act (PPA) Cap 410 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 the Public Procurement Regulatory Authority (PPRA) for the year ended 30th June, 2019.

2.2 Establishment

PPRA is an autonomous body established under PPA, Cap 410, Section 7 (1). It became operational in May 2005.

2.3 Vision

A public procurement system with integrity, offering best value for money

2.4 Mission

To regulate the public procurement system and promote best practices in order to attain best value for money and other desired socio-economic outcomes.

2.5 Principal Activities

The Authority carries out the following functions as provided in PPA, CAP 410: Section 9 (1)-

- (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; and
- (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. (Section 10,11,13,18 and 19 (i) of PPA, 2011)

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

2.6 Composition of 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 responsible for finance. The Chief Executive Officer (CEO), is appointed by the President, and is the Secretary to the Board. Board members who served the Board during the year 2018/19 are indicated in Table 1 below:

Table 1: Composition of Board of Directors

| S/N | Name | Position | Discipline | Nationality | Age | Date of Appointment and Period served |
|-----|-----------------------------|----------------|--------------------------------|-------------|-----|--|
| 1 | Amb. Dr. Matern C. Lumbanga | Chairman | PhD in International Relations | Tanzanian | 72 | Served from 12 th April 2016 to 11 th April 2019 Re-appointed on 21 st July, 2019. |
| 2 | Mr. George D. Yambesi | Member | MSc. in Human Resources | Tanzanian | 66 | Re-appointed 3 rd September 2016 to 2 nd September, 2019 |
| 3 | Prof. Sufian H. Bukurura | Member | PhD in Law | Tanzanian | 63 | Re-appointed 3 rd September 2016 to 2 nd September 2019 |
| 4 | Eng. Sylvester N. Mayunga | Member | BSc in Engineering | Tanzanian | 55 | 15 th September 2018 to 14 th September 2021 |
| 5 | Eng. Ephatar L. Mlavi | Member | MSc. in Engineering | Tanzanian | 50 | 15 th September 2018 to 14 th September 2021 |
| 6 | CPA. Rhoben P. Nkori | Member | Certified Public Accountant | Tanzanian | 47 | 15 th September 2018 to 14 th September 2021 |
| 7 | CPA. Nimrod L. Mahozi | Member | Certified Public Accountant | Tanzanian | 60 | 15 th September 2018 to 14 th September 2021 |
| 8 | Eng. Leonard S. Kapongo | Secretary /CEO | MSc. in Engineering | Tanzanian | 57 | 26 th October 2018 to 25 th October 2022 |

2.7 Corporate Governance

The overall responsibilities of the Board of the Directors, among other things, include providing general oversight of the Authority's operations, identifying key risk areas, monitoring investment decisions and reviewing the performance of management

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

strategic plans and budgets. The Board is also responsible for ensuring presence of a comprehensive system of internal control as well as compliance with sound corporate governance practices.

2.8 Board Committees

During the year 2018/19, the Board had three committees namely, Audit Committee, Advisory Committee, and Technical Committee. The audit committee dealt with issues related to risk management, finance and audit. The Advisory Committee advised the Paymaster General (PMG) on applications for retrospective approvals, as they happened. The Technical Committee dealt with other technical matters of public procurement.

2.9 Composition of Board Committees

Below is the composition of the members who formed the Board's Committees indicating period they served:

Table 2: Audit Committee

| S/N | Name | Position | Discipline | Nationality | Age | Date Appointed /Period served |
|-----|----------------------------|----------|-----------------------------|-------------|-----|--|
| 1 | Late CPA. Nimrod L. Mahozi | Chairman | Certified Public Accountant | Tanzanian | 60 | 15 th September 2018 to 5 th May, 2019 |
| 2 | Mr. George D. Yambesi | Member | MSc. in Human Resources | Tanzanian | 66 | 15 th September 2018 to 2 nd September, 2019 |
| 3 | CPA. Rhoben P. Nkori | Member | Certified Public Accountant | Tanzanian | 47 | 15 th September 2018 to date |
| 4 | Eng. Ephatar L. Mlavi | Member | MSc. in Engineering | Tanzanian | 50 | 15 th September 2018 to date |

Table 3: Advisory Committee

| S/N | Name | Position | Discipline | Nationality | Age | Date Appointed |
|-----|----------------------------|----------|-----------------------------|-------------|-----|---|
| 1 | Mr. George D. Yambesi | Chairman | MSc. in Human Resources | Tanzanian | 66 | 3 rd September 2016 to 2 nd September, 2019 |
| 2 | Prof. Sufian H. Bukurura | Member | PhD in Law | Tanzanian | 63 | 3 rd September 2016 to 2 nd September, 2019 |
| 3 | Late CPA. Nimrod L. Mahozi | Member | Certified Public Accountant | Tanzanian | 60 | 15 th September 2018 to 5 th May, 2019 |
| 4 | Eng. Sylvester N. Mayunga | Member | BSc. in Engineering | Tanzanian | 55 | 15 th September 2018 to date |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

Table 4: Technical Committee

| S/N | Name | Position | Discipline | Nationality | Age | Date Appointed |
|-----|---------------------------|----------|-----------------------------|-------------|-----|---|
| 1 | Prof. Sufian H. Bukurura | Chairman | PhD in Law | Tanzanian | 63 | 3 rd September 2016 to 2 nd September, 2019 |
| 2 | Eng. Ephatar L. Mlavi | Member | MSc. in Engineering | Tanzanian | 50 | 15 th September 2018 to date |
| 3 | Eng. Sylvester N. Mayunga | Member | BSc. in Engineering | Tanzanian | 55 | 15 th September 2018 to date |
| 4 | CPA. Rhoben P. Nkori | Member | Certified Public Accountant | Tanzanian | 47 | 15 th September 2018 to date |

2.10 Attendance to Board Meetings

Paragraph 5(1) of the First Schedule to the Public Procurement Act (PPA, 2011 as amended in 2016) states that, the Board shall meet at such times and such places being not less than once in a month as the Chairman may determine. During the year 2018/19, a total of twelve (12) meetings were planned but the Board managed to hold only six (6) meetings.

Table 5 indicates the number of meetings attended by the board members during FY ended 30th June, 2019

Table 5: Attendance to Board Meetings

| S/N | Name | Position | Discipline | Planned Number of meetings | Number of meetings attended | |
|-----|-----------------------------|----------|--------------------------------|----------------------------|-----------------------------|----------------|
| | | | | | Ordinary | Extra Ordinary |
| 1 | Amb. Dr. Matern C. Lumbanga | Chairman | PhD in International Relations | 12 | 3 | 3 |
| 2 | Mr. George D. Yambesi | Member | MSc. in Human Resources | 12 | 3 | 2 |
| 3 | Prof. Sufian H. Bukurura | Member | PhD in Law | 12 | 3 | 1 |
| 4 | Eng. Sylvester N. Mayunga | Member | BSc in Engineering | 12 | 2 | 3 |
| 5 | Eng. Ephatar L. Mlavi | Member | MSc. in Engineering | 12 | 1 | 1 |
| 6 | CPA. Rhoben P. Nkori | Member | Certified Public Accountant | 12 | 3 | 2 |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

| S/N | Name | Position | Discipline | Planned Number of meetings | Number of meetings attended | |
|-----|----------------------------|----------|-----------------------------|----------------------------|-----------------------------|----------------|
| | | | | | Ordinary | Extra Ordinary |
| 7 | Late CPA. Nimrod L. Mahozi | Member | Certified Public Accountant | 12 | 3 | 2 |

2.11 Attendance to Committees Meetings

During financial year 2018/2019, a total of three (3) Audit Committee meetings were held, the Advisory Committee held eight (8) meetings whereas the Technical Committee held two (2) meeting. Attendance to committees' meetings is as shown in Tables below:

Table 6: Attendance to the Audit Committee meetings

| S/N | Name | Position | Planned Number of meetings | Number of meetings attended |
|-----|----------------------------|----------|----------------------------|-----------------------------|
| 1 | Late CPA. Nimrod L. Mahozi | Chairman | 6 | 2 |
| 2 | Mr. George D. Yambesi | Member | 6 | 3 |
| 3 | Eng. Sylvester N. Mayunga | Member | 6 | 2 |
| 4 | CPA. Rhoben P. Nkori | Member | 6 | 0 |
| 5 | Eng. Ephatar L. Mlavi | Member | 6 | 2 |

Table 7: Attendance to Advisory Committee meetings

| S/N | Name | Position | Planned Number of meetings | Number of meetings attended |
|-----|----------------------------|----------|----------------------------|-----------------------------|
| 1. | Mr. George D. Yambesi | Chairman | 3 | 8 |
| 2. | Prof. Sufian H. Bukurura | Member | 3 | 7 |
| 3. | Late CPA. Nimrod L. Mahozi | Member | 3 | 8 |
| 4. | Eng. Sylvester N. Mayunga | Member | 3 | 8 |

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REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

Table 8: Attendance to Technical Committee meetings

| S/N | Name | Position | Planned Number of meetings | Number of meetings attended |
|-----|---------------------------|----------|----------------------------|-----------------------------|
| 1. | Prof. Sufian. H. Bukurura | Chairman | 3 | 2 |
| 2. | Eng. Ephatar L. Mlavi | Member | 3 | 1 |
| 3. | Eng. Sylvester N. Mayunga | Member | 3 | 1 |
| 4. | CPA. Rhoben P. Nkori | Member | 3 | 1 |

2.12 Board Remuneration

The remunerations of the Board of Directors are 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 2018/19, the directors were paid annual fees and sitting allowance as shown below.

| Details | Number of persons | 2019 TZS '000 | 2018 TZS '000 |
|---------------------------|-------------------|------------------|------------------|
| Directors' fees | 8 | 5,000 | 16,000 |
| Sitting allowance | 8 | 48,150 | 43,050 |
| Total Remuneration | | 53,150 | 59,050 |

2.13 Relationship with Stakeholders

The Authority continued to maintain good relationship with all stakeholders including the National Audit Office of Tanzania (NAOT), Prevention and Combating of Corruption Bureau (PCCB), Ethics Secretariat, Ministries, Departments and Agencies (MDAs), Local Government Authorities (LGAs), Procurement Policy Division (PPD) of the Ministry of Finance and Planning, Government Procurement Services Agency (GPSA), Public Procurement Appeals Authority (PPAA) and Procurement and Supplies Professionals and Technicians Board (PSPTB).

2.14 Management

Management is responsible for day-to-day operations of the Authority and comprises CEO and five heads of divisions and two units namely, Capacity Building and Advisory Services, Monitoring and Compliance, Legal and Public Affairs, Information Systems, Corporate Services, Internal Audit, and Procurement Management.

2.15 Compensation of Senior Staff

The senior staff consists of CEO, heads of divisions, heads of independent units, and heads of sections. During the year, remuneration of senior staff was as follows: -

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

| Details | Number of Staff | 2018 TZS '000 | 2018 TZS '000 |
|--------------------------------|--------------------|------------------|------------------|
| Salaries | 14 | 1,172,529 | 1,285,568 |
| Retirement benefit obligations | 14 | 216,382 | 235,902 |
| Housing allowance | 14 | 100,800 | 121,600 |
| Total | | 1,489,711 | 1,643,070 |

2.16 Overall Performance

During the year 2018/19, PPRA recorded some remarkable achievements as explained in the succeeding subsections.

2.16.1 Capacity building

- a) The Authority organized the 7th Annual Procurement Governance Workshop (APGW) from 16 to 17th July 2019 in Dar es Salaam and from 24th to 26th July 2019 in Arusha, with a theme "**Procurement in Major Projects towards Industrial Economy**". The workshop had two sessions; the first session which was attended by 103 participants from 48 PEs involved Accounting Officers (AO), Chairpersons and board members of public authorities. The second session which was attended by 355 participants from 97 Procuring Entities (PEs), involved Tender Board (TB) members, Procurement Management Unit (PMU) staff, representatives of User Departments (UDs) and Internal Audit Units (IAUs). In total 458 participants attended APGW as compared to projection of 700 participants. The Workshop which was planned to be held from 22-24 July 2019 for council members could not be held but instead the Authority was invited to present a paper on Public Procurement in ALAT meeting on 24 July, 2019 in Mwanza.
- b) The Authority received information on 25 registered special groups (women, youth, the elderly and people with disabilities) from SGSE for the purpose of updating its database and publishing the same for PEs' reference;
- c) 28 procurement implementation tools were developed including guidelines and standard bidding documents. The tools are available on PPRA website (www.ppra.go.tz);
- d) 43 tailor made training sessions on PPA were conducted to 37 PEs and attended by 991 participants compared to 513 participants from 23 PEs trained in the preceding year; and;
- e) Three dissemination workshops were conducted to AOs, UD, IAs and PMU aiming at equipping them with requisite knowledge of PPA and the revised

**PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
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implementation tools. The workshops were attended by 144 participants from PEs as compared to 371 participants in the preceding year.

2.16.2 Advisory Services

PMG was advised on 21 out of 61 contracts that were procured on emergency basis compared to 35 contracts in the preceding year. However, 40 contracts were at different review stages as at the end of the FY under review.

Procurement Management Information System

During the year under review, a total of 465 PEs (86.11 percent of 540 PEs) had been registered as compared to 449 PEs (83.15 percent of 540 PEs) in the preceding year. In addition, the number of PMIS registered users reached 2,017 as compared to 1,805 in the preceding year. Furthermore, PPRA conducted tailor - made training on PMIS to 55 officers from 15 PEs.

3.16.3.1 Tanzania National e-Procurement system

During the year under review, 71 PEs started using the system as a pilot for procurement of common use items and services. This is after conducting training on application of TANEPS covering a total of 257 procurement officers and 721 potential suppliers in five regions namely Dodoma, Dar es Salaam, Mwanza, Arusha and Mbeya;

2.16.4 Review of Performance of PEs

Volume of Awarded Contracts by PEs

- (a) During the year under review, the Authority analysed information on awarded procurement contracts from 188 PEs which represented 34.8 percent of 540 registered PEs. Compliance with legal requirement in submitting information on contract awards increased compared to the last financial year in which 145 PEs equivalent to 26.9 percent of 540 registered PEs submitted contract award information.;
- (b) Similarly, the Authority received information on volumes of awarded contracts worth TZS 3,732.54 billion of which TZS 3,171.94 billion or 84.98 percent was awarded by 25 PEs with huge procurement volumes (TZS 20 billion or above).

Compliance and Vfm audits

- a) Based on the criteria for selection of PEs to be audited, PPRA audited a total of 7,738 procurement contracts worth TZS 9.122 trillion. These audits involved 104 PEs (43 MDAs, 28 LGAs and 33 PAs) and five PE branches with delegated powers. While 43 PEs were subjected to compliance audits only, one PE was subjected to Vfm audit and 60 PEs plus five PEs branches were subjected to both, compliance and Vfm audits. Among the audited entities, 18 PEs whose

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
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procurement volumes were TZS 20 billion or above accounted for 96.3 percent of all audited contracts;

- b) The audit indicated an overall average compliance level of 76 percent as compared to 74 percent that was achieved in FY 2017/18. However, the recorded compliance level was below the target level of 80 percent which had been set by PPRA;
- c) Analysis of the results from audited PEs revealed that 61 PEs including three PE branches with delegated powers achieved fair compliance level ranging between 60 and 79 percent, while 36 PEs including two PE branches with delegated powers achieved satisfactory compliance level with a score of 80 percent or above;
- d) Six had unsatisfactory or poor compliance level as they scored below 60 percent. These PEs are VETA, Agricultural Seed Agency, NIMR, Kaliua DC, Nsimbo DC and Centre for Foreign Relations
- e) The average compliance level as compared to the previous year has increased from 75 to 77 percent for MDAs whereas for PAs increased from 70 to 75 percent, and for LGAs decreased from 77 to 74 percent.
- f) PPRA conducted VfM audits on 290 procurement contracts worth TZS 8,478.33 billion. The audited contracts comprised Buildings, roads, bridges and civil works worth TZS 996.82 billion; Electrical works worth TZS 25.85 billion; Railway construction works worth TZS 7,222.43 billion; Water supply and irrigation schemes worth TZS 60.11 billion; Goods worth TZS 124.84 billion; and Consultant services worth TZS 48.24 billion;
- g) Out of 290 audited contracts for VfM, 239 contracts worth TZS 8,407.68 billion were assessed to have satisfactory performance; 49 contracts worth TZS 70.56 billion were assessed to have fair performance; and two contracts worth TZS 95.32 million were assessed to have poor performance. The projects with poor performance related to excavation pits in backfilling solid waste at Busoka dumping site in Kahama TC, and Supply of electromagnetic meters at Kashwasa); and
- h) The overall VfM performance of audited PEs was assessed to be 84.4 percent which is satisfactory performance. The score indicated a slight improvement compared to 84.0 percent in the preceding year.

Assessment of corruption

Assessment of corruption indicators in procurement revealed that a total of 131 contracts from 39 PEs had higher corruption red flags in either one of its phases or on its overall score. 12 contracts from nine PEs worth TZS. 25.8 Billion had high red flag score in overall assessment. These contracts were being implemented by Ministry of

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

Water and Irrigation, TRC, TPA, TBS, Uwasa - Singida, UWASA - Wang'ing'ombe, Kigamboni MC, Ubungo MC, and Kahama TC

Investigations and special audits

- (a) During FY 2018/19, the Authority conducted five investigations in five PEs involving 13 tenders/contracts. These PEs included Nkasi DC, BOT, TAA, REA and TBS. The total value of investigated tenders/contracts was TZS 375.05 billion. These investigations managed to save TZS 3.39 billion from being misappropriated by unscrupulous bidders/government officials; and.
- (b) The investigations further revealed that the Government had incurred a loss amounting to TZS 4.36 billion from fees that were due to the government and changes in project designs that led to abandonment of some executed works and the procured goods.

Other audited areas

During the year under review, apart from a normal procurement and VfM audits, PPRA conducted audit on other specific areas of interest to the Government namely; Assessment of procurement through force account method, Application of preference schemes by PEs, Efficiency in procurement processes, Efficiency in maintenance of vehicles and plants, Fuel purchase and consumption, and Procurement audit of PPP projects.

Implementation of previous Audit recommendations

PPRA conducted follow up audit to assess implementation of previous audit recommendations. The audit results revealed that out of 1,010 given audit recommendations, 532 recommendations equivalent to 53 percent were fully implemented, 212 recommendation equivalents to 21 percent were partially implemented and 266 recommendations equivalent to 26 percent were not implemented.

Outreach Capacity and Visibility

- (a) During the year under review, the Authority provided education to the public on public procurement related issues through an interactive live radio programme (Hoja ya Leo) aired on Radio One and by participating in four public events namely; 'Sabasaba' exhibition, ERB Annual General Meeting, National Integrity day, and organised Public Service Week. Also, the Authority held one press conference during submission of APER, 2017/18 to the Minister for Finance and Planning; and
- (b) The Authority participated in the 11th EAPF which was held November 2018 in Nairobi, Kenya. The theme for this event was "Strengthening Integrity and Accountability in Public Procurement". Tanzania was represented by 11 participants from government institutions.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

Capacity to Deliver Quality Services

The Authority continued to strengthen its capacity to deliver quality services by implementing strategies that are stipulated in Medium Term Strategic Plan (MTSP) by ensuring adequate human, financial and other resources.

Services on HIV/AIDS Infections and Non-Communicable Diseases

During Financial 2018/19, the Authority continued to implement HIV and AIDS Policy that was approved in the financial year 2017/2018.

Implementation of National Anti-corruption Strategy

During the period under review, the Authority continued to implement the National Ant-corruption Policy.

2.17 Staff Welfare

2.17.1 Management & Employees relationship

There was a continued good relationship between employees and management for the year 2018/2019.

2.17.2 Training support

- (a) 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 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 Staff Development Plan (SDP).

2.17.3 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 costs incurred where appropriate. The Authority pays mandatory contribution each month to NHIF.

2.17.4 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.

2.17.5 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 and PSSF.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

2.17.6 Staff Complement

During the period under review, the Authority managed to recruit nine staff through Public Service Recruitment Secretariat, making a total of 74 employees out of approved establishment of 152 employees whereby 48 are male while 26 are female as shown in Table 9.

Table 9: Staff complement as at 30th June 2019

| Gender | Staff Complement | Percentage (%) |
|--------------|------------------|----------------|
| Male | 48 | 64.86 |
| Female | 26 | 35.14 |
| Total | 74 | 100 |

2.18 Challenges

During the year under review, the following are the challenges encountered during the period of reporting and measures that are being taken to address them.

Table 10: Challenges encountered, and measures taken

| S/N | Challenge | Measures that are being taken |
|-----|--|--|
| 1.0 | Sectoral Challenges | |
| 1.1 | Existence of a two - tier registration setup for suppliers of CUIS under framework agreements limited some suppliers from participating in mini-competitions by PEs involved in the pilot phase of TANePS. | Have a one stop - centre for registration of bidders so that tenders leading to framework agreements be conducted on TANePS. |
| 1.2 | Slow implementation of TANePS by PEs who are already trained and registered. | More training to PEs and suppliers be conducted countrywide to address the issue of capacity of procurement officers and potential tenderers in using TANePS. The Authority will also establish and equip the Help Desks in Dar es Salaam and Dodoma for provision of support primarily to supplier and other users; |
| 1.3 | Low compliance level with requirements PPA and PPR by PEs e.g. not using PMIS, record keeping, prolonging procurement processes and other procurement malpractices hindering effective monitoring of procurement activities. | Continue to monitor and enforce compliance with PPA including implementation of all TANePS by PEs; |
| 1.4 | Lack of standardization for items and services commonly used by the | Liaise with institutions that are responsible for preparation and |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

| S/N | Challenge | Measures that are being taken |
|------|---|---|
| | Government hence variation in expenditure and difficulty in planning. | issuance of standards for goods and services used by government institutions. |
| 1.5 | Overlapping legal mandate governing public procurement which require harmonization of procurement law | Harmonize laws governing public procurement. |
| 1.6 | Some stakeholders who are involved in procurement processes do not comply with the requirements of PPA and PPR. | Continue to build capacity of PEs and economic operators on applying PPA and to institute appropriate measures against the culprits. |
| 1.7 | Fragmented procurement law, amendments and consequential amendments which make application of the law difficult. | Continuous consolidation of amendments to PPA into a single document for ease of reference. |
| 1.8 | Lack of standard procedures for carrying out procurement in Tanzania diplomatic missions abroad. | Develop and issue guidelines for carrying out procurement in diplomatic missions. |
| 1.9 | Lack of outlined procurement standard procedures to be followed by lower levels of LGAs hence possibility of inefficiencies and malpractices in procurement processes | Develop and issue guidelines for carrying out procurement in lower level LGAs. |
| 1.20 | Failure by PEs to apply preference schemes as required by PPA thereby denying opportunities to the intended beneficiaries. | Encourage PEs to apply preference schemes as required by PPA where possible. |
| 2.0 | Challenges to PPRA (Internal challenges) | |
| 2.1 | Inadequate funding coupled with inability to meet maturing financial obligations in a timely manner. | PPRA will continue to market its activities in order to attract more financing and enhance collection of IGF to supplement the government subvention; |
| 2.2 | Shortage of human resources hence difficulties in implementing MTSP | Follow up with PS-Establishment on our request to implement approved Personnel Emolument (PE) budgets for FY 2018/2019 and 2019/20. |
| 2.3 | Lack of adequate and permanent office facilities hence high operating costs in form of rental charges | (a) Requested PMO for office permission to build a permanent office in Dodoma. |
| | | (b) Requested PMO for office space in Government offices which have been vacated in Dar es Salaam so as to move its TANEPS help desk |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2019 (CONT.)

| S/N | Challenge | Measures that are being taken |
|-----|-----------|---|
| | | and Coastal Zonal Office from rented buildings. |

2.19 Results for The Year

During the year ended 30th June 2019, the Authority had a surplus of TZS 75 million compared to a deficit of TZS 963 million recorded in the previous year. Expenditures decreased by 15% from TZS 15.0 billion in the previous year 2017/2018 to TZS 12.81 billion in the year 2018/2019 while revenue decreased by 8% from TZS 14.04 Billion in the previous year 2017/2018 to TZS 12.88 billion in the year 2018/2019.

2.20 Solvency

The Authority's state of affairs as at 30th June, 2019 is reflected in these financial statements. The Board considers the Authority to be solvent.

2.21 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 (1) of the same Act, M/s KEPLER Consultant was authorized to carry out the audit of PPRA for the year ended 30th June 2019 on behalf of the Controller and Auditor General.

By order of the Board



Chairman of the Board



Chief Executive Officer

Date 10/03/2020


PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

3.0 BOARD'S RESPONSIBILITY FOR FINANCIAL REPORTING

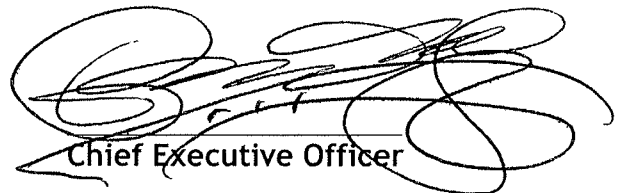
The Board is required by the Public Procurement Act PPA, 2011 (as amended in 2016), Section 26 to prepare financial statements that give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the surplus or deficit of the Authority for that period. The 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, 2019.

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.

By order of the Board



Chairman of the Board



Chief Executive Officer

Date 10/03/2020

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

4.0 DECLARATION OF THE HEAD OF FINANCE / ACCOUNTING

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

It is the duty of a Professional Accountant to assist the Board of Directors and Management to discharge the responsibility of preparing financial statements of the Authority showing a true and fair view of the entity position and performance in accordance with applicable International Accounting Standards and statutory financial reporting requirements. Full legal responsibility for the preparation of the financial statement's rests with the Board of Directors as under Directors Responsibility statement on item No. 2 on Report of the Directors.

I, Hannah C. Mwakalinga, being the Director responsible for Finance/Accounting of The Public Procurement Regulatory Authority (PPRA), hereby acknowledge my responsibility of ensuring that financial statements for the year ended 30th June 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

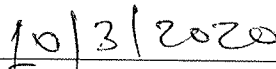
I thus confirm that the financial statements give a true and fair view position of PPRA as on that date and that they have been prepared based on properly maintained financial records.

Signed by:



Position: Director of Corporate Services
NBAA Membership No: ACPA 1021

Date



PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

5.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

Chairman of the Board,
Public Regulatory Authority (PPRA),
P.O. Box 2865,
DODOMA.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF PUBLIC PROCUREMENT REGULATORY AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 2019

Unqualified Opinion

I have audited the financial statements of Public Procurement Regulatory Authority (PPRA), which comprise the Statement of Financial Position as at 30th June, 2019, and the Statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Public Procurement Regulatory Authority (PPRA) as at 30th June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) Accrual basis.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of PPRA in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Tanzania, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

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

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

Other Information

Management is responsible for the other information. The other information comprises the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Key Audit Matters

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

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

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

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

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

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 (as amended in 2016) requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act, 2011 (as amended in 2016)

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 (PPRA) procurement has generally complied with the requirements of the Public Procurement Act No.7 of 2011 (as amended in 2016) and its related Regulations of 2013 (as amended in 2016).

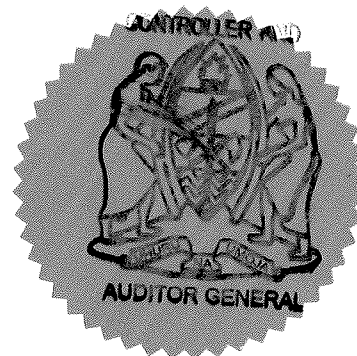


Charles E. Kichere

CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dodoma, Tanzania.

20th March, 2020



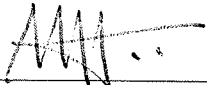
PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

6.0 FINANCIAL STATEMENTS

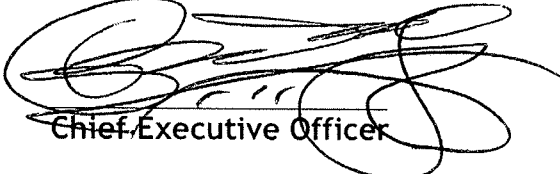
6.1 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2019

| | Notes | 2019 TZS'000 | 2018 TZS'000 |
|---|------------|-------------------------|-------------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and Cash Equivalent | 7.2.6 | 1,043,775 | 977,850 |
| Receivable from exchange transactions | 7.2.4 | 3,208,512 | 3,351,724 |
| Receivable from non-exchange transactions | 7.2.5 | 890,179 | 1,731,965 |
| | | <u>5,142,466</u> | <u>6,061,539</u> |
| Non-Current Assets | | | |
| Property and Equipment | 7.2.1 | 1,402,815 | 1,598,541 |
| Intangible Assets | 7.2.2 | - | 59,041 |
| | | <u>1,402,815</u> | <u>1,657,582</u> |
| Total Assets | | <u><u>6,545,281</u></u> | <u><u>7,719,121</u></u> |
| Liabilities | | | |
| Current liabilities | | | |
| Payables from exchange transactions | 7.2.9 | 2,024,808 | 1,388,022 |
| Payables from non-exchange transactions | 7.2.10 | 1,388,654 | 1,825,145 |
| Liabilities recognized under transfer arrangement | 7.2.8(a-e) | 151,125 | 1,594,405 |
| Deferred Income | 7.2.3 | 1,022,613 | 1,028,633 |
| Total liabilities | | <u>4,587,200</u> | <u>5,836,205</u> |
| Net assets | | <u><u>1,958,081</u></u> | <u><u>1,882,916</u></u> |
| Accumulated Surplus | | 1,882,916 | 2,846,148 |
| Surplus/(Deficit) for the year | | 75,165 | (963,232) |
| Total Net Assets and Liabilities | | <u><u>1,958,081</u></u> | <u><u>1,882,916</u></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 32 to 51.


Chairman of the Board

Date: 10/03/2020

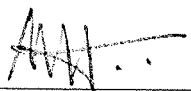

Chief Executive Officer

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

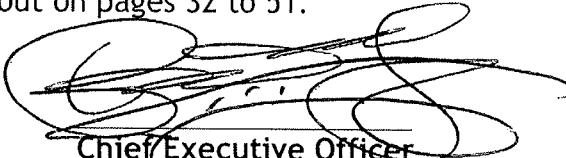
6.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2019

| | NOTE | 2019 TZS '000 | 2018 TZS '000 |
|--|-----------|-------------------|-------------------|
| Revenue from Non-Exchange Transactions | | | |
| Transfer from Government | 7.2.11 | 6,120,366 | 5,960,618 |
| ADB III Grant | 7.2.8 (d) | 5,198,816 | 5,288,819 |
| ADB II Grant | 7.2.8 (d) | - | 219,699 |
| USAID Grant | 7.2.8 (d) | 72,511 | 111,684 |
| Gain from disposal | 7.2.13 | 69,874 | - |
| Gain on foreign currency transaction - ADB III Project | 7.2.23 | 9,877 | - |
| Amortization of Deferred Income | 7.2.3 | 78,120 | 12,040 |
| | | <u>11,549,564</u> | <u>11,592,860</u> |
| Revenue from Exchange Transactions | 7.2.14 | 1,332,287 | 2,444,902 |
| Total revenue | | <u>12,881,851</u> | <u>14,037,762</u> |
| Operating Expenses | | | |
| Administrative Expenses | 7.2.15 | 3,053,008 | 3,973,240 |
| Staff Expenses | 7.2.16 | 2,705,794 | 2,842,105 |
| Capacity Building Expenses | 7.2.17 | 237,907 | 516,251 |
| Monitoring Expenses | 7.2.18 | 851,164 | 1,426,836 |
| Information Technology Expenses | 7.2.19 | 680,776 | 1,092,842 |
| Training Expenses | 7.2.20 | 1,417,917 | 1,702,703 |
| Office Setup Expenses | 7.2.21 | 590,181 | 637,602 |
| Other Beneficiaries to ISPGG III Expenses | 7.2.22 | 3,269,939 | 2,735,182 |
| Loss on Foreign Currency | 7.2.23 | - | 74,233 |
| Total Expenses | | <u>12,806,686</u> | <u>15,000,994</u> |
| Surplus / (Deficit) for the year | | <u>75,165</u> | <u>(963,232)</u> |

The Statement of Financial Performance is to be read in conjunction with the notes forming part of the financial statements set out on pages 32 to 51.


Chairman of the Board

Date: 10/03/2020

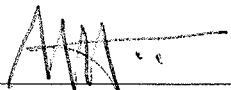

Chief Executive Officer

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

6.3 CASH FLOWS STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2019

| | NOTE | 2019 TZS '000 | 2018 TZS '000 |
|---|---------------|------------------|--------------------|
| Cash Flows from Operating Activities: | | | |
| Transfer from Government | 7.2.29 | 3,575,535 | 3,297,309 |
| ADB III Grant | 7.2.29 | 3,405,000 | 2,514,953 |
| Disposal of fixed assets | 7.2.29 | 69,874 | |
| From Exchange Transactions | 7.2.29 | 1,322,155 | 2,305,392 |
| Administrative Expenses | 7.2.29 | (2,669,641) | (3,491,989) |
| Staff Expenses | 7.2.29 | (139,675) | (178,701) |
| Capacity Building Expenses | 7.2.29 | (212,907) | (511,932) |
| Monitoring Expenses | 7.2.29 | (811,098) | (1,344,891) |
| Information Technology Expenses | 7.2.29 | (570,941) | (1,075,001) |
| Training Expenses | 7.2.20 | (1,417,917) | (1,702,703) |
| Office Setup Expenses | 7.2.21 | (590,181) | (637,602) |
| Other Beneficiaries to ISPGG III Expenses | 7.2.29 | (2,815,816) | (1,674,884) |
| Unretired / (retired) Staff and other imprest | 7.2.5 | 841,786 | (1,102,405) |
| Net cash flow used in operating activities | 7.2.24 | (13,826) | (3,602,453) |
| Cash Flow from Investing Activities: | | | |
| Gain from disposal | 7.2.13 | 69,874 | - |
| Purchase of intangible assets | 7.2.2 | - | (415) |
| Purchase of property and equipment | 7.2.1 | - | (411,471) |
| Net cash used in investing activities | | 69,874 | (411,886) |
| Net change in cash and cash equivalents | | 56,048 | (4,014,339) |
| Cash and cash equivalents at 1 July | | 977,850 | 5,066,422 |
| Effect of exchange rate | 7.2.23 | 9,877 | (74,233) |
| Cash and cash equivalents | 7.2.6 | 1,043,775 | 977,850 |

The Cashflow Statement is to be read in conjunction with the notes forming part of the financial statements set out on pages 32 to 51.


Chairman of the Board

Date: 10/03/2020



Chief Executive Officer

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

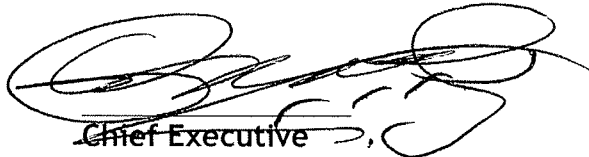
6.4 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE, 2019

| | 2019 TZS '000 | 2018 TZS '000 |
|---|------------------|------------------|
| Net Assets at the beginning of the year | 1,882,916 | 2,846,148 |
| Net effect of unreconciled difference | - | - |
| Net Surplus / (Deficit) for the year | <u>75,165</u> | <u>(963,232)</u> |
| Net Assets at the end of the year | <u>1,958,081</u> | <u>1,882,916</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 32 to 51.


Chairman of the Board

Date: 10/03/2020


Chief Executive

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

6.5 Statement of Comparison of Budget and Actual Amount for The Year Ended 30th June, 2019

| Description | Original Budget {A} | Final Budget {A+B} | Actual Amounts {C} | Difference (Final Budget-Actual Budget) | % Variance |
|--|---------------------|--------------------|--------------------|---|-------------|
| Revenue | TZ' 000 | TZ' 000 | TZ' 000 | TZ' 000 | % |
| Government subvention | 6,440,279 | 6,440,279 | 6,120,366 | (319,913) | -5% |
| Revenue from Exchange Transactions (Own Sources) | 4,531,274 | 4,531,274 | 1,332,287 | (3,198,987) | -71% |
| USAID Grant | 72,511 | 72,511 | 72,511 | - | 0% |
| ADB III Grant | 6,950,256 | 6,950,256 | 5,198,816 | (1,751,440) | -25% |
| Gain From Disposal | - | - | 69,874 | 69,874 | 100% |
| Total Revenue | 17,994,320 | 17,994,320 | 12,793,854 | (5,200,466) | -29% |
| Expenses | | | | | |
| Administrative expenses | 4,999,808 | 4,999,808 | 2,702,436 | (2,297,372) | -46% |
| Staff costs | 2,371,046 | 2,371,046 | 2,705,794 | 334,748 | 14% |
| Capacity building expenses | 822,869 | 822,869 | 237,907 | (584,962) | -71% |
| Monitoring expenses | 1,408,414 | 1,408,414 | 851,164 | (557,250) | -40% |
| Information Technology | 1,039,812 | 1,039,812 | 680,776 | (359,036) | -35% |
| Training expenses | 1,412,007 | 1,412,007 | 1,417,917 | 5,910 | 0% |
| Office set up costs | 588,224 | 588,224 | 590,181 | 1,957 | 0% |
| Depreciation and Amortization | - | - | 350,571 | 350,571 | 100% |
| Total (PPRA Only) | 12,642,180 | 12,642,180 | 9,536,747 | 3,105,433 | 25% |
| Other beneficiaries of ISPGG III | 3,442,638 | 3,442,638 | 3,269,939 | (172,699) | -5% |
| Grand Total Expenses | 16,084,818 | 16,084,818 | 12,806,687 | 2,932,734 | 18% |
| Other Gains and Losses | | | | | |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)

| Description | Original Budget {A} | Final Budget {A+B} | Actual Amounts {C} | Difference (Final Budget-Actual Budget) | % Variance |
|---------------------------------------|---------------------|--------------------|--------------------|---|------------|
| Gain on foreign exchange transactions | - | - | 9,877 | 9,877 | 100% |
| Amortization of deferred Income | - | - | 78,120 | 78,120 | 100% |
| (Deficit)/Surplus | 1,909,502 | 1,909,502 | 75,164 | | - |

The authority prepares its budget on an accrual basis. As such, the Budget and financial statements are already on the same basis and further adjustments are not required to align the financial statements to the budget. There was no budget adjustment during the year.

Explanation for the Variance

(i) Revenue: The variance is caused by the following reasons: -

Funds allocated for Recurrent and Development Budget were less than what was budgeted for FY 2018/2019. For the Government subvention, 5% were not received and 71% from Own sources were not collected as planned. For the development project, 25% from were not received.

(ii) Expenses:

Due to financial constraints some activities could not be fully implemented, and hence actual expenditure were below the budget.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019

7.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019

7.1 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 9th Floor of PSPF Building, Jakaya Kikwete Road, Dodoma.
- (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.
- (iii) These financial statements of PPRA for the year ended 30 June 2019 were authorized for issue in accordance with the resolution of the Board of Directors on 10/03/2020.

(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.

7.1.1 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, except where otherwise stated. The financial statements are presented in Tanzanian Shillings (TZS).

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

7.1.3 Property, and Equipment

Property and Equipment are initially recoded 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.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

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.

The Authority has elected to use the cost model for all classes of property, plant and equipment.

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 | 20 |
| Computers | 25 |
| Furniture, Fittings and Equipment | 20 |
| Buildings | 2 |

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 are 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.

The rate of depreciation changed in this financial year prospectively to comply with "Accounting circular no. 2 of the 2017/18 testing for impairments and charging depreciation as per standards" issued by the Accountant General.

7.1.4 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

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

recognized as assets are amortized using the straight-line method over their useful lives, estimated at two years (50%).

7.1.5 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.

7.1.6 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.

7.1.7 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.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

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.

7.1.8 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 (PSSSF and NSSF) 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 Statement of Financial Position 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.

7.1.9 Foreign Currency Translation

(a) Functional and Presentation Currency

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

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

(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.

7.1.10 Grants

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. When there are conditions attached to government grants, grants are recognized as a liability in a Statement of Financial Position and when amortized are recognized immediately in the Statement of Financial Performance. When there no conditions attached, they are recognized in total in the Statement of Financial Performance.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2 SCHEDULES TO SUPPORT FIGURES ON THE FINANCIAL STATEMENTS

7.2.1 Property and Equipment

| | Land TZS '000 | Building TZS '000 | Motor vehicle TZS '000 | Computers TZS '000 | Office Equipment TZS '000 | Furniture TZS '000 | Total TZS '000 |
|---------------------------|------------------|----------------------|------------------------------|-----------------------|---------------------------------|-----------------------|-------------------|
| Cost | | | | | | | |
| As at 1 July 2018 | 826,510 | 301,000 | 808,412 | 388,516 | 1,273,769 | 247,185 | 3,845,393 |
| Additions for the Year | - | - | 72,100 | - | - | - | 72,100 |
| Disposals | | | (246,364) | (67,815) | (27,500) | (18,807) | (360,485) |
| As at 30 June 2019 | 826,510 | 301,000 | 634,149 | 320,702 | 1,246,269 | 228,378 | 3,557,008 |
| Depreciation | | | | | | | |
| At 1 July 2018 | - | 96,320 | 734,873 | 280,580 | 916,303 | 218,774 | 2,246,851 |
| Disposals | - | - | (246,363) | (67,814) | (27,500) | (18,807) | (360,485) |
| Charge for the year | - | 6,020 | 98,560 | 27,898 | 106,939 | 28,410 | 267,827 |
| As at 30 June 2019 | - | 102,340 | 587,070 | 240,664 | 995,742 | 228,377 | 2,154,193 |
| Net book Value | | | | | | | |
| At 30 June 2019 | 826,510 | 198,660 | 47,079 | 80,038 | 250,527 | - | 1,402,815 |
| At 30 June 2018 | 826,510 | 204,680 | 73,539 | 107,936 | 357,465 | 28,410 | 1,598,541 |

*Additional note 1: The Authority has some assets which are fully depreciated but are still in use and generating economic benefits to PPRA. Below is the table of fully depreciated assets at cost.

| s/n | Asset category | Cost (TZS '000) |
|-----|--------------------|-----------------|
| 1 | Motor vehicles (9) | 428,749 |
| 2 | Computers | 202,075 |
| 3 | Equipment's | 148,729 |
| 4 | Furniture | 151,520 |
| | Total | 931,073 |

**PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)**

**Additional note 2: Property and Equipment as at June 2018*

| | Land TZS '000 | Building TZS '000 | Motor vehicle TZS '000 | Computers TZS '000 | Office Equipment TZS '000 | Furniture TZS '000 | Total TZS '000 |
|---------------------------|------------------|----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|-------------------|
| Cost | | | | | | | |
| As at 1 July 2017 | 826,510 | 301,000 | 808,412 | 286,420 | 964,394 | 247,185 | 3,433,921 |
| Additions for the Year | - | - | - | 102,096 | 309,375 | - | 411,471 |
| As at 30 June 2018 | 826,510 | 301,000 | 808,412 | 388,516 | 1,273,769 | 247,185 | 3,845,392 |
| Depreciation | | | | | | | |
| At 1 July 2017 | - | 84,280 | 701,799 | 276,640 | 718,680 | 180,894 | 1,962,293 |
| Disposals | - | - | - | - | - | - | - |
| Charge for the year | - | 12,040 | 33,075 | 3,940 | 197,623 | 37,880 | 284,558 |
| As at 30 June 2018 | - | 96,320 | 734,874 | 280,580 | 916,303 | 218,774 | 2,246,851 |
| Net book Value | | | | | | | |
| At 30 June 2018 | 826,510 | 204,680 | 73,539 | 107,936 | 357,465 | 28,411 | 1,598,541 |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.2 Intangible Assets as at 30th June 2019

| | TZS'000 |
|--------------------------------|----------------|
| Cost | |
| Cost as at 01 July 2018 | 585,542 |
| Additions | - |
| Cost as at 30 June 2019 | 585,542 |
| Amortisation | |
| At 1 July 2018 | 526,500 |
| Charge during the year USAID | 53,647 |
| Charge during the year ADB III | 5,393 |
| At 30 June 2019 | 585,540 |
| Net Book Value | |
| As at 30 June 2019 | 1 |
| As at 30 June 2018 | 59,041 |

**Additional note 1: The Authority has some intangible assets which are fully amortized but are still in use and generating economic benefits to PPRA while other software are obsolete and fully amortized. Below is the table of fully amortized assets at cost.*

| s/n | Asset category | Cost (TZS '000) | Remarks |
|-----|--|-----------------|--------------|
| 1 | Accounting (SAGE 300ERP) and Audit (TeamMate & ACL) Software's | 185,765 | Still in use |
| 2 | Old Accounting Software (SAGE ACPACK) | 399,777 | Obsolete |
| | Total | 585,542 | |

***Additional note 1: Intangible Assets as at 30 June 2018**

| | TZS'000 |
|--------------------------------|----------------|
| Cost | |
| Cost as at 01 July 2017 | 585,126 |
| Additions | 415 |
| Cost as at 30 June 2018 | 585,541 |
| Amortisation | |
| At 1 July 2017 | 433,619 |
| Charge during the year | 92,881 |
| At 30 June 2018 | 526,500 |
| Net Book Value | |
| As at 30 June 2018 | 59,041 |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.3 Deferred Income

Included in differed 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. These have been included in property and equipment Note number 7.2.1. The movement in the current year is shown below;

| | 2019 | 2018 |
|--|-------------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Opening balance as at 1 July 2018 | 1,028,633 | 1,040,673 |
| Asset received - BTC - EPC | 72,100 | - |
| Assets in kind recognized in the Statement of Financial Performance ¹ | <u>(78,120)</u> | <u>(12,040)</u> |
| Net value as at 30 June 2019 | <u>1,022,613</u> | <u>1,028,633</u> |

7.2.4 Receivables from Exchange Transactions

| | 2019 | 2018 |
|-------------------------|-------------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Details | | |
| Debtors ² | 2,250,324 | 3,322,200 |
| Provision for bad debts | 958,188 | - |
| Other receivables | - | 29,524 |
| Total | <u>3,208,512</u> | <u>3,351,724</u> |

**Additional note: 100 percent of the Authority debtors are Governments institutions, Agencies and Ministries*

7.2.5 Receivables from Non-Exchange Transactions

| | 2019 | 2018 |
|--|-----------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Details | | |
| Authority Staff imprest | 361,321 | 298,574 |
| ADB III Project Staff imprest ³ | 517,618 | 1,428,021 |
| USAID Project Staff imprest | 5,370 | 5,370 |
| Zone offices imprest | 5,870 | - |
| Total | <u>890,179</u> | <u>1,731,965</u> |

¹ The increase is due to assets received from BTC project fully depreciated at 72,100

² The amount excludes staff imprest balances. Moreover, 29% of total debtor balance is from 20 institutions.

³ The big fall in imprest balance is due to retirement of pending imprest balances from ADB project beneficiaries.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.6 Cash and Cash Equivalents

| Details | 2019 | 2018 |
|--|-------------------------|-----------------------|
| | TZS'000 | TZS'000 |
| Cash at Bank (PFMRP Account) | 77,492 | 197,559 |
| Cash at Bank (CRDB Operational account) | 94,800 | 590,940 |
| Cash at Bank (BOT PFMRP Account) | 750,836 | 836 |
| Cash at Bank (CRDB USAID Project Account) | 6,872 | 14,468 |
| Cash at Bank (NMB Collection Account) | 77,849 | 172,063 |
| Cash at Bank (CRDB PPRA Gratuity Bank Account) | - | - |
| Cash at Bank (CRDB ADB III Project Account) | (464) | 2,095 |
| Cash at Bank (NMB TANEPS Collection Account) | 40,293 | 4,580 |
| Cash in Hand | *** (4,737) | (5,525) |
| Cash at Bank (BOT ADB III Account) | 834 | 834 |
| Total | <u>1,043,775</u> | <u>977,850</u> |
| <i>*** Additional note:</i> | | |
| Cash in hand Authority | (4,474) | 4 |
| Cash in hand ADB III Project | (263) | (5,529) |
| Total | <u>(4,737)</u> | <u>(5,525)</u> |

7.2.7 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 Public Service Social Security Fund (PSSSF) 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 PSSSF (Refer Treasury Registrar Circular with Ref. No. C/BE.115/187/01/154 of 11 July 2013).

7.2.8 Liabilities Recognised Under Transfer Agreement

(a) Liabilities Recognised Under ADB-ADF Transfer Arrangements

The Government of the United Republic of Tanzania signed a Protocol Agreement with the African Development Fund (AfDB -ADF) in November 2010 to finance a three years project for a second time, known as the Institutional Support for Good Governance Project (ISPGG II). This project started in May 2011 and was closed in April 2015 and supported both Tanzania Mainland and Zanzibar.

Due to the great achievements of the ISPGGII, the Government of the United Republic of Tanzania (URT) through the Ministry of Finance and Planning (MOFP) entered into loan agreement with African Development Fund (ADF) to finance project activities under the Institutional Support Project for Good Governance (ISPGG) III ("the Project") for three years from 2016-2019. The Project Loan agreement was signed on 24th March 2016 with the total fund agreement totalling to Units of Account (UA) 13.333 million, whereby ADF will provide a

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

loan of UA 12 million and the government of URT will contribute UA 1.333 million as counterpart funds. The project is implemented in both Tanzania Mainland and Zanzibar. The amount allocated for the Tanzania Mainland is UA 9.023 million while UA 4.31 is allocated to Zanzibar. In Tanzania Mainland about UA 8.00 million of the total fund allocated is financed by the loan from ADF while UA 1.023 million come from Government Contribution.

The Project has seven beneficiary institutions namely the President Office- Ethics Secretariat (PO-ES), Prime Minister's Office, Labour, Youth, Employment and Persons with Disability (PMO-LYED), the Ministry of Finance and Planning (External Finance and Internal Auditor General Division), National Audit Office Tanzania (NAOT), Prevention and Combating Corruption Bureau (PCCB) and Public Procurement Regulatory Authority (PPRA).

According to the loan agreement, the Ministry of Finance and Planning is the borrower and executive agency on behalf of the URT while Public Procurement Regulatory Authority (PPRA) is the implementing agent.

At 30 June, 2019, the Authority recognized a liability of TZS 116.810 million related to a transfer to it conditional upon implementing Institutional Support for Good Governance Project III.

Liability recognized under transfer arrangements

| | 2019 TZS'000 | 2018 TZS'000 |
|---|--------------------|--------------------|
| Adjusted opening balance brought forward | 1,462,471 | 3,472,999 |
| Transfers received during the year on ADB III | 3,405,000 | 2,514,953 |
| Direct Payments | 448,070 | 1,025,298 |
| Transfer revenue recognized during the year ADB II | - | (219,699) |
| Transfer revenue recognized during the year ADB III | <u>(5,198,736)</u> | <u>(5,288,819)</u> |
| Total liability recognized under transfer arrangements | <u>116,811</u> | <u>1,504,732</u> |

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

The Authority also receives funds for Development Activities under PFMRP - Basket funding. In 2018/19 Financial year, TZS 2,000 million was approved for Development activities and received TZS 1,200 million from the Basket. At 30th June, 2019, the Authority had spent a total of TZS 372 million and committed the balance of TZS 828 million for the activities that were on-going and therefore there was no any liability which was recognized.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

| | 2019 | 2018 |
|---|------------------|------------------|
| | TZS'000 | TZS'000 |
| Opening balance brought forward | - | - |
| Transfer received | 1,200,000 | 1,365,513 |
| Total fund | <u>1,200,000</u> | <u>1,365,513</u> |
| Transfer Revenue recognized during the year | 1,200,000 | 1,365,513 |
| Liability recognized under transfer arrangements | <u>-</u> | <u>-</u> |

7.2.8 (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 from the first year of the project until March, 2016.

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.

| | 2019 | 2018 |
|---|----------------|----------------|
| | TZS'000 | TZS'000 |
| Adjusted opening balance brought forward | 106,825 | 201,336 |
| Transfer received | - | - |
| Total fund | <u>106,825</u> | <u>201,336</u> |
| Transfer Revenue recognized during the year | (72,511) | (111,684) |
| Liability recognized under transfer arrangements | <u>34,314</u> | <u>89,652</u> |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.8 (d) Transfer revenue recognized during the year: -

| | 2019 TZS'000 | 2018 TZS'000 |
|-----------------------------------|-------------------------|-------------------------|
| Grants from ADB-ADF II | - | 219,699 |
| Grants from ADB-ADF III | 5,198,736 | 5,288,819 |
| Transfer from PFMRF - Basket Fund | 1,200,000 | 1,365,513 |
| Transfer from USAID funding | 72,511 | 111,684 |
| Total | <u>6,471,247</u> | <u>6,985,715</u> |

7.2.8 (e) Total Liability recognized under transfer arrangements: -

| | 2019 TZS'000 | 2018 TZS'000 |
|---|-----------------------|-------------------------|
| Liability under grants from ADB - ADF III | 116,811 | 1,504,753 |
| Liability under grants from USAID | 34,314 | 89,652 |
| Total | <u>151,125</u> | <u>1,594,405</u> |

7.2.9 Payables from Exchange Transactions

| | 2019 TZS'000 | 2018 TZS'000 |
|-------------------------------|-------------------------|-------------------------|
| Accounts payables (Authority) | 1,186,236 | 1,069,487 |
| Accounts payables (ADB III) | 645,496 | 167,219 |
| Provision for audit fees | 156,054 | 151,316 |
| Other payables | 37,022 | - |
| Total | <u>2,024,808</u> | <u>1,388,022</u> |

**Additional note: Out of TZS 1,186,236 account payables from Authority, TZS 726,654 relates to accrued office rent from previous years at PPF Tower in Dar es Salaam. The Accountant General has verified the debt and it will be settled after receipt of fund from the central government.*

7.2.10 Payables from Non-Exchange Transactions

| Details | 2019 TZS'000 | 2018 TZS'000 |
|-----------------------------------|-------------------------|-------------------------|
| Accruals (Authority) ⁴ | 1,182,290 | 1,452,679 |
| Accruals (ADB II) | - | - |
| Accruals (USAID) | - | 25,159 |
| Accruals (ADB III) | 2,381 | 4,409 |
| Other payables (Authority) | 153,581 | 150,105 |
| Other payables (ADB III) | 50,402 | 192,793 |
| Total | <u>1,388,654</u> | <u>1,825,145</u> |

⁴ The amount relates to accrued staff benefits and allowances.

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.11 Government Grant

| | 2019 TZS'000 | 2018 TZS'000 |
|--|-------------------------|-------------------------|
| Operational funds | 4,920,366 | 4,595,105 |
| Transfer from PFMRP - Basket Fund 9(d) | 1,200,000 | 1,365,513 |
| Total | <u>6,120,366</u> | <u>5,960,618</u> |

7.2.12 USAID Grant

| | 2019 TZS '000 | 2018 TZS'000 |
|--|----------------------|-----------------------|
| Balance as at 1 July 2018 | 106,825 | 201,336 |
| Liability recognized under transfer arrangements 9(i)(c) | (34,314) | (89,652) |
| Total | <u>72,511</u> | <u>111,684</u> |

7.2.13 Gain/receipt from disposal of fixed assets

| S/N | Asset type | Cost, TZS'000 | Acc. Depreciation TZS'000 | Net Book Value | Disposal Price, TZS'000 | Gain/(Loss) on Disposal, TZS'000 |
|-----|---|------------------|---------------------------------|----------------------|-------------------------------|---|
| 1 | Three motor vehicles | 246,364 | 246,364 | - | 67,600 | 67,600 |
| 2 | Other assets - Computers, Office Equipment's, Furniture and Fittings | 114,121 | 114,121 | - | 2,274 | 2,274 |
| | | 360,485 | 360,485 | - | 69,874 | 69,874 |

7.2.14 Revenue from Exchange Transactions

| | 2019 TZS '000 | 2018 TZS '000 |
|---|-------------------------|-------------------------|
| Tailor-made training programmes & Workshops | 437,020 | 287,750 |
| Advertisements in TPJ Tender | 203,350 | 267,386 |
| Miscellaneous income | 140,461 | 46,435 |
| PMIS Training Fees | 3,850 | 211,216 |
| Procurement Capability Assessment Fees | (6,602) | 738,450 |
| Dissemination Workshop Fees | 80,310 | 359,330 |
| Preferential Scheme Registration Fees | 5 | 60 |
| Procurement Governance Workshop fee | 49,690 | 114,420 |
| General Procurement Notice Advert in TPJ | 108,500 | 111,000 |
| Tender Information Disclosure in TPJ | 229,050 | 277,575 |
| Procurement Investigation fee | 50,630 | - |
| Other advert in TPJ | - | 26,700 |
| Registration fee TaNePS | 36,023 | 4,580 |
| Total | <u>1,332,287</u> | <u>2,444,902</u> |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.15 Administrative Expenses

| | 2019 | 2018 |
|----------------------------------|-------------------------|-------------------------|
| | TZS '000 | TZS '000 |
| Funded by Government subventions | 2,545,146 | 3,413,250 |
| Audit fees | 156,054 | 151,316 |
| ADB III funding | 960 | 27,578 |
| USAID funding | 277 | 3,657 |
| Depreciation | 350,571 | 377,439 |
| Total | <u><u>3,053,008</u></u> | <u><u>3,973,240</u></u> |

7.2.16 Staff Expenses

| | 2019 | 2018 |
|----------------------------|-------------------------|-------------------------|
| | TZS '000 | TZS '000 |
| Personnel emoluments | 2,217,069 | 2,330,470 |
| Defined contribution plans | 193,803 | 193,966 |
| Defined benefit plan | 217,317 | 235,903 |
| NHIF | 66,519 | 70,085 |
| WCF | 11,086 | 11,681 |
| Grand Total | <u><u>2,705,794</u></u> | <u><u>2,842,105</u></u> |

7.2.17 Capacity Building Expenses

| | 2019 | 2018 |
|----------------------------------|-----------------------|-----------------------|
| | TZS'000 | TZS'000 |
| Funded by Government subventions | 196,220 | 437,726 |
| ADB III funding | 41,687 | 78,525 |
| Total | <u><u>237,907</u></u> | <u><u>516,251</u></u> |

7.2.18 Monitoring and Compliance Expenses

| | 2019 | 2018 |
|----------------------------------|-----------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Funded by Government subventions | 720,430 | 1,391,385 |
| ADB III funding | 130,734 | 35,451 |
| Total | <u><u>851,164</u></u> | <u><u>1,426,836</u></u> |

7.2.19 Information Technology Expenses

| | 2019 | 2018 |
|----------------------------------|-----------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Funded by Government subventions | 441,839 | 442,748 |
| ADB III funding | 238,937 | 650,094 |
| Sub-Total (a) | <u><u>680,776</u></u> | <u><u>1,092,842</u></u> |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.20 Training Expenses

| | 2019 | 2018 |
|------------------------------------|-------------------------|-------------------------|
| | TZS'000 | TZS'000 |
| Government of Tanzania subventions | 20,230 | 10,642 |
| ADB III funding | 1,397,687 | 1,692,061 |
| Total | <u>1,417,917</u> | <u>1,702,703</u> |

7.2.21 Office Set Up Expenses

The Authority incurred the following costs for setting up its offices

| | 2019 | 2018 |
|--------------|-----------------------|-----------------------|
| | TZS'000 | TZS'000 |
| Office Rent | 532,613 | 547,392 |
| Electricity | 56,608 | 74,230 |
| Parking Fees | 960 | 15,980 |
| Total | <u>590,181</u> | <u>637,602</u> |

7.2.22 Beneficiaries to ISPGG iii Expenses

| | 2019 | 2018 |
|--|-------------------------|-------------------------|
| | TZS'000 | TZS'000 |
| National Audit Office (NAOT) | 334,872 | 549,484 |
| Ministry of Finance & Planning (MoFP) | 90,600 | 18,986 |
| Prevention and Combating of Corruption | 1,812,860 | 901,301 |
| Ethics Secretariat | 210,697 | 424,460 |
| Internal Auditor General | 331,054 | 534,987 |
| PMO (Labour) | 160,197 | 1,000 |
| Project Implementing Unit (PIU) | 329,659 | 304,964 |
| Total | <u>3,269,939</u> | <u>2,735,182</u> |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.23 Gain/(Loss) on foreign currency

| | 2019 | 2018 |
|---|------------------|---------------------|
| Balance as at 30 June per GL in USD | 368 | 368 |
| Exchange rate applied | 2,266 | 2,266 |
| Balance as at 30 June per GL TZS equivalent | 834,046 | 834,046 |
| Balance as at 30 June per GL in TZS | 9,043,234 | 66,067,056 |
| Adjustment of difference of exchange rate on \$200,000 transferred @2160.68 on 2016/17 FY while receipt on TZS was @2115.68 | - | 9,000,000 |
| Adjusted balance as at 30 Jun per GL in TZS | 9,043,234 | 75,067,056 |
| Difference - Exchange gain (loss) | 9,877,280 | (74,233,009) |

7.2.24 Reconciliation of Net Cash Flows from operating activities to Surplus/(Deficit):

| | Notes | 2019 TZS'000 | 2018 TZS'000 |
|---|----------|----------------------|---------------------------|
| Surplus/(Deficit) for the year: | | 75,165 | (963,232) |
| Adjustments for: | | | |
| Depreciation and amortization | 7.2.15 | 350,571 | 377,439 |
| Gain/ Loss on foreign currency | 7.2.23 | (9,877) | 74,233 |
| Increase in receivables | 7.2.4 | 143,213 | (311,668) |
| Increase in receivables | 7.2.5 | 841,786 | (1,102,405) |
| Decrease in assets in kind | 7.2.3 | (78,120) | (12,040) |
| Increase in liabilities recognized under transfer arrangements | 7.2.8(e) | (1,443,281) | (2,079,931) |
| Increase in accounts payable from exchange | 7.2.9 | 636,786 | (187,573) |
| Decrease in accounts payable from exchange | 7.2.10 | (436,489) | (227,578) |
| Prior year adjustments | | | |
| Decrease in payable due to prior year adjustments <i>(direct payments to supplier without passing through accounts payables)</i> | | (18,759) | - |
| Adjustment due to system error on reserve opening balances | | (74,438) | - |
| Cash generated from / (used in) operations | | <u>13,826</u> | <u>(3,602,453)</u> |

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.25 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 item number 2.12 and 2.15 in the Director’s Report.

7.2.26 Commitments

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

| Details | 2019 TZS ‘000 | 2018 TZS ‘000 |
|--|------------------|------------------|
| Approved and contracted for PFRMP activities | 828,327 | 746,837 |
| Total | 828,327 | 746,837 |

7.2.27 Contingent Liability

On the labour dispute No. CMA/DSM/ILA/374/12/210 between the Authority and Mr. Raymond Joseph Mbishi for claim of unfair termination, the Commission for Mediation and Arbitration at CMA at Dar es Salaam Zone entered an exparte award to the tune of TZS 184,489,694 (Tanzanian Shillings, One Hundred Eighty-Four Million, Four Hundred Eight Nine Thousand Six Hundred Ninety-Four only) in favor of Mr. Mr. Raymond Joseph Mbishi.

This gives rise to a contingent liability of TZS 184,489,694 to the Authority and the provision has been made for this amount in the financial statements.

In December,2016 the Authority filed an appeal before the High Court (Labour Division) against the decision of CMA. During the hearing of the revision, the Judge considered the grounds of the application. On 24th August,2018, the Judge invoked power under section 91(4)(b) of the employment and Labour Relations Act, No. 6 of 2004 to set aside CMA exparte award and ordered the matter to proceed interparties before a different and competent arbitrator.

The matter had the same status as at 30th June 2019, however new development came when it was scheduled for hearing at CMA before Hon. Monica Mbena where parties were granted time to finalize negotiations and the final agreed settlement was TZS 110 Million. The draft deed of settlement was sent to the Solicitor General on 23rd October 2019 and if approved the Authority will settle the said amount.

7.2.28 Currency

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

PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)

7.2.29 Schedule to reconcile revenue and expenditure from accrual to cash basis

| Description | Actual Amounts on Accrual Basis | Prior year accrued amount paid | Accrued Amount/Other amortization, gains | Direct payment | Prior years' imprints retired in 2018/19 FY | Actual Amount on Comparable Basis |
|--|---------------------------------|--------------------------------|--|------------------|---|-----------------------------------|
| | A TZ' 000 | B TZ' 000 | C TZ' 000 | D TZ' 000 | E TZ' 000 | F=(A+B-C-D-E) TZ' 000 |
| Revenue | | | | | | |
| Government subvention | 6,120,366 | - | | 2,544,831 | | 3,575,535 |
| Revenue from Exchange Transactions (Own Sources) | 1,332,287 | 669,691 | 679,822 | | | 1,322,156 |
| USAID Grant | 72,511 | - | 72,511 | | | - |
| ADB III Grant | 5,198,816 | - | 1,345,746 | 448,070 | | 3,405,000 |
| Gain From Disposal | 69,874 | - | | | | 69,874 |
| Total Revenue | 12,793,854 | 669,691 | 2,098,079 | 2,992,901 | - | 8,372,565 |
| Expenses | | | | | | |
| Administrative expenses | | | | | | |
| Funded by Government Subvention | 2,545,146 | | | | 34,111 | 2,511,035 |
| Audit fees | 156,054 | 116,316 | 115,000 | | | 157,370 |
| ADB III Funding | 960 | | | | | 960 |
| USAID Funding | 277 | | | | | 277 |
| Depreciation and amortization | 350,571 | | | | | 350,571 |
| Staff costs | 2,705,794 | 270,389 | 291,677 | 2,544,831 | | 139,675 |
| Capacity building expenses | 237,907 | - | | | 25,000 | 212,907 |
| Monitoring expenses | 851,164 | - | | | 40,066 | 811,098 |
| Information Technology | 680,776 | - | | | 109,835 | 570,941 |
| Training expenses | 1,417,917 | - | | | | 1,417,917 |
| Office set up costs | 590,181 | - | | | | 590,181 |

**PUBLIC PROCUREMENT REGULATORY AUTHORITY (PPRA)
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2019 (CONT.)**

| Description | Actual Amounts on Accrual Basis | Prior year accrued amount paid | Accrued Amount/Other amortization, gains | Direct payment | Prior years' imprests retired in 2018/19 FY | Actual Amount on Comparable Basis |
|---------------------------------------|---------------------------------|--------------------------------|--|------------------|---|-----------------------------------|
| Total (PPRA Only) | 9,536,747 | 386,705 | 406,677 | 2,544,831 | 174,901 | 6,762,932 |
| Other beneficiaries of ISPGG III | 3,269,939 | 35,000 | 41,054 | 448,070 | | 2,815,816 |
| Depreciation and amortization | | | | | | |
| Grand Total Expenses | 12,806,686 | 421,705 | 447,731 | 2,992,901 | 174,901 | 9,578,748 |
| Other Gains and Losses | | | | | | |
| Gain on foreign exchange transactions | 9,877 | - | 9,877 | | | - |
| Amortization of deferred Income | 78,120 | - | 78,120 | | | - |
| (Deficit)/Surplus | 75,165 | 247,986 | 1,738,345 | - | (174,901) | (1,206,183) |