



**CONTRACT AUDIT REPORT INTO FOR THE CONSTRUCTION OF OKULANYO
SEED SECONDARY SCHOOL PHASE ONE IN KATAKWI DISTRICT UNDER UGIFT
PROGRAM**

CONTRACTOR: TONA UGANDA LTD

PROCUREMENT REF: MOES-UGIFT/WRKS/23-24/00012

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ACRONYMS

ESHS	-	Environmental, Social, Health and Safety
PPDA Act	-	Public Procurement and Disposal of Public Assets Act Cap 205
PPDA	-	Public Procurement and Disposal of Public Assets Authority
UGX	-	Uganda Shillings
UGIFT	-	Uganda Intergovernmental Fiscal Transfer Program
VAT	-	Value Added Tax

EXECUTIVE SUMMARY

The Government of Uganda appropriated funds worth initially UGX. 949,246,925 to undertake the construction of Okulanyo Seed secondary school in Katakwi District. Funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT), the implementing ministry was the Ministry of Education and Sports.

On 23rd January 2024, Katakwi District Local Government entered into a contract with Tona Uganda Ltd for the construction of Okulanyo Seed Secondary school at a cost of UGX. 946,740,824 with the intended completion date on 30th June 2024 and a defects liability period of 12 months.

In line with Section 8 (1) (j) (ii) of the PPDA Act, Cap 205, 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 objectives of the contract audit were to assess the;

- (i). Progress of works;
- (ii). Effectiveness of time, quality & cost control of works undertaken; and
- (iii). Adherence to Environmental, Social, Health and Safety (ESHS) safeguard requirements.

Key Findings of the Authority

The Authority found:

1. **Delayed completion of works and abandonment of site:** It was observed that the contract had delayed by 310% of time yet works remained at 45% physical progress. Furthermore, it was noted by the Authority that the contractor had abandoned the site which denied service delivery to the intended beneficiaries contrary to Regulation 52 (3) (vii) of the PPDA(Contracts) Regulations, 2023.
2. **Expired Contract:** It was observed that there was no legally binding contract between the Entity and Tona Uganda Ltd since it had expired by lapse of time on 30th June 2024 without any extension of duration yet works remained incomplete. Expiry of the contract yet works were incomplete indicated failure by the contractor to meet their contractual obligation.
3. Missing contract management records on the procurement action file such as site meetings records, interim payment certificates, progress reports, and payments records contrary to Section 33 (o) of the PPDA Act Cap 205 affected the audit trail and risked giving room for fraudulent practices by the Entity thus compromising accountability of funds.
4. Failure to keep log of the site safety risks and welfare concerns of the contractor’s personnel. The contractor’s Coordinator in-charge of Environmental Social, Health and Safety Standards (ESHS) requirements failed to hoard off the site, keep records such as evidence of a site incident or accidents register & periodic grievances register among others which compromised the safety and social welfare of workers on site contrary to Section 66 of the PPDA Act, Cap 205.

Audit Conclusion

In summary, the audit findings indicate that the contractor had not fully adhered to their contractual obligations such as ensuring to complete the works on site within the contractual completion time, the contractor had abandoned site and there was no legally binding contract between the contractor and the entity. Furthermore, there were missing contract management records on file and nonadherence to the Environmental, Social, and Health Standards (ESHS) requirements by the contractor.

Recommendations

In light of the above findings arising from the contract audit exercise and in accordance with Section 10 of the PPDA Act, Cap 205 the Authority recommends the following measures: -

1. The Accounting Officer should;
 - i Task the contracts management team to show cause why disciplinary action should not be taken against them failing to manage the obligations and duties of the entity and ensuring that the Contractor for performs the contract in accordance with the terms and conditions there in specified in line with Regulation 52 (1) & (3) (vi& vii) of the PPDA (Contracts) Regulations, 2023. These included failure to, prepare monthly progress reports, keep and achieve contract management records like payments documents and ensuring works are completed before contract expiry.
 - ii Tender out the remaining works competitively to another contractor in line with Regulation 6 (Rules and Methods for procurement of supplies, works and non-consultancy services) to ensure that the project works are under taken to logical completion, handed over and commissioned so that services can be delivered to the intended beneficiaries.
 - iii Ensure that the Contract Manager and Contract Management Team always supervise contractors to have works done and completed before expiry of the contract in line with need for extension, this should be brought to the attention of the Accounting Officer and Contracts Committee for consideration before expiry of the contract.
 - iv Always ensure that the District Environmental Officer, Community Development Officer together with the entire Contract Management Team prevail over the contractor to comply and enforce ESHS issues such as regularly assessing the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by personnel on site and recommend remedial actions to be undertaken by the contractor in accordance with Section 66 of the PPDA Act, Cap 205.
 - v The contractor should refrain from further failure to ensure hoarding-off the site and ensure immediate hoarding -off of the site is done in accordance with Section 66 of the PPDA Act, Cap 205.
2. The Authority shall institute a suspension hearing against the contractor Tona Uganda Limited for breach of contract such as abandonment of site and failure to complete works with in the scheduled contractual time in accordance with Section 128 of the PPDA Act, Cap 205.

3. Contract Managers and Contracts Management Teams should always prepare, keep and archive contract management records such as monthly progress reports, site meeting minutes and payment documents in line with Regulation 52 (3) (vii) of the PPDA (Contracts) Regulations, 2023 which can later be shared with the PDU to make the procurement file complete.

CHAPTER 1: INTRODUCTION

1.1 Contract summary

The key information about the contract is summarized in Table 1 below: -

Table 1: Contract summary for Okulanyo Seed Secondary School

Contract Title	Construction of Okulanyo Seed Secondary School Phase I
Reference Number	Moes-UgIFT/WRKS/23-24/00012
Contract Sum	946,740,824
Contract Scope	1. Preliminaries-UGX.9,709,145 2. Site Leveling Works –UGX.7,290,000 3. ESMP Implementation -UGX. 6,000,000 4. Two Classroom Block-UGX.368,827,820 5. Administration Block-UGX. 212,924,831 6. Two-Unit Teachers’ House- UGX.195,833,324 7. Two-Stance Lined VIP Latrine Block (Administration)-UGX. 23,789,467 8. Two-Stance Lined VIP Latrine Block for Teachers’ House – UGX. 30,397,320 9. Five-Stance Lined VIP Latrine Block-Boys –UGX.45,984,504 10. Five-Stance Lined VIP Latrine Block-Girls- UGX.45,984,504
Contract Signing date	23 rd January 2024
Site hand over date	27 th January 2024
Original contract completion date	30 th June 2024
Contract period	5 Months
Defects Liability period	12 months
Contract Extensions	N/A
Name of Contractor	Tona Uganda Ltd.
Method of procurement	Open National Bidding
Type of Contract	Lumpsum
Amount Paid	284,022,247
Contract supervisor of works	District Engineer-Engineer Andrew Echatu
Project Manager	Gilbert Onyait
Clerk of works	Francis Ongole
Progress at site	Physical progress: 45% Financial: 30% Time: 141%

1.2 Laws applicable

The applicable laws and legal framework were:

1. The Public Procurement and Disposal of Public Assets Act Cap 205;
2. The Local Governments (PPDA) Regulations, 2006;

3. The Local Governments (PPDA) Guidelines, 2008;
4. The bidding document issued to bidders;
5. The signed contract between Katakwi District Local Government and Tona Uganda Ltd and;
6. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16th March 2021.

1.3 Objectives

The overall objective of the contract audit was to assess the effectiveness of the contracting process and the status of contract implementation in regard to the obligations of Katakwi District Local Government (the Entity) and Tona Uganda Ltd (the Contractor).

The specific objectives of the contract audit were to assess the:

- i Progress of the works;
- ii Effectiveness of cost and quality control of works undertaken;
- iii Adherence to Environmental, Social, Health and Safety (ESHS) requirements;

1.4 Scope of the Audit

The audit covered the contract implementation and management of the construction of Okulanyo Seed Secondary School.

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

1. The contract audit was undertaken by auditors who did not have professional competence in engineering and building construction. The Authority 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. The entity did not provide substantial records of payments made to the provider and a comprehensive status report of the works done by the contractor at the site.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

The Authority reviewed project documentation and did physical verification of the project in order to establish its time, financial and physical performance. The documentation included among others the management letter responses dated 24th January 2025 and received by the Authority on 30th January 2025 and the progress report dated 31st January 2025 that was submitted by entity to the Authority on 28th February 2025. The table 2 below shows the time progress of the project as at 31st January 2025.

2.1.1 Progress of works.

i. Time progress

Table 2: Time Progress as at 31st January 2025

Start Date	27 th January 2024
End Date	30 th June 2024
Works Measurement Date	27 th November 2024
Original Contract Period (Months)	5 months
Time Lapse (Months) as 31st January 2025	12
Time Progress	141%

Note: The project was behind schedule with 141% time spent yet works were incomplete and stalled. Furthermore, the contractor and the key personnel were not found on site at the time of physical verification on 26th November 2024.

The Entity's management letter response dated 24th January 2025 and District Engineer's progress report dated 31st January 2025 submitted to the Authority to did not provide a comprehensive report on the status of the site and did not provide record of evidence that the contractor was on site and that works had resumed.

ii. Physical Progress

Table 3 below shows the physical progress of the project at 45%. The Authority during physical verification exercise revealed that the contractor's personnel were not on site. Only two security guards were found on site, works had stalled and the site had been abandoned. Most structures had not been roofed such as the two classroom blocks, administration block, 2-Unit Teachers' house, and Five Stance VIP Latrine Block for Boys. The five-stance lined VIP Latrine Block for Girls was partially at substructure foundation level, and the two-stance lined VIP latrine Block was barely at excavation Level. The entity did not provide any status update on the progress of the project to date.

The details of the physical progress of the project structures are shown in Table 3 below: -

Table 3: Physical Progress as at 31st January 2025

Contract Amount	946,740,824
Valued works as at 31st January 2025	426,033,370.8
Physical Progress	45%

Note: The Entity's management letter response dated 24th January 2025 and District Engineer's progress report dated 31st January 2025 submitted to the Authority to did not provide a comprehensive report on the status of the site and did not provide record of evidence that the contractor was on site and that works had resumed.

iii. Financial Progress

The financial progress of the project was determined by analysing the cumulative amount of money paid out to the contractor as at 26th November 2024 visa vis the contract amount sum. The Authority observed that the procurement action file lacked vital payment records and only had the advance payment guarantee that was paid on 12th March 2024 and no other evidence of record of payment was on file hence the financial performance was 30% worth UGX. 284,022,247.

Furthermore, the entity's management letter response submitted to the Authority dated 24th January 2025 did not provide all records of payment made to the contractor by the entity. Table 4 below shows the financial progress of the project as at 24th January 2025.

Table 4: Financial Progress as at 24th January 2025

Contract Amount	UGX. 946,740,824
Advance payments Made (Interim Payment Certificate No. 4 dated 12th March 2024)	UGX. 284,022,247
Total Payments verified by the Authority during physical visit to the site and during field work as at 26th November 2024	UGX. 284,022,247
Financial Progress.	30%

Management response

Evidence of payment is hereby attached for verification.

Authority's Comment

The Entity's management letter did not avail evidence for the above payments in terms of interim payment certificates and payment vouchers.

The Authority further observed from the Entity's response that there was no record of evidence that the contractor is on site and works have been completed hence the Authority maintained the query.

Recommendation

1. The Accounting Officer should;
 - i. Provide to the Authority the current status of the works on site and justifiable reasons within two- weeks of receipt of this report why if works are not completed, reasons why the Accounting Officer has not yet forwarded the contractor to the Authority for blacklisting in line with section 128 of the PPDA Act, Cap 205.
 - ii. Task the Contract Management Team and Contract Manager to always ensure that all contract management records such as progress reports, interim payment certificates and

payment vouchers among others are properly kept on the procurement action file in line with Regulation 52 (3) (a) (vii) (Contracts) Regulations 2023.

- iii. The Accounting Officer should ensure that the entity meets all its payment and other obligations in accordance with the terms and conditions of a contract in line with Regulation 52 (3) (a) (iii) (Contracts) Regulations 2023.
- 2. The Authority shall institute suspension proceedings against the contractor Tona Uganda Limited for breach of contract in line accordance with Section 128 of the PPDA Act, Cap 205.

iv. Physical verification status of the works as at 24th January 2025.

The Authority conducted physical verification of the project on 26th November 2024 and the physical progress of work was at 45% and later the Authority received the Entity’s management letter response dated 24th January 2025 that showed no evidence of change in the progress of works.

Table 5 Status of works as at 24th January 2025

No.	Subject of Procurement
1.	<p>Subject: Construction of Okulanyo Seed Secondary School Phase I Contractor: Tona Uganda Ltd. Contract value: UGX. 946,740,824 Contract signing date: 23rd January 2024 Contract Completion date: 30th June 2024 Defects liability period: 12 months</p> <div data-bbox="290 1099 1362 1435" data-label="Image"> </div> <p data-bbox="290 1440 762 1473">Classroom Block 1 at roofing level</p> <div data-bbox="290 1543 1390 1832" data-label="Image"> </div> <p data-bbox="290 1836 842 1870">Administration Block at wall plate level.</p>

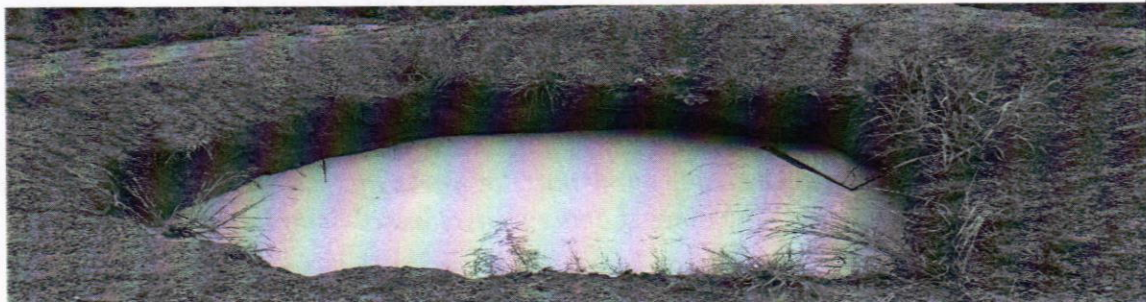
No. Subject of Procurement



Classroom Block 2 at roofing level




Two Unit Teachers' Staff house at wall plate level.



Two-Stance Lined VIP Latrine Block for Teachers' House was under excavation and it had been filled with rain water.



Five Stance VIP Latrine Block for Boys at wall plate level pending roofing

No.	Subject of Procurement
	 <p data-bbox="292 689 997 723">Five Stance VIP Latrine Block for girls at slab level</p> <p data-bbox="292 763 475 797">Observations</p> <ul data-bbox="339 801 1434 1133" style="list-style-type: none"> • At the time of physical verification as at 26th November 2024 and 24th January 2025, physical progress was at 45%, financial progress at 30%, and time progress at 141% • All external structures have not been completed and are at roof plate awaiting roofing and completion. • There site had been abandoned by the contractor. • Non-adherence to ESHS requirements such as hoarding of site, sensitization posts, site sign post, planting of trees, and safety barricade of the latrine pits of the teachers' staff house had not been done.

Note: Despite the entity submitting its management letter responses dated 24th January 2025, there was no evidence provided to show that the works had resumes and physical progress had changed. Thus, the Authority notes that the project is still abandoned.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Status of works

(i) Delayed completion of works and abandonment of site

The Authority observed that the Entity signed a contract with Tona Uganda Limited on 23rd January 2024 with a contract completion period running until 30th June 2024.

However, during review of the progress report and physical verification of the site on 26th November 2024, the Authority observed that physical progress was at 45%, works had stalled and there was no activity on site. By 29th April 2025, the physical progress remained 45% against time progress of 141% which delayed service delivery to the intended beneficiaries.

The Authority during the physical verification exercise of the project conducted on 26th November 2024, observed that neither the contractor nor his/her employees or workers were on site.

Furthermore, despite several reminders made by the contract management team during site visits, and their prepared monthly progress reports that reported the delays by the contractor, and the several communications addressed by the Accounting Officer prevailing upon the contractor to meet its contractual obligations, the contractor as at the time of the physical verification visit continued to breach its contractual obligations. There was no evidence to show that works had resumed as at 24th January 2025.

Implication

- Failure by the contractor to deploy personnel and required materials on site resulted in to incomplete works and abandonment of works. This delayed service delivery to the intended beneficiaries and compromised the achievement of value for money.

Management Response

Management observed the Authority's observation and stated that there was poor accessibility to the site due to heavy rains that caused the failure by the contractor to complete works within the contractual period hence delays that led to delay of service delivery to the intended beneficiaries. Management further stated that on the issue abandoning works, the district authority has issued a warning letter to the contractor and the contractor has resumed works on the site and the works are ongoing since the contractor remobilized the personnel and they are at site working now.

Authority's comment

The Authority noted the Entity's response however found it unsatisfactory as no evidence was submitted to show that the contractor had returned to site and resumed works as alleged by the entity.

Recommendations

1. The Accounting Officer should have the remaining works rescope and tendered out competitively to another contractor in line with Regulation 6 (Rules and Methods for procurement of supplies, works and non-consultancy services) to ensure that the project works are undertaken to logical completion, handover and commissioning so that services can be delivered to the intended beneficiaries.
2. The Authority shall institute suspension proceedings against the contractor Tona Uganda Limited for breach of contract such as abandonment of site and failure to complete works within the scheduled contractual time in line with Section 128 of the PPDA Act, Cap 205.

2.2.2 Expired contract

The entity signed a contract with Tona Uganda Limited on 23rd January 2024 with a contract completion period of 5 months running until 30th June 2024. The Authority noted that the contract had since expired and there wasn't any extension granted to the contractor yet works were incomplete at 45% physical progress and 310%-time progress.

Implication

Expiry of the contract yet the site was not completed indicated failure by the contractor to meet their contractual obligation hence delaying service delivery to the intended beneficiaries.

Management Response

No response was provided.

Authority's Comment

The Authority observed that the Entity did not provide its response there was no record of evidence indicating that the contract with the contractor had been extended hence query was maintained.

Recommendation

The Accounting Officer should ensure that the contract Manager and Contract Management Team always supervise contractors to have works done and completed before expiry of the contract in line with Regulation 52 (3) (vi) of the PPDA (Contracts) Regulations, 2023 and in the event of need for extension, this should be brought to the attention of the Accounting Officer and Contracts Committee for consideration before expiry of the contract.

2.2.3 Missing contract management records

The Authority noted that procurement action file did not have some of the contract management records that included the Performance Security, interim certificates, payment records and progress reports contrary to Regulation 52 (3) (vii) of the PPDA (Contracts) Regulations 2023.

Implication

Such missing records compromise the audit trail and accountability of public funds. This may give room for unethical and fraudulent practices in the Entity.

Management Response

Management acknowledged the Authority's observation and stated that procurement action files (interim certificates & payment records and progress reports) were available for verification and would ensure that the Contract Manager and the Finance Department always share copies of payments records with the Procurement and Disposal Unit in order for procurement action files to be closed off in accordance with Regulation 52 (3) a (vii) of the PPDA (Contracts) Regulations, 2023.

Authority's Comment

The Authority noted the Entity's response however did not find it satisfactory since no documentary evidence was submitted to the Authority for verification hence the query was maintained.

Recommendation

The Accounting Officer should task the Contract Manager and Contracts Management Team to always prepare, keep and archive contract management records such as monthly progress reports, site meeting minutes and payment documents in line with Regulation 52 (3) (vii) of the PPDA (Contracts) Regulations, 2023 which can later be shared with the PDU to make the procurement file complete.

1.3 ADHERENCE TO THE ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY SAFEGUARD REQUIREMENTS

1.3.1 Non-adherence to Environmental, Social, Health, and Safety (ESHS) safeguards

(i) Failure to keep documentation of the site safety risks and concerns by the contractor's personnel in charge of ESHS

The contractor had demonstrated the availability of a Health, Safety and Environmental Coordinator who was in charge of the contractor's ESHS strategy. However, during contract implementation, there was no record of evidence that the personnel's concerns were recorded. There was no log of the ESHS risks, accident and incident logs, grievance redress mechanism, and reports on the implementation of the strategy from the contractor.

Implication

Inadequate safety and social practices can lead to rework, shutdowns, and the allocation of resources to address accidents or incidents that could have been prevented with proper safety measures.

Management response

Management acknowledged the Authority's observation and a team comprising of Contractor's Health, Safety and Environmental Officer together with the Community Development Officer has

been regularly assessing the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by the contractor's personnel on site

Authority's Comment

The Authority noted the Entity's response however did not submit any evidence to substantiate the Entity response hence the query was maintained.

Recommendation

The District Environmental Officer together with the Community Development Officer should regularly assess the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by the contractor's personnel on site and recommend remedial actions to be undertaken by the contract in accordance with Section 66 of the PPDA Act, Cap 205.

(ii) Failure to hoard off the site

The Authority noted during the site visit that the contractor had not temporary hoarding as required. This was later emphasized as an action point at site meetings. However, the contractor had not hoarded the site as at the date of the physical verification site visit on 26th November 2024.

Implication

Without proper hoarding, the construction site works are exposed to vandalism, theft of equipment or materials, unauthorised access, safety concerns, and damage to the property.

Management Response

Management acknowledged the Authority's observations and has already engaged the contractor to ensure that site hoarding is done in accordance with Section 66 of the PPDA Act, Cap 205

Recommendation

The Accounting Officer should prevail upon the contractor to always ensure that site hoarding is done in accordance with Section 66 of the PPDA Act, Cap 205. For this particular project, the Accounting Officer should not pay the contractor money that was meant for site hoarding in the preliminaries of the BOQs.

CHAPTER 3: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

The Entity's management letter response indicated that the outputs of the contract derived from the contractual obligation of the contractor had not been achieved since the contractor had abandoned the site with physical progress at 45%, financial progress at 30% against time progress of 141%. This denied service delivery to the intended beneficiaries.

3.2 Audit conclusion

In summary, the audit findings indicate that the contractor had not fully adhered to their contractual obligations such as ensuring to complete the works on site within the contractual completion time, the contractor had abandoned site and there was no legally binding contract between the contractor and the entity. Furthermore, there were missing contract management records on file and nonadherence to the Environmental, Social, and Health Standards (ESHS) requirements by the contractor.