

UNITED REPUBLIC OF TANZANIA



**ANNUAL PERFORMANCE EVALUATION REPORT FOR
FINANCIAL YEAR 2015/16**

POPULAR VERSION

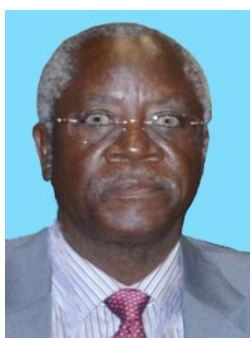
September 2016

Table of Contents

MESSAGE FROM CEO.....	iv
CHAPTER ONE.....	1
1.0 INTRODUCTION.....	1
1.1 Objectives of PPRA.....	1
1.2 Mission and vision of PPRA.....	1
1.3 Implementation of corporate plan.....	2
CHAPTER TWO.....	3
2.0 MAJOR ACHIEVEMENTS.....	3
2.1 To reduce HIV and Aids new infections and to improve related services.....	3
2.2 To prevent corruption among staff.....	3
2.3 To improve public procurement performance in the country.....	3
2.3.1 Investigation on non-compliance.....	3
2.3.2 Submission of procurement information.....	3
2.3.3 Procurement capability assessment.....	5
2.3.4 Cooperation with other institutions.....	5
2.3.5 Debarment/Blacklisting of Tenderers.....	5
2.3.6 Capacity building.....	5
2.3.7 Advisory services.....	6
2.3.8 Library services.....	7
2.3.9 Procurement management and information system.....	7
2.3.10 Website services.....	8
2.3.11 Online public procurement forum.....	8
2.3.12 Mobile tender alert service.....	8
2.3.13 E- Procurement system.....	8
2.4 Strengthening PPRA service delivery capacity.....	9
2.4.1 Dissemination of public procurement information.....	9
2.5 Strengthening of the Authority.....	10
CHAPTER THREE.....	11
3.0 PERFORMANCE OF PUBLIC INSTITUTIONS.....	11
3.1 Volume of procurement contracts.....	11
3.2 Value of procurement contracts.....	11
3.2.1 Analysis of volume of expenditure against budget.....	12
3.2.2 Distribution of total value of contracts.....	12
3.2.3 Value of contracts according to category of institutions.....	13
3.3 Procurement audit findings.....	13
3.3.1 Objectives of the audit.....	13

3.3.2	Selection of institutions and audit criteria.....	14
3.3.3	Types of procurement audits.....	14
3.4	Volume and value of audited contracts.....	15
3.4.1	Compliance audit findings	15
3.5	VFM audit criteria.....	17
3.6	Assessment of corruption red flags	20
3.6.1	Findings of corruption red flags audit.....	20
3.6.2	Projects with high red flags	21
3.6.3	Dubious payments.....	21
3.6.4	Collection of revenue in Councils	21
3.7	Verification of previous dubious payments 2014/15.....	22
CHAPTER FOUR.....		23
4.0	CHALLENGES AND EXPECTATIONS	23
4.1	Challenges.....	23
4.1.1	Sector related challenges	23
4.1.2	Challenges internal to the Authority	23
4.1.3	Way forward to overcome sector related challenges, PPRA will:-.....	24

MESSAGE FROM BOARD CHAIRMAN



PPRA has been preparing its Annual Performance Evaluation Report since Financial Year 2006/07. The aim of this report is to inform the public on the state of public procurement and how the Authority exercised its mandate in the year under review.

However, for the first time, PPRA has prepared this booklet in response to views from many stakeholders that the language used in the report was too technical to be understood by the majority of them.

Furthermore, this booklet will enhance transparency and inspire the public to follow up on implementation of projects, taking into consideration the fact that a large part of government expenditure is on procurement of goods, works and services such as collection of levy and garbage disposal.

Therefore, understanding and participation of all stakeholders in this important area is critical in order to prevent loss of public funds that can occur due to non-compliance with procurement law.

It is my hope that all stakeholders will use this booklet to enhance their knowledge and understanding of public procurement issues.

A handwritten signature in black ink, consisting of several stylized, overlapping loops and a horizontal line extending to the right.

Amb. Dr. Matern Y. C. Lumbanga
BOARD CHAIRMAN

MESSAGE FROM CEO



This booklet is about evaluation of PPRA performance for Financial Year 2015/16. Among others, it includes results of procurement audits and investigations as well as details of capacity building initiatives by PPRA.

I would like to take this opportunity to thank USAID for its financial support which facilitated preparation and publication of this booklet. I would also like to express my appreciation to the editorial board of the *Tanzania Procurement Journal* for their effort in this exercise.

Lastly, I wish to recognize the contribution of PPRA management and staff for making this booklet a success.

A handwritten signature in blue ink, which appears to read 'L. Shirima'.

Dr. Laurent M. Shirima
CHIEF EXECUTIVE OFFICER

CHAPTER ONE

1.0 INTRODUCTION

As part of its obligations to serve its people, the Government has to engage in procurement of goods, works and services using funds set aside in its budget. On the other hand, according to the public procurement law, public institutions have to prepare annual procurement plans that correspond to their budgets.

The public procurement law stipulates procurement principles that have to be complied with by public institutions to ensure best value for money for national development. These are transparency, competition, integrity, equity and fairness.

In order to ensure that the procurement law and principles are complied with and value for money is attained in projects and other services such as construction of roads, classrooms as well as timely delivery of medicines, PPRA conducts both procurement and value for money audits.

This booklet contains among other issues, requirement for institutions' submission of general procurement reports to PPRA and the outcome of the procurement audit conducted by PPRA during the financial 2015/16.

The first chapter gives a summary of objectives and obligations of PPRA as well as procurement undertaken by public institutions during financial year 2015/16. This section also highlights implementation of the Authority's corporate plan.

The second chapter highlights PPRA achievements while the third chapter focuses on the performance of public institutions for financial year 2015/16.

The last chapter is on challenges encountered by PPRA in exercising its mandate as well as strategies for addressing them.

1.1 Objectives of PPRA

PPRA is established under the public procurement law, charged with regulatory functions and vested with oversight powers and responsibilities on public procurement in the country. Its functions include monitoring compliance and investigating non-compliance with the procurement law by public institutions.

1.2 Mission and vision of PPRA

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

Vision

A public procurement system with integrity, offering best Value for Money

1.3 Implementation of corporate plan

PPRA started implementation of its second corporate plan (2015/16 -2019/20) in July, 2015 with the following objectives:

- i) To reduce HIV and Aids new infections and to improve related services among staff;
- ii) To intensify fight against corruption among staff;
- iii) To improve public procurement performance in the country;
- iv) To enhance PPRA's ability to reachout to its stakeholders; and
- v) To improve working conditions for PPRA staff.

CHAPTER TWO

2.0 MAJOR ACHIEVEMENTS

According to the objectives outlined in its corporate plan, PPRA recorded the following achievements during the year under review:

2.1 To reduce HIV and Aids new infections and to improve related services

A total of 44 out of 81 staff members were sensitised on HIV and Aids out of whom, 38 underwent voluntary counselling and testing.

2.2 To prevent corruption among staff

An anti-corruption and ethics committee was established and is working with relevant authorities to curb corruption within PPRA.

2.3 To improve public procurement performance in the country

In this section PPRA conduct audit in public institutions as discussed in Chapter Three. Apart from compliance audits, PPRA also conducted investigations in some public institutions.

2.3.1 Investigation on non-compliance

During the financial year 2015/16, the Authority conducted investigations on 14 allegations in 49 contracts worth about TZS 1.6 trillion. The probe focused on 11 public institutions basing on information received from various sources such as media, institutions and the general public.

PPRA intervention saved the Government TZS 852.62 billion after it had terminated two tender processes of one public institution following an observation that the Government would not attain best value for money.

Furthermore, the investigation established that the Government would save about TZS 62.45 billion if all public institutions that were investigated implemented PPRA recommendations.

2.3.2 Submission of procurement information

The system for checking and monitoring was developed by PPRA to monitor procurement processes in public institutions. The system requires all public institutions to submit to the Authority their annual procurement plans and periodic implementation reports. During FY 2015/16, a total of 441 annual procurement plans or 98.7 percent of all institutions, submitted their plans to the Authority. Furthermore, a total of 237 public institutions submitted to the Authority their general procurement notices for publication in TPJ and website. In addition, the Authority received and published 1,280 tender notices and 1977 contract awards.

Analysis of submitted contract award information in terms of category of the institutions is as indicated in Table 2-1.

Table 2-1: Contract award information

S/N	Category of institutions	Number of institutions	Number of contracts received	Total value of contracts in billion TZS
1	Councils	36	316	76.49
2	Ministries	14	229	102.76
3	Public authorities	54	661	474.21
4	Executive agencies	42	627	250.65
5	Independent departments	13	141	123.23
6	Regional commissioners' offices	2	3	0.54
	Total	161	1,977	1,027.88

Analysis of contract information in terms of procurement category is as indicated in Table 2-2:

Table 2-2: Contract award information submitted by institutions

Procurement category	Number of awarded contracts	Value of contracts in billion TZS
Works	742	645.61
Goods	572	248.21
Consultancy	131	44.84
Non-Consultancy	532	89.22
Total	1,977	1,027.88



2.3.3 Procurement capability assessment

PPRA provides institutions with an opportunity, on their own initiatives, to be assessed and advised on how to improve their performance in procurement. During financial year 2015/16, one institution namely National Health Insurance Fund, utilised the service.

2.3.4 Cooperation with other institutions

Cooperation between PPRA and other institutions is based on special agreements with those institutions.

During financial year 2015/16, PPRA entered into agreements with Internal Auditor General's Division and five institutions namely; Tanzania Foods and Drugs Authority, Fair Competition Commission, Business Registration and Licensing Agency, Tanzania Bureau of Standards, and Local Government Training Institute.

2.3.5 Debarment/Blacklisting of Tenderers

During FY 2015/16 PPRA developed guidelines for dealing with debarment matters for the tenderer who fails to abide by a bid securing declaration, breaches a procurement contract or makes false representation about his qualifications during a tender process.

2.3.6 Capacity building

During FY 2015/16, PPRA continued to implement its capacity building by providing training to various groups on public procurement as follows:

a) Training

Training was given to public institutions, regional commissioners' offices, and councils' staff, civil society and media on public procurement law as follows:

A total of 629 participants from 29 PEs were trained on PPA through tailor-made training compared to 139 participants from 11 PEs who were trained in the previous year.

In addition, the Authority conducted training on PPA and PPR to 50 regional secretariats and LGAs as well as public finance management (PFM) champions from Simiyu, Geita, Dodoma, Rukwa, Mtwara, Kigoma, Ruvuma, Katavi, Njombe and Mara regions.

The training was conducted from 18th to 23rd April, 2016 in Morogoro. The aim of the training was to equip participants with knowledge and skills on procurement management.



b) Annual Procurement Governance Workshop

During the financial year 2015/16, PPRA organised Annual Procurement Governance Workshop which enabled stakeholders to discuss implementation of public procurement law and its regulations. The event brought together 430 participants who included councillors, members of boards of directors and chief executives of public institutions as well as members of tender boards. Other participants were from user departments, procurement management and internal audit units.

2.3.7 Advisory services

During FY 2015/16, PPRA continued to provide advisory services in various matters relating to public procurement. For example, a total of 30 applications for retrospective approval were handled; disciplinary measures were recommended against some officers from tender boards, procurement management units and evaluation committees, for occasioning loss to the Government following decisions by the Public Procurement Appeals Authority.

Furthermore, PPRA participated in the review of the public procurement law by providing advice and input to the process. The main issues addressed were:

- i) Higher prices of procured goods, works and services compared to market prices;
- ii) High cost of procurement processes;
- iii) Long duration of procurement processes;
- iv) Low level of accountability and professionalism;
- v) Constraints to commercially run companies or public institutions;

- vi) Lack of and failure to apply approved standards for common items and services required by the Government;
- vii) Differences between procurement procedures used by councils and those used by other public institutions; and
- viii) Conflicting interests and interference in public procurement proceedings.

The anticipated outcomes of the amendments include, increased efficiency by reducing costs and duration of the procurement processes, Government has enhanced ability to purchase goods and services at market price as well as use bulk procurement system on selected items, plugging corruption loopholes, enhanced accountability in the procurement process and establishing a system that favours special groups.



2.3.8 Library services

During FY 2015/16, PPRA library services were improved by installing a software which simplifies selection, ordering and preparing publications. The library serves researchers, academicians, public procurement stakeholders and the public.

2.3.9 Procurement management and information system

PPRA continued to improve its procurement management information system (PMIS) in compliance with the procurement law. Moreover, 488 officers from 291 public institutions were trained on the use of the system.

As a result of the training, the number of registered users reached 1,518 compared to 1,143 users in the previous financial year.

2.3.10 Website services

Procurement stakeholders continued to use PPRA website (www.ppra.go.tz) in order to get information about tenders. A total of 5,039 tender adverts were posted on the website.

2.3.11 Online public procurement forum

The forum was established in 2009 to provide stakeholders with an opportunity to discuss and share experiences on public procurement matters through PPRA website. During financial year 2015/16, a total of 844 users were registered compared to 801 in the previous year.

2.3.12 Mobile tender alert service

PPRA continued to improve short mobile text messages service, which enables tenderers to access tender information. A tenderer can subscribe to this service by sending a short message through 15332



2.3.13 E- Procurement system

During FY 2015/16, PPRA continued with preparations for installation of the e procurement system as well as educating stakeholders about the system. Furthermore, contract for installation and implementation of the system was signed between the Government and a contractor. Testing of the system will start with procurement of medicines, medical supplies and common use items.

2.4 Strengthening PPRA service delivery capacity

2.4.1 Dissemination of public procurement information

a) *Communication policy*

During the Financial Year 2015/16, PPRA prepared a Communication Policy and its implementation strategy. The policy guides communication between PPRA and its stakeholders.

b) *Excellence in Journalism Awards*

In a bid to increase public awareness of procurement matters, for the first time, PPRA collaborated with the Media Council of Tanzania to introduce public procurement category in the Excellence in Journalism Awards Tanzania (EJAT) 2015. The Authority sponsored this category with the support of the Belgium government through Belgian Technical Cooperation (BTC).

c) *Tanzania Procurement Journal*

Tanzania Procurement Journal serves as a one-stop centre for public procurement information for stakeholders. During the year under review, PPRA published and circulated 52 editions of TPJ containing 780,000 copies.



d) Educational programmes

During the year under review, PPRA prepared TV and radio spots to sensitize the public on issues related to integrity and adverse effects of corruption in public procurement. The adverts will be aired later this year. In addition, PPRA prepared and published a popular version of procurement audit report for financial year 2014/15.

e) The East African Procurement Forum

PPRA hosted the 8th East African Public Procurement Forum (EAPPF) 2015, which was held in Arusha from 2nd to 4th September 2015 and attended by 220 participants.

EAPPF is a forum coordinated by public procurement oversight bodies and attracts stakeholders from partner states of the East African Community and beyond, including participants from the public and private sectors as well as non-state actors.

2.5 Strengthening of the Authority

The Authority improved sustainable working conditions, systems and tools to promote contribution of its staff towards realisation of the set objectives.

CHAPTER THREE

3.0 PERFORMANCE OF PUBLIC INSTITUTIONS

3.1 Volume of procurement contracts

During financial year 2015/16, a total of 322 out of 493 Institutions or 65 percent, submitted to PPRA information on awarded contracts. Compliance with submission requirement has increased compared to the previous year where only 267 out of 469 Institutions or 57 percent, complied. Analysis of volume of awarded contracts is indicated in Table 3.1

Table 3.1: Volume of awarded contracts

S/N	Category of contracts	Volume of contracts	Percentage of total awarded contracts
1	Goods	70,713	64.6
2.	Works	3,970	3.6
3.	Consultancy services	779	0.7
4.	Non-consultancy services	34,003	31
5.	Disposal of assets by tender	110	0.1
	Total	109,575	100

3.2 Value of procurement contracts

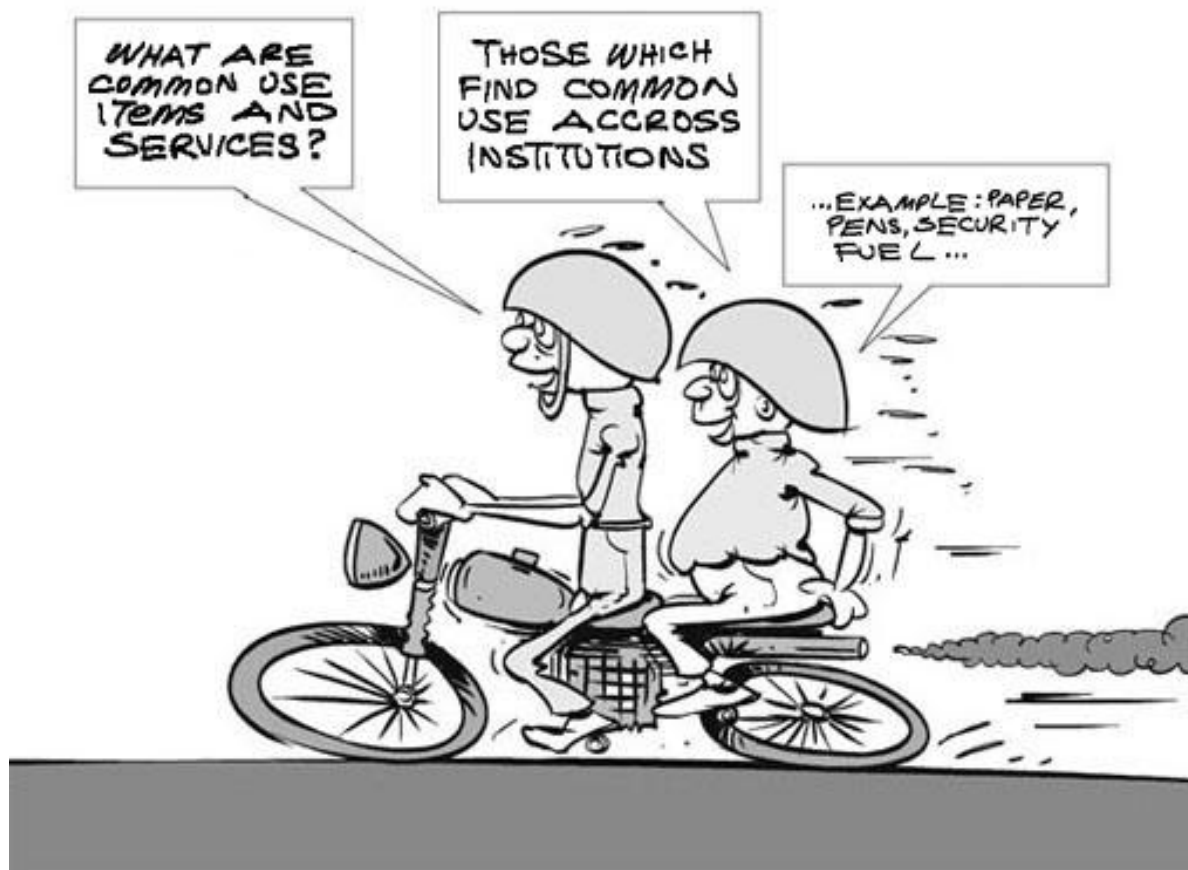
Analysis on contract value information gives a fair picture of Government procurement as 25 public insitutions with the highest procurement expenditure were among those that had submitted their information. Each of these public institutions had annual value of awarded contracts of TZS 20 billion or above. Among these were Tanesco, Tanroads, MSD, BOT, PPF, NSSF, NHC and TPA.

Trend analysis of submitted information on value of awarded contracts is shown in Table 3.2.

Table 3.2: Trend analysis of value of awarded contracts

Financial Year	Number of institutions whose contract details were received	Number of contracts whose details were received	Value of contracts received (TZS billion)	Total budget (TZS billion)
2013/14	235	74,208	4,859	18,249
2014/15	267	75,509	4,349	19,853
2015/16	322	109,575	3,001	22,496

Furthermore, a total of 59,492 contracts worth TZS 213.90 billion involved minor value procurement; 30,296 contracts worth TZS 203.80 billion were for common use items and services; and 19,762 contracts worth TZS 2,582.80 billion were through competitive method.



3.2.1 Analysis of volume of expenditure against budget

Analysis of the information submitted by 250 institutions indicated that TZS 7.31 trillion or 60 percent of the Government budget of TZS 12.13 trillion was received or collected by these institutions, out of which TZS 2.70 trillion was spent on procurement.

During the year under review, the proportion of procurement expenditure against collected revenue dropped by three percent compared to previous year where 267 out of 469 institutions had submitted their information.

3.2.2 Distribution of total value of contracts

Distribution of total value of contracts awarded by the 322 institutions indicated that out of TZS 2.70 trillion used on procurement, 44.6 percent was for works, 38.9 percent for goods, 7.6 percent for consultancy services, 8.9 percent for non-consultancy services and 0.01 percent for disposal of public assets by tender.

The total volume of procurement handled by Tanesco, Tanroads and PPF was TZS 1.09 trillion. Most of the procurement was for works by Tanroads and PPF, followed by procurement of goods by Tanesco.

3.2.3 Value of contracts according to category of institutions

Analysis of total procurement expenditure in percentage is as follows:

- (i) Public authorities, 43.5;
- (ii) Government agencies and water authorities, 28;
- (iii) Ministries, 12.8;
- (iv) Councils, 10.7;
- (v) Independent departments, 4.5; and
- (vi) Regional commissioners' offices, 0.5.

3.3 Procurement audit findings

3.3.1 Objectives of the audit

The law mandates PPRA to conduct audits on public procurement, from tender processing to post contract execution. The audits, among others; determine whether regulations, systems and procurement processes met requirements of the procurement law and whether implemented projects had attained best value for money.

PPRA carried out procurement audits and verification audits in 64 institutions consisting of 14 ministries, independent departments and executive agencies, 20 councils and 30 public authorities.

The exercise involved procurement audits only to 26 institutions; procurement audits and performance audits to 31 institutions. Furthermore, both procurement audits and verification audits were conducted to six institutions. These verifications were intended to assess status of implementation of PPRA recommendations in the previous year.



3.3.2 Selection of institutions and audit criteria

Selection of institutions to be audited was risk based. Institutions with value of procurement contracts worth more than TZS 20 billion were selected, while others were targeted based on one or more of the following criteria:

- i) Frequency of complaints/ mis-procurement allegations leveled against an institution;
- ii) Institutions with low compliance levels in previous audits;
- iii) Institutions that have not been audited for a long time; and
- iv) Proximity to an institution being audited.

3.3.3 Types of procurement audits

(a) Compliance audit

The audit focused on category and procurement methods as well as value of awarded contracts. Furthermore, the audit assessed high value procurement with likelihood of occasioning loss of public funds such as single source procurement, emergency procurement, unauthorized procurement or those not contained in budgets or annual procurement plans.

Seven indicators were used to determine compliance with the procurement law. These are as follows:

- (i) Institutional setup and performance;
- (ii) Preparation and implementation of procurement plan;
- (iii) Efficiency of tender process;
- (iv) Contract management;
- (v) Management of procurement records;
- (vi) Implementation of systems prepared by PPRA; and
- (vii) Penalty for mishandling bidders' complaints.

(b) Value for money audits

The audits was carried out for goods, works and consultancy services. Choice of projects to be audited was based on category of procurement (goods, works or consultancy), procurement method, contract value, contract signed in financial year 2015/16 and nature of procurement (roads, bridges, irrigation, buildings and IT systems and equipment).

(c) Fraud and corruption in public procurement

Fraud and corruption in public procurement were addressed in accordance with the agreement between PPRA and PCCB. Under the agreement, PPRA sends to PCCB reports which identify institutions with high likelihood of corruption based on agreed indicators. The higher the number of the indicators, the more likelihood of corruption and fraud in a particular tender.

It is important to point out that a detected red flag is not in itself an evidence of corruption in a particular procurement. However, the higher the number of red

flags detected, the higher the likelihood that corruption has been involved, prompting PPRA to submit to PCCB an audit report of the institution in question for further investigation.

3.4 Volume and value of audited contracts

Table 3.3 shows analysis of audited contracts in terms of works, goods, consultancy services, non-consultancy services, minor value procurement and framework contracts.

Table 3.3: Audited contracts

Contract category	Volume of contracts	Contract value (in TZS billion)	% of contract value
Works	740	345.02	17.1
Goods	7,136	1,513.49	74.7
Consultancy services	85	76.61	3.8
Non-consultancy services	9,625	46.33	2.3
Minor value procurement	1,757	40.39	2
Framework contracts	148	1.53	0.1
Total	19,491	2,023.37	100

3.4.1 Compliance audit findings

The analysis indicated an average compliance level of 71 percent which shows an increase of two percent over last year's average. However, the recorded level was below 78 percent, which was the target set by PPRA for financial year 2015/16. Analysis of the results revealed that 10 Institutions had poor performance as they scored below 60 percent, 38 institutions had fair performance between 60 - 77 percent and 22 institutions had satisfactory performance as they scored 78 percent or above.

The following seven indicators were used to determine compliance:

- (i) Institutional setup and performance;
- (ii) Preparation and efficiency in implementing annual procurement plan;
- (iii) Tender processing;
- (iv) Contracts management;
- (v) Management of procurement records;
- (vi) Use of systems developed by PPRA; and
- (vii) Handling of complaints

Average compliance level indicated satisfactory performance by public authorities in two categories namely; establishment of tender boards with a score of 94.1 percent and formation of procurement management unit (PMU) at 82.4 percent.

(a) Institutional setup

Analysis of the audit results on institutional setup indicated satisfactory level of compliance on establishment of tender boards, which stood at 95 percent, establishment of PMU sub-vote and allocation of funds which stood at 79 percent, existence of internal audit unit stood at 95 percent and establishment of PMU at 83 percent. However, the compliance was fair on notifying PPRA about TB establishment at 77 percent. Poor performance was observed on a sub-indicator for training to tender board members, which stood at 52 percent and training to internal auditors at 46 percent.

(b) Preparation and efficiency in implementing APP

Analysis indicated a satisfactory level of annual procurement plan (APP) compliance at 82 percent. However, weaknesses were noted in submission of APP to PPRA for publishing in TPJ and PPRA website as institutions scored 66 and 72 percent, respectively.

(c) Appropriateness of tender processing

The average level of compliance on the procurement process for the 70 audited institutions was 78 percent that implies satisfactory performance. The analysis shows that all sub indicators performed fairly and satisfactory except that poor performance was on publication of procurement awards on the tender portal and TPJ, notification of unsuccessful bidders and use of procedural forms.

(d) Contract management

The audit results indicated a compliance level of 72 percent on contract management signifying fair performance. The audits revealed that most of the sub-indicators under this indicator performed fairly but below the targeted level. The audit showed that institutions performed satisfactorily in one sub-indicator which is completeness of contract documents, tender board approval and Attorney General (AG) vetting; and four sub-indicators showed fair performance.

The following were scores observed in different areas of the sub indicators: availability of quality assurance plans which stood at 64 percent, adherence to quality assurance plans at 62 percent, availability and quality of implementation reports at 66 percent.

However, under this indicator one sub indicator was observed to perform poorly below 60 percent namely; preparation of progress reports at 56 percent.

(e) Management of procurement records

This indicator involved assessment of completeness and arrangement of records as well as adequacy of storage facilities. The overall average compliance for the indicator was 70 percent, below the target of 78 percent. The observed weaknesses under this indicator affected the efficiency of the audit exercise. The audit revealed that 20 percent of PMUs in the audited Institutions had inadequate storage facilities while 13 percent had inadequate space for keeping procurement records. This resulted into 37 percent of the reviewed tender records being scattered in various departments. Weaknesses were also observed in the sub-indicator on arrangement

of procurement records where the audited entities scored 56 percent, which was poor performance.

(f) Use of systems developed by PPRA

For this indicator, the audit assessed whether institutions complied with the requirement for using systems developed by PPRA. Analysis of the audit results indicated an overall compliance of 38 percent which was poor meaning that majority of the audited institutions did not use the systems. The audited institutions performed fairly at 68 percent on the sub indicator for submission of APP through the system, while the remaining performed poorly.

(g) Handling of complaints

Institutions were also assessed whether they had handled bidders complaints in accordance with procurement law. Depending on the number of mishandled cases, institutions were penalized to the maximum of 10 points. Analysis of the results indicated that out of the 70 institutions only five did not handle the complaints properly.

3.5 VFM audit criteria

The following five indicators were used to determine if value for money was attained in projects:

- i) Preparation, design and tender documentation;
- ii) Procurement processing;
- iii) Work supervision and contract management;
- iv) Quality and quantity of projects of executed works and supplied goods; and
- v) Completion and closure of projects.

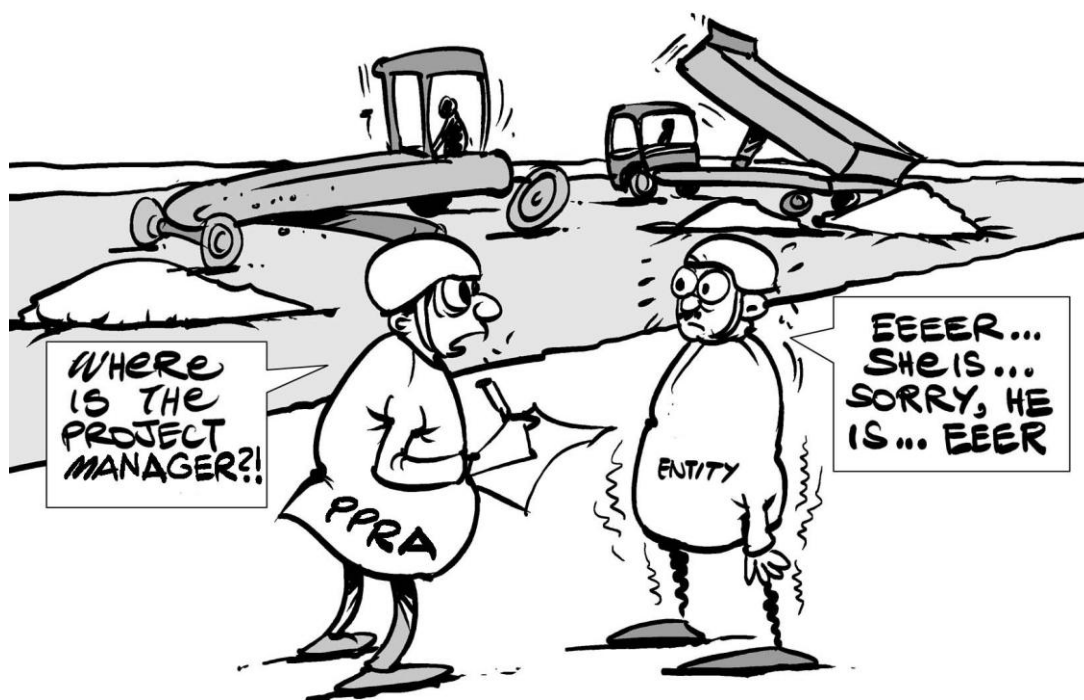
(a) Preparation, design and tender documentation

The overall score for planning, designing, and tender documentation was 82.8 percent signifying satisfactory performance for audited projects. Under this aspect, ministries, departments and authorities performed satisfactorily at 81.4 percent, while councils and public authorities performed satisfactorily at 82.7 and 84.5 percent respectively. Seven projects or 3.8 percent of all audited projects had unsatisfactory performance. The overall VFM audit score on planning, design, and tender documentation for ministries, departments and authorities, public authorities and councils.

The major observed weaknesses under this indicator were:

- i) Appointment of supervising consultants in works projects was done after commencement of project execution;
- ii) Inadequate and incomplete/ incorrect designs;
- iii) Analysis of feasibility was not based on appropriate road maintenance software;
- iv) Over-estimation of bills of quantities hence overpayments;

- v) Lack of engineer's cost estimates, structural designs, project designs and drawings, project specifications, quality assurance plans; and
- vi) Incomplete drawings for some projects.



(b) Procurement processing

The overall score for procurement process was assessed at 81.4 percent signifying that the projects were satisfactorily performed. In this indicator, ministries, departments and authorities, councils, and public authorities performed satisfactorily at 83.2, 80.9 and 81.2 percent, respectively. Six projects or 3.2 percent of all audited projects had unsatisfactory performance. However, weaknesses observed in the indicator were as follows:

Major observed weaknesses on procurement processing included:

- i) Delays in signing contracts;
- ii) Failure to notify unsuccessful bidders on the tender results;
- iii) Notice of intention to award the contract was not issued;
- iv) Award of tenders or signing of contracts beyond bid validity period;
- v) Percentage of liquidated damages specified in the contracts were not in compliance with procurement law;
- vi) Non-submission of contract awards information to PPRA for publication in TPJ and website;
- vii) Contract variations were not approved by tender board;
- viii) Tender evaluation reports were incomplete or of poor quality; and
- ix) Lack of evidence of vetting of contracts by AG.

(c) Works supervision and contract management

The overall score for works supervision and contract management was assessed at 71.1 percent signifying that the projects were fairly performed but with significant weaknesses that if not properly addressed, especially for ongoing projects, VFM is unlikely to be realized. In this aspect, ministries, departments and authorities councils and Public authorities performed fairly at 65.5, 71.4 and 76.2 percent, respectively. 25 projects or 13.4 percent of all audited projects had unsatisfactory performance.

The observed weaknesses were:

During works supervision and contract management stage notable weaknesses observed included:

- i) Contractors, suppliers and consultants did not take or maintain insurance against risks contrary to contractual requirements;
- ii) Performance security and insurance covers stated in contracts were not submitted to institutions;
- iii) Failure by institutions to appoint project managers;
- iv) Delays in paying contractors, suppliers and consultants;
- v) Delays in commencement of works after site possession;
- vi) Non-preparation of quality assurance plans for projects;
- vii) Lack of evidence for site meetings;
- viii) Lack of contractors' schedule of work;
- ix) Poor supervision of projects; and
- x) Payment for non-existing or shoddy works.

(d) Quality and quantity of executed works and supplied goods

The overall score on quality and quantity of executed works had satisfactory performance at 82.4 percent. Ministries, departments and authorities, public authorities and councils performed satisfactorily at 82.5, 88.2 and 80.8 percent, respectively. Out of 186 projects, nine or 4.8 percent of all audited projects had poor performance.

Major weaknesses observed under this indicator included:

- i) Poor workmanship and supervision;
- ii) Non existence of quality assurance plans;
- iii) Lack of evidence of site meetings;
- iv) Lack of or incomplete project specifications;
- v) Payment for non-existing or shoddy works; and
- vi) Progress reports did not cover cross-cutting issues such as safety, environmental degradation and mitigation measures, dust controls, noise pollution and IV/AIDS.



(e) Completeness and closure of projects

The overall score on project completion and closure had fair performance at 72.2 percent. Both councils and public authorities had fair performance at 70.7 and 70.7 percent, respectively while ministries, departments and authorities had satisfactory performance at 79 percent. Out of 186 projects, 11 or 5.9 percent had poor performance.

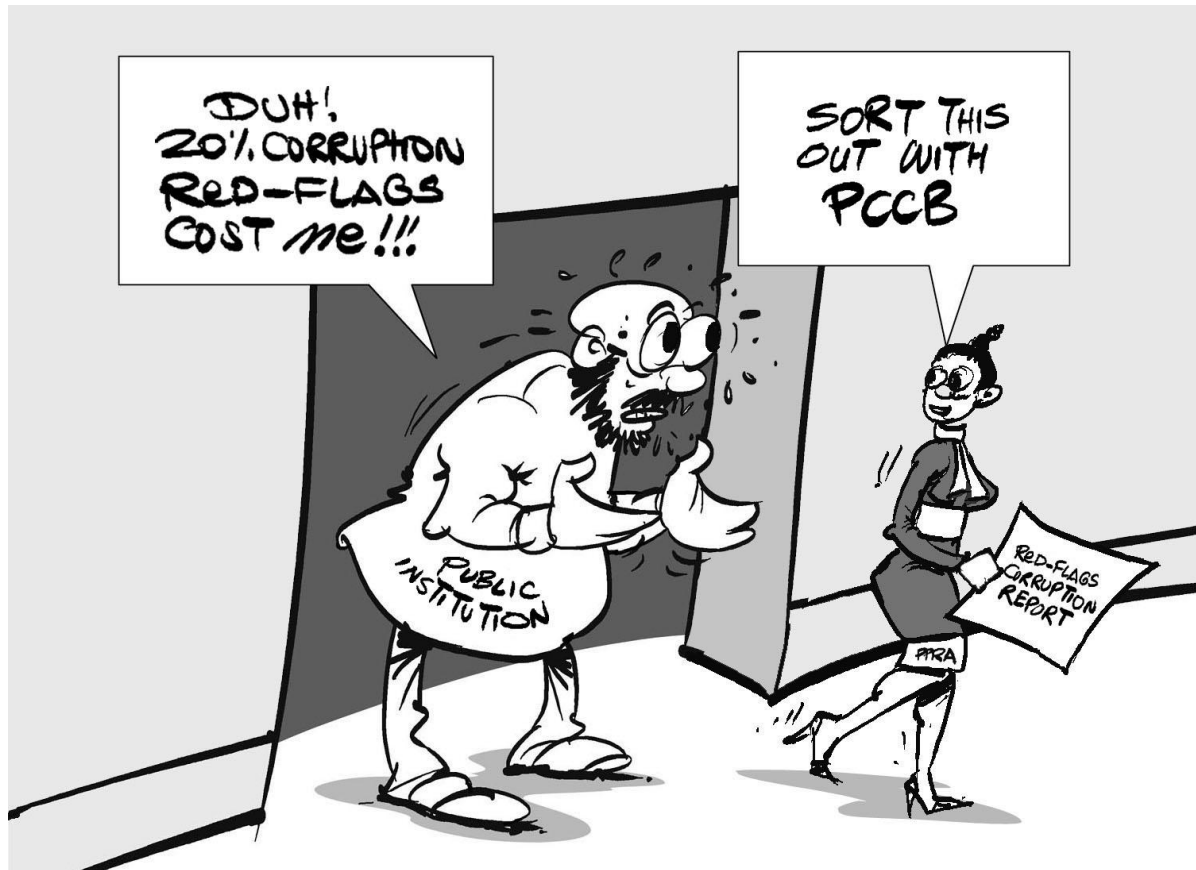
Major observed weakness under the indicator on project completion and closure were:

- i) Lack of evidence of final inspection or site handover;
- ii) Non-preparation of snag lists;
- iii) Missing as-built drawings; and
- iv) Non-preparation of project completion reports.

3.6 Assessment of corruption red flags

3.6.1 Findings of corruption red flags audit

The red flag checklist for sampled contracts under compliance audits revealed that six out of seventy 70 institutions scored 20 percent or above. Such institutions are including National Museum, Dar es Salaam City Council, DART, TCRA, Office of the National Assembly and Ministry of water and Irrigation.



3.6.2 Projects with high red flags

PPRA conducted value for money audit to 21 projects. The audit revealed that six projects from institutions had the likelihood of corruption. The Institutions were:

- (i) Dodoma Municipal Council;
- (ii) Sikonge District Council;
- (iii) National Museum of Tanzania;
- (iv) TPDC;
- (v) Ministry of Water and Irrigation;
- (vi) REA.

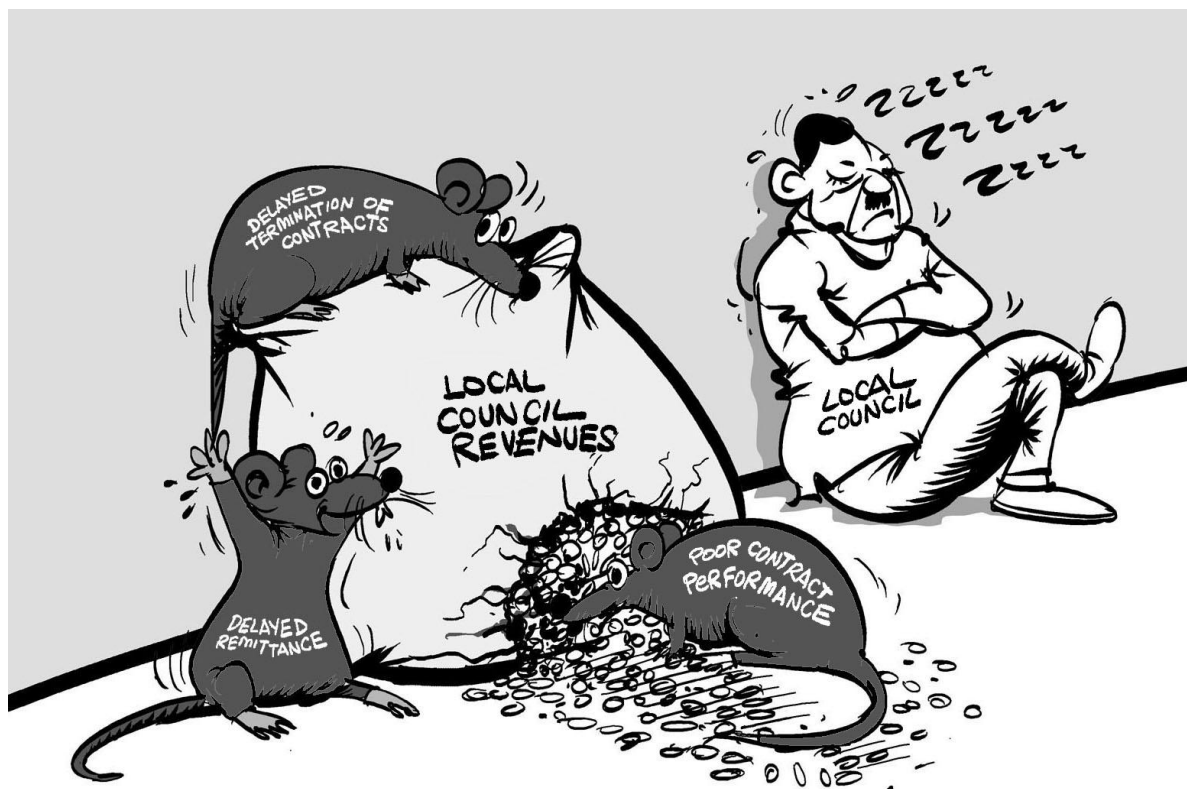
3.6.3 Dubious payments

During FY 2015/16, VFM audits carried out revealed dubious payment by four institutions in respect of projects worth TZS 33.43 billion where a total of TZS 1.35 billion or four percent was paid to contractors for non-existing and shoddy works. The Institutions are Dar es Salaam City Council, LAPF, REA and MOI.

3.6.4 Collection of revenue in Councils

Fifteen revenue collection contracts in two Councils were audited. The audit revealed weaknesses in managing the contracts resulting into under collection. Out of the expected TZS 905.92 million only TZS 758.93 million or 83 percent was remitted to the respective councils.

However, the councils did not take any action despite the fact that TZS 146.99 was not remitted.



3.7 Verification of previous dubious payments 2014/15

During FY 2014/15 PPRA conducted a verification exercise in respect of dubious payments amounting to TZS 951.71 million that were made by nine Institutions. However, it has since come to light that what had been seen as overpayments amounting to TZS 648.05 million at the time of audit, was actually for non-existing works which were later executed by contractors while others had arisen due to non-submission of documents to support them, which were later availed to the verification team.

Furthermore, some of the previous detected overpayments were later recovered from subsequent payments.

At the time of preparing this report, PPRA had completed verification of overpayments amounting to TZS 818.44 million out of TZS 951.71 million with verification of TZS 133.27 million in progress. Verification revealed that the overpayments had been reduced to TZS 169.39 million.

CHAPTER FOUR

4.0 CHALLENGES AND EXPECTATIONS

4.1 Challenges

During the year under review, the following were major challenges:

4.1.1 Sector related challenges

- i) There have been higher prices of procured goods, works and services compared to market prices, high cost of procurement processes and long duration of procurement process which resulted into misuse of public funds, delays in projects completion and services delivery to the public;
- ii) Lack of integrity and low level of professionalism among public officers and bidders thus hindering attainment of best value for money;
- iii) Lack of standards for items and services used by the Government;
- iv) Differences between procurement procedures used by LGAs and those used by other PEs leading to political interference in procurement proceedings;
- v) Failure to submit periodic reports and low use of PPRA systems and tools thus hindering effective monitoring;
- vi) Inadequate staffing among institutions that deal with public procurement from supervisory to implementation level thus contributing to underperformance;
- vii) Inefficiency in handling procurement operations by PEs resulting in time and cost overruns in project implementation. This increases overall project cost the end result being more burden to taxpayers;
- viii) Inadequate capacity in applying the procurement law as most people who are involved in procurement processes from both PEs and bidding community, are not conversant with the requirements of PPA and PPR hence failure to take advantage of various options provided by the law;
- ix) Failure by some PEs to comply with the requirement for submission of information to the Authority as per PPR thereby hindering effective delivery of Authority's services including timely provision of APER;
- x) Inadequate capacity including legal framework to address cyber security and lack of necessary infrastructure for operationalization of e-procurement hence delayed implementation of the system in Tanzania; and
- xi) Weak contract management by PEs hence difficulties in achieving best value for money.

4.1.2 Challenges internal to the Authority

- i) Inadequate funding, insufficient cash inflows and shortage of manpower hence difficulties in implementing MTSP;
- ii) Inadequate office facilities including office building hence high operating costs in form of rental charges;
- iii) Failure to meet staff related obligations in a timely manner leading to low staff morale

4.1.3 Way forward to overcome sector related challenges, PPRA will:-

- i) Continue to monitor and enforce compliance with PPA and its amendments;
- ii) Continue to build capacity of PEs and economic operators on applying the PPA;
- iii) Collaborate with e-procurement stakeholders namely; Ministry of Communication, Science and Technology, e-Government Agency, GPSA, Medical Stores Department (MSD) and economic operators so as to ensure that all key prerequisites are put in place and there is a general understanding on the approach for adopting e-Procurement, in line with the existing legal framework;
- iv) Continue to disseminate PPA 2011 and its amendments, PPR as well as procurement implementation systems and tools;
- v) Continue to build capacity of PEs in managing procurement contracts and to institute appropriate measures against the culprits; and
- vi) Establish procurement week for dissemination and publicity of procurement activities.

As to internal challenges, the Authority will enhance collection of IGF to supplement the Government subvention and will also continue to market PPRA activities in order to attract more financing. It will also open a zonal office in Arusha so as to enhance its outreach in the northern circuit.