



**PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY
(PPDA)**

**CONTRACT AUDIT REPORT ON THE PROCUREMENT FOR THE
CONSTRUCTION OF A 32 UNIT STAFF HOUSE AND THE RELATED
SUPERVISION CONSULTANCY SERVICES**

CONTRACTOR: MUPA TECHNICAL SERVICES LIMITED

CONSULTANT: ARCH DESIGN LIMITED

PROCUREMENT REF: MBRRH/WRKS/2020-2021/00066

SEPTEMBER 2025

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ACRONYMS

Ag.	-	Acting
PPDA Act	-	Public Procurement and Disposal of Public Assets Act Cap. 205
PPDA	-	Public Procurement and Disposal of Public Assets Authority
UGX	-	Uganda Shillings
VAT	-	Value Added Tax

1. BACKGROUND

On 5th June 2020, Mbarara Regional Referral Hospital “the Entity” signed a contract with Arch Design Limited “the Consultant” to design and supervise the construction of a staff house at Mbarara Regional Hospital at a total cost of UGX 455,356,000. The contract was divided into two phases, Phase I was for the design stage and was scheduled to take 8 weeks from contract signing at a cost of UGX 216,760,000, and Phase 2 for supervision works for construction for 12 months after the commencement of the construction contract with a defects liability period of another 12 months at a cost of UGX 238,596,000.

On 21st June 2021, the Entity signed a contract with Mupa Technical Services Limited “the Contractor” to construct a 32-unit staff house for the hospital at a cost of UGX 5,714,579,609 VAT Inclusive. The contract was for a period of one year with a defects liability period of another one year.

On 28th July 2021, the Contractor was issued a commencement order and handed over the site to start the construction which pushed the contract completion date to 28th July 2022.

On 15th July 2022, the Contractor requested for extension of the contract on grounds that the site had been occupied by hospital staff at the time of site handover, delay in approval of the additional cost for HV line, relocation of the HV and LV power lines, revision of structural drawings, among others. The request was granted and both contracts for the supervising consultant and the contractor were extended up to 31st January 2024.

On 12th January 2024, the Contractor requested for a second extension of the contract citing funding delays from the Client. The Entity granted an extension of both contracts up to 30th September 2024.

On 13th September 2024, the Contracts Committee further approved a third extension of the Contract up to 29th September 2025 citing funding challenges from the Central Government.

On 15th April 2025, the Public Procurement and Disposal of Public Assets Authority “the Authority” received a request for guidance on changes in rates for building materials in the contract for construction of the 32-unit staff house. The request specifically stated the contract that was initially intended to be completed on 28th July 2022 had a delayed completion due to the intermittent release of funds from Government. Subsequently, the contract went beyond 18 months threshold for allowing a price adjustment and the incremental changes in market rates have affected the overall project cost envisioned by the contract. The Entity sought for guidance on how to handle the matter of variation of rates.

In accordance with Section 8(1)(j)(ii) of the PPDA Act, Cap. 205, the Authority instituted a contract audit into the contracts for supervision and construction of the 32-unit staff house at Mbarara Regional Referral Hospital with an objective of establishing the status of implementation of the contracts, the factors hindering the desired progress, and provide appropriate guidance to the Entity to enable effective completion of the project.

Progress of works

As at 31st July 2025, the contract had achieved an estimated physical progress of 77%, the Entity had extended payments worth 58% of the contract sum and the project had reached a time overrun of 401% (three years delay) from the intended completion date of 28th July 2022 as shown in Tables 1-4 below:

Table 1: Estimated physical progress of works as at 31st July 2025

No.	Item	Value of Works (Estimated)	Contract	% Completion	Remarks
1.	Prelims	324,100,000	351,000,000	92%	Ongoing
2.	Substructure	576,752,000	576,752,000	100%	100% complete
3.	RC frame	873,588,000	873,588,000	100%	100% complete
4.	Staircase	76,220,250	101,627,000	75%	Pending finishes and balustrading
5.	Walling	355,013,000	355,013,000	100%	Block walls complete. Window sills pending
6.	Roofing	283,815,000	322,675,000	88%	Pending down pipes, waterproofing solid slab
7.	Doors	58,240,000	225,228,000	26%	Pending steel doors, timber shutters, ironmongery
8.	Windows	41,106,000	75,006,000	55%	Pending glass fixing and curtain rods
9.	External finishes	20,514,000	56,451,000	36%	Pending painting, splash apron and drying lines
10.	Internal finishes	217,424,000	389,066,000	56%	Pending floor finish, ceiling boards, painting
11.	Joinery works	76,000,000	272,000,000	28%	Pending wardrobes and timber kitchen cabinets
12.	Electrical works	145,640,000	203,940,000	71%	Pending final fittings, external reticulation
13.	Mechanical works	250,948,800	418,248,000	60%	Pending final fittings
14.	External works	272,788,115	336,316,000	81%	Pending fencing, parking + driveways, gate
15.	Gatehouse	-	40,000,000	0%	Not started
16.	Day works	-	15,342,500	0%	To be approved when required
	Sub total 1 less VAT	3,572,149,165	4,612,252,500	77%	
	Inc. 18% VAT	4,215,136,015	5,442,457,950	77%	
	Contingency		272,122,809		
	Total		5,714,578,989		

Table 2: Payment progress as at 31st July 2025

Certificate No	Approved Amount (UGX)	Claim Date	Certification Date	Paid Amount (UGX)	Payment Date
Contract Price	5,714,578,989				
Advance Payment	1,142,915,922	24-Jun-21		600,000,000	24-Jun-21
		14-Oct-21		542,915,922	22-Oct-21
1	783,991,439	31-May-22	31-May-22	783,991,439	

Certificate No	Approved Amount (UGX)	Claim Date	Certification Date	Paid Amount (UGX)	Payment Date
2	622,204,206	15-Dec-22	14-Dec-22	321,553,422	21-Dec-22
			14-Dec-22	300,650,784	24-Feb-23
3	557,134,227	08-Jun-23	08-Jun-23	557,134,227	19-Jun-23
4	223,471,683	16-Jun-23	16-Jun-23	222,301,954	19-Jun-23
				3,328,547,748	
Payment Progress				58%	

Table 3: Time progress as at 31st July 2025

Contract Start Date	28 th July 2021	
Initial Completion Date	28 th July 2022	
Measurement Date	31 st July 2025	
Original Contract period	365	Days
Time Elapsed	1,464	Days
Time Progress	401%	
Delay	1,099	Days
Delay	3.0	Years

Table 4: The pictorial status of the 32 Unit Staff House as at 31st July 2025



Image 1: Shows the front view of the 32 Unit staff house



Image 2: The rear view of the 32-unit staff house

Image 3: An interior walk way of the first floor

2. OBJECTIVE OF THE CONTRACT AUDIT

The objectives of the contract audit were to establish the status of implementation of the contracts, the factors hindering the desired progress, and provide appropriate guidance to the Entity to enable effective completion of the project.

3. LAWS APPLICABLE

- i. The Public Procurement and Disposal of Public Assets Act, Cap. 205;
- ii. The PPDA (Contracts) Regulations, 2023;
- iii. The contract for the design and supervision of the construction of the 32-unit staff house; and
- iv. The contract for the construction of the 32-unit staff house.

4. METHODOLOGY

1. The Authority reviewed the following documentation:
 - i. The procurement initiation form;
 - ii. Bid invitation notice;
 - iii. Records of issue of bidding document, receipt of bids, and bid opening;
 - iv. Bids submitted;
 - v. The evaluation report;
 - vi. Contracts Committee minutes and decisions;
 - vii. Notice of the best-evaluated bidder;
 - viii. The contracts;
 - ix. Contract management records; and
 - x. Other correspondences on the procurement.
2. The Authority held meetings with individuals indicated in Table 5 below:

Table 5: Persons met by the Authority

No.	Name	Title	Organisation
1.	Dr. Deus Tumwesigye	Ag. Hospital Director	Mbarara Regional Referral Hospital
2.	Mr. Patrick Mugenyi	Managing Director	Mupa Technical Services
3.	Ms. Lydia Watsemwa	Project Manager	Arch Design Limited
4.	Mr. Kenneth Omitta	Head Procurement and Disposal Unit	Mbarara Regional Referral Hospital
5.	Mrs. Sarah Mulongo	Principal Hospital Administrator	Mbarara Regional Referral Hospital
6.	Mr. Francis Ojom	Senior Hospital Administrator	Mbarara Regional Referral Hospital
7.	Ms. Juliet Nakaziba	Accountant	Mbarara Regional Referral Hospital

5. FINDINGS

The Authority noted that the following findings greatly affected the progress and implementation of the contracts.

(i). Project Cashflow challenges

The Authority noted that the Entity had not received all the funding for the project. Out of the contracted sum worth UGX 6,169,934,609 for both the Contractor and the Consultant, the Entity had received funds worth only UGX 3,750,000,000. Notably, the Entity did not have a budget allocation for the project for the last three financial years of 2023-2024, 2024-2025, and 2025-2026 as indicated in the Table 6 below:

Table 6: Treasury releases for the staff house

Project Cost (UGX)	FY	Approved Amount (UGX)	Released Amount (UGX)
Contractor	2020-2021	600,000,000	600,000,000
5,714,578,609	2021-2022	1,600,000,000	1,600,000,000
Consultant	2022-2023	1,550,000,000	1,550,000,000
455,356,000	2023-2024	-	-
	2024-2025	-	-
	2025-2026	-	-
6,169,934,609	-	3,750,000,000	3,750,000,000

In a meeting held on 6th August 2025, the Entity indicated that they were intending on proactively engaging the Ministries of Health, and of Finance, Planning and Economic Development to obtain funds for the remaining part of the project since the Contractor had achieved substantial completion for the works.

(ii). Outstanding liabilities

The Authority found the Contractor had executed works estimated at UGX 886,588,267 that had not been paid by the Entity due to cash flow challenges as per the Consultant's progress tracker dated 31st July 2025. The details are shown in Table 7 below:

Table 7: Contract outstanding liabilities as at 31st July 2025

Contractor	
Estimated value of works	4,215,136,015
Payments made	3,328,547,748
Un paid works	886,588,267
Consultant	
Design Phase fees	216,760,000
Estimated work (77% x consultancy supervision fees of UGX 238,596,000)	183,718,920
Total liability as per contract	400,478,920
Less Supervision payments	
Design Phase	216,760,000
Invoice one supervision	47,719,200.00
Invoice 2 supervision	42,613,245.00
Invoice 3 supervision	105,746,368.00
Total payments	412,838,813
Excess payments	(12,359,893)

(iii). Unresolved contract variations

The Authority found that both the Consultant and the Contractor had pending requests for contract variations that had not been conclusively handled by the Entity as detailed below:

(a). Request by the Consultant to amend the contract sum from UGX 455,356,000 to UGX 628,603,760

In a contract management meeting held on 13th May 2022 between the Hospital Management led by the Hospital Director Dr. Celestine Barigye and the Consultant, the Hospital Director informed the Consultant of the fact that the funds for the project could not be disbursed in the original contract period of one year and the funds were to be disbursed over three years. This would affect the Consultant's contract costs in terms of time and mobilisation. The Consultant proposed that their contract price is amended to 11% of the construction contract price to cater for the changes, and for the payments to be made as a percentage of progress of the construction contract. The Hospital Director tasked the Consultant to present their request to the client for consideration.

The Consultant made the submission on 17th May 2022 to amend the contract from UGX 455,356,000 to UGX 628,603,760, representing a 38% increment. However, the Hospital had not concluded the amendment process as at 31st July 2025 i.e., confirming additional funds, approval of the Contracts Committee of the amendment, ensuring that the variation is within the allowable thresholds, and signing a contract addendum as stipulated under Regulation 54 of the PPDA (Contracts) Regulations, 2023. Furthermore, the computations for the supervision fees payment under Invoice 3 worth UGX 105,746,368 dated 8th May 2023 were based on the revised contract sum of UGX 628,603,760 which had not been approved and did not have a contract amendment. The revised contract sum was also above the agreed amendment of 11% of the contract price.

(b). Price adjustment request by the Contractor

On 15th July 2022, the Contractor wrote to the Hospital Director requesting for a review of the contract to implement a change in unit rates due to rising prices of construction materials at the time.

On 20th July 2022, the Consultant wrote to the Hospital Director advising the Entity that the contract signed was a fixed contract and did not provide for price adjustment of unit rates.

The issue of the price adjustment was discussed in site meeting no. 10 dated 27th July 2022 where the Consultant advised the Hospital to seek guidance of the Authority and the Solicitor General on how to handle the matter.

The Contractor further sent reminders to the Entity on the same issue on 12th April 2023 and 12th January 2024.

On 17th March 2025, the Contractor submitted a request for price adjustment worth UGX 571,457,961 amounting to 10% of the contract price with a justification that the contract had gone beyond the 18 months allowable threshold for a price adjustment and the inflation was eating into the contractor's profit margins. The request was supported by a computation from the Quantity Surveyor of the Consultant based on indices and the price adjustment formula provided for under Regulation 39 and Schedule 1 of the PPDA (Contracts) Regulations, 2025 (**See appendix 1 for the computation**).

The Authority noted that the contract lacked a price adjustment clause, but the project duration of over 50 months (from 21st June 2021 to 31st July 2025) exceeds the 18-month threshold recommended for including such a clause under Regulation 39 of the PPDA

(Contracts) Regulations, 2023. The Contractor and the Consultant did not envision the extended period of the contract when they initially quoted prices for the original contracts that was meant to take a period of 12 months. The extensions were majorly attributed to delayed funding by the Entity which was outside of the Contractor's making. It would therefore be reasonably justifiable for the contractor to seek for the price adjustment.

(iv). Inadequate contract monitoring mechanism by the Entity

The Authority found that the Entity was negligent in conducting their contract monitoring duties as noted below:

(a). Failure to appoint a contract management team to supervise the consultant

The Authority found that much as the Consultant was the contract supervisor for the construction contract, the Accounting Officer did not appoint a Contract Manager nor contract management team to manage the supervision contract contrary to Regulation 50(1) of the PPDA (Contracts) Regulations, 2023. The supervising consultant did not have a direct contact person for correspondences with the Entity and this often-delayed communications. The Consultant's fee notes were certified and verified by the Procurement and Finance Officers who did not have the technical expertise to undertake the responsibilities.

(b). Failure to attend site meetings by Entity management

The contract required scheduling of monthly site meetings between the Entity, the Consultant and the Contractor every first Wednesday of the Calendar Month. This implied a total of 49 site meetings between the commencement date of 28th July 2021 and 31st July 2025. However, only 15 site meetings could be held due to absence of key management staff from the Entity. Notably, the last site meeting with full representation from the Entity's management was Site Meeting 11 held on 31st August 2022. The Consultant resolved to hold site inspections with the Contractor without representation from the Entity as shown in the Table 8 below:

Table 8: Site meetings and inspections held

Item	Meeting Date	Meeting	Status
	Wednesday, 28 th July 2021	Site handover	Done
1.	Wednesday, 8 th September 2021	Site meeting-01	Done
2.	Wednesday, 6 th October 2021	Site meeting-02	Done
3.	Wednesday, 3 rd November 2021	Site meeting-03	Done
4.	Wednesday, 8 th December 2021	Site meeting-04	Done
5.	Wednesday, 12 th January 2022	Site meeting-05	Done
6.	Tuesday, 1 st March 2022	Site meeting-06	Done
7.	Wednesday, 6 th April 2022	Site meeting-07	Done
8.	Wednesday, 4 th May 2022	Site meeting-08	Done
9.	Wednesday, 6 th July 2022	Site meeting-09	Done
10.	Wednesday, 27 th July 2022	Site meeting-10	Done
11.	Wednesday, 31 st August 2022	Site meeting-11	Done
12.	Wednesday, 5 th October 2022	Site meeting-12	Done
13.	Wednesday, 2 nd November 2022	Site meeting-13	Done
14.	Wednesday, 30 th November 2022	Site inspection	Done
15.	Wednesday, 11 th January 2023	Site inspection	Done

Item	Meeting Date	Meeting	Status
16.	Wednesday, 1 st February 2023	Site inspection	Done
17.	Wednesday, 1 st March 2023	Site inspection	Done
18.	Tuesday, 1 st April 2023	Site meeting-14	Done
19.	Thursday, 17 th May 2023	Site inspection	Done
20.	Wednesday, 6 th June 2023	Site inspection	Done
21.	Thursday, 21 st June 2023	Site inspection	Done
22.	Thursday, 5 th July 2023	Site inspection	Done
23.	Wednesday, 18 th July 2023	Site inspection	Done
24.	Wednesday, 8 th August 2023	Site inspection	Done
25.	Wednesday, 19 th October 2023	Site inspection	Done
26.	Wednesday, 11 th January 2024	Site inspection	Done
27.	Wednesday, 24 th April 2024	Site inspection	Done
28.	Wednesday, 7 th August 2024	Site meeting 15	Done

Source: Project progress report April to June 2025

(c). Failure to take action on issues raised by the Consultant and the Contractor

The Consultant consistently raised similar issues in their progress reports and letters to the Entity but with no response for a period of more than a year as detailed in Table 9 below:

Table 9: Failure to take action on contract raised points

Issued raised	Date first raised	Action point from the Entity
Provision of addendum to Consultancy fees.	13 th May 2025	None
Contractor's request for change in Contract rates.	15 th July 2022	Wrote to the Authority on 15 th April 2025
Response to request for change in floor finish and burglar proof provision	1 st April 2025	None

6. AUDIT CONCLUSION

Overall, the contracts have not been implemented effectively, achieving only 77% physical progress against a 401% time overrun as at 31st July 2025, primarily due to funding delays from the Central Government, unresolved contract variations, and inadequate contract monitoring by the Entity. These issues have resulted in significant delays, and potential cost escalations, and a risk of subsequent project abandonment.

The Entity had demonstrated some progress in extending contracts to accommodate delays, but the lack of proactive engagement with funding authorities, failure to appoint a Contract Manager, and failure to address contract issues promptly have exacerbated implementation challenges. The unresolved variations, including the Consultant's request to amend the contract sum to UGX 628,603,760 and the Contractor's price adjustment claim of UGX 571,457,961, pose risks of disputes and further delays if not addressed promptly.

In our opinion, the contracts are at risk of non-completion within the extended timeframe without immediate intervention. The Entity should prioritize securing additional funding, resolving variations through formal amendments, and strengthening monitoring mechanisms to ensure value for money and timely delivery of the project.

7. RECOMMENDATIONS

The Accounting Officer should:

- (i). Proactively engage the Ministry of Health and Ministry of Finance Planning and Economic Development to allocate funds to complete the remaining works on the project including the arrears and variations in the 2025-2026 budget reallocations;
- (ii). Amend the construction contract to include the price adjustment clause since the contract went beyond eighteen months out of the Entity's making in accordance with the PPDA Circular No.6 of 2020 on Provision of the Price Adjustment Clause in Contracts and Regulation 39(1) of the PPDA (Contracts) Regulations, 2023;
- (iii). Evaluate the Contractor's request for price adjustment and approve it in accordance with Regulation 39 and Schedule 1 of the PPDA (Contracts) Regulations, 2023;
- (iv). Evaluate and finalise the Consultant's request for contract amendment and ensure that it is done in accordance with Regulation 54 of the PPDA (Contracts) Regulations, 2023;
- (v). Prioritize payment of the outstanding verifiable claims from both the Contractor and the Consultant to avoid contract disputes and accumulation of interest; and
- (vi). Appoint a contract management team with the technical skills and capacity to manage the contracts forthwith to enforce monthly site meetings, follow up on contract raised issues, review payment claims and progress reports, and also act as channel of communication between the Entity and the providers in accordance with 51(2) of the PPDA (Contracts) Regulations, 2023.

The Entity should implement these recommendations within 30 days and submit a report on the status to the Authority.

APPENDICES

Appendix 1: Computation for the price adjustment



Price Adjustment.pdf