



**CONTRACT AUDIT INTO THE CONSTRUCTION OF NYAKALISO
SEED SECONDARY SCHOOL IN KOBOKO DISTRICT UNDER UGIFT
PROGRAM**

CONTRACTOR: DESERT BREEZE HOTEL LIMITED

PROCUREMENT REFERENCE: MoES/UGIFT/WORKS/2022-2023/00001

JUNE 2025

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ACRONYMS

GCC	-	General Conditions of Contract
MoES		Ministry of Education and Sports
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
WHT		Withholding Tax

EXECUTIVE SUMMARY

Koboko District Local Government entered into a contract with Desert Breeze Hotel Limited on 8th August 2022 to construct Nyakaliso Seed Secondary School at a cost of UGX 3,238,070,000 with an intended completion period of 24 months.

In view of Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205, the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the construction of Nyakaliso Seed Secondary School in Koboko District (procurement reference: MoES/UGIFT/WORKS/2022-2023/00001).

The overall objective of the contract audit was to assess the status of contract implementation of the construction of Nyakaliso Seed Secondary School with emphasis on verification that all parties to the contracts had complied with the requirements and standards set forth in the contract and the provisions of the PPDA law and UGIFT guidelines.

The following key exceptions were observed:

1. Stalled project works, the Authority found that as at 29th January 2025, there were no signs of the contractor undertaking any project works at the site. In addition, 124% of the contract time had elapsed and the contractor had achieved a physical works progress of 85% of the contracted works against a financial progress of 55.1% according to the reviewed payment records. Notably, the project had stalled and this resulted in delayed access to improved services and infrastructure by the intended beneficiaries.
2. Failure to hold monthly site meetings and prepare site meeting minutes; the Authority found that contrary to GCC 19.1 which required monthly site meetings to be held by the appointed project management team, there was no evidence that the expected 28 site meetings (from August 2022 to January 2025, the period of the audit fieldwork) were held and meeting minutes prepared. This was contrary to the PPDA Circular No.3 dated 24th July 2019 on the implementation of procurements under UGIFT which required the Entity to hold monthly site meetings. This implied that there was a potential risk that grievances from the contractor's staff and surrounding communities were never heard and addressed.
3. No evidence of monthly reports from the Clerk of Works; the Authority found that whereas, the Entity recruited a Clerk of Works Mr. Musema Denis to undertake the daily technical supervision of works, there was no evidence of monthly supervision reports prepared by the Clerk of Works as evidence that he was conducting the day-to-day technical supervision as per his appointment letter. This exposed the project works to the risk of using wrong work methods, measurements and material deviations from contract requirements without backstopping.
4. Delayed payment of the contractor; the Authority reviewed the payment records and found that the whereas the contractor had executed 85% of the project works, the Entity had only paid the contractor UGX 1,785,043,850 (55.1%) of the contract value UGX 3,238,070,000. This may disrupt the contractor's cash flow, potentially leading to legal action or compensation claims against the Entity.

5. Failure to put in place a grievance redress mechanism; the Authority found that there was no evidence of a grievance redress mechanism to solve issues of the workers and community or any other aggrieved persons. In addition, there was no grievance redress register/log indicating any recorded issues and how they were addressed. This could lead to increased or escalated conflict between the community and the contractor as issues are not addressed as and when they arise.
6. Failure by the contractor to submit a Workman's Compensation Policy; the Authority found that the contractor (Desert Breeze Hotel Limited) did not submit a Workman's Compensation Policy contrary to GCC 18.1 of the Special Conditions of the signed contract. This implied that workers were not insured against accidents or injuries that may occur during the execution of project works.

Key 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 Chief Administrative Officer should:
 - i) Follow up with the concerned line ministries, Ministry of Finance, Planning and Economic Development, and the Ministry of Education and Sports to have the remaining funds released to enable the contractor undertake the pending project works;
 - ii) See to it that the pending works are completed and handed over to the intended beneficiaries by 30th June 2025 when the UGIFT program is closing;
 - iii) Task the contract manager to oversee the preparation and distribution of site meeting minutes with action points to relevant stakeholders following each site meeting.
 - iv) Task the Clerk of works to provide proof of daily technical supervision of the works and guarantee that the works were undertaken as per the contractual technical standards, failure of which disciplinary action will be taken;
 - v) Task the contract manager to make certain that full payment is made to the contractor for works undertaken in accordance with Regulation 42 of the PPDA (Contracts) Regulations, 2023;
 - vi) See to it that grievance redress committees are established at all levels, including the district level, and are made fully aware of their duties and responsibilities, in accordance with Section 66 of the PPDA Act Cap. 205; and
 - vii) Task the contractor (Desert Breeze Hotel Limited) in writing to submit insurance cover for the project staff (Workman's Compensation Policy) in accordance with GCC 18.1 of the special conditions of the signed contract.
2. The Project Manager should adhere to GCC 19.1 in the contract and hold monthly site meetings with the key stakeholders to discuss project progress, any challenges and way forward.
3. The District Community Development Officer should expediate the establishment of a grievance redress committee and oversee the contractor's maintenance of a grievance register.

CHAPTER 1: INTRODUCTION

1.1 Background

The Government of Uganda received funds from the World Bank to fund the Uganda Intergovernmental Fiscal Transfer (UGIFT) Program. The Ministry of Education and Sports under the UGIFT program earmarked funds for the construction of seed secondary schools and expansion of existing ones in selected Sub-Counties in Uganda.

The Ministry of Education and Sports provided oversight and support to the beneficiary District Local Governments to ensure alignment with sector strategic plans, and compliance to construction norms and sector standards. The District Local Governments were responsible for contract management and payment of contractors, as well as sustainability of the investments undertaken by Government.

Koboko District Local Government was one of the beneficiary districts and on 8th August 2022, the district entered into a contract with Desert Breeze Hotel Limited to construct Nyakaliso Seed Secondary School at a cost of UGX 3,238,070,000 with an intended completion period of 24 months.

In view of Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205, the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the construction of Nyakaliso Seed Secondary School in Koboko District (procurement reference: MoES/UGIFT/WORKS/2022-2023/00001).

The overall objective of the contract audit was to assess the status of contract implementation of the construction of Nyakaliso Seed Secondary School with emphasis on verification that all parties to the contracts had complied with the requirements and standards set forth in the contract and the provisions of the PPDA law and UGIFT guidelines.

Table 1 below is a summary of the contract signed between Koboko District Local Government and Desert Breeze Hotel Limited for the construction of Nyakaliso Seed Secondary School.

Table 1: Contract Summary

Contract Title	Construction of Nyakaliso Seed Secondary School		
Contract Scope	Qty	Deliverables	Amount (UGX)
	1	Preliminaries	33,150,000
	1	Site leveling works	185,695,000
	3	2-classroom block	578,355,000
	1	2-unit science laboratory block	313,651,500
	1	Administration block	206,846,000
	3	2-unit teacher's house	574,161,000
	3	2-unit teachers' kitchen	142,662,000
	1	2 stance lined VIP latrine block-Administration block	23,150,000
	3	2 stance lined VIP latrine block for-teacher's house	89,277,000

Contract Title	Construction of Nyakaliso Seed Secondary School		
	1	5- stance lined VIP latrine block-boys	46,367,500
	1	5- stance lined VIP latrine block-girls	46,649,000
	1	External works	121,350,000
	1	Rain water harvest system with 5000L water tank	5,231,000
	1	ICT-Library block	468,513,000
	1	Multi-purpose hall	353,012,000
	1	Sports field	50,000,000
		Add 18% VAT	0
		Total Amount	3,238,070,000
Name of contractor	Desert Breeze Hotel Limited		
Method of Procurement	Open Domestic Bidding		
Type of contract	Admeasurement		
Contract value (UGX)	3,238,070,000		
Contract signing date	8 th August 2022		
Commencement date as per contract	8 th August 2022		
Actual commencement date	8 th August 2022		
End date as per contract	8 th August 2024 (24 months from start)		
Contract Extension	Six months (31 st December 2024 to 27 th June 2025)		
Project Manager	District Engineer-Mr. Nelson Wani		
Status of works as at 29 th January 2025	Physical progress:85% (According to a progress report dated 12 th November 2024) Financial progress:55.1% (According to the reviewed payment records as at 29 th January 2025) Time progress:124%		

1.2 Objective of the audit

The primary objective of the contract audit exercise was to assess the status of contract implementation with emphasis on verification that all parties to the contract complied with the requirements and standards set forth in the contract and the provisions of the PPDA Law and UGIFT Guidelines.

The specific objectives for undertaking the contract audit were to assess:

1. The progress of the works with regard to the effectiveness of time, quality and cost controls of works undertaken; and
2. Adherence to Environmental, Safety, Health and Social Safeguard (ESHS) requirements.

1.3 Scope of the audit exercise

The audit covered the contract execution and management for the construction of Nyakaliso Seed Secondary School in Koboko District.

1.4 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 an official management response.
- (v) Reporting on findings of the audit and providing recommendations where applicable.

1.5 Limitation of Scope

The contract audit was undertaken by auditors who did not have professional competence in engineering and building construction hence 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.

1.6 Legal documents applicable

The applicable laws and legal framework were:

- (i) The Public procurement and Disposal of Public Assets Act, Cap. 205.
- (ii) The PPDA Regulations, 2023.
- (iii) The signed contract.
- (iv) The circular on contract management and safeguard requirements under Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16th March 2021 issued by the Permanent Secretary/Secretary to the Treasury.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1 PROGRESS OF THE WORKS WITH REGARD TO THE EFFECTIVENESS OF TIME, QUALITY AND COST CONTROLS OF THE WORKS UNDERTAKEN

2.1.1 TIME CONTROL

The construction of Nyakaliso Seed Secondary School was expected to be undertaken for a period of 24 months from 8th August 2022 to 8th August 2024. The Authority however, identified some anomalies causing a time overrun in the course of project implementation as indicated below:

2.1.1.1 Stalled project works

As at 29th January 2025, 124% of the contract time had elapsed and the contractor had a physical works progress of 85% of the contracted works against a financial progress of 55.1% according to the progress report dated 12th November 2024.

Despite a six months contract extension period from 31st December 2024 to 27th June 2025 that was approved by contracts committee on 27th December 2024, there were no signs of the contractor undertaking any project works at the site as at 29th January 2025 i.e., the project had stalled. The progress as at 29th January 2025 is indicated in the Tables 2,3 and 4 below:

Table 2: Time progress as at 29th January 2025

Contract start date	8 th August 2022
Contract end date	8 th August 2024 (24months from start)
Measurement date	29 th January 2025
Contract period (Days)	731 days
Excess time (Days)	174 calendar days
Time progress (%)	124%





The Authority found that as at the time of site visit date of 29th January 2025, the physical progress of the project was as indicated in Table 3 below:

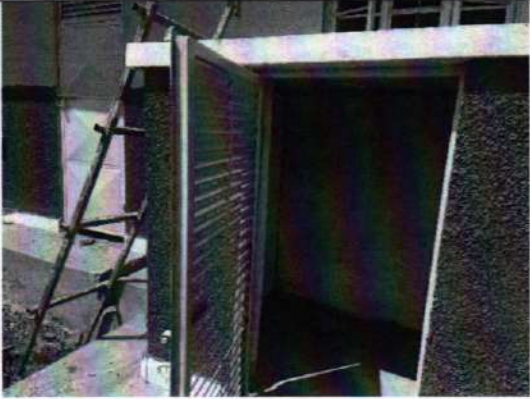


Table 3: Progress of construction works as at 29th January 2025

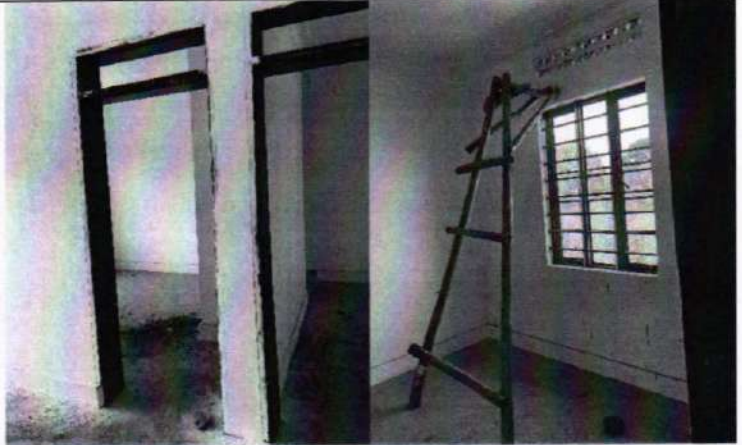



Quantity	Activity	Amount (UGX)	Progress
1	Site leveling works	185,695,000	Completed
3	2-classroom block	578,355,000	Partially completed
1	2-unit science laboratory block	313,651,500	Partially completed
1	Administration block	206,846,000	Partially completed
3	2-unit teacher's house	574,161,000	Partially completed
3	2-unit teachers' kitchen	142,662,000	Partially completed
1	2 stance lined VIP latrine block-Administration block	23,150,000	Partially completed
3	2 stance lined VIP latrine block for-teacher's house	89,277,000	Partially completed
1	5- stance lined VIP latrine block-boys	46,367,500	Partially completed



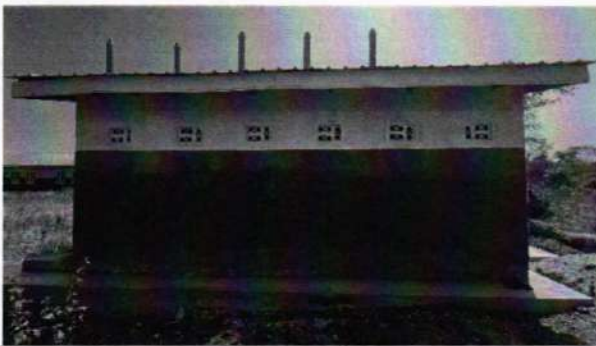

Quantity	Activity	Amount (UGX)	Progress
1	5- stance lined VIP latrine block-girls	46,649,000	Partially completed
1	External works	121,350,000	Not yet done
1	Rain water harvest system with 5000L water tank	5,231,000	Not yet done
1	ICT-Library block	468,513,000	Partially completed
1	Multi-purpose hall	353,012,000	Partially completed
1	Sports field	50,000,000	Not yet done




Table 4: Pictorial status of works as at 29th January 2025


Qty	Description of works	Pending works	Pictorial Evidence
3	2-classroom block	<ul style="list-style-type: none"> • Electrical installations • Fixing glasses on windows • Rain water disposal 	 <p><i>Front view of the 2-classroom block</i></p>
1	2-unit science laboratory block	<ul style="list-style-type: none"> • Plumbing works • Floor screeding both inside and apron • Drainage channels • Rain water disposal • Electrical installations • Fixing of internal doors • Fixing glasses on the windows • Fixing of gas cylinders 	 <p><i>Image 1: Rear view of the 2-unit science laboratory block</i></p>   <p><i>Images 3 and 4: Plumbing works not yet done and internal doors not yet fixed</i></p>

Qty	Description of works	Pending works	Pictorial Evidence
			 <p data-bbox="788 678 1259 714"><i>Image 5: Gas cylinders not yet fixed</i></p>
1	Administration block	<ul style="list-style-type: none"> • Fixing glasses on the windows • Electrical installations • Landscaping • Rain water disposal 	
3	2-unit teacher's house	<ul style="list-style-type: none"> • Land scaping • Fixing of Internal doors • Electrical installations • Fixing of glasses on the windows • Final coat painting • Rain water disposal and harvesting tanks • Drainage channels 	 <p data-bbox="788 1487 1238 1523"><i>Image 1: Two-unit teacher's house</i></p>

Qty	Description of works	Pending works	Pictorial Evidence
			 <p data-bbox="730 701 1473 741"><i>Images 2 and 3: Internal doors and glasses not yet fixed</i></p>
3	2-unit teachers' kitchen	<ul style="list-style-type: none"> • Landscaping • Final coat painting • Electrical installations • Fixing of gutters 	  
1	2 stance lined VIP latrine block-Administration block	Landscaping	

Qty	Description of works	Pending works	Pictorial Evidence
			
3	2 stance lined VIP latrine block for-teacher's house	<ul style="list-style-type: none"> • Landscaping • Installation of a second vent pipe 	
1	5- stance lined VIP latrine block-boys	<ul style="list-style-type: none"> • Final coat painting • Landscaping 	
1	5- stance lined VIP latrine block-girls	<ul style="list-style-type: none"> • Final coat painting • Landscaping 	

Qty	Description of works	Pending works	Pictorial Evidence
1	External works	Not yet done	
1	Rain water harvest system with 5000L water tank	Not yet done	
1	ICT-Library block	<ul style="list-style-type: none"> • Fixing of internal doors • Electrical installations • Rain water disposal 	
1	Multi-purpose hall	<ul style="list-style-type: none"> • Fixing glasses • Final coat painting • Floor screeding • Electrical installations • Rain water disposal 	 
1	Sports field	Works had not yet commenced ie Excavations and earth works	

Qty	Description of works	Pending works	Pictorial Evidence
			

Implications

- Stalled project works resulted in delayed access to improved services and infrastructure by the intended beneficiaries.
- Stalled project works exposed the Entity to the risk of increased project costs due to inflation and rising commodity prices which render the originally allocated funds insufficient to complete the works.

Management Response

The stalled works are a result of no funds released to continue with works as per contract agreement and revised work schedule. This makes it difficult to engage another contractor. However, efforts have been made in writing to the Ministry of Finance, Planning and Economic Development, copied to Ministry of Education and Sports to release the remaining balance to enable the contractor undertake the remaining works as planned.

Recommendation

The Chief Administrative Officer should follow up with the concerned line ministries, Ministry of Finance, Planning and Economic Development, and the Ministry of Education and Sports to have the remaining funds released to enable the contractor undertake the pending project works and ensure hand over to the intended beneficiaries by 30th June 2025 when the UGIFT program closes.

2.1.2 QUALITY CONTROL

2.1.2.1 Absence of Key Personnel on site

The Authority found that none of the contractor's key personnel as listed in table 5 below were present on site at the time of site visit on 29th January 2025. This was contrary to GCC 14.1 of the special conditions of the signed contract which required that all the contractor key personnel should be present on site during the execution of project works.

Table 5: List of Desert Breeze Hotel Limited's Key Personnel not found on site

No.	Name	Position
1.	Fiasal Kiberu	Contract Manager

No.	Name	Position
2.	Simon Kisitu	Site Engineer 1
3.	Godfrey Lubanga	Site Engineer 2
4.	Peter Wafula	Site Engineer 3
5.	Crescent Muhumuza	General Site Foreman 1
6.	Norris Kimanzi	General Site Foreman 2
7.	Jimmy Wasswa	General Site Foreman 3
8.	Arthur Kabunga	Electrical Foreman 1
9.	Amuza Turyasingura	Electrical Foreman 2
10.	Stephen Katugga	Electrical Foreman 3
11.	Brian Mukisa	Quantity Surveyor 1
12.	Stephen Kay Emer	Quantity Surveyor 2
13.	Hilary Twinamasiko	Quantity Surveyor 3
14.	Ananias Amma Bazira	Environmental Officer 1
15.	Musa Ssegaabwe	Environmental Officer 2
16.	Phionah Sesira	Environmental Officer 3
17.	Allan Gidudu	Health and Safety Officer 1
18.	Esther Moureen Nankya	Health and Safety Officer 2
19.	Gillian Badaru	Social Development Officer 1
20.	Esther Kisembo	Social Development Officer 2
21.	Lenga Frank	Social Development Officer 3

Implication

Absence of key personnel on site disrupts the workflow, impacting overall productivity which may lead to delays and increased costs through reworks and workers likely need to take on additional responsibilities to cover for absent key personnel.

Management Response

This is noted, however, this will be possible after confirmation of release of the remaining balance to undertake the remaining works.

Recommendation

The Project Manager should after the confirmation of release of funds instruct the contractor (Desert Breeze Hotel Limited) to remobilize all the key contract personnel required to ensure the successful completion of project works by 27th June 2025 and in case of any changes in the key personnel the Project Manager's approval should be sought in accordance with GCC 14.1 of the contract.

2.1.2.3 Removal of equipment from the project site without authorization from the Project Manager

The Authority found that only a concrete mixer was on site on 29th January 2025 during the site visit. The equipment indicated in Table 6 below had all been removed from the project site without authorization from the Project Manager.

This was contrary to GCC 28 which provided that: *"The Contractor shall be responsible for all Contractor's Equipment. When brought on to the site, Contractor's Equipment shall be deemed*

to be exclusively intended for the execution of the works. The Contractor shall not remove from the site any major items of Contractor's Equipment without the consent of the Project Manager. However, consent shall be required for vehicles transporting Goods or Contractor's Personnel off site."

Table 6: Equipment removed from the project site

No.	Equipment	Quantity
1.	Porker Vibrator	1
2.	Jump compactor	1
3.	Generator for welding	1
4.	Dump truck	1
5.	Pick-up	1



Image of concrete mixer found on site on 29th January 2025

Implication

Removal of equipment from the site without authorization resulted in delayed completion of project works.

Management Response

This is noted, however, this will be possible after confirmation of release of the remaining balance to undertake the remaining works.

Recommendation

The Project Manager should after the confirmation of the release of funds instruct the contractor to remobilize all the required equipment needed to complete project works and incase the contractor intends to remove any of the major equipment from the site, the Project Manager's approval should be sought in accordance with GCC 28 of the signed contract.

2.1.2.4 Failure to hold monthly site meetings and prepare site meeting minutes

The Authority found that contrary to GCC 19.1 which required monthly site meetings to be held by the appointed project management team which included the Accounting Officer (Mr. John Bosco Akena), the District Engineer/Project Manager (Mr. Wani Nelson), the Ag. District Community Development Officer (Mr. Simon Engabua), the Senior Education Officer (Mr. Desmond Scande Kenyi) and the District Health Officer (Dr. Denis Oloya).

There was no evidence that the expected 28 site meetings (from August 2022 to January 2025, the period of the audit fieldwork) were held and meeting minutes prepared contrary to the PPDA Circular No.3 dated 24th July 2019 on the implementation of procurements under UGIFT which required the Entity to hold monthly site meetings.

Implications

- As a result of failure to hold site meetings, there is a potential risk that grievances from the contractor's staff and surrounding communities were never heard and addressed.
- Failure to hold site meetings casts doubt on whether the Entity was supervising the project effectively and efficiently and further increases the risk of poor-quality works.

Management Response

Site meetings have been held and minutes have been prepared. The minutes for meetings are available for verification.

Authority's comment

The Authority noted the Entity's response however, there was no evidence provided to support the management response.

Recommendations

1. The Project Manager should adhere to GCC 19.1 in the contract and hold monthly site meetings with the key stakeholders to discuss project progress, any challenges and way forward; and
2. The Chief Administrative Officer should task the contract manager to oversee the preparation and distribution of site meeting minutes with action points to relevant stakeholders following each site meeting.

2.1.2.5 No evidence of monthly reports from the Clerk of Works

The Authority found that whereas, the Entity recruited a Clerk of Works Mr. Musema Denis to undertake the daily technical supervision of works, there was no evidence of monthly supervision reports prepared by the Clerk of Works as evidence that he was conducting the day-to-day technical supervision as per his appointment letter.

Implication

Failure by the Clerk of Works to undertake adequate technical supervision exposes the project works to the risk of using wrong work methods, measurements and material deviations from contract requirements without backstopping.

Management Response

The Clerk of Works has been preparing monthly reports and these reports are available for verification.

Authority's comment

The Authority noted the Entity's response however, there was no evidence provided to support the management response.

Recommendation

The Chief Administrative Officer should task the Clerk of works to provide proof of daily technical supervision of the works and guarantee that the works were undertaken as per the contractual technical standards, failure of which disciplinary action will be taken.

2.1.3 COST CONTROL

2.1.3.1 Delayed payment of the contractor

The Authority reviewed the payment records and found that the whereas the contractor had executed 85% of the project works, the Entity had only paid the contractor UGX 1,785,043,850 (55.1%) of the contract value UGX 3,238,070,000 as indicated in Table 7 below:

Table 7: Payments made to Desert Breeze Hotel Limited

Interim Payment Certificate No.	Date of payment	Amount (UGX)	Status of payment
IPC 1	18 th May 2023	210,000,000	Paid
IPC 1	15 th June 2023	194,390,900	Paid
IPC 2	27 th June 2023	485,513,850	Paid
IPC 3	18 th December 2023	410,225,650	Paid
IPC 4	18 th December 2023	207,203,300	Paid
IPC 5	19 th November 2024	277,710,150	Paid
Total		1,785,043,850	

Implication

This could disrupt the contractor's cash flow, potentially leading to legal action or compensation claims against the Entity.

Management Response

The delayed payment to the contractor for the works done has been as a result of inadequate funds. However, this will be paid when the funds will be released.

Recommendation

The Chief Administrative Officer should follow up with the concerned line ministries, Ministry of Finance, Planning and Economic Development, and the Ministry of Education and Sports to have the remaining funds released and task the contract manager to make certain that full payment is made to the contractor for works undertaken in accordance with Regulation 42 of the PPDA (Contracts) Regulations, 2023.

2.1.3.2 Delayed payment of (20%) advance to the contractor

The Authority found that whereas the contractor submitted a request for advance payment on 19th October 2022 together with an advance payment guarantee worth UGX 647,614,000 which were verified by Centenary Bank on the same date.

The Entity made the advance payment on 9th December 2022 hence a delay of 51 calendar days contrary to GCC 60.1 of the signed contract which provided that: "*Advance will be paid to the*

Contractor within 30 days after certification and presentation of an equivalent amount in form of a Bank Guarantee recognized by Bank of Uganda.”

Implication

Delayed payment of advance may have affected the cash flows of the contractor negatively affecting the Contractor's preliminary mobilizations and commencement of works.

Management Response

We acknowledge the delayed payment of advance to the contractor. This was as a result of inadequate funds released in the first quarter of the financial year. However, after second quarter release, money was paid to the contractor.

Recommendation

The Accounting Officer should see to it that the contractor's payment requests are fulfilled within 30 days from when the request is made in accordance with GCC 60.1 of the signed contract.

2.1.3.3 Failure to withhold 6% WHT on payment made to the contractor

The Authority found that whereas Desert Breeze Hotel Limited was WHT exempt for the period 4/07/2023 to 30/06/2024, the Entity did not withhold 6% WHT (UGX 16,662,609) under Interim Payment Certificate Number five dated 12th November 2024 which was UGX 277,710,150 and paid on 19th November 2024 given that the WHT exempt period had expired on 30th June 2024.

Implication

Failure to withhold 6% WHT implied that the Entity failed to fulfill its role as a withholding tax agent of Uganda Revenue Authority.

Management Response

The WHT Exempt certificate was available and payment was done based the provision and is available for verification.

Authority's comment

The Authority took note of the management response, however, the WHT exempt certificate was not provided for verification.

Recommendation

The Accounting Officer should task the contract manager to deduct UGX 16,662,609 from future payments made to Desert Breeze Hotel Limited and remit this money to Uganda Revenue Authority as withholding tax for the payment made on 19th November 2024 in the event that the period for which the contractor was WHT exempt was not extended by the Uganda Revenue Authority.

2.2 ADHERENCE TO ENVIRONMENTAL, SAFETY, HEALTH AND SOCIAL SAFEGUARD (ESHS) REQUIREMENTS

The Authority found that the contractor failed to implement environmental mitigation measures contrary to the PS/ST circular dated 26th May 2020 on contract management and safeguard requirements under UGIFT which required all local government Accounting Officers to take into account Environmental, Social, Health and Safety concerns on all ongoing and forthcoming projects under the UGIFT Programme in Health, Education, Water and Agriculture Sectors as summarized below:

2.2.1 Failure to put in place a grievance redress mechanism

The Authority found that there was no evidence of a grievance redress mechanism to solve issues of the workers and community or any other aggrieved persons. There was no functional Grievance Redress Committee at the site, sub county or district level. In addition, there was no grievance redress register/log indicating any recorded issues and how they were addressed.

Implications

- Failure to constitute a Grievance Redress Committee could lead to increased or escalated conflict between the community and the contractor as issues are not addressed as and when they arise.
- It can lead to reduced productivity, absenteeism, disobeying of orders, indiscipline and a decline in the quality of work among project staff as a result of unresolved conflict and grievances.

Management Response

Management has noted this, going forward we shall ensure that all projects have a Grievance Redress Committee in place and functional.

Recommendations

1. The District Community Development Officer shall expedite the establishment of a Grievance Redress Committee and oversee the contractor's maintenance of a grievance register. The register should document the resolution or escalation of each issue and be kept on site.
2. The Accounting Officer should see to it that Grievance Redress Committees are established at all levels, including the district level, and are made fully aware of their duties and responsibilities, in accordance with Section 66 of the PPDA Act Cap. 205.

2.2.2 Failure by the contractor to submit a workman's compensation policy

The Authority found that the contractor did not submit a workman's compensation policy contrary to GCC 18.1 of the special conditions of the signed contract which stated that: "*The minimum cover for insurance for personal injury or death insurance workers as per statute (Workman's Compensation Act, Cap 225).*"

Implications

- Without a workman's compensation policy, workers are not insured against accidents or injuries that may occur during the execution of project works;

- The contractor's failure to submit a workman's compensation policy is a breach of contract terms, which can lead to penalties, fines and potential lawsuits hence damaging the contractor's image and reputation.

Management Response

This was submitted, however, it expired, we shall request for a new one once we receive money during contract extension.

Authority's comment

The Authority took note of the Entity's management response and upheld the finding for purposes of follow up on the commitment made in the management response.

Recommendation

The Accounting officer should task the contractor in writing to submit insurance cover for the project staff (Workman's Compensation Policy) in accordance with GCC 18.1 of the special conditions of the signed contract.

CHAPTER 3: AUDIT CONCLUSION

The Authority found that 124% of the project time had elapsed, with a physical works progress recorded at 85% and a financial progress of 55.1% according to the reviewed payment records as at 29th January 2025.

The Entity management response dated 9th May 2025 pointed to the fact that the stalled project works are majorly as a result of delayed release of funds to continue with works by the concerned line ministries (Ministry of Finance, Planning and Economic Development and the Ministry of Education and Sports).

The Chief Administrative Officer should therefore implement the Authority's recommendations and ensure that project works are completed by the end of June 2025 when the UGIFT program is ending.