



**PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS  
AUTHORITY**

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**CONTRACT AUDIT INTO THE PROCUREMENT FOR NAKWASI SEED  
SECONDARY SCHOOL IN BUTALEJA DISTRICT**

**CONTRACTOR: M/S BOBEDIE CONSTRUCTION SERVICES LTD FOR THE  
CONSTRUCTION OF THE SEED SECONDARY SCHOOL AND SUPPLY OF  
FURNITURE**

**2<sup>nd</sup> CONTRACTOR: M/S MASAKA AGRICULTURE DEALERS LIMITED  
FOR THE SUPPLY, INSTALLATION, COMMISSIONING AND TESTING OF  
OF ICT EQUIPMENT**

DECEMBER 2022

## TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	5
1.0 CHAPTER 1: INTRODUCTION .....	9
1.1 Background.....	9
1.2 Laws applicable.....	9
1.3 Objectives.....	9
1.4 Scope of the Audit.....	10
1.5 Audit Methodology .....	10
1.6 Limitation of Scope .....	10
2.0 CHAPTER 2: FINDINGS AND RECOMMENDATIONS.....	11
2.1 CONTRACT SUMMARY.....	11
Table 1 : Contract Summary .....	11
2.2 CONTRACT MANAGEMENT SYSTEM.....	12
2.2.1 Irregular unjustifiable contract variation order worth UGX. 404,371,591.....	12
Table 2: Variation Orders Made by Contractor .....	12
2.2.2 Irregularities in extension of contract completion period.....	13
Table 3: Irregularities in extension of contract completion period.....	13
2.3.1 Unjustified /Insufficient justification for seeking of a contract variation order by the Accounting Officer the Ministry of Education and Sports.....	15
2.3.2 Irregularities in extension of contract completion period.....	16
2.4 OBLIGATIONS OF THE PROVIDER .....	19
2.4.1 Delayed completion of works.....	19
2.4.2 Failure by the contractor to supply and install ICT equipment (desktop computers) with the right specifications and failure to fully deliver laboratory reagents.....	20
Table 4: Site meeting issues raised and not addressed by the contractor.....	22
2.5 CONTRACT CLOSURE.....	25
2.5.1 Handover of Outputs .....	25
2.5.2 Management of Defects Correction Period.....	25
2.5.3 Provider Appraisal.....	25
3.0 APPENDIX A: LIST OF ABBREVIATIONS.....	25

2.6.2 Efficiency.....	25
2.6.3 Effectiveness.....	26
2.6.4 Equity .....	26
2.7 OVERALL AUDIT CONCLUSION .....	26
3.0 CHAPTER 3: FINDINGS AND RECOMMENDATIONS TO THE MINISTRY OF EDUCATION AND SPORTS .....	27
4.0 APPENDICES.....	28
4.1 APPENDIX 1: STATUS OF IMPLEMENTATION OF WORKS.....	28

**List of Tables**

Table 1 : Contract Summary .....	11
Table 2: Variation Orders Made by Contractor .....	12
Table 3: Irregularities in extension of contract completion period .....	13
Table 4: Site meeting issues raised and not addressed by the contractor.....	22
Table 5: Physical verification and status of the project site /school, and delivery of ICT equipment, science kits and chemical reagents.....	28

## ACRONYMS

BOQ	-	Bills of Quantities
GCC	-	General Conditions of the Contract
GESI	-	Gender Equality and Social Inclusion
ESHS	-	Environmental, Social, Health and Safety
GOU	-	Government of Uganda
MOH	-	Ministry of Health
PPDA Act	-	Public Procurement and Disposal of Public Assets Act No. 1 of 2003
PPDA	-	Public Procurement and Disposal of Public Assets Authority
SCC	-	Special Conditions of the Contract
UGX	-	Uganda Shillings
UGIFT	-	Uganda Intergovernmental Fiscal Transfer Program
VAT	-	Value Added Tax

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## EXECUTIVE SUMMARY

The Government of Uganda appropriated funds worth UGX 2,168,012,790 to undertake the construction of Nakwasi Seed School in Butaleja District. Funds were obtained from the World Bank through a program called the Uganda Intergovernmental Fiscal Transfer Program (UGIFT). The implementing Ministry was the Ministry of Education and Sports that was responsible for developing the Bills of Quantities, the bidding document and advertising for the tender. Butaleja District Local Government was responsible for approving the bidding document, conducting evaluation, signing of the contract as well as contract management.

Butaleja District Local Government entered into a contract on 21<sup>st</sup> April 2019 with M/s Bobedie Construction Services Ltd at a cost of UGX 2,168,012,790 for the construction of a seed secondary school. The construction was funded by the World Bank under Uganda Inter-Governmental Fiscal Transfer program (UGIFT). The Contract period was 18 months with the planned completion date of 30<sup>th</sup> November 2020. The contractor was unable to complete the works within the planned completion date and subsequently the contract was extended on three occasions with the last that was granted on 30<sup>th</sup> May 2021 for 4 months lapsing on 30<sup>th</sup> September 2021.

Another competitive process for the supply of ICT equipment for the computer laboratory, science laboratory equipment and chemical reagents was run and M/s Masaka Agricultural Dealers Enterprises Ltd emerged the Best Evaluated Bidder and the Contract Committee approved the award of the tender on 9<sup>th</sup> March 2021 at a total evaluated bid price of UGX. 207,490,000

On 29<sup>th</sup> April 2021 the Entity entered a contract with M/s Masaka Agricultural Dealers Enterprises Ltd with a completion date of 30<sup>th</sup> June 2021. Solicitor General's clearance of the contract was granted on after 23<sup>rd</sup> April 2021

In view of Section 7 (j) (ii) of the PPDA Act, 2003, the Public Procurement and Disposal of Public Assets Authority (hereinafter "PPDA or the Authority") conducted a contract audit into the contract with an overall objective of assessing the status of contract implementation. The specific objective of the contract audit was to assess the level of achievement of value for money in terms of effectiveness, efficiency, economy and equity in contract execution.

### Key findings of the Authority;

The Authority found the following exceptions:

1. There was an intended unjustifiable contract variation order sought on 14<sup>th</sup> August 2019 by M/s Bobedie Construction Ltd worth UGX. 404,371,591 for additional works on the site as the contractor reported water logging and poor soils on site yet no sufficient justification for these additional works was given and neither was there a comprehensive scope and technical design for the said works. Subsequently, there was no evidence of approval of the same by the District Engineer nor evidence that this was granted.
2. There was unjustified extension of contract completion period without evidence of Contracts Committee approval. This contract was extended three times without any sufficient justification. It was noted that the site main conditions had changed and the contractor had to cover the cost of the extension. The extension was granted on 30<sup>th</sup> May 2021 for 4 months lapsing on 30<sup>th</sup> September 2021.

4. The Head Procurement and Disposal Unit / contract management team should ensure that all procurement records including contracts management ones such as site meeting minutes, progress reports, payment certificates and other related correspondences are well kept and maintained on their respective action files in accordance with Section 31(o) of the PPDA Act 2003.
5. The Accounting Officer should officially communicate and prevail upon M/s Bobedie Construction Ltd to fix all the defects at the school since the defects liability period is still running and where the contractor fails to fix the defects, the Accounting Officer shall submit the contractor to the Authority for suspension and black listing of the contractor by the Authority in accordance with Section 88 (1) and 94(a) of the PPDA Act (Amended) 2021.
6. The Entity should come up with operations and maintenance plan that will clearly detail how the school structures will be maintained over time including the resources required for future sustainability.
7. The Accounting Officer should ensure that environmental screening or impact assessment is done for such works projects right from inception in order to have environmental as well health and safety issues addressed throughout the project life cycle.
8. The Accounting Officer should take appropriate disciplinary action against the contracts management team and the Internal auditor that verified, accepted and cleared deliveries that did not conform to the specifications thus causing financial loss to the Entity.
9. In future, the Accounting Officer should ensure all deliveries made to the Entity conform to specifications in the contract before payments are effected and where they don't, these should be rejected and errant contractors penalized in line with the provisions in the contract such as enforcing penalties and liquidated damages and recommendation for blacklisting of the contractors by the Authority.
10. The Ministry of Education and Sports should ensure that the evaluation criteria set per Lot is comprehensive and adequate enough with dedicated finances, equipment and personnel specific to each lot and these should not be fronted by the bidder for any other lots. In the event that the bidder presents the same resources in form of finances, equipment and personnel for other lots.
11. The Ministry of Education and Sports should consider minimizing the number of contracts in a given lot considering the capacity of the local contractors in the country to improve on the rate of success for UGIFT projects.

## **1.0 CHAPTER 1: INTRODUCTION**

### **1.1 Background**

The Government of Uganda appropriated funds worth UGX 2,168,012,790 to undertake the construction of Nakwasi Seed Secondary School at Butaleja District. Funds were obtained from the World Bank through a program called the Uganda Intergovernmental Fiscal Transfer Program (UGIFT). The implementing Ministry was the Ministry of Education and Sports that was responsible for developing the Bills of Quantities, the bidding document and advertising for the tender. Butaleja District Local Government was responsible for approving the bidding document, conducting evaluation, signing of the contract as well as contract management.

Butaleja District Local Government entered into a contract on 21<sup>st</sup> April 2019 with M/s Bobedie Construction Services Ltd at a cost of UGX. 2,168,012,790 to construct Nakwasi Seed Secondary School. The construction was funded by the World Bank under Uganda Inter-Governmental Fiscal Transfer program (UGIFT). The Contract period was 18 months with the planned completion date of 30<sup>th</sup> November 2020. The contractor was unable to complete the works despite having been offered three extensions (that is from 30<sup>th</sup> November 2020 to 30<sup>th</sup> March 2021, 30<sup>th</sup> March 2021 to 30<sup>th</sup> May 2021 and from 30<sup>th</sup> May 2021 to 31<sup>st</sup> September 2021). Due to several factors the project was delayed and was commissioned on 30<sup>th</sup> March 2022 having taken an overlap of time of 16 months.

On 29<sup>th</sup> April 2021, Butaleja District Local Government entered into another contract with M/s Masaka Agricultural Dealers Enterprise Limited at a cost of UGX. 207,490,000 for supply of ICT equipment for the computer laboratory, science laboratory equipment and chemical reagents commencing on 29<sup>th</sup> April 2021 and ending on 30<sup>th</sup> June 2021. However, during the Authority physical verification on 22<sup>nd</sup> September 2022 at the seed school, the Authority found that the supply of 28 laptops supplied did not meet the contractual specifications required as the RAM was 4GB instead of 8 GB and the supplier had not fully supplied all the chemical reagents required.

In view of Section 7 (j) (ii) of the PPDA Act, 2003, the Public Procurement and Disposal of Public Assets Authority (hereinafter "PPDA or the Authority") conducted a contract audit into the abovementioned contract.

### **1.2 Laws applicable**

The applicable laws and legal framework were:

- i. The Public Procurement and Disposal of Public Assets Act, 2003 as amended;
- ii. The Local Governments (PPDA) Regulations, 2006;
- iii. The Local Governments (PPDA) Guidelines, 2008; and
- iv. The circular on contract management and safeguard requirements under Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16<sup>th</sup> March 2021.

### **1.3 Objectives**

with the requirements and standards set forth in the contract and the provisions of the PPDA law and UGIFT guidelines. The specific objectives of the contract audit were:

- i. To assess the progress of works for the construction of Nakwasi Seed Secondary School in Butaleja Sub County;
- ii. To assess timeliness of contract implementation;
- iii. To assess whether the project costs are within the contract price;
- iv. To assess adherence to Environmental, Social, Health and Safety (ESHS) requirements; and
- v. To recommend actions for the completion and handover of the projects.

#### **1.4 Scope of the Audit**

The audit covered the contract implementation and management of the construction of Nakwasi Seed Secondary School. Specifically, the scope included: assessing the contract management system, obligations of the provider, obligations of the Entity, contract closure, and undertaking a value for money assessment.

#### **1.5 Audit Methodology**

The Authority adopted the following methodology:

- i. Review of documentation in the procurement action file
- ii. Physical verification of the site
- iii. Debriefing the Entity management on the preliminary findings
- iv. Issuing a management letter to the Entity for official management response
- v. Reporting on findings of the audit and providing recommendations where applicable

#### **1.6 Limitation of Scope**

The contract audit was undertaken by auditors who did not have professional competence in engineering and building construction. We could not conclusively give an opinion on the technical quality of the works undertaken. The overall responsibility of the quality of works undertaken lies with the Entity management and the contractor.

## 2.0 CHAPTER 2: FINDINGS AND RECOMMENDATIONS

This chapter details the findings and recommendations out of the contract audit.

### 2.1 CONTRACT SUMMARY

**Table 1 : Contract Summary**

Contract Title	Construction of Nakwasi seed secondary School at Butaleja Sub County in Butaleja District
Contract Scope	<ol style="list-style-type: none"> <li>1. Preliminaries</li> <li>2. 2 Classroom block (3 Blocks)</li> <li>3. 2 Unit science laboratory</li> <li>4. Administration Block</li> <li>5. 2-unit teachers' house (3 Blocks)</li> <li>6. 2-unit teachers' kitchen: (3 Blocks)</li> <li>7. 2 stance lined VIP latrine block – Admin Block</li> <li>8. 2 stance lined VIP latrine block for teachers' house</li> <li>9. 5 stance lined VIP latrine Block – Boys</li> <li>10. External Works</li> <li>11. Rain water Harvest system with 5000L water tank</li> <li>12. ICT-Library</li> <li>13. Multi-purpose hall</li> <li>14. Playground</li> </ol>
Name of Contractor	Bobodie Construction Services
Method of procurement	Open National Bidding
Type of Contract	Lumpsum
Original Contract Price (UGX)	2,168,012,790
Amount for Cost Variations by Contractor (UGX)	404,371,591 (18.7 % variation)
Revised Contract Price (UGX)	NIL
Amount paid on variation (UGX)	NIL
Contract Signing date	21 <sup>st</sup> April 2019
Contract Commencement date and site hand over	21 <sup>st</sup> May 2019
Expected contract completion period	31 <sup>st</sup> November 2020
Original contract period	18 months
Revised contract periods	30 <sup>th</sup> March 2021, 30 <sup>th</sup> May 2021, 31 <sup>st</sup> September 2021.
Defects Liability period	12 Months - one year
Project Manager	Eng. ...

Last progress report	30 <sup>th</sup> April 2022		
Payments	Payments made	Amount (UGX)	Date
	Advance Payment	433.602.558	12 <sup>th</sup> June 2019
	Certificate No. 1 (Advance)	379.402.238	19 <sup>th</sup> June 2019
	Certificate No.2	184.281.087	8 <sup>th</sup> August 2020
	Certificate No.3	104.266.038	4 <sup>th</sup> August 2021
	Certificate No.4	281.841.633	4 <sup>th</sup> August 2021
	Certificate No.5	429.467.856	10 <sup>th</sup> August 2021

## 2.2 CONTRACT MANAGEMENT SYSTEM

The contract and guidance circular from the Permanent Secretary/Secretary to the Treasury (PS/ST) provided for a contract manager, a project manager and a project management team comprising of the District Engineer, the District Education Officer, and District Natural Resources Officer as the responsible parties for the supervision of the contract working with the Accounting Officer and the Ministry of Education and Sports. The following anomalies were found in the contract management system:

### 2.2.1 Irregular unjustifiable contract variation order worth UGX. 404,371,591

The audit team noted that on 14<sup>th</sup> August 2019, M/s Bobedic Construction Services Ltd wrote to Mr. Moga Hamis (District Engineer/Contract Manager) in (Ref No.BCS/BDLG/2019/06) submitting variation orders for additional works since the place of the site for the school facilities was water logged with poor soils as indicated in Table 4.

The contractor however did not sufficiently justify the additional works as the original bill of quantities (BOQs) provided provision of drainage of rainfall into water tanks and water trenches. There was no sufficient record of evidence of a comprehensive scope and technical design of such additional works and neither was there evidence on the procurement action file showing the required approvals by the Entity's engineering department, Contracts Committee and Accounting Officer for a contract variation to take place contrary to Regulation 120 (1) (2) of the PPDA (Local Government) Regulation, 2006.

**Table 2: Variation Orders Made by Contractor**

No	Variation Order Work to be done	Amount (UGX)	Date of Request for Variation order
1.	Variation Order No. 1	86.719.514	28/10/2019
2.	Variation Order No. 2 ( For landscaping and Drainage )	313.674.293	29/01/2021
3.	Variation Order No. 3 (for control of overflow in latrines)	3,499,784	29/01/2021
	TOTAL	404,371,591	

### **Implication**

Such unjustified contract variations without relevant approvals could result in to unethical practices within the Entity that could lead to financial loss and failure to achieve value for money.

### **Recommendation**

The Accounting Officer and project manager should submit to the Authority a comprehensive technical explanation for the justification of the variation order requested by the contractor worth UGX. 404,371,591 with sufficient technical evidence of an approved proposed technical review and design review, and report for any further authorization and payment to the contractor. Failure to do so and payment of this variation will led to mismanagement of public funds.

### **Management Response**

*Management acknowledged the above observation from the auditors about irregular unjustifiable contract variation order worth UGX. 404,371,591. This was due to unforeseen circumstances that occurred as result of failure to carry out geotechnical investigations to ascertain the conditions the existing foundation conditions. The contractor could not execute other stages of construction without treating the foundation adequately despite contract sum being lump sum hence extra work.*

### **Authority's comment;**

The Authority appreciates the Entity's response however maintains the finding since they did not submit to the Authority a comprehensive technical explanation to justify the contract variation.

### **2.2.2 Irregularities in extension of contract completion period**

The audit team observed that there were three contract extensions without viable justification of works done and those pending prepared by the Contract Supervisor. There was also no evidence of Contracts Committee approval for extension of contract completion period as indicated in table 4 below: -

In addition, the extensions were null and avoid as they were granted after contract expiry. The contract was signed on 21<sup>st</sup> April 2019, with the start date on 21<sup>st</sup> May 2019 and contract completion was on 30<sup>th</sup> November 2020 See details in the table below: -

**Table 3: Irregularities in extension of contract completion period**

No	Extension	Period of extension
1.	On 20 <sup>th</sup> October 2020, the contract completion date was extended from 30 <sup>th</sup> November 2020 to 30 <sup>th</sup> March 2021 yet there was no evidence of approval by the Entity's Contracts Committee and the project manager's approval.	Four (4) months
2.	No evidence of contract extension for the period between 30 <sup>th</sup> March 2021 and 30 <sup>th</sup> May 2021 and approval by CC.	Two (2) months
3.	A UGIFT Joint Monitoring Team visited the site from 5 <sup>th</sup> -18 <sup>th</sup> September 2021 and observed that there was a revised completion date of 31 <sup>st</sup> Sept 2021 from 30 <sup>th</sup> May 2021 and the monitoring team recommended that the Entity if there was further extension, it was not contractually provided for in the contract. The	Four (4) months

No	Extension	Period of extension
	However there was no evidence of contract extension approvals on the file.	

The audit team also noted that the total period of extension of contract was ten months (10) months from the initial completion date that was 30<sup>th</sup> November 2020 indicating a significant delay of works by the contractor. Furthermore, there is no evidence on file on the actual completion date, submission of completion certificate by the contractor indicating completion of the site and official handover of the site to the Entity.

#### **Implications**

- The lack of evidence of Entity's approval of renewal of the contract risked the Entity having a non-existent contract.
- There were several unnecessary extension of contract without thorough justification which may have led to the slow pace of the contractor by the evidence of several site visits where the contractor delayed to allocate and mobilize resources onto the site.

#### **Recommendations**

- Contract Managers should always monitor contracts effectively and ensure that in case of any need for extension of the contract completion period, this is done in time in accordance with Regulation 119(10) and (c) of the Local Governments (PPDA) Regulations, 2006.
- The Accounting Officer should strengthen contracts management and supervision so as to ensure that the contract objectives are achieved within the constraints of cost, quality and time.

#### **Management Response**

*Management acknowledged the observation of the audit team about the several extensions of contract. This was as a result of requests initiated by the service provider for extension of contract due to force majeure i.e. outbreak of Covid-19 pandemic that distorted works and delivery of roofing and steel materials, the access roads to the site were impassable during the rainy season and adverse ground conditions led to limited access to the site.*

#### **Authority's comment;**

The Authority appreciated the Entity's response however maintained the finding due to insufficient grounds given since the contractor displayed a lot of laxity and inadequate capacity to execute the contract in time.

## 2.3 OBLIGATIONS OF THE ENTITY

The following anomalies were found in fulfilment of the Entity's contractual obligations and duties to protect the interests of the Entity:

### 2.3.1 Unjustified /Insufficient justification for seeking of a contract variation order by the Accounting Officer from the Ministry of Education and Sports

The audit team observed from the procurement action file that the Chief Administrative Officer on 29<sup>th</sup> October 2019, wrote to the Assistant Commissioner (Construction Management Unit-Ministry of Education and Sports) seeking approval of the variation order indicating that the contractor was challenged with a lot of flooding of the site that resulted into continuous ponding of the site that adversely would affect the foundation site. The variation order was neither confirmed by the contract supervisor under a thorough independent technical assessment and design review, nor was it approved by the Contracts Committee. Thus its credibility remained in doubt.

On 30<sup>th</sup> September 2020, M/s Bobodie Construction Services Ltd wrote to the Entity's Contract Supervisor of the Entity seeking the Entity's status on the variation orders. The contractor indicated Clause 44 of the General Conditions of the Contract delaying the approval of the variation would result into compensation that would affect the site.

On 23<sup>rd</sup> November 2020, the line ministry (Ministry of Education and Sports) in a letter written by Ms. Doreen Matovu Lwanga addressed to the Chief Administrative Officer (EPD/72/141/01) sought for better clarification from the Entity's submission and that of the contractor as to the variation of works since the Ministry had only received the contractor's claim of proposed extra works instead of a comprehensive proposal including designs, quantities and proposed cost implications.

To this date there is no evidence on file that the Entity prepared a comprehensive proposal approved by the Contracts Committee and project manager that the variation sought by contractor has no authorization by the Entity or the line ministry.

#### **Implication**

Unjustified contract variations without the Contract Supervisors consent and Contracts Committee approval could result into unethical tendencies and financial loss to the entity through corruption.

#### **Recommendation**

The Accounting Officer should ensure that all conditions for contract effectiveness are promptly adhered to by providers upon signing of the contracts and before commencement of works.

#### **Management Response**

*Management acknowledged the auditors' observations as this was due to an oversight by the contractor to submit the details of the proposed land clearing and foundation treatment to the Entity but instead's done so to the line ministry. It has been agreed that the contractor will be required to submit a comprehensive proposal for the variation of works to the Entity for approval.*

#### **Authority's comment;**

The Authority appreciated the Entity's response, however maintained the finding since it was the Contract Managers responsibility to review and justify whether the proposed variation requested by the Contractor was genuine or not.

#### **2.3.2 Irregularities in extension of contract completion period**

The Authority noted the progress report dated 29<sup>th</sup> September 2020 indicated that physical progress of works was at 75% and most infrastructure had been setup and the site meeting held on 29<sup>th</sup> October 2020 indicated that physical progress on works was at 80% and not 100% which was less than a month to the end of the contract on 30<sup>th</sup> November 2020. In several site meetings the contractor was reminded to allocate resources and materials to the site but in vain.

The Contracts Committee on 9<sup>th</sup> March 2021 extended the contract to June 2021 yet the contractor had shown poor performance and failure to adhere to the project timelines and schedule.

#### **Implication**

This exposes the entity to a risk of non-performance with no possible fall-back position. It also delays service delivery to the intended beneficiaries.

#### **Recommendations**

- The Accounting Officer should caution the project manager to always monitor contract progress effectively against the contract period and other deliverables and in case of any need for extension of the contract completion period and the validity period of performance security, this should be done in time in accordance with Regulation 119(10) of the Local Governments (PPDA) Regulations, 2006.
- The Accounting Officer should in future projects, instruct the Project Manager, Contract Manager of Works and the Contractor to maintain all contract management records in accordance with Regulation 46 (3) of the Local Governments (PPDA) Regulations, 2006.

#### **Management Response**

*Management acknowledged the observation in as far as irregular extension of contract by the Contracts Committee was concerned. The contractor initiated the request for above giving reason for extension.*

#### **Authority's comment;**

The Authority appreciated the Entity's response however maintained the finding since there was no sufficient reason or evidence in form documentation that was availed to the Contracts Committee and the Authority for review to show justification for extension of contract since site meeting minutes had already shown slow progress of works with little effort by the contractor to expedite contract implementation.

#### **2.3.3 Poor contracts management and supervision**

The Authority noted that the project had been poorly supervised and managed by the Contractor's Management. The Contractor's Management had failed to ensure that the project was completed within the stipulated time frame.

Supervisor/District Engineer) were not on site and the monitoring team had advised the Entity to carry out punitive action and revoke the contract with the contractor on failure to meet the contractual period of 30<sup>th</sup> September 2021 which was not done.

Furthermore, it was observed that recommendations from the site meetings held such as hoarding off of the site, ensuring proper drainage and storm water management on site, adequate mobilization of materials and planting of vegetation among others were done by the contractor.

### **Implication**

Insufficient contract supervision of the works by the project manager and the team could have led to the delay of completion of the works, failure to adopt recommendations made at site visits by the contractor before completion of the works which delayed delivery of services to the intended beneficiaries and amounted to breach of contract.

### **Recommendations**

- The Accounting Officer should caution the project manager and contract management team to always monitor contract implementation and progress effectively against the contract period and other deliverables and in case of any need for extension of the contract completion period and the validity period of performance security, this should be done in time in accordance with Regulation 119(10) of the Local Governments (PPDA) Regulations, 2006.
- The Accounting Officer should strengthen contracts management and supervision so as to ensure that the contract objectives are achieved within the constraints of cost, quality and time.

### **Management Response**

*Management acknowledged the observation and stated that due to management frameworks which provided for full time staff on site whose duty was to record daily activities and prepare monthly reports for reviewing level of progress during monthly site visit meeting and may form basis for site instructions to the contractor and tracking of progress of works which may not necessarily require approval by the contract supervisor.*

### **2.3.4 Missing records**

There was poor keeping of contracts management records by the Contracts management team such as records requesting for extension of the contract period, and evidence of delivery notes and goods received notes for the furniture requirements that were supplied by the M/s Bobedie Construction Services Ltd. Subsequently there was no evidence of Contracts Committee approval of contract extension on file despite the Accounting Officer (Ms. Frances Lucy Amulen) on 28<sup>th</sup> March 2021 in her letter to the M/s Bobedie Construction Services Ltd stating the Contracts Committee on 9<sup>th</sup> March 2021 under Minute No. BDCC/34/03/2021 had approved extension of contract from initial completion date on 30<sup>th</sup> November 2020 to June 2021.

### **Implication**

Such missing records compromise the accountability for funds and could give room for unethical and fraudulent practices in the Entity.

### **Recommendations**

- The Accounting Officer should ensure that all contract management records are well kept by the Contracts management team and copies shared with the the Procurement and Disposal Unit to make the procurement action files in accordance with Section 31 (o) of the PPDA Act 2003.

### **Management Response**

*Management acknowledged the observation of the audit team of missing records however the approvals by the Contracts Committee were not missing and the submissions requesting for extension of contract and approval are available for verification.*

### **Authority's comment;**

The Authority appreciated the Entity's response as unsatisfactory and maintained the finding since no record of Contracts Committee minutes or any related evidence was submitted by the Entity to the Authority's in the management letter response.

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### **2.3.5 No evidence that environmental impact assessment was done by the Entity**

The Authority observed that there were no environmental impact assessment reports provided to the Audit team as evidence that this had been done for the project. Therefore, some environmental issues of the site and project may have not been properly identified and planned for prior and may have missed out in the bills of quantities.

This was very crucial since the site was on flat terrain with minimum water drainage outlets and generally no vegetative cover of grass and trees which led to water logging during heavy rainfalls that led to water filling the pit latrines and the collapse of the boy's pit latrine, during its first excavation. Several immediate interventions such as digging rainfall drainage outlets were carried out at the inception of the early excavation activities of the site.

### **Implication**

Failure to conduct environmental impact assessment for the projects omits very serious components that would have been included in the BOQs thus compromising environmental social health and safety issues which could lead to unnecessary variations.

### **Recommendation**

The Accounting Officer should ensure that environmental screening or impact assessment is done for such works projects right from inception in order to have environmental as well health and safety issues addressed throughout the project life cycle.

### **Management Response**

*Management acknowledged the observation of the audit team and admitted that this was not done however for UGFTT Phase 2 the Entity carried out environmental screening.*

**Authority's comment;**

The Authority noted the Entity's response as it admitted the anomaly and pledged to observe this for upcoming projects.

**2.3.6 Health and Safety Standards/Safeguards**

The Authority noted from the site inspection done by the team on 20<sup>th</sup> September 2022 that no Environment and Social Management Plan (ESMP) had been prepared for this project to guide the implementation of environmental, health and safety issues. This could have exposed the workers and local community to environmental and social risks such as mudslides due excavations, as well as HIV/AIDS, STIs/STDs, child labor and prostitution and:

**Recommendations**

The Contract management team should ensure that all Health and Safety including social issues are put in place through an ESMP in order to provide for their implementation during the execution of the project.

**Management Response**

*Management acknowledged the observation of the audit team and admitted that this was not done however for UGFIT Phase 2 the Entity carried out environmental screening.*

**Authority's comment;**

The Entity admitted this anomaly and pledged to observe this for upcoming projects.

**2.4 OBLIGATIONS OF THE PROVIDER**

The provider did not honour the following obligations as per the provisions of the contract:

**2.4.1 Delayed completion of works**

The Authority noted that there was a delay of 16 months to complete the project. A contract was signed on 21<sup>st</sup> May 2019, with a completion period of eighteen (18) months effective the same day which was 30<sup>th</sup> November 2020. However, the project was completed and commissioned on 30<sup>th</sup> March 2022.

**Implication**

Delayed completion of works denies timely delivery of services to the intended beneficiaries which compromises the achievement of value for money.

**Recommendations**

- The Accounting Officer should in future ensure that serious action is taken against errant contractors that breach their obligations such as failure to implement resolutions of the site meetings and completion of work in time. These could include withholding payments, enforcing penalties and awarded damages and recommendation to the Authority to black list suspend errant contractors from participating in future projects of the local Government (PDA, Reg. 10.1.1.1)

### **Management Response**

*Management acknowledged the observation of the audit team about delayed completion of works which was due to the Covid-19 pandemic and weather/ climatic changes with heavy rains majorly which was a force majeure.*

### **Authority's comment;**

The Authority appreciates the Entity's response however maintains the finding because the Entity used the rainy season and COVID-19 pandemic yet the national local down did not take place all throughout the last years and there were exemptions of movement during the lockdown to transport materials. Furthermore, the rainy season appeared to be justified yet there is no evidence that it was a rainy season all throughout the two years of the construction of the project.

### **2.4.2 Failure by the contractor to supply and install ICT equipment (desktop computers) with the right specifications and failure to fully deliver laboratory reagents**

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M/s Masaka Agricultural Dealers Enterprises Ltd supplied 28 desk top computers with wrong technical specifications. During physical verification by the Authority, it was discovered that all the desktop computers delivered were of 4GB RAM instead of the required 8GB. These computers had been accepted and paid for by the entity even without being installed and tested.

Secondly the laboratory reagents supplied were partially delivered as some were left out. The physical verification by the audit team revealed from the interview of the laboratory attendant and Headmaster that some of the laboratory items and reagents were not yet delivered.

The above mentioned deliveries were made on 23<sup>rd</sup> June 2021 (Delivery Note No. 104) and acknowledgement of receipt by the Entity on the same day (Good Received Note No.2097).

### **Implication:**

This hinders service delivery and compromises value for money.

Delivery of supplies that do not confirm to specifications could be an indicator unethical tendencies in the Entity and subsequent financial loss the Entity.

### **Implications**

- Delayed supply of reagents hinders the benefits to the intended beneficiaries and compromises learning since students are not in position to do science, chemistry, physical, and biology practical.
- **NB:** The ICT equipment was stored in the computer lab and well locked but risked being damaged and getting stolen since there was no security guard at the school to ensure safety of the equipment.

### **Recommendations**

- The Accounting Officer should ensure that the contractor is held accountable for the quality of the supplies delivered.

- In future, the Accounting Officer should ensure all deliveries made to the Entity conform to specifications in the contract before payments are effected where they don't, these should be rejected and errant contractors penalised in line with the provisions in the contract such as enforcing penalties and liquidated damages and recommendation for blacklisting of the contractors by the Authority.

### **Management Response**

#### **Authority's comment;**

The Authority noted that the Entity did not respond to the above issue raised hence query was maintained.

#### **2.4.3 Lack of contract supervision for the supply of furniture**

The Authority revealed that there was no record of evidence of delivery of school furniture mahogany type by the contractor and ample verification by the contract supervisor as to whether the actual school furniture delivered was in accordance to the type of furniture required and quantity

During physical verification by the audit team at the school on 20<sup>th</sup> September 2022, in an interview with the Headmaster and actual counting by the audit team revealed that each classroom (Senior 1, Senior 2, Senior 3, Senior 4 and Senior 5) had 20 desks each totalling to 100 desks that were all mahogany type.

However, there was no record of a verification report by the contract supervisor and on actual inspection of the type of and number of desks delivered.

#### **Implication**

Poor supervision of the school furniture delivered by the contract manager leads to increased risk as to whether the actual specified quality and number of school furniture was delivered to the intended beneficiaries.

#### **Recommendations**

- Contract Managers should always monitor contracts effectively and ensure that in case of any need for extension of the contract completion period, this is done in time in accordance with Regulation 119(10) and (c) of the Local Governments (PPDA) Regulations, 2006.
- The Accounting Officer should strengthen contracts management and supervision so as to ensure that the contract objectives are achieved within the constraints of cost, quality and time.

### **Management response**

*Management acknowledged the observation by the audit team about lack of contract supervision for the supply of furniture. This was as of furniture having been supervised by the representative of the Ministry of Education and Sports and was directly delivered to the beneficial school.*

#### **Authority's comment:**

The Authority appreciated the Entity's response however maintained the finding as there was no sufficient evidence to indicate that the supply of furniture was monitored and supervised by the contract manager.

#### 2.4.4 Failure to address issues raised in the progress reports and during site meetings

The Authority noted that the following issues were raised in the progress reports and site meetings, however there was no evidence of them being addressed on file and in the field during physical verification on 20<sup>th</sup> September 2022. These included:

**Table 4: Site meeting issues raised and not addressed by the contractor**

No.	Site Minutes	Date of meeting	Issues Raised and not addressed
1.	7 <sup>th</sup> Site Meeting	25 <sup>th</sup> February 2020	<ul style="list-style-type: none"> <li>• Delayed works behind schedule as compared to the lapse of time and failure to mobilize adequate resources in order to recover lost time.</li> <li>• Failure to hoard off these site.</li> <li>• Need to ensure drainage and storm water on site is well managed.</li> </ul>
2.	8 <sup>th</sup> Site meeting	24 <sup>th</sup> March 2020	<ul style="list-style-type: none"> <li>• The project manager gave the same issues as above and same recommendations.</li> </ul>
3.	9 <sup>th</sup> Site Meeting	11 <sup>th</sup> June 2020	<ul style="list-style-type: none"> <li>• Delivery of inadequate quantities of materials on site Poor storm water management and failure to do proper drainage.</li> </ul>
4.	12 <sup>th</sup> Site Meeting	29 <sup>th</sup> October 2020	<ul style="list-style-type: none"> <li>• Delayed progress of works against work schedule due to inadequate resource mobilization by the contractors.</li> <li>• Site hoarding was not done</li> <li>• The contractor was advised to plan drainage works on site so as to dispose of storm water on site.</li> <li>• The contractor was advised to check on cracks on ceiling of staff rooms and devise remedial measures immediately.</li> <li>• The ramps were steep and contractor was advised to make them gentle</li> <li>• Water was to be removed from the lined pit latrine.</li> <li>• On environmental and social guards, the contractor was informed by the environmental specialist to plant trees and ensure they are grow well.</li> <li>• Delayed payment of local workers</li> </ul>
5.	14 <sup>th</sup> Site Meeting	22 <sup>nd</sup> December 2020	<ul style="list-style-type: none"> <li>• Delayed works behind schedule as compared to the lapse of time and failure to mobilize adequate resources in order to recover lost time.</li> </ul>

No.	Site Minutes	Date of meeting	Issues Raised and not addressed
			<p>contractor to mobilize adequate resources so as to complete the remaining items since the planned completion date had been extended by 2 months ending on 31<sup>st</sup> January 2021.</p> <ul style="list-style-type: none"> <li>• The project manager was instructed to hoard the site.</li> <li>• The contractor was advised to provide to the Entity a revised performance guarantee to cater for the changes immediately.</li> <li>• Contractor was advised to calculate the volume of earth works from formation level, assessing extra works under contract which would form basis for variation.</li> </ul>
			<ul style="list-style-type: none"> <li>• Under environment and social safeguard the contractor was advised to plant trees early.</li> </ul>

### **Implication**

Failure to address issues raised in the monthly progress reports consistently resulted into breach of contract by the Contractor and the Entity remained silent with no contractual remedies being invoked. Thus delayed completion of the project that delayed service delivery to the community.

### **Recommendation**

The Accounting Officer should in future take serious action against the contractor for failing to implement resolutions of the site meetings. These could include: termination of the contract, withholding payments, enforcing penalties and liquidated damages, and undertaking the activities at the cost of the contractor.

### **Management Response**

*Management acknowledged the observation of the audit team about failure to address issues raised in the progress reports and site visits. This was as a result of reluctance by the contractor to adhere as per the instructions during the site meetings, however the Entity is committed to ensuring that the contractor adheres to the issues raised during site meetings to ensure compliance.*

### **Authority's comment;**

The Authority appreciated the Entity's response however maintained the finding due to the reluctance of the contractor to complete the projects.

### **2.4.5 Failure by the contractor to meet obligations under the defects liability period**

The audit team observed that the contractor failed to meet obligations under the defects liability period. The contractor failed to complete the remaining works under the contract, which resulted in the project being incomplete and the contractor being liable for the cost of the remaining works.

despite requests by the school to have fixed yet the defect liability period was still running until March 2023. Table 5 shows more of the defects that were identified.

#### **Implication**

Failure to fix the defects identified at the school affects the infrastructure integrity of the school and poses risks to the lives of the learners and staff.

#### **Recommendation**

The Accounting Officer should officially communicate to and prevail upon M/s Bobedie Construction Ltd to fix all the defects at the school and where the contractor fails to comply, a recommendation to have the contractor suspended or blacklisted by the Authority should be submitted by the Accounting Officer in accordance with Section 88 (1) and 94(a) of the PPDA Act (Amended) 2021.

#### **Management response**

*Management acknowledged the observation of the audit team and admitted that the failure by the contractor to meet obligations under the defects liability. The Accounting Officer was to instruct the contractor to address the defects immediately.*

#### **Authority's comment;**

The Authority appreciated the Entity's response however maintained the finding as there was no evidence of any action by the Accounting to have the contractor rectify the defects.

#### **2.4.6 Failure by the Contractor to hoard off the site during the project implementation phase.**

- From the site meeting minutes, the Authority noted that the site was never hoarded through the entire period of construction of the project. hence a security risk to the materials on site and a safety risk to the community.

#### **Implications**

- Health and safety, security of the workers, community and materials risked being compromised.
- The potential environment and social impacts of the project were not assessed before implementation of the contract.

#### **Recommendations**

The Contract management team should ensure that all preliminary works and requirements need by the contractor as per the contract as met by the Contractor. These could include hoarding off of the site, setting up/hiring a site office, store and having places of convenience for the workers.

#### **Management Response**

*Management acknowledged the observation of the audit team and admit that this was not done however for UGIFT Phase 2 the Entity carried out environmental screening*

Authority's comments:

## **2.5 CONTRACT CLOSURE**

### **2.5.1 Handover of Outputs**

The Authority noted that the contractor was unable to complete the works in time despite having been offered three extensions (that is from 30<sup>th</sup> November 2020 to 30<sup>th</sup> March 2021, 30<sup>th</sup> March 2021 to 30<sup>th</sup> May 2021 and from 30<sup>th</sup> May 2021 to 31<sup>st</sup> September 2021. However, school was commissioned on 30<sup>th</sup> March 2022 after contract completion and was handed over by the contractor to the District. The school is now under defects liability period.

### **2.5.2 Management of Defects Correction Period**

The Contract signed between the Entity and the contractor provided for a defects liability period of 12 months (one year). The project having been completed and commissioned on 30<sup>th</sup> March 2022 is now under defects liability valid until 29<sup>th</sup> March 2023. However, the contractor has failed to fix the identified and communicated defects within the defects liability period despite the school's management reminders.

### **2.5.3 Provider Appraisal**

There was no evidence of any appraisal undertaken by the Entity on the performance of the both M/s Bobodie Construction Services Ltd and M/s Masaka Agricultural Dealers Ltd. However, the results of the audit and correspondences from the Entity indicate that the contractors had both did not fully meet the contractual obligations during the execution of the contract.

## **2.6 VALUE FOR MONEY ASSESSMENT**

This section assessed whether Government of Uganda has realized value for money out of this contract.

Overall, the Government did not achieved value for money out of this project as per the value for money indicators reported on below:

### **2.6.1 Economy**

This section looked at whether the works were executed at the lowest cost possible given the desired quality and whether the contract management was undertaken in such a manner to minimize the costs but maximize the benefits.

The Authority found that the contract value of UGX 2,168,012,790 was reasonable given the location of the site and distance from material sources, technical labor and the cost of transporting the required equipment.

### **2.6.2 Efficiency**

This section looked at whether the contract was completed or scheduled to be completed within original implementation time and work schedules.

site minute recommendations and delays to complete the project in time. This was evidenced by a 16 months' delay from the intended contract completion date of 20<sup>th</sup> November 2021

The inefficiency could also be attributed to the lack of adequate capacity by the Contractor in terms of personnel, equipment and finances to execute the work in time.

### **2.6.3 Effectiveness**

This section looked at whether the originally intended measurable benefits/objectives had been realized/met or whether there were significant risks and uncertainties (threats) to realizing intended benefits/objectives).

The Authority found that there were significant risks and uncertainties regarding realization of the project objectives and the contract risks frustration such as delayed completion of works by M/s Bobedie Construction Services Ltd and failure by M/s Masaka Agricultural Dealers Ltd to supply the specified and required desktops, failure to install the ICT equipment and failure to fully supply all chemical reagents and the intended beneficiaries risked not realizing service delivery from this procurement.

### **2.6.4 Equity**

This section reports on whether the interests of the vulnerable groups had been catered for. The Authority found that there was no evidence of community sensitization and community engagement on social and gender issues.

## **2.7 OVERALL AUDIT CONCLUSION**

From the finding of this audit, the Authority noted that project completion had delayed by over 16 months and this was due to the poor internal contracts management system within the Entity, lack of adequate capacity by the Contractor in terms of personnel, equipment and finances to execute and complete the work in time. Thus value for money was not achieved in this procurement as evidenced by the completion delay, the defects identified in the structures such as cracked classroom floors, cracked pit latrine splash aprons, poor storm management in the compound among others that had not been fixed under the defects liability despite several communication and reminders from the school to the M/s Bobedie Construction Services Ltd (Contractor)

Furthermore, some unethical tendencies were suspected in the Entity among its staff when 28 desktop computers were delivered by Ms. Masaka Agriculture Dealers Ltd verified by the User Department, accepted and paid for yet they didn't conform to the required technical specification (4GB RAM desktop computers were supplied instead of 8GB). The computers were still packed in their boxes and never installed, commissioned tested and used for the intended purpose. Even the laboratory reagents and chemicals were not fully delivered by the same firm. This could have resulted into financial loss to the Entity.

### **3.0 CHAPTER 3: FINDINGS AND RECOMMENDATIONS TO THE MINISTRY OF EDUCATION AND SPORTS**

#### **3.1 Lotting of projects**

The contractor was found to have capacity gaps to run all the contracts at the same pace and ultimately all the four projects were frustrated. The contractor could not mobilize financial and technical resources for all the contracts at the same time. They abandoned sites on several occasions when they would run out of funds. This resulted into projects awarded to this same contractor all being affected when the contractor failed to perform hence the risk of project failure was not diversified.

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Given the capacity of local contractors, it would be prudent if the Ministry studied and reduced on the number of projects awarded per contractor to increase success of the UGIFT projects.

#### **3.2 EVALUATION CRITERIA**

The Ministry of Education and Sports should ensure that the evaluation criteria set per Lot is comprehensive and adequate enough with dedicated finances, equipment and personnel specific to each lot and these should not be fronted by the bidder for any other lots. In the event that the bidder presents the same resources in form of finances, equipment and personnel for other lots.

#### 4.0 APPENDICES

##### 4.1 APPENDIX 1: STATUS OF IMPLEMENTATION OF WORKS

The Audit team conducted physical verification on the constructed structures on 22<sup>nd</sup> September 2022 and noted the following as detailed in the table 5.

**Table 5: Physical verification and status of the project site /school, and delivery of ICT equipment, science kits and chemical reagents**

**Contract name: Construction of Nakawsi Seed SS**

**Contract value: UGX 2,168,012,790**

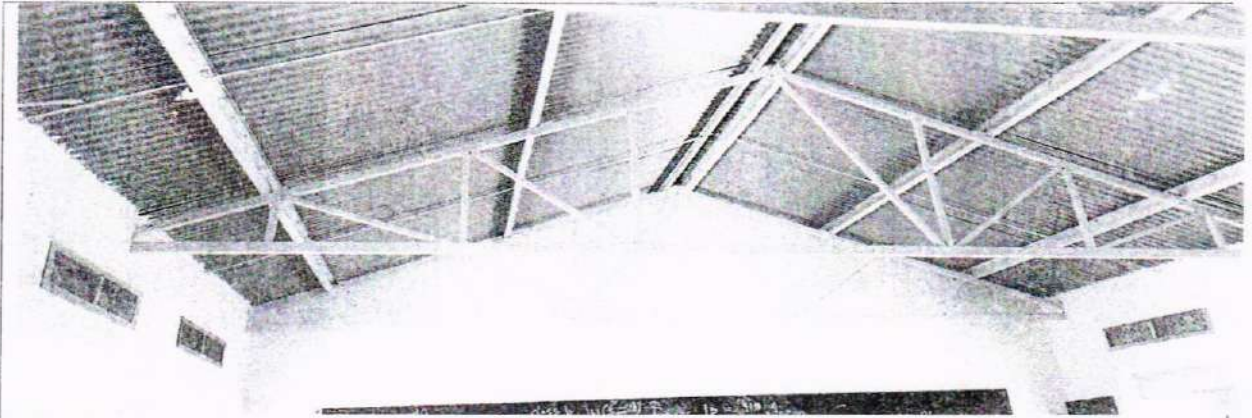
**Contractor: Bobedie Construction Services Ltd**

**Planned start date: 21<sup>st</sup> May 2019 Planned completion date: 30<sup>th</sup> November 2020**



**Findings;**

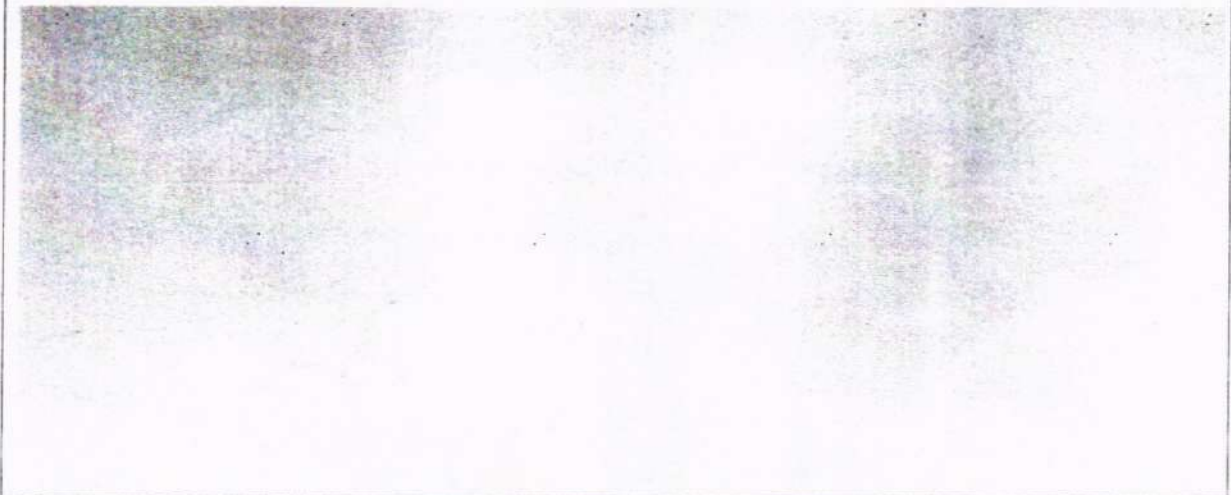
- Poorly /inadequately cemented ramps for all the classroom blocks.

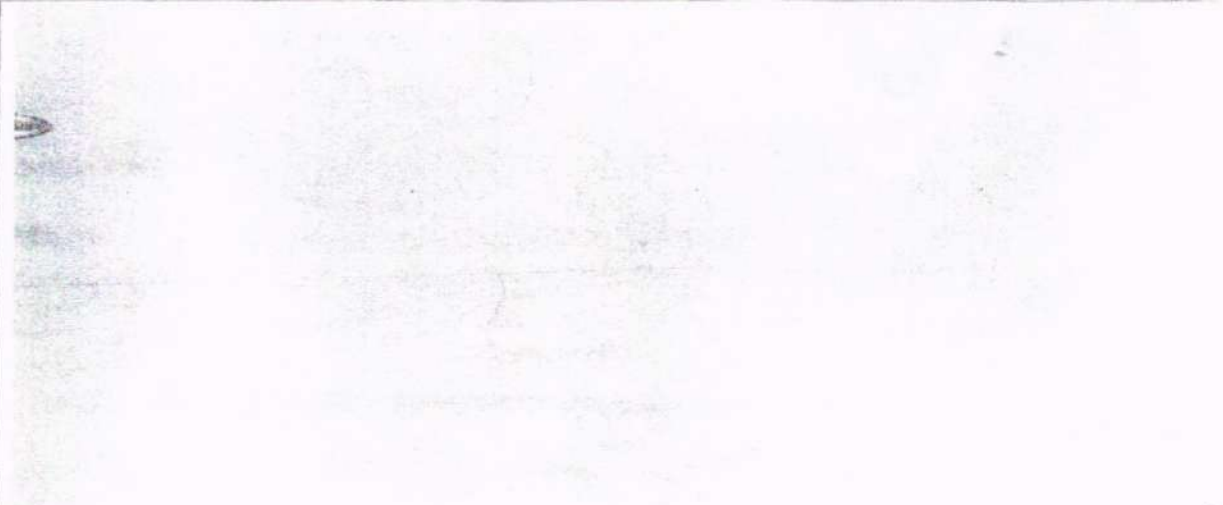


**Findings;**

- No electrical installation and fixtures were done for the three classrooms. eg. no switches and lamp holders.

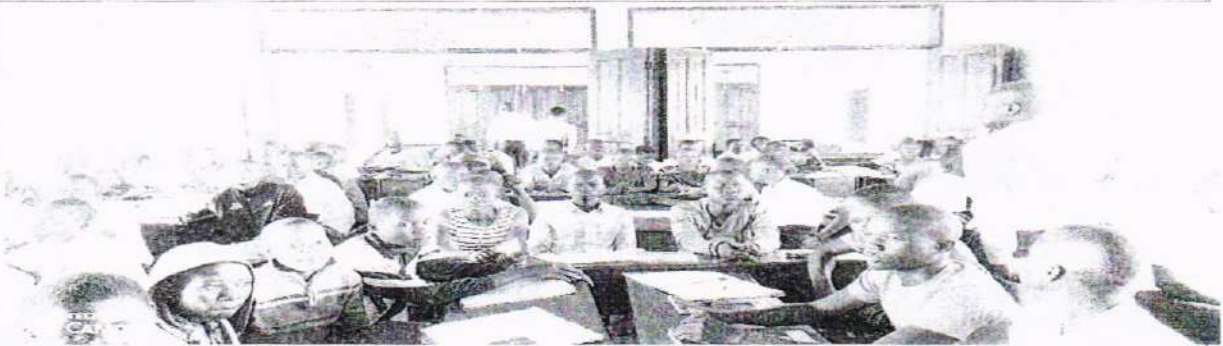
**Three Classroom blocks**





**Findings;**

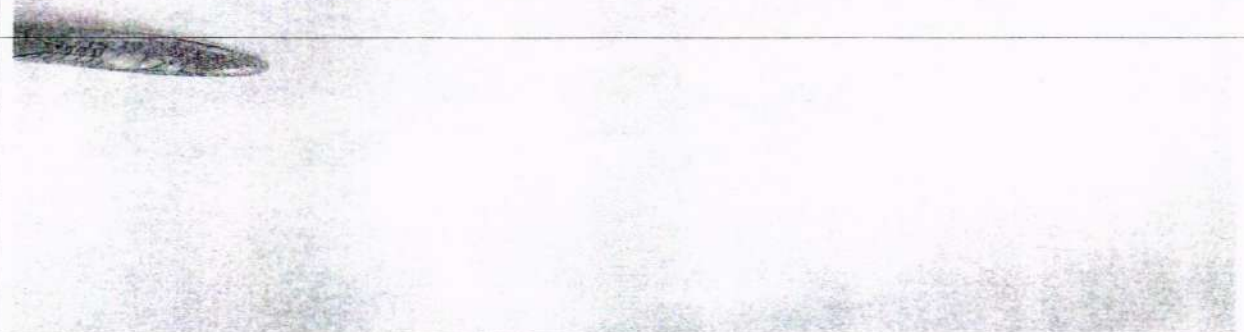
- Cracks were seen on the floors of classroom Block 1 (senior one), Classroom block 2 (Senior 2 & 3)
- Cleaning of the block water drainages was not done to remove growing vegetation



**Multi-purpose hall finding Findings;**

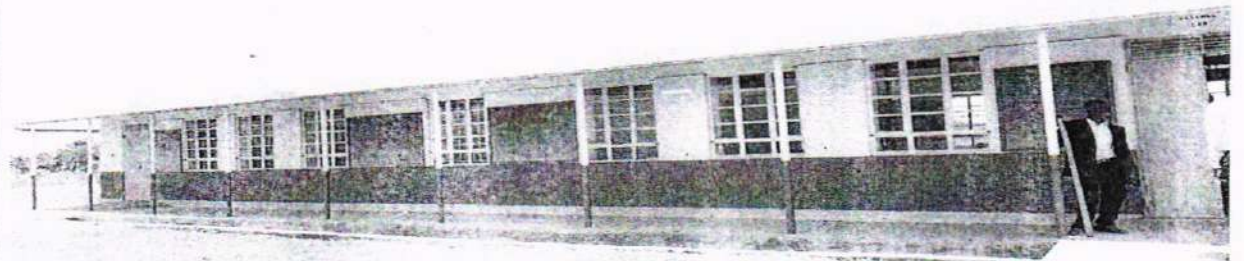
- No electrical installations such as electric lighting and switches.

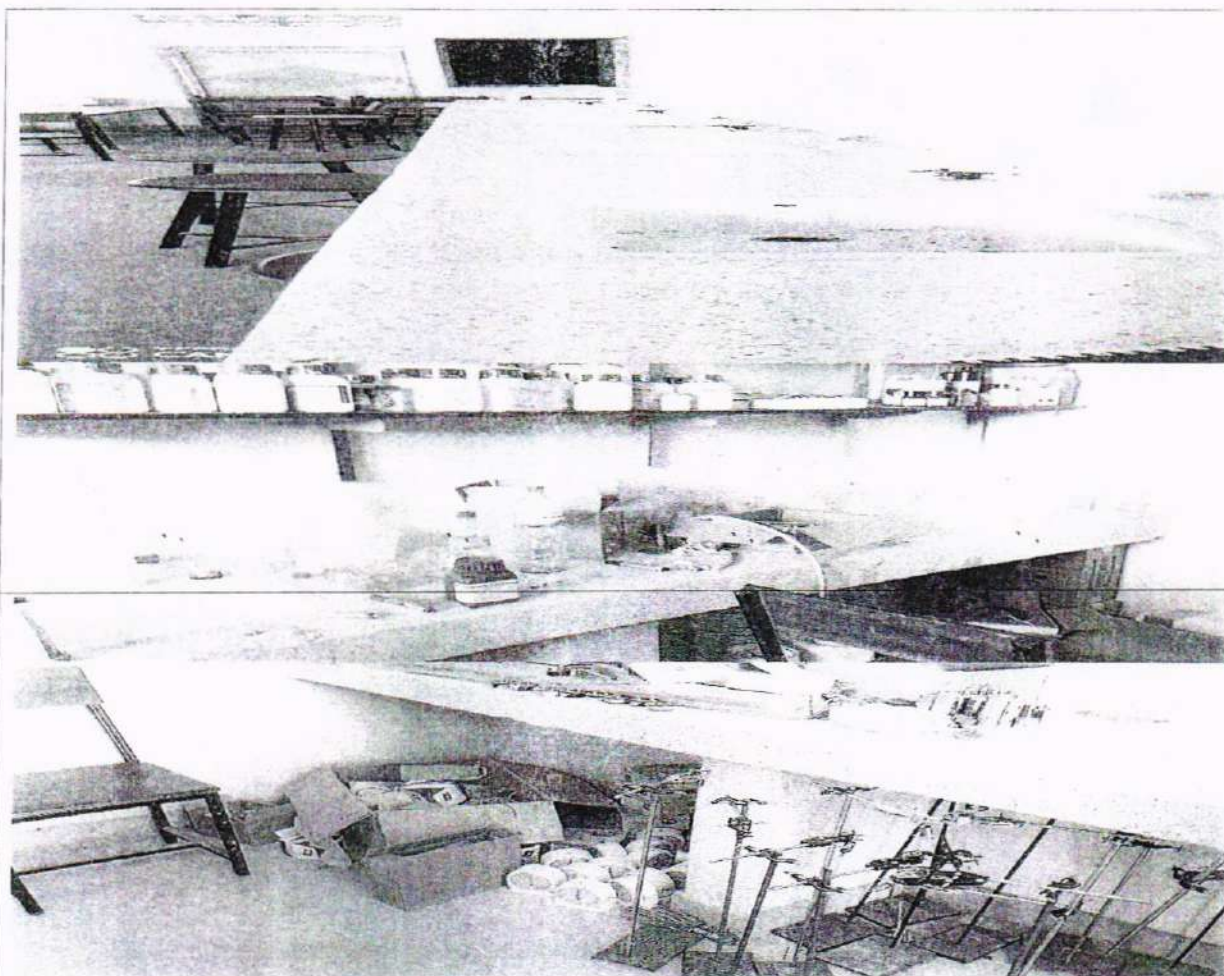




**Multipurpose Hall Findings;**

- There was a crack found on the floor of the front part of the multipurpose hall.

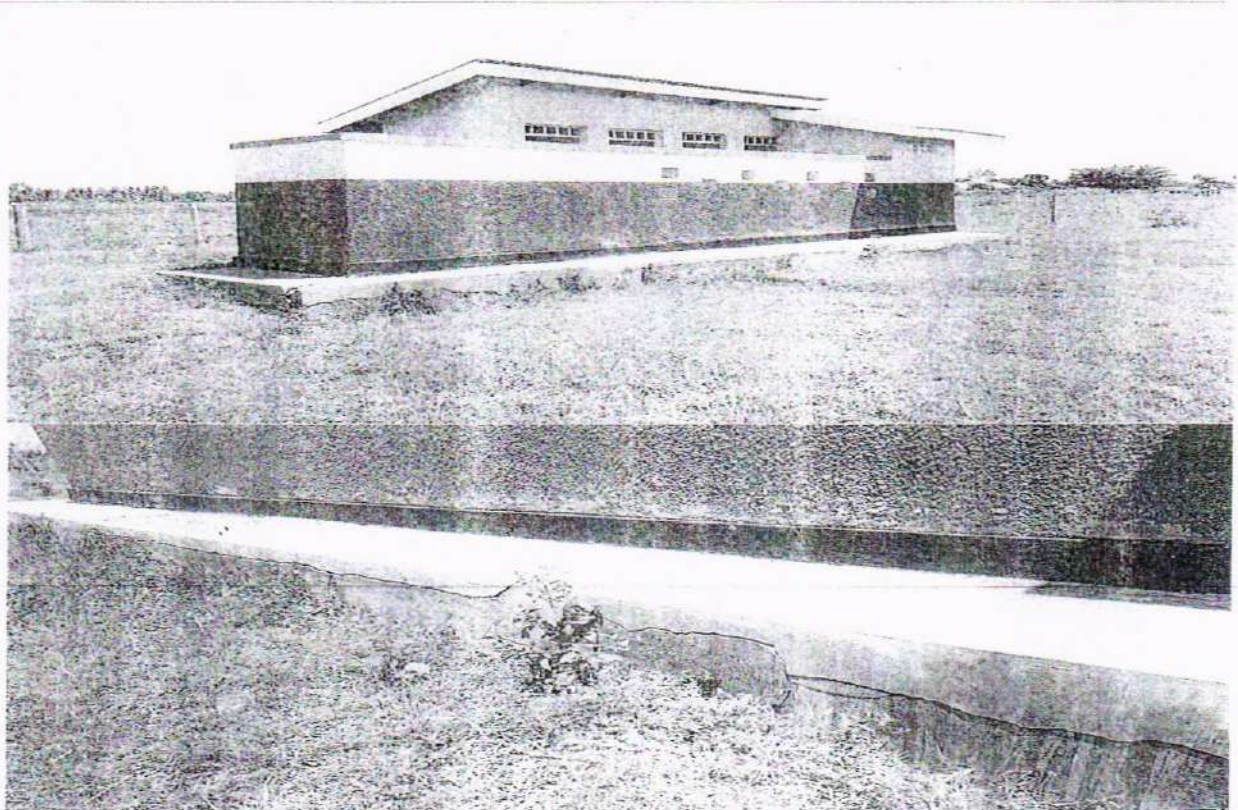




### Science block

#### Findings;

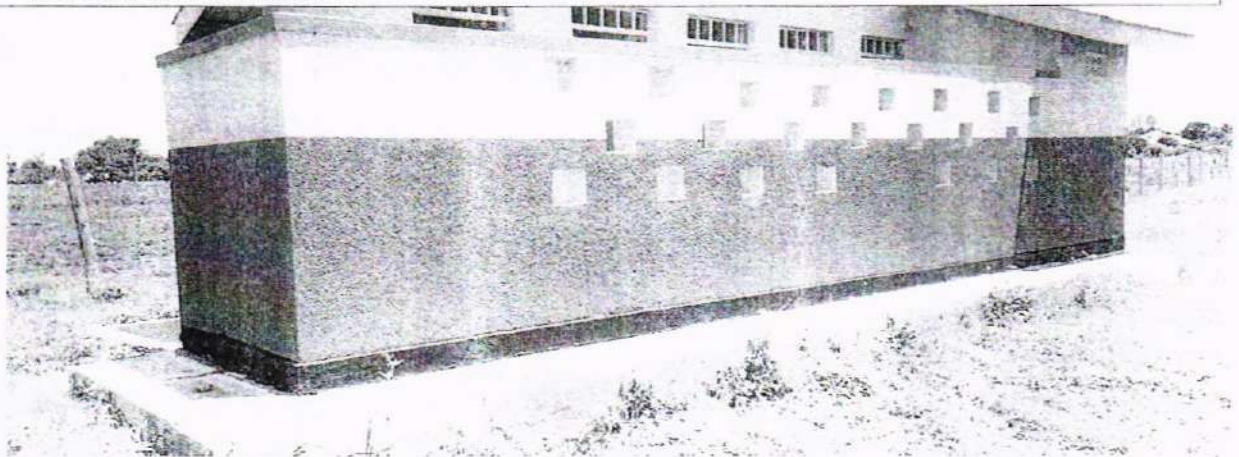
- The laboratory was not well organized and neat.
- The storage of the laboratory was insufficient as some of the crucial laboratory equipment were on the floor.
- Eroded soil on the splash apron and inside the laboratory.
- The laboratory equipment and reagents didn't match what was contracted to be supplied. During physical verification, the audit team was informed by the school management that the contractor M/s Masaka Agricultural Dealers Enterprises Ltd had not fully delivered all science kits and chemical reagents.



**5 stance VIP Latrine for the boys**

**Findings;**

- The boys' toilet had cracks around the splash apron
- There was no hand washing facility
- There was no tree planting near the facility.
- One of the boys' toilet holes was not well centred and as a result human waste could drop on to the toilet surface.

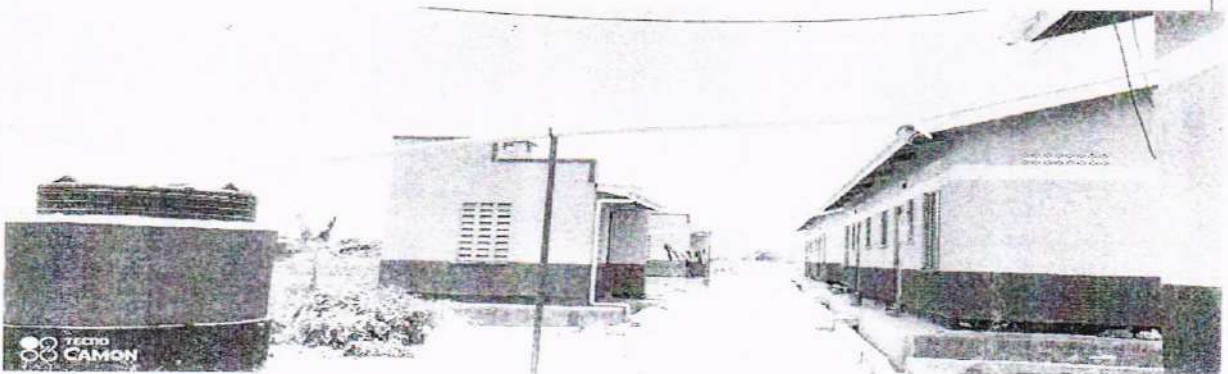
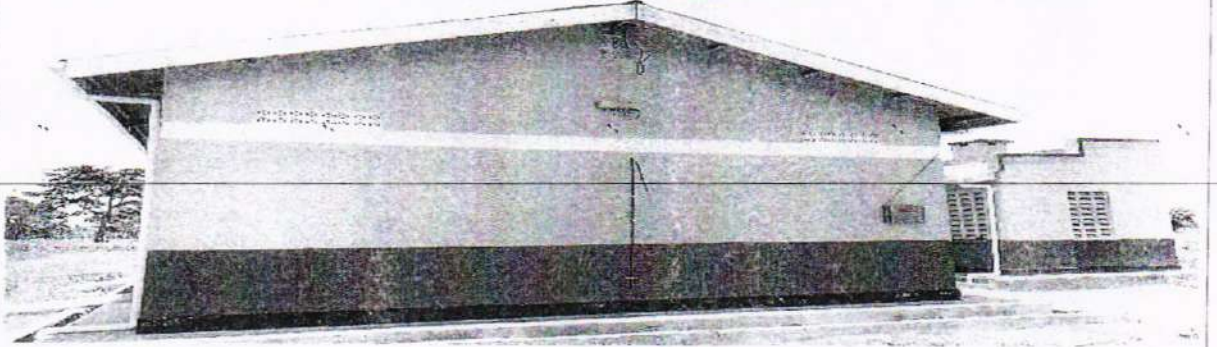


**5 stance VIP Latrine for the girls**

**Findings:**

- The girls' toilet had cracks around the splash apron
- There was no hand washing facility

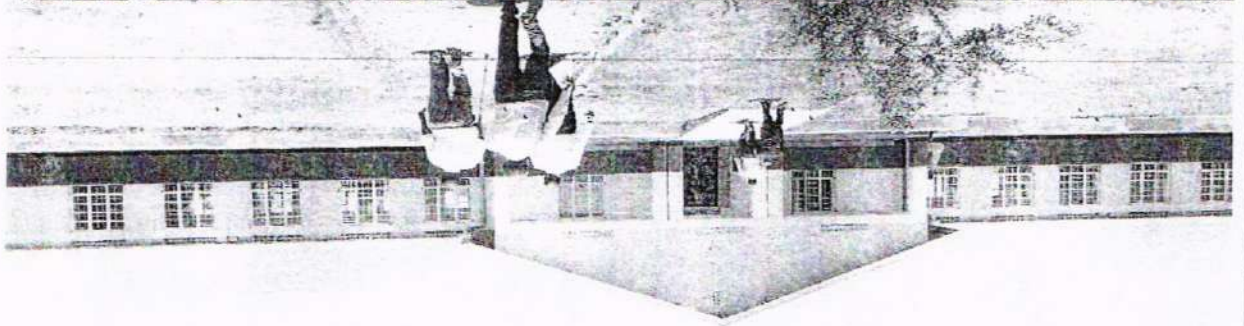
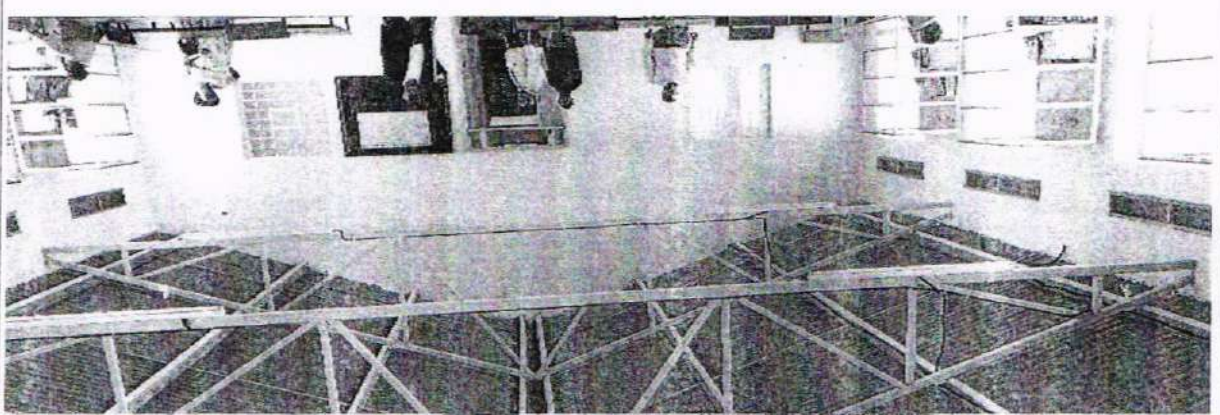
Teachers houses;



Findings:

• The building is in good condition.

Findings:  
 • The ICT equipment were all packed in a room, as compared to other schools being visited.  
 • The ICT and library block

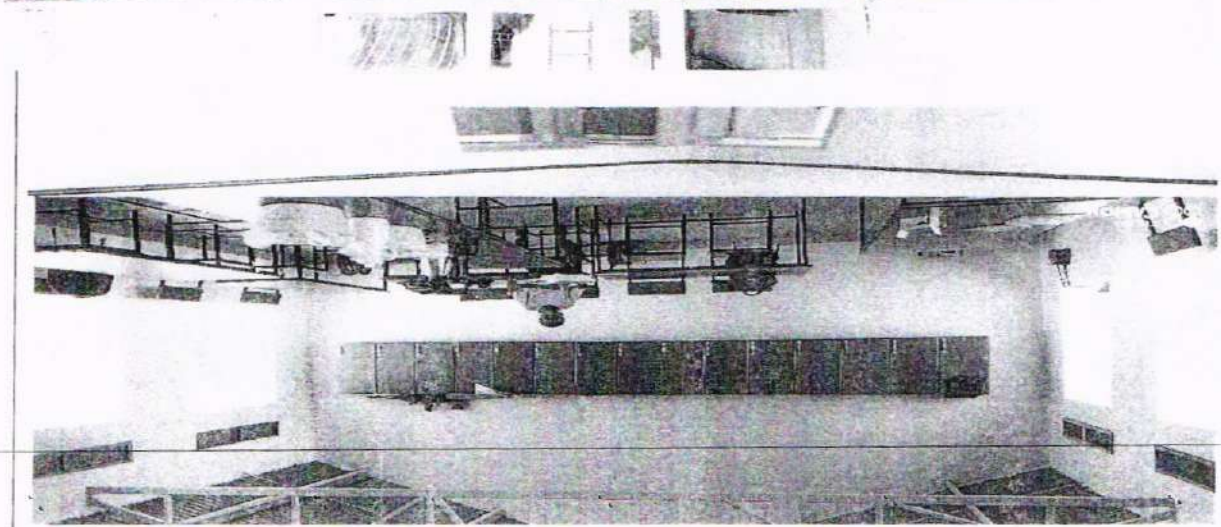
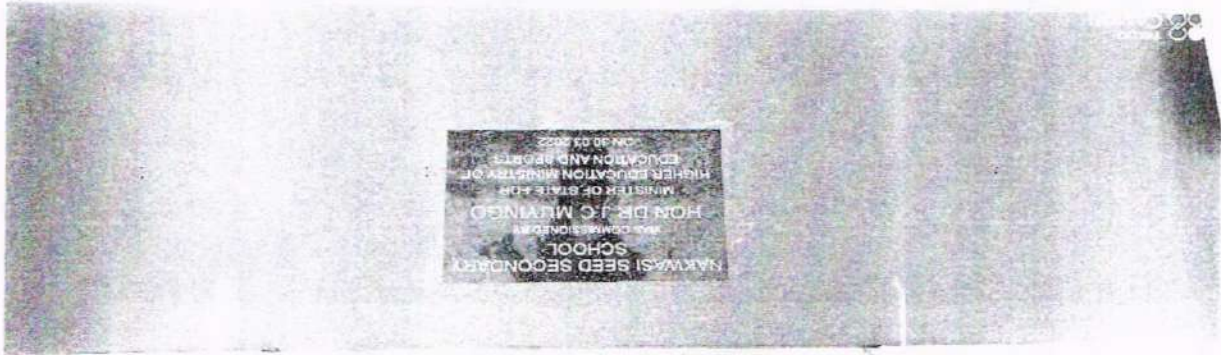


- Electric supply was not available at the facility.
- There were some hanging gutters which hindered collection of rain water to the water reservoirs.
- There were no trees planted by the contractor and this was taken up by some of the teachers that planted some flowers, a palm tree, grass, and improved water drainage around the houses.

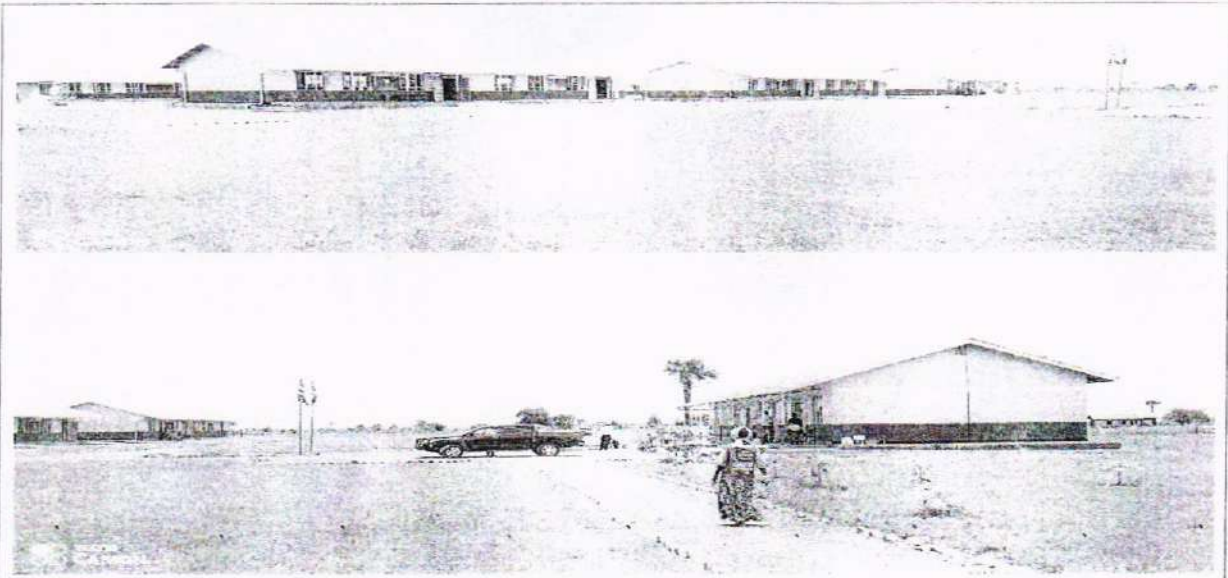
- The staff room, head teacher, deputy head teacher, and bursar's rooms didn't have electric installation of electric lighting, and electric switches.

**Administrative block**

**Findings:**



- Supplier delivered 28 desktop computers with RAM 4GB instead of the contracted RAM of 8GB.
- The library was fully installed with electrical installation and book materials.



#### **School compound**

- The school was being utilized by the teachers and staff at the time of the audit.
- There was need for a proper storm water management and drainage within the compound to cater for water disposal during the rainfalls.
- There was no evidence of a collapsed school block of building as alleged in social media.

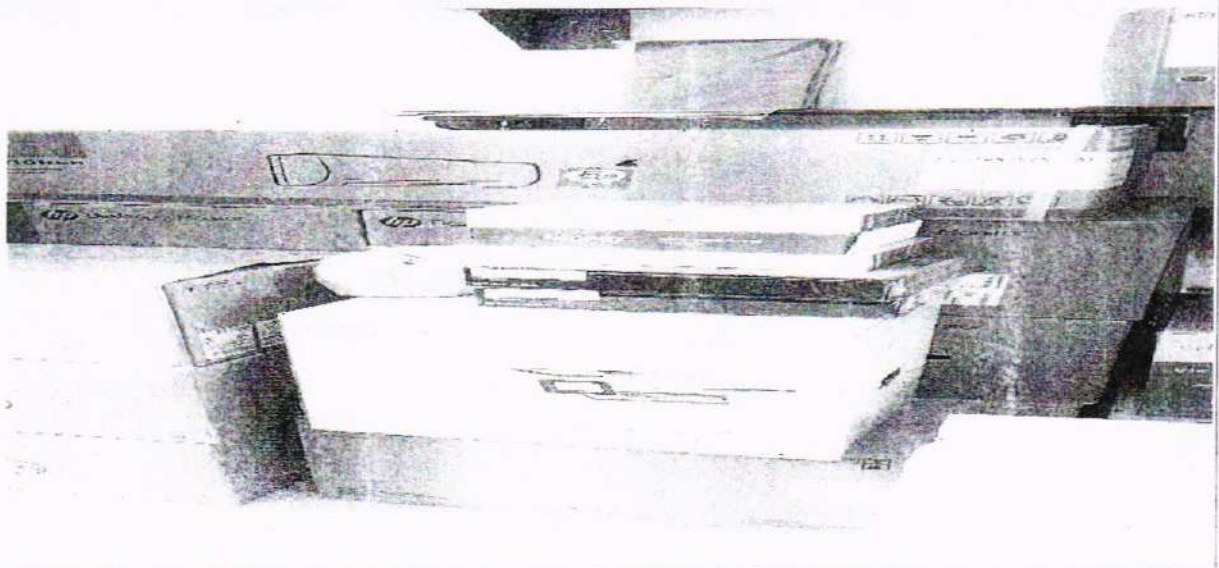
**Contract name:** Supply of ICT equipment, science kits, and Chemical reagents to Nakwasi Seed SS

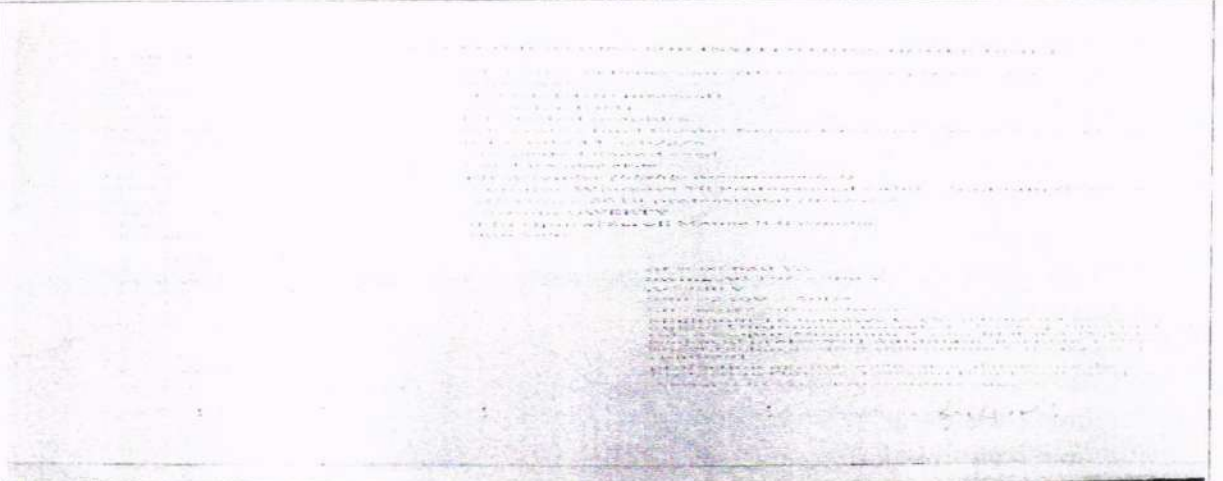
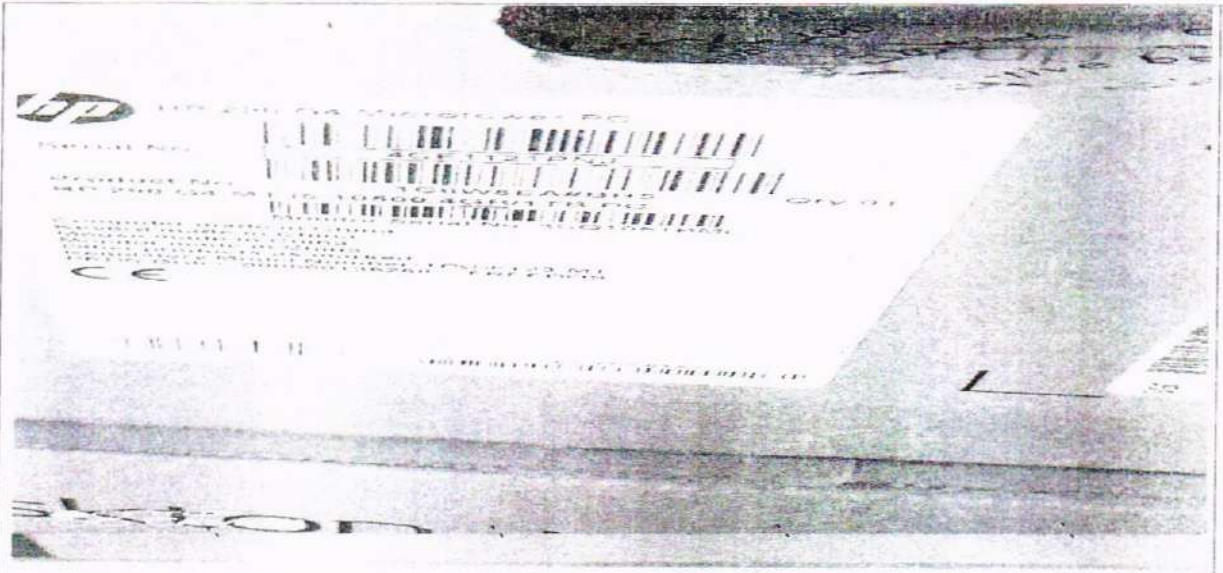
**Contract value:** UGX 207,490,000

**Contractor:** Masaka Agriculture Dealers Enterprises Ltd

**Planned start date:** 29<sup>th</sup> April 2019

**Planned completion date:** 30<sup>th</sup> June 2021





28 laptops supplied did not meet the contractual specifications required as the RAM was 4GB instead of 8 GB