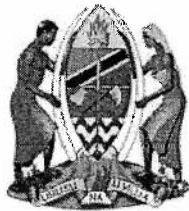


**THE UNITED REPUBLIC OF TANZANIA
NATIONAL AUDIT OFFICE**



**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF THE PUBLIC PROCUREMENT
REGULATORY AUTHORITY FOR THE YEAR
ENDED 30TH JUNE, 2011**

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DAR ES SALAAM

December, 2011

AR/PPRA/2011

**Office of the Controller and Auditor General,
National Audit Office,
The United Republic of Tanzania**

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

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

Vision

To be a centre of excellence in public sector auditing

Mission

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

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

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

We do this by:-

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

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PUBLIC PROCUREMENT REGULATORY AUTHORITY

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PUBLIC PROCUREMENT REGULATORY AUTHORITY

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 30 JUNE 2011

In compliance with the Public Procurement Act, 2004 of Tanzania and the Tanzania Financial Reporting Standard (TFRS) No. 1 on Directors' Report, the Board of Directors submits their report and the audited financial statements of Public Procurement Regulatory Authority (PPRA) for the year ended 30th June, 2011.

1 BOARD OF DIRECTORS

The Board of Directors is the governing body of the Authority. It consists of the Chief Executive Officer and seven non-executive members including the Chairman. During the period under review the Board had the following members:-

Name	Position	Nationality	Age	Qualification
Dr. Enos S. Bukuku	Chairman	Tanzanian	61	Economist
*Mr. Julius G. Mamiro	Member	Tanzanian	55	Registered Civil Engineer
Ms. Mwamini M. Tulli	Member	Tanzanian	53	Certified Accountant
Mr. Omary A. Chambo	Member	Tanzanian	50	Mining Engineer
Dr. Edmund B. Mndolwa	Member	Tanzanian	62	Chartered Accountant
Hon. Mussa A. Zungu (MP)	Member	Tanzanian	59	Aircraft Engineer
Hon. Justice T. Mihayo	Member	Tanzanian	65	Lawyer
*Dr L.M.Chamuriho	Member	Tanzanian	51	Structural Engineer
Dr. Ramadhan S. Mlinga	CEO	Tanzanian	51	Civil Engineer

*Mr. Julius G. Mamiro served as the board member of PPRA up to May, 2011 when he completed his two terms of appointment while Dr. L.M. Chamuriho joined the Board in July 2011.

2 BOARD'S RESONSIBILITY FOR FINANCIAL REPORTING

The Board is required by the Public Procurement Act of 2004 to prepare financial statements that give a true and fair view of the state of affairs of the Authority as at the end of the financial year and of the surplus or deficit of the Authority for that period. The Board confirms that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgments and estimates have been made in the preparation of the financial statements for the year ended 30th June, 2011. The Board, also confirm that the International Public Sector Accounting Standards (IPSAS) accrual; have been followed. The Board is responsible for keeping proper accounting records, for safeguarding the assets of the Authority and hence taking reasonable steps for prevention of fraud and other irregularities.

3 PRINCIPAL ACTIVITIES

The Public Procurement Regulatory Authority (PPRA) was established within the Ministry of Finance under the Public Procurement Act, 2004. The functions of the Authority can be grouped into six major areas:-

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

4 MAJOR ACHIEVEMENTS DURING THE YEAR

For the financial year 2010/11, PPRA managed to accomplish some of its goals as provided in the activity plan that was approved by the Board. In the previous financial year, the Authority operated with the help of the African Development Bank (ADB) financing. During the year under review, the Authority operated without the ADB support since the phase I of the project had been completed. This left the Authority with only the Government Subvention as its source of financing. However, in October, 2010 the Government signed a new protocol with total funding in various convertible currencies equivalent to 5.460 million Unit of Account. And its implementation has started in July 2011.

The following are the major achievements made in the reporting financial year:

- i) Hosted the 3rd East African Procurement Forum in Dar es Salaam from 29th September - 1st October 2010 ;
- ii) The Public Procurement Bill, 2010 was presented to the Parliamentary Committee on Finance and Economic Affairs during the April,2011 Parliamentary session in Dodoma. The Government however withdrew the Bill from Parliament in order to have more time to make further consultation on various issues including procurement of used heavy plants and machines and to incorporate all stakeholders comments;
- iii) conducted four tailor made training to 458 staff from six (6) different organizations;

- iv) Disseminated Procurement Implementation tools in six centres namely Dodoma, Tabora, Tanga, Mtwara, Arusha and Mwanza. A total of 101 Procuring Entities attended the dissemination in these six (6) centres;
- v) Trained 20 PCCB Officials in PPA, Regulations and Procedures;
- vi) Registered 179 Suppliers and Service Providers and publish the list inPPRA website;
- vii) Updated the Directory of Procuring Entities by registering 19 new PEs. The total number of PEs registered so far is 393 which will be published in PPRA website;
- viii) Carried procurement audits in 106 Procuring Entities for the FY 2010/2011 procurements and follow up audits in 12 PEs. The outcome of the audits indicated a level of compliance of 63% computed from thirteen established compliance indicators;
- ix) Carried out contract performance audits of 94 construction projects in 20 procuring entities;
- x) Conducted five (5) investigations out of seven (7) requested on alleged mis-procurement;
- xi) Trained of 144 internal auditors from 144 PEs on procurement audit techniques;
- xii) Carried out procurement capability assessment in TANESCO in order to identify areas contributing to inefficiencies in its procurement systems and recommend improvement measures. On the basis of the assessment, training for the tender board members has been conducted. Training for the PMU and user departments' staff will also be conducted on the basis of the assessment results;
- xiii) Rolled out PMIS in 56 PEs and a result , cumulative number of PEs registered to use the system has increased to 263, from the previous numbers of 203 (2009/10) and 134 (2008/09). The total number of PEs that have received training is now 307;
- xiv) The Authority's website (www.ppra.go.tz) was redesigned and a 'tenders portal' (<http://tenders.ppra.go.tz>) dedicated to publish tender all tender-related information were introduced. The Online Procurement Forum (<http://forums.ppra.go.tz>) has also been maintained and the general public created topics and posted message to discuss various issues on public procurement;
- xv) **Publicity of PPRA activities:** One Press Conference was conducted in September, 2010. CEO briefed the media on the East African Procurement Forum which was held in Tanzania and hosted by PPRA from 29th to 1st October, 2010. One recorded event taken during the Public Service Week

was aired 6 times by TBC and ITV and One awareness seminar to Members of Parliament (MPs) was conducted in March, 28th, 2011;

- xvi) Published weekly supplements of the Tanzania Procurement Journal and one Tanzania procurement Journal for the fourth quarter of FY 2009/2010;
- xvii) Thirty Three (33) LPO and thirty Seven (37) contracts were signed during the period of which twenty Seven (27) contracts were completed and ten (10) are still in progress. All activities in form of signed LPO were completed. One Tender was still in procurement stage and two tenders were cancelled.

5 RESULTS FOR THE YEAR

During the year ended 30th June 2011 the Authority incurred a deficit of TZS 350 million. The deficit is stated after charging non-cash items amounting to TZS 406 million. While the expenditure have decreased by 24% from TZS 7,387 million to TZS 5,582 million due to completion of ADB project activities, the revenue decreased by 20% from TZS 6,517 million to TZS 5,232 million, see comparison of budget vs. actual on page 11.

6 SOLVENCY

The Authority's state of affairs as at 30th June, 2011 is reflected in these financial statements. The Board considers the Authority to be solvent.

7 AUDITORS

The Controller and Auditor General is the statutory auditor of PPRA by virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under section. 10 (1) of the Public Audit Act No 11 of 2008. However, in accordance with Section 33 of the same Act, M/s. MEKONSULT was authorized to carry out the audit of the Public Procurement Regulatory Authority for the year ended 30th June 2011 on behalf of the Controller and Auditor General.

8 BOARD MEETINGS

The Board of Directors held nine (9) meetings and twenty two (22) Board's committees including seven (7) Audit Committee meetings.

BY ORDER OF THE BOARD



Director

Date 27.12.2011



Chief Executive Officer

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: Dr. Enos S. Bukuku,
Chairman of the Board,
Public Procurement Regulatory Authority,
P. O. Box 49,
Dar es Salaam.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE PUBLIC PROCUREMENT REGULATORY AUTHORITY FOR THE YEAR ENDED 30TH JUNE 2011

I have audited the accompanying financial statements of the Public Procurement Regulatory Authority which comprise the statement of financial position as at 30th June 2011, statement of financial performance, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 7 to 32 of this report.

Directors' Responsibility for the financial statements

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

Responsibilities of the Controller and Auditor General

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Public Procurement Regulatory Authority preparation and fair presentation of the financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Public Procurement Regulatory Authority internal control. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Further, Sect 44(2) of the Public Procurement Act No.21 of 2004 and Reg No. 31 of the Public Procurement (Goods, Works, Non-consultant services and Disposal of Public Assets by Tender) Regulations of 2005 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

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

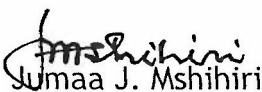
Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respect the financial position of the Public Procurement Regulatory Authority as of 30th June 2011 and (of) its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS) and the Public Procurement Act, 2004.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that the Public Procurement Regulatory Authority procurement has generally complied with the Public Procurement Act, 2004 and its related Regulations of 2005.


Jumaa J. Mshihiri

Ag. CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam, Tanzania

30th December, 2011



PUBLIC PROCUREMENT REGULATORY AUTHORITY

STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2011

	Notes	2011 TZS'000	2010 TZS'000
ASSETS			
Non-current assets			
Property, Plant and Equipment	2	1,344,661	1,634,752
Intangible Assets	3	56,944	167,220
		<u>1,401,605</u>	<u>1,801,972</u>
Current assets			
Staff and other receivable	5	135,176	242,772
Prepayment-gratuity to contract employees		274,452	200,268
Cash and Cash Equivalent	6	648,194	920,584
		<u>1,057,822</u>	<u>1,363,624</u>
Total assets		<u>2,459,427</u>	<u>3,165,596</u>
Liabilities			
Deferred Income	4(iii)	1,192,130	1,268,076
Retirement benefit obligation (Due beyond a year)	7 (b)	254,277	200,268
		<u>1,446,407</u>	<u>1,468,344</u>
Current liabilities			
Retirement benefit obligation (Due within a year)	7 (a)	20,175	-
Liabilities recognized under transfer arrangement	8b(ii)	3,169	232,027
Account payable	9	54,962	180,663
		<u>78,306</u>	<u>412,690</u>
Total liabilities		<u>1,524,713</u>	<u>1,881,034</u>
Net Asset		<u>934,714</u>	<u>1,284,562</u>
EQUITY			
Accumulated Surplus brought forward		1,284,562	2,203,616
Surplus for the year		(349,848)	(919,054)
Total equity		<u>934,714</u>	<u>1,284,562</u>

The statement of Financial Position is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 32



Director

Date 27.12.2011



Chief Executive Officer

Auditors' report - page 5 to 6

PUBLIC PROCUREMENT REGULATORY AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

	<u>NOTE</u>	2011 <u>TZS '000</u>	2010 <u>TZS '000</u>
OPERATING REVENUE			
Transfer Revenue			
Government Grant	10	4,772,519	3,593,778
ADB Grant	8(i)	-	2,769,783
Deferred Income	4(iv)	<u>75,947</u>	<u>77,330</u>
		4,848,466	6,440,891
Other Income	11	<u>383,712</u>	<u>76,696</u>
Total Operating revenue		<u>5,232,178</u>	<u>6,517,587</u>
 OPERATING EXPENSES			
Administrative Expenses	13	2,296,399	2,282,577
Staff Expenses	14	1,896,320	1,348,582
Capacity Building Expenses	15	534,785	1,553,234
Monitoring Expenses	16	415,450	876,549
Information Technology Expenses	17	116,259	883,837
Training Expenses	18	33,861	152,003
Office Setup Expenses	19	<u>288,952</u>	<u>290,409</u>
Total Operating Expenses		<u>5,582,026</u>	<u>7,387,191</u>
Deficit from Operating Activities		<u>(349,848)</u>	<u>(869,604)</u>
 Other Expenses			
Public Procurement Appeals Authority (PPAA) expenses	20	-	49,449
Net deficit for the year		<u>(349,848)</u>	<u>(919,054)</u>

The Statement of Financial Performance is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 32

Auditors' report - page 5 to 6

PUBLIC PROCUREMENT REGULATORY AUTHORITY

STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

	2011 TZS '000'	2010 TZS '000'
Net Assets at the beginning of the year	1,284,562	2,203,616
Net Deficit for the year	<u>(349,848)</u>	<u>(919,054)</u>
Net Assets at the end of the year	<u>934,714</u>	<u>1,284,562</u>

The Statement of Changes in Equity is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 32

Auditors' report - page 5 to 6

PUBLIC PROCUREMENT REGULATORY AUTHORITY

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2011

	<u>Notes</u>	<u>2011</u> <u>TZS'000</u>	<u>2010</u> <u>TZS'000</u>
Cash flows from operating activities			
Net cash flow from operating activities	12	(268,358)	(324,986)
Cash flows from investing activities			
Purchase of property, plant and equipment	2(i)	(4,032)	(347,691)
Net cash flow from investing activities		(4,032)	(347,691)
Cash flows from financing activities			
Net Cash flow from Financing Activities		-	-
Net increase/(decrease) in cash and cash equivalents		(272,390)	(672,677)
Cash and cash equivalents at beginning of the year		<u>920,584</u>	<u>1,593,261</u>
Cash and cash equivalents at the end of year	6	<u>648,194</u>	<u>920,584</u>

Notes to the Cash Flow statements

(a) Cash and Cash Equivalents

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

(b) Property, Plant, Equipment and Computer Software

During the period, the authority acquired property, plant and equipment with an aggregate cost of TZS 4,032,000.00

The Statement of Cash Flow is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 12 to 32

Auditors' report - page 5 to 6

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2011**

Description	Budget amounts Final TZS'000	Actual amount TZS'000	Variance TZS'000	% change
Revenue				
Total Revenue	6,822,235	5,232,178	1,590,057	23%
Expenses				
Administrative expenses(net of Depreciation)	1,978,043	1,890,522	87,521	4%
Staff costs	2,796,304	1,896,320	899,984	32%
Capacity building expenses	558,175	534,785	23,390	4%
Monitoring expenses	852,295	415,450	436,845	51%
Information Technology	250,643	116,259	134,384	54%
Training expenses	34,350	33,861	489	1%
Office set up costs	352,425	288,952	63,473	18%
Depreciation	-	405,877	-	-
Total	6,822,235	-	1,646,086	-

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

1. GENERAL INFORMATION

(a) Statute

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

(b) Principal Accounting Policies

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

1.1 Basis of Preparation

These financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) accrual basis. The policies set below have been consistently applied to all the year (s) presented except for those relating to the classification and measurement of financial instruments.

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

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

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

1.2 Property, Plant and Equipment

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

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

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

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

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

1.3 Intangible assets

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

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

1.4 Impairment of Assets

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

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separable identifiable cash flows (cash generating units). No impairment review for the assets was carried out by the Authority since such events or changes did not exist during the year under review.

1.5 Inventories

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

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

1.6 Revenue recognition

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

Transfer Revenue

Assets and revenue recognized as a consequence of a transfer are measured at the fair value of the assets recognized as at the date of recognition. Non-monetary assets are measured at their fair value, which is determined by reference to observable market values or by independent appraisal by a member of the valuation profession. Receivables are recognized when a binding transfer arrangement is in place but cash or other assets have not been received.

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

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

1.7 Employees Benefits

(i) Pension obligation

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

(ii) Other Entitlements

The estimated monetary liability for employees' accrued entitlements at the statement of financial position date is recognized as accrued expenses.

(iii) Post-retirement medical aid benefits and retirement gratuities

The Authority has unfunded non-contributory contracted employee gratuity arrangement, which provides for lump sum payments to its contract employees on their termination or completion of contract period of three to four years, based on 25% of the monthly basic salary and qualifies as a defined benefit plan.

1.8 Foreign Currency Translation

(a) Functional and Presentation Currency

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

(b) Transaction and Balances

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

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

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

1.9 Grants

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

1.10 Cash and cash equivalent

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

1.11 Provisions

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

1.12 Foreign currency risks

As and when the need arises, the Authority enters into transactions denominated in foreign currencies (primarily United States Dollars (US\$)). In addition, the Authority has assets and liabilities denominated in United States Dollars (US\$). As a result, The Authority is subjected to transaction and translation exposure from fluctuations in foreign currency exchange rates.

The effect of foreign currency risk however is not significant and therefore the management does not hedge against foreign currency risks.

1.13 Comparative Figures

Where necessary, the comparative figures will be classified to conform to changes in presentation in the respective year of reporting. Comparative figures for the period 2009/2010 are presented along with this year's figures.

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2. MOVEMENT OF PROPERTY, PLANT 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 2010	822,600	301,000	654,782	178,107	277,554	113,590	2,347,633
Additions for the Year	-	-	-	-	-	4,032	4,032
Disposals	-	-	-	-	-	-	-
As at 30 June 2011	<u>822,600</u>	<u>301,000</u>	<u>654,782</u>	<u>178,107</u>	<u>277,554</u>	<u>117,622</u>	<u>2,351,665</u>
Depreciation							
At 1 July 2010	-	-	418,317	133,141	117,303	42,817	711,578
Charge for the year	-	12,040	149,978	38,249	67,887	27,274	295,427
On disposals	-	-	-	-	-	-	-
As at 30 June 2011	-	12,040	568,295	171,390	185,190	70,090	1,007,005
Net book Value							
At 30 June 2011	<u>822,600</u>	<u>288,960</u>	<u>86,487</u>	<u>6,717</u>	<u>92,365</u>	<u>47,532</u>	<u>1,344,661</u>
At 30 June 2010	<u>822,600</u>	<u>301,000</u>	<u>236,465</u>	<u>44,389</u>	<u>159,584</u>	<u>70,714</u>	<u>1,634,751</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

3. INTANGIBLE ASSETS

	TZS'000
Cost	
Cost as at 01 July 2010	402,475
Additions	<u>-</u>
Cost as at 30 June 2011	402,475
Amortisation	
At 1 July 2010	235,082
Charge during the year	<u>110,449</u>
At 30 June, 2011	345,531
Net Book Value	
As at 30 June, 2011	<u>56,944</u>
As at 30 June 2010	<u>167,220</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

4. DEFERRED INCOME

(i) Assets in kind

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

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

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

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

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

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

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

Sub item	(TZS'000)
Land	822,600
Building	301,000
Total Value as at 30 June, 2010	1,123,600
Assets in kind recognized in the Statement of Comprehensive Income	-
Net value as at 30 June, 2010	1,123,600
Assets in kind recognized in the Statement of Comprehensive Income	(12,040)
Net value as at 30 June, 2011	1,111,560
Total (i+ii+iii)	1,192,130

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

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

	2011 <u>TZS'000</u>	2010 <u>TZS'000</u>
Assets in kind from CTB (Note 4(i))	29,712	34,277
Assets in Kind from KIC (Note 4(ii))	34,195	43,053
Assets in Kind from the Government (Note 4 (iii))	<u>12,040</u>	<u>-</u>
Total	<u>75,947</u>	<u>77,330</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

5. STAFF AND OTHER RECEIVABLES

	2011	2010
Details	<u>TZS'000</u>	<u>TZS'000</u>
Staff imprest receivables	130,286	233,544
Cash received from Imprest holders	(656)	-
Other receivables	<u>5,546</u>	<u>9,228</u>
Total	<u>135,176</u>	<u>242,772</u>

6. CASH AND CASH EQUIVALENTS

	2011	2010
Details	<u>TZS'000</u>	<u>TZS'000</u>
Cash at bank (ADB Project)	-	238,331
Cash at Bank (Operational account)	448,194	682,253
Short term deposits	<u>200,000</u>	<u>-</u>
Total	<u>648,194</u>	<u>920,584</u>

7. RETIREMENT BENEFIT OBLIGATIONS

For the period ended 30 June 2011, the Authority had a TZS 274 million funded non-contributory contract employee gratuity which provides for lump sum payments to its contract employees on their termination or completion of their contract periods. The fund arrangement was based on 25% on the monthly basic pay and qualifies as a defined benefit plan. This amount had been paid to GEPF by 30 June 2011.

PUBLIC PROCUREMENT REGULATORY1 (Continued)

	<u>2011</u> <u>TZS'000</u>	<u>2010</u> <u>TZS'000</u>
a) Retirement benefit obligations falling due within one year	20,175	-
b) Retirement benefit obligation falling beyond one year	254,277	200,268

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

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

During the year ended 30 June, 2011, the Authority returned to ADB TZS 211 million as unspent project fund. Hence, did not have any liability related to a transfer to it conditional upon implementing Institutional support Project for Good Governance.

	<u>2011</u> <u>TZS'000</u>	<u>2010</u> <u>TZS'000</u>
Opening balance brought forward	210,931	571,349
Amount Returned to ADB	(210,931)	
Transfers received	-	2,409,364
Transfer revenue recognized during the year	-	<u>(2,769,783)</u>
Total liability recognized under transfer arrangements	<u>-</u>	<u>210,931</u>

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

The Authority also receives funds for Development Activities under PFMRP - Basket funding. In 2010/11 Financial year, TZS 1,246 million was approved for Development activities.

At 30th June, 2011, the Authority recognized a liability of TZS 3.168 million related to a transfer to it conditional upon implementing PFMRP - Basket funding approved activities.

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011(Continued)

	2011 <u>TZS'000</u>	2010 <u>TZS'000</u>
Opening balance brought forward	21,096	-
Amount returned to PFMRP	(21,096)	-
Transfer received	<u>1,245,974</u>	<u>358,380</u>
Total fund	<u>1,245,974</u>	<u>358,380</u>
Transfer Revenue recognized during the year	<u>(1,242,805)</u>	<u>(337,284)</u>
Liability recognized under transfer arrangements	<u><u>3,169</u></u>	<u><u>21,096</u></u>

(i) Transfer revenue recognized during the year

Grants from ADB-ADF	-	2,769,783
Transfer from PFMRP - Basket Fund	<u>1,242,805</u>	<u>337,284</u>
	<u>1,242,805</u>	<u>3,107,067</u>

(ii) Total Liability recognised under transfer arrangements:-

Liability under grants from ADB - ADF	-	210,931
Liability under PFMRP - Basket Fund	<u>3,169</u>	<u>21,096</u>
	<u>3,169</u>	<u>232,027</u>

9. ACCOUNTS PAYABLE

Payables	-	55,099
Accruals and provisions	54,962	125,513
Other payables	-	51
Total	<u>54,962</u>	<u>180,663</u>

10. GOVERNMENT GRANT

Operational funds	3,529,714	3,256,494
Basket funding	<u>1,242,805</u>	<u>337,284</u>
Total	<u>4,772,519</u>	<u>3,593,778</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

11. OTHER INCOME

	2011	2010
Details	<u>TZS'000</u>	<u>TZS'000</u>
Sales of bidding documents and PPA 2004	229	635
Fees on complaint reviews	210	130
Sales of procurement journal	138	540
Tailor-made training programmes	195,158	46,749
Advertisements in TPJ supplement	91,587	11,220
Subscription of TPJ	30	1,500
Miscellaneous	89,040	2,285
Interest on Fixed deposit	<u>7,320</u>	<u>13,636</u>
Total	<u>383,712</u>	<u>76,696</u>

12. CASH GENERATED FROM OPERATIONS

Reconciliation of surplus for the year to cash generated from operations:	<u>Notes</u>	2011	2010
		<u>TZS'000</u>	<u>TZS'000</u>
Surplus for the year:		(349,848)	(919,054)
Adjustments for:			
Depreciation (including intangible assets)	2 & 3	405,877	405,446
Adjustment for Over depreciation		(1,477)	-
Cash generated from operations before working capital changes		<u>54,552</u>	<u>(513,608)</u>
Changes in working capital:			
Decrease in staff and other receivables		107,596	503,866
Increase in prepayments- gratuity		(74,184)	7,449
Decrease in assets in kind		(75,947)	(77,330)
Increase in retirement benefit obligations		74,184	(7,449)
Decrease in liabilities recognized under transfer arrangement		(228,858)	(339,322)
Decrease in accounts payable		<u>(125,701)</u>	<u>101,408</u>
Cash generated from operations		<u>(268,358)</u>	<u>(324,986)</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

13. ADMINISTRATIVE EXPENSES

Details	<u>2011</u> <u>TZS '000'</u>	<u>2010</u> <u>TZS '000'</u>
Funded by Government subventions	1,890,522	1,818,333
ADB funding	-	58,798
Depreciation	405,877	405,446
	<u>2,296,399</u>	<u>2,282,577</u>

14. STAFF EXPENSES

Personnel emoluments	1,520,093	1,106,421
Gratuity and pension	327,473	220,121
NHIF	48,754	22,041
Total	<u>1,896,320</u>	<u>1,348,582</u>

The following items are included in the staff expenses:

Social security expenses:

Defined contribution plans	57,014	45,270
Defined benefit plan	274,452	191,028
Other statutory payroll remittances	44,760	23,565

15. CAPACITY BUILDING EXPENSES

(a) Government Funding	<u>2011</u> <u>TZS'000</u>	<u>2010</u> <u>TZS'000</u>
To compile information and publish Tanzania Procurement Journal	191,063	102,764
Tailor-made training	119,923	41,843
To sensitize top Government leaders & politicians on their roles in compliance	-	34,202
To train PCCB officials	-	1,582
To disseminate PPA,2004 and its regulations	118,681	41,639
To organize and host the 3 rd East African Procurement Forum in Tanzania	105,118	-
Total Government Funding	<u>534,785</u>	<u>222,030</u>

(b) ADB Funding	2011 TZS'000	2010 TZS'000
Preparation of 5 New Bidding Documents, Guidelines and User-Manuals	-	10,355
To conduct training of 1200 Procurement Management Staff from PEs, PCCB, CAG on the PPA 2004, Its Regulations, Bidding Documents and User Manuals	-	1,026,916
Procurement of Various Publications for The documentation Centre	-	3,800
Publication of Procurement Journals	-	136,511
Compilation of average prices and establishment of a price base for common use items	-	68,251
Simplifying and translating bidding documents, guidelines and user manuals	-	16,271
Restructuring of Government Stores	-	65,200
Establishment of PMUs in all MDAs	-	3,900
Total ADB Funding	-	1,331,204
Total Funding from Government and ADB	534,785	1,553,234

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

16. MONITORING AND COMPLIANCE EXPENSES

Details	2011 TZS'000	2010 TZS'000
(a)Government funding		
Carrying out procurement investigations on allegations, reported cases, of suspected breaches in application of PPA 2004 and recommendation of appropriate actions by June 09	66,375	7,525
Carrying out procurement contracts and performance audits on procurement entities and disseminating the output/results to stakeholders	69,004	-
To monitor implementation of the previous financial year's audit recommendations	102,369	8,020
Expenses under last year imprests and commitments		136,703
To train 200 Internal Auditors from all PEs on Procurement Audit procedures and techniques by June, 2011	90,906	57,113
To carryout Value for Money audits/Investigations (Performance audits) in procuring entities/projects (70 PEs in FY 2010/11)	86,796	-
Sub total (a)	415,450	209,361

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

MONITORING AND COMPLIANCE EXPENSES (Cont.)

(b)ADB funding

Details	2011 TZS'000	2010 TZS'000
To carry out Procurement Audits in 90 PEs to determine the level of compliance to the PPA and Procurement Regulations and recommend appropriate improvement measures by June 2009	-	571,759
To monitor implementation of the previous financial year's audit recommendations	-	63,224
Implement the system for Checking and Monitoring in 20 MDAs (visits to PEs to verify the submitted procurement Information and build capacity on weaknesses observed)	-	30,336
Prepare a Strategy in Consult with PCCB	-	1,869
Sub total (b)	-	667,188
Total (a +b)	415,450	876,549

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

17. INFORMATION TECHNOLOGY EXPENSES

Details	2011 <u>TZS'000</u>	2010 <u>TZS'000</u>
(a) Government funding		
Maintaining/servicing office equipment	32,961	59,246
Maintaining PPRA website	-	4,050
Internet, mail and groupware maintenance services		
Developing in-house ad-hoc applications		
Computerise Accounting, HR Systems and other software's	-	13,862
Develop Business Continuity Plan		-
Roll out PMIS and Monitor PMIS in 364 PEs	77,771	126,364
Develop Help desk		
Stakeholders workshop for e-procurement	-	8,419
To prepare implementation strategies and acquire e-procurement solution	5,527	-
Sub total (a)	116,259	211,941
(b) ADB funding		
Development of ICT policy		
To develop and implement Management Information system (MIS) in 150 PEs		
Computerization of Internal Systems	-	194,263
Preparation for implementation of E-procurement system	-	477,633
Sub total (b)	-	671,896
Total (a +b)	116,259	883,837

18. TRAINING EXPENSES

Source	2011 <u>TZS'000</u>	2010 <u>TZS'000</u>
Government of Tanzania subventions	33,861	34,657
ADB funding	-	117,346
Total	<u>33,861</u>	<u>152,003</u>

PUBLIC PROCUREMENT REGULATORY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)

19. OFFICE SET UP EXPENSES

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

Details	2011 <u>TZS'000</u>	2010 <u>TZS'000</u>
Government funding		
Office Rent	286,124	251,643
Web hosting fees	2,828	1,086
Internet charges	-	37,680
Total	<u>288,952</u>	<u>290,409</u>

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

Details	Number of persons	2011 TZS '000'	2010 TZS '000'
(i) Directors remunerations			
Directors' fees	8	12,000	12,000
Sitting allowance	8	117,000	104,000
(ii) Senior staff remunerations			
Salaries	17	1,133,807	817,625
Retirement benefit obligations	17	274,452	167,118
Housing allowance	17	124,800	244,826

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

PUBLIC PROCUREMENT REGULATORY AUTHORITY

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011 (Continued)**

21. COMMITMENTS

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

	2011	2010
Details	TZS '000'	TZS '000'
Approved and contracted for	663,157	374,909
Approved Local Purchase Orders (LPOs)	<u>225,536</u>	<u>51,153</u>
Total	<u>888,693</u>	<u>426,062</u>

22. CURRENCY

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