



**PUBLIC PROCUREMENT AND DISPOSAL  
OF PUBLIC ASSETS AUTHORITY**  
*"Regulating for Results"*

**CONTRACT AUDIT INTO THE UPGRADE OF ALANGO  
HEALTH CENTRE II TO HEALTH CENTRE III IN OTUKE  
DISTRICT (Contractor: WML Consult & Engineering Ltd.)**

**OTUKE DISTRICT LOCAL GOVERNMENT**

**MARCH 2026**

## TABLE OF CONTENTS

ACRONYMS .....	ii
EXECUTIVE SUMMARY .....	iii
CHAPTER 1: INTRODUCTION .....	1
1.1 Background .....	1
1.2 Objective of the audit .....	1
1.3 Specific objectives .....	1
1.4 Scope of the audit exercise .....	1
1.5 Audit methodology .....	2
1.6 Limitation of scope .....	2
1.7 Legal documents applicable .....	2
CHAPTER 2: FINDINGS AND RECOMMENDATIONS .....	3
2.1 Progress of the works with regard to the effectiveness of time, quality and cost controls of works undertaken .....	3
2.1.1 Time Control .....	3
2.1.2 Cost Control .....	5
2.1.3 Quality Control .....	9
2.2 Adherence to Environmental, Social, Health and Safety (ESHS) requirements .....	11
CHAPTER 3: AUDIT CONCLUSION .....	13
APPENDICES .....	14
Appendix I: Mandatory Contractor's Equipment (GCC 28.1) not found on site .....	14
Appendix II: Mandatory Key Personnel (SCC (GCC) 14.1) not found on site .....	14
Appendix III: Medical Equipment Stored in the OPD, Consultancy Room and Store .....	15
Appendix IV: Physical verification pictures as at November 2025 .....	16

## LIST OF TABLES

Table 1: Contract Summary .....	1
Table 2: Financial Position of the Project .....	6

## **ACRONYMS**

BoQ	Bills of Quantities
CAO	Chief Administrative Officer
CMT	Contract Management Team
DHO	District Health Officer
DLP	Defects Liability Period
GCC	General Conditions of Contract
GRC	Grievance Redress Committee
GRM	Grievance Redress Mechanism
O&M	Operations and Maintenance
PPDA	Public Procurement and Disposal of Public Assets Authority
RDC	Resident District Commissioner
SCC	Special Conditions of Contract
UgIFT	Uganda Intergovernmental Fiscal Transfer
UGX	Ugandan Shillings
VAT	Value Added Tax
VFM	Value For Money

## EXECUTIVE SUMMARY

In accordance with Section 8 (1) (j) (ii) of the PPDA Act Cap. 205, the Authority conducted a contract audit into the upgrade of Alango Health Centre II to Health Centre III in Otuke District worth UGX. 912,527,336.

The overall objective was to assess the status of contract implementation of the upgrade of Alango H/C II to H/C III 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 Act, Cap. 205 and UgIFT Guidelines to achieve the goal of boosting health service delivery.

The UGX. 912M investment in the Alango HC III upgrade has failed to deliver Value for Money, as the expenditure has not translated into accessible healthcare services for Otuke District. Instead of a functional asset, the project has become a stranded asset where the economy, efficiency, and effectiveness of the public funds are entirely lost as detailed below:

- 1. Project Stagnation and Site Abandonment:** The project reached a critical 453% time-lapse in January 2026, characterized by the contractor's site abandonment through the unauthorized withdrawal of all equipment and technical personnel in breach of GCC 28 and SCC (GCC) 14.1 of the contract. This exit, combined with a total lack of project documentation, paralyzed the completion of the remaining works and left UGX. 224,784,434 worth of uninstalled medical equipment obstructing active clinical spaces, severely compromising local healthcare delivery and safety.
- 2. Financial Non-Viability and Unsecured Exposure:** The project is financially non-viable, with the Entity's position severely unsecured. A projected financial loss of UGX. 80,077,355 was identified, driven by a failure to recover advance payments worth UGX. 21,408,866 and the UGX. 58,668,489 funding required to complete the outstanding physical works. Critically, the Advance Payment Guarantee expired in December 2023, and the Entity failed to maintain the mandated 10% retention, leaving no third-party recourse or financial safeguards to cover the funding gap required to complete the works.
- 3. Technical Non-Compliance and Substandard Workmanship:** The November 2025 inspection confirmed non-compliance with the BoQs and substandard workmanship, indicating a total failure in site supervision. Key defects included structural cracks in the maternity ward, incomplete electrical and drainage infrastructure, and unstable water tank bracing that poses a collapse risk. Furthermore, the facility failed basic biosafety and accessibility standards, evidenced by unsealed waste pits and inaccessible PWD ramps, rendering the current structures both non-functional and hazardous.
- 4. Failure to implement ESHS Safeguards:** Contrary to GCC Clauses 24, 29 and 31 of the contract, the project exhibited a total collapse of ESHS standards, characterized by a complete absence of technical oversight and mandatory safety planning. The site was a high-risk environment i.e., unfenced, unlit, and hazardous (lacking basic welfare facilities, first aid kits, and essential safety signage). Furthermore, the contractor's failure to conduct mandatory health awareness campaigns, and the Entity's failure to establish a Grievance Redress Mechanism effectively undermined labour rights and project accountability.

## Recommendations

The Accounting Officer should direct:

1. The Project Manager (District Engineer) to:
  - i) Commission a formal, independent technical audit (involving the District Internal Auditor and an independent Engineer) to verify the current status of the works and resolve the 12.2% physical progress discrepancy (i.e., 93% reported vs. 80.8% actual

- measured via IPCs). This exercise must produce a Comprehensive Report that maps all current site conditions against the original BoQs. No further payments or certificates should be issued until the exact "As-Built" value is reconciled.
- ii) Ascertain that the valuation report should accurately determine the remaining financial requirements and serve as the technical basis for procuring a new contractor to complete the outstanding works of the project.
  - iii) Assess liquidated damages i.e., calculate and deduct the maximum allowable liquidated damages (capped at 5% of the final contract value as per SCC (GCC 58.1) from any outstanding interim certificates and initiate legal proceedings against the contractor, WML Consult & Engineering Ltd.
  - iv) Conduct a site safety compliance inspection to ensure that all the health and safety measures are in place. The costs for any emergency works undertaken by the District should be billed directly to the defaulting contractor's final account.
2. The District Health Officer to:
- i) Conduct a joint technical verification exercise with CEM Enterprises (U) Ltd. and the District Internal Auditor to assess the physical condition, completeness, and warranty status of all delivered equipment. The resulting report must confirm that no damage occurred during the period of improper storage and clearly define liability for any defects identified before the equipment is commissioned.
  - ii) Relocate the medical equipment to a secure Government store to end service disruptions and restore the OPD/Consultancy Rooms to their intended use in a safe environment
3. Establish Grievance Redress Committees in accordance with Circular ADM 84/121/02 (Grievance Management under the UgIFT Programme) issued on 19<sup>th</sup> July 2023 by the Ministry of Gender, Labour and Social Development.

## CHAPTER 1: INTRODUCTION

### 1.1 Background

In accordance with Section 8 (1) (j) (ii) of the PPDA Act Cap. 205, the Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a contract audit of the upgrade works at Alango Health Centre II to Health Centre III in Otuke District.

The project is part of the Uganda Intergovernmental Fiscal Transfer (UgIFT) Program for Results, funded by the World Bank. Under this initiative, the Ministry of Health earmarked several Health Centre IIs across Uganda for upgrades or new construction to improve regional healthcare service delivery.

As a beneficiary district, Otuke District Local Government on 13<sup>th</sup> January 2023 entered into a contract with WML Consult & Engineering Ltd. for the upgrade of Alango H/C II to H/C III at a contract price of UGX. 912,527,336 inclusive of 6% WHT and 18% VAT, for a period of eight months.

### 1.2 Objective of the audit

The overall objective of the audit was to assess the status of contract implementation of the upgrade of Alango H/C II to H/C III 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 Act, Cap. 205 and UgIFT Guidelines to achieve the goal of boosting health service delivery.

### 1.3 Specific objectives

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

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

### 1.4 Scope of the audit exercise

The audit examined the contract execution and management for the upgrade of Alango Health Centre II to III, between Otuke District Local Government and WML Consult & Engineering Ltd. at a total cost of UGX. 912,527,336 (inclusive of 6% WHT and 18% VAT), with key contractual details summarized in Table 1 below.

**Table 1: Contract Summary**

Item Description	Details
Entity	Otuke District Local Government
Procurement Reference Number	MOH-UGIFT/WRKS/2022-23/00001-LOT 3
Contract Title	Upgrade of Alango H/C II to H/C III
Name of the Provider	WML Consult & Engineering Ltd.
Original Contract Value inclusive of 18% VAT	912,527,336
Contract Signature Date	13 <sup>th</sup> January 2023
Commencement Order Date	24 <sup>th</sup> January 2023
Original Contract End Date	8 months i.e., 24 <sup>th</sup> September 2023
1 <sup>st</sup> Extension of Time	30 <sup>th</sup> April 2024
2 <sup>nd</sup> Extension of Time	20 <sup>th</sup> June 2025
3 <sup>rd</sup> Extension of Time	30 <sup>th</sup> December 2025

<b>Item Description</b>	<b>Details</b>	
Status of works as at 30 <sup>th</sup> November 2025 as per the progress Report prepared by the Ag. District Engineer	Time Progress – 428% Physical Progress – 93% Financial Progress– 83%	
Advance Payment Details (30% of total contract amount)	Total Advance Paid: UGX. 273,758,201 Advance Recovered: UGX. 158,146,926 Unrecovered Advance: UGX. 115,611,275	
Defects Liability Period	365 days	
Contract Manager	Mr. James Lawrence Obong – Civil Engineer	
Contract Scope and Amount	<b>Works Description</b>	<b>Amount (UGX)</b>
	Preliminaries	78,000,000
	ESMP implementation	5,000,000
	Maternity Ward (Standard)	677,741,133
	01. No. VIP 4 Stance + Shower	41,518,041
	Placenta Pit	23,548,100
	Medical Waste Pit	12,314,000
	<b>Sub-Total</b>	<b>838,121,274</b>
	Add: Contingency 5%	41,906,064
	<b>Sub-Total</b>	<b>880,027,337</b>
	Add: Local Government Supervision	32,500,000
<b>Grand Total</b>	<b>912,527,337</b>	

### 1.5 Audit methodology

The Authority adopted the following methodology:

- i) Review of the signed contract, contract implementation records and any correspondences related to the matter.
- ii) Physical verification of the project site.
- iii) Debrief of the Entity management on the preliminary findings.
- iv) Issuance of a management letter to the Entity for its management response.
- v) Review of the management response from the Entity.
- vi) Reporting on the audit findings and providing actionable recommendations where applicable.

### 1.6 Limitation of scope

While the audit team performed a physical verification of the works against the contract specifications, the team did not include a certified Engineer. This audit report does not provide a technical opinion on the structural integrity or deep-technical quality of the installations beyond the visible non-compliance and functional failures.

### 1.7 Legal documents applicable

The applicable laws and legal framework were:

- i) The PPDA Act, Cap. 205.
- ii) The PPDA Regulations.
- iii) The signed contract.

## **CHAPTER 2: FINDINGS AND RECOMMENDATIONS**

### **2.1 Progress of the works with regard to the effectiveness of time, quality and cost controls of works undertaken**

The Authority noted that 453% of time had lapsed with a 93% physical progress and 83% financial progress by 30<sup>th</sup> January 2026.

#### **2.1.1 Time Control**

##### **2.1.1.1 Project Delay/Stagnation**

The Alango H/C III project reached a 453% time-lapse on 30<sup>th</sup> January 2026. With 29 months past the September 2023 original contractual completion deadline, the contractor (WML Consult & Engineering Ltd.) demonstrated a lack of urgency and failed to mobilize sufficient resources to complete the outstanding 7% of the works, despite three completion time extensions that concluded in December 2025.

The Authority's site inspection revealed the following findings regarding the status of the works:

#### **i) Unauthorized Decommissioning**

In violation of GCC 28 of the contract, the contractor demobilized key equipment (Appendix I) and dismantled temporary site structures without prior written consent from the Project Manager. This unauthorized withdrawal, occurring while 7% of the scope remained outstanding, constituted a constructive abandonment of the works and a fundamental breach of the contractual obligations.

#### **ii) Absence of Key Personnel on Site**

Contrary to SCC (GCC) 14.1 of the contract, the contractor withdrew all essential technical staff (Appendix II) from the site. This left the project without professional oversight, significantly compromising the safety, technical integrity, and coordination of the final completion phase.

#### **iii) Absence of Mandatory Technical Documentation**

Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations, 2023, provides that the Contract Manager bears the statutory responsibility for the proper maintenance and archiving of all contract management documentation. The total absence of project records, including approved drawings, Bills of Quantities (BoQs), Site Instruction Books, worker logs and identifications; and updated construction schedules/work programs, meant a total breakdown in site management. This made it impossible to conduct quality assurance, verify works and personnel, or measure the remaining 7% of the scope.

#### **iv) Interference with Existing Health Services**

The medical equipment worth UGX. 224,784,434 (Appendix III) that was procured separately and supplied by another provider, CEM Enterprises (U) Ltd., remained uninstalled and unverified due to the incomplete health facility works. The crates/boxes were stored within the active Outpatient Department (OPD), Consultancy Room, and Store, effectively encroaching on clinical space. This hindered the delivery of ongoing healthcare services, compromised patient flow, and created an unsafe environment for both staff and patients within the existing facility.

## **Implications**

- **Service Delivery Failure:** The contractor's non-performance has resulted in a critical service gap, forcing medical treatment to be administered in outdoor conditions and stalling healthcare advancements for the local community.
- **Asset Deterioration:** Uninstalled medical equipment stored in boxes is prone to moisture damage, theft, and/or expiration of manufacturer warranties.
- **Legal and Financial Risk:** The unauthorized decommissioning suggests that the contractor may be insolvent and the Entity may struggle to recover liquidated damages.
- **Safety and Liability:** A site without technical oversight is a safety hazard and an insurance liability for Otuke District Local Government.

## **Management Response**

- *It is true that the contractor was not submitted to PPDA for suspension. This was due to the fact that the contractor had delivered materials to site for completion of the remaining works; such as, door shutters, curtain rails, plumbing accessories, solar lights, fire extinguishers, pin boards, reception marbles, water harvesting tanks and stands.*
- *It is also true that various contract extensions were made, however, this was done to ensure continuity of the project and Value for Money (VFM) due to the fact that the contractor was already on site and in case of any defects, there was ease of correction by the same contractor.*
- *Liquidated damages were not applied. Instead, various notifications were given to the contractor concerning delayed time and the contractor managed to deliver the remaining works through direct engagement, writing letters, phone calls and emails.*
- *The advance payment was also recovered i.e., 100% from the contractor. Right now, the District is left with retention to pay the contractor after the Defects Liability Period.*
- *A joint technical verification was done by the Office of the District Internal Auditor, District Health Officer (DHO), Office of Chief Administrative Officer (CAO) and Office of the Resident District Commissioner (RDC) to assess the physical conditions and status of the equipment supplied by CEM Enterprises (U) Ltd., and the equipment was found in good condition.*
- *The equipment supplied should have been shifted to the new Maternity Ward, but the only challenge is that the contractor applied for a new electricity pole service to be supplied by UEDCL, but up to now the pole has not been supplied, otherwise, the facility is ready for operation.*

## **Authority's comment**

Otuke District Local Government Management's response is noted, but is not supported by any verifiable evidence; therefore, the audit findings stand.

- i) Failure to Penalize Non-Performance:** Management's admission that the contractor was not submitted for suspension and that the liquidated damages were not applied despite a 453% time-lapse constitutes a waiver of contractual remedies without justification. The claim that extensions were granted to "ensure Value for Money" is contradicted by the fact that the project is more than 29 months overdue and the contractor unauthorizedly demobilized while 7% of works were outstanding.
- ii) Lack of Evidence for Material Delivery:** While Management claims the contractor delivered various finishing materials (door shutters, solar lights, etc.), no Goods Received Notes (GRNs), delivery notes, or verified site inspection reports were provided to confirm that these items were physically on-site and met the BoQs technical specifications.

- iii) **Unsubstantiated Joint Verification:** Management referred to a "joint technical verification" regarding the UGX. 224,784,434 worth of medical equipment. However, in the absence of a signed Verification Report from the mentioned offices (Chief Administrative Officer, District Health Officer, Resident District Commissioner, and Internal Auditor), the Authority cannot confirm the condition of the equipment or the mitigation of the risks posed by its improper storage in clinical spaces.
- iv) **Operational Stalls:** The Authority notes a discrepancy between Management's claim of readiness and the physical reality on-site as was seen by the audit team. A facility with 7% of its scope incomplete and no verified technical records, cannot be deemed ready for operation. The delay in electricity installation does not excuse the contractor's failure to complete the primary structural and finishing works. Without a **Practical Completion Certificate** and a formal commissioning and handover, the facility remains a construction site that cannot be deemed ready for clinical use.

### **Recommendations**

The Accounting Officer should direct:

1. The Project Manager (District Engineer) to:
  - i) Assess liquidated damages i.e., calculate and deduct the maximum allowable liquidated damages (capped at 5% of the final contract value in accordance with SCC (GCC 58.1) from any outstanding interim certificates and initiate legal proceedings against the contractor (WML Consult & Engineering Ltd.).
  - ii) Conduct a comprehensive site assessment to measure all completed works and identify defects against the BoQs. This valuation report must accurately determine the remaining financial requirements and serve as the technical basis for procuring a new contractor to complete the outstanding 7% of the project.
2. The District Health Officer to:
  - i) Conduct a joint technical verification exercise with CEM Enterprises (U) Ltd. and the District Internal Auditor to assess the physical condition, completeness, and warranty status of all delivered equipment. The resulting report must confirm that no damage occurred during the period of improper storage and clearly define liability for any defects identified before the equipment is commissioned.
  - ii) Relocate the medical equipment to a secure Government store to end service disruptions and restore the Out Patient Department/Consultancy Rooms to their intended use in a safe environment.

The Authority will institute suspension proceedings into WML Consult & Engineering Ltd's failure to substantially perform the obligations specified in the contract in accordance with Section 128 (e) of the PPDA Act, Cap. 205.

### **2.1.2 Cost Control**

#### **2.1.2.1 Projected Loss of Public Funds of UGX. 80,077,355**

The Alango H/C III project has reached a state of financial non-viability. The Entity's financial position is unsecured, because the unrecovered advance (UGX. 115,611,275) now exceeds the remaining contract balance (UGX. 94,202,409) yet works are incomplete.

As detailed in Table 2, there is a projected financial loss of UGX. 80,077,355, comprising:

- UGX 21,408,866 (*Ref: Item F in Table 2*): Shortfall in recovering the initial advance paid; and

- UGX. 58,668,489 (Ref: Item G in Table 2): Funding gap required to complete the remaining 7% of physical works.

**Table 2: Financial Position of the Project**

Reference	Description	Amount (UGX)
	Total Contract Sum (inclusive of Local Government Supervision fees and 5% contingency)	912,527,336
<b>A</b>	<b>Effective Construction Budget:</b> <ul style="list-style-type: none"> <li>• Less Local Government Supervision Fees of UGX. 32,500,000</li> <li>• Less Contingency (5%): UGX. 41,906,064</li> </ul>	<b>838,121,272</b>
<b>B</b>	<b>Total Value consumed by the Contractor (Net Pay + 6% WHT)</b> Note: This total amount is: <ul style="list-style-type: none"> <li>• Inclusive of UGX. 273,758,201 advance paid.</li> <li>• Less UGX. 158,146,926 recovered from advance paid.</li> <li>• Less retention of UGX. 33,868,486.</li> </ul>	743,918,863
<b>C=B/ A *100</b>	<b>Financial Progress</b>	<b>88.76%</b>
	Total Measured Works ( <i>Value on Ground, before deduction of advance paid and retention monies</i> ) <ul style="list-style-type: none"> <li>• IPC No.1: UGX. 266,555,157</li> <li>• IPC No.2: UGX. 223,048,644</li> <li>• IPC No.3: UGX. 187,765,911</li> </ul>	677,369,712
<b>D=A-B</b>	<b>Amount left on contract before Advance Recovery</b> Note: This amount includes retention of UGX. 33,868,486	<b>94,202,409</b>
<b>E</b>	Unrecovered Advance	115,611,275
<b>F=D-E</b>	<b>Actual contract balance after 100% Advance Recovery</b>	<b>(21,408,866)</b>
<b>G= A*7%</b>	Estimated cost required to complete the project (i.e. 7% pending works given a physical progress of 93% according to the Ag. District Engineer's report of November 2025)	(58,668,489)
<b>H = F+G</b>	<b>Total shortfall the Entity faces to complete the project after 100% advance recovery</b>	<b>(80,077,355)</b>

The analysis is provided below:

**i) Overpayment of Advance by UGX. 9,750,000**

SCC (GCC) 60.1 of the contract stated that: *"The Advance Payment will be equivalent to 30% and will be paid in the same currencies and proportions as the Contract Price. It 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."*

An audit of the initial 30% advance payment revealed an irregular inclusion of the Local Government Supervision budget (UGX. 32,500,000) within the contractor's advance payment. Since supervision costs are administrative and not part of the contractor's execution costs, this

resulted in an immediate overpayment by UGX. 9,750,000. The Entity disbursed UGX. 273,758,201 instead of the eligible UGX. 264,008,201, consequently increasing the Entity's financial risk from the onset.

**ii) Lapses in Advance Payment Recovery (Violation of GCC 60.3 of the contract)**

According to GCC 60.3 of the contract, the advance payment of UGX. 273,758,201 was mandated to be recovered in equal installments starting from the second month and concluding by the seventh month of the contract. However, 29 months past the original deadline, a total of UGX. 115,611,275 remained unrecovered. The Project Manager failed to apply the mandatory deductions to the Interim Payment Certificates (IPCs) during the designated six-month advance recovery window. Critically, the Advance Payment Guarantee expired on 17<sup>th</sup> December 2023, leaving the Entity with no third-party recourse to recover the deficit.

**iii) Progress Reporting Mismatch (93% vs. 80.8%)**

There was a significant contradiction between the Progress Report and the actual measured works. While the Ag. District Engineer's November 2025 report claimed 93% physical progress, the total measured works (UGX. 677,369,712) represented only 80.8% of the construction budget (UGX. 838,121,272).

This 12.2% discrepancy (i.e., 93% – 80.8%) suggests either an overestimation of physical progress in the November 2025 report to justify previous payments or a failure to measure and certify completed works. If the former is true, then the project is significantly further from completion than what the reported 7% pending scope in the November report suggests.

**iv) Non-Compliance with Retention Requirements (Violation of GCC 57.1 of the contract)**

The Entity retained only 5% (UGX. 33,868,486) instead of the contractually mandated 10% as per GCC 57.1 of the contract. This resulted in a retention deficit of UGX. 33,868,486, reducing the District's financial safeguard against defects or contractor default.

**v) Risk of Misalignment of Contingency Funds**

The Authority identified a significant risk regarding the potential misapplication of the 5% contingency sum (UGX. 41,906,064) meant for unforeseen site conditions, to be used for completion of pending works. The Entity was advised not to divert these funds to cover the cost of pending contractual scope or to bridge the funding deficit caused by the contractor's non-performance.

**Implications**

- The Entity faces a projected loss of UGX. 80M and lacks the financial leverage to compel project completion. Since the unrecovered advance exceeds the remaining contract balance, the contractor (WML Consult & Engineering Ltd.) has no financial incentive to finish the outstanding works.
- Due to the budgetary shortfall and following the UgIFT program closure in December 2025, the Entity faces the risk of securing alternative funding to complete the Health Centre works and safeguard the Government's investment.
- Failure to execute the advance recovery schedule as per GCC 60.3 of the contract, allowed the contractor to retain funds beyond their contractual entitlement, leading to now a direct financial loss of UGX. 80M to the Entity.

- The 12.2% gap between the reported progress (93%) and measured works (80.8%) suggests either uncertified work or inflated reporting, calling into question the District Engineer's report accuracy and the project's actual status.

### **Management Response**

- *The advance payment of UGX. 115,611,275 was 100% recovered. Right now, the Entity does not demand any unrecovered advance from the contractor, WML Consult & Engineering Ltd.*
- *The supervision funds were used for payment of Clerk of Works, site meetings, monitoring and supervision of the project.*
- *Part of the contingency funds was used in the construction of an incinerator as was demanded by the Health Management Unit of Alango Health Centre III.*
- *We managed to engage the contractor using applicable modalities to complete the entire remaining works and all advances were recovered from the contractor.*

### **Authority's Comment**

Otuke District Local Government Management's response is noted; however, in the absence of documentary evidence to validate these claims, the audit findings on financial non-viability and overpayment are upheld.

- i) **Unsubstantiated Recovery of Advance Payment:** Management claims that the UGX. 115,611,275 outstanding advance was recovered "100%." However, no evidence was submitted to show how or when this was recovered, especially since the Advance Payment Guarantee expired on 17<sup>th</sup> December 2023. Without stamped IPCs or official receipts showing these deductions, the Authority maintains that the Entity's financial position remains unsecured.
- ii) **Irregular Use of Contingency Funds:** Management admits to using contingency funds for the construction of an incinerator, yet an incinerator is a distinct structural component that should have been part of the original scope or a formal contract variation. Using the UGX. 41,906,064 contingency sum for a new structure rather than unforeseen site conditions confirmed the risk of funds misalignment and constitutes an unauthorized diversion of project funds.
- iii) **Failure to Address the Supervision Overpayment:** Management's explanation that the supervision funds were used for "Clerk of Works payment, site meetings, monitoring and supervision" does not address the audit finding. The issue was that UGX. 32,500,000 (an administrative budget) was included in the contractor's 30% advance calculation. This resulted in a UGX. 9,750,000 overpayment to the contractor at the start of the project, which remains uncorrected.
- iv) **Contradiction on Project Status:** Management claimed they engaged the contractor to complete the entire remaining works, but this directly contradicts the 93% vs 80.8% Progress Report mismatch and the audit team's site observations under Exception No. 2.1.3. Without a Certificate of Practical Completion and a Joint Measurement of Works Report, the claim of 100% completion is considered unsubstantiated and unverified.
- v) **Silence on Retention Deficit:** Management failed to respond to the finding that only 5% retention was held instead of the 10% mandated by GCC 57.1 of the contract. This confirms a fundamental breach of contractual safeguards, leaving the district with insufficient funds to cover potential defects.

## **Recommendations**

The Accounting Officer should:

1. Commission a formal, independent technical audit (involving the District Internal Auditor and an independent Engineer) to verify the current status of the works and resolve the 12.2% physical progress discrepancy. This exercise must produce a Comprehensive Report that maps all current site conditions against the original BoQs. No further payments or certificates should be issued until the exact "As-Built" value is reconciled.
2. Submit verifiable evidence to the Authority of the following documents within 14 days to substantiate the management claims:
  - i) Interim Payment Certificates (IPCs) or general receipts proving the 100% recovery of the UGX. 115,611,275 advance payment. Otherwise, legal proceedings should be initiated against the contractor (WML Consult & Engineering Ltd.) to recover the UGX. 115,611,275 advance payment deficit.
  - ii) Dated photographic evidence showing evidence of completion of works and the rectification of the defects (e.g., the water tank bracing, PWD fittings, masonry cracks and others under Exceptions Nos. 2.1.3 and 2.2).
3. Calculate and deduct liquidated damages from any remaining retention funds to compensate for the 29-month delay, given the 453% time-lapse and the contractor's unauthorized demobilization.
4. Issue an administrative directive reserving contingency sums strictly for unforeseen works. These monies should not be used to offset/subsidize the contractor's outstanding contractual obligations.
5. Task the District Engineer to show cause why disciplinary action should not be taken against him for violating GCC 60.3 of the contract regarding the six-month recovery of advance paid.
6. Task the officers involved in the irregular inclusion of supervision costs in the contractor's advance payment to show cause why they should not be held accountable for the resulting UGX. 9.75M financial loss (i.e., the 30% of UGX 32,500,000- LG Supervision Costs irregularly paid to the contractor as part of advance).

### **2.1.3 Quality Control**

#### **2.1.3.1 Technical Deficiencies and Deviations from the BoQs**

Regulation 52 (3) (a) (i) of the PPDA (Contracts) Regulations, 2023 states that: *"A Contract Manager shall ascertain that the provider meets all the performance or delivery obligations in accordance with the terms and conditions of the contract."*

The Authority's inspection of the project structures in November 2025 revealed non-compliance with the BoQs and poor workmanship (Appendix IV). This suggests that the Contract Manager was either absent from the site or knowingly accepted substandard work during the construction phase, as detailed below:

#### **i) Maternity Ward**

- **Surface Finishes:** The contractor applied only two coats of paint instead of the mandated three. The wall surfaces were not plastered/filled prior to painting, resulting in visible holes and uneven textures. The internal skirting was poorly aligned. The lower cabinetry was unstable and improperly fitted. The swing doors were misaligned creating unwanted gaps.

- **Incomplete Fixtures:** Lighting fixtures were incomplete. Only six out of seven required pinboards were installed and these exhibited severe brown staining and moisture damage, indicating the use of poor-quality materials.
  - **Electrical Infrastructure:** The health facility remains disconnected from the grid. The two-pole UMEME connection (including solido, meter box, and Yaka interface) had not been executed, and the internal sockets and wiring were incomplete.
  - **Structural and External Works:**
    - **Ceiling and Roofing:** The ceiling had developed cracks, and two out of the three mandated ceiling access traps were irregularly omitted.
    - **Protection:** Windows lacked weather canopies, exposing the interior to harsh weather. The splash apron (intended to protect the foundation) had cracks and was poorly cast.
    - **Water Systems:** The water tank stand lacked necessary bracing, posing a collapse risk. The mechanical hand pump was uninstalled, and the drainage systems (manholes, gully traps, soak pits, and septic tanks) remained incomplete and non-functional.
    - **Sanitary Fittings:** All internal toilet accessories including shower heads, toilet roll holders, soap dishes, and Special Needs (PWDs) hinged support grabrails were missing.
- ii) **Placenta Pit**  
The cover was rusted and failed to seal properly, which is a significant biosafety risk. Furthermore, the contractor was using the pit as a storage unit for construction debris, rendering it unusable for clinical waste.
- iii) **4 Stance VIP Latrine + Shower (Male and Female)**
- **Drainage Malpractice:** The 500-liter overhead tank lacked a soak pit, causing wastewater to discharge directly onto the ground. This leads to soil erosion and stagnant water hazards.
  - **Failure of PWDs Inclusivity:** Despite the BoQs requirements, there were no armrests or grab rails.
  - **Ramp Inaccessibility:** The ramps were not leveled with the floor slabs and terminated into unpaved, uneven soil. In addition, the female wing ramp's proximity to the Placenta Pit created a physical bottleneck that prevents the necessary turning radius for wheelchair users.
- iv) **Medical Waste Pit**  
The cover was rusted and failed to seal properly, which is a significant biosafety risk.

### **Implication**

The technical deficiencies and deviations indicated inadequate supervision by the Project Manager. As a result, the health facility will require expensive reworks and repairs, shifting the financial burden from the contractor back to Otuke District Local Government.

### **Management Response**

*The technical deficiencies identified during the audit were also detected by Management and the Accounting Officer sent the District Health Officer, District Internal Auditor and District Engineer to conduct a joint technical inspection and produce a report so as to notify the contractor to make corrections. Most of them were addressed.*

### **Authority's comment**

Management's response is noted; however, in the absence of a signed Joint Technical Inspection Report or verified Site Instructions, the findings on poor workmanship and non-compliance with the BoQs are upheld.

- i) **Admission of Supervision Failure:** Management's admission that these deficiencies were only detected later confirms a breach of Regulation 52 (3) (a) (i) of the PPDA Regulations 2023. Continuous supervision should have prevented these defects during construction rather than attempting to rectify them after the contractor had already demobilized.
- ii) **Unverified Rectification:** The claim that "most deficiencies were addressed" is unsubstantiated. The Authority's inspection in November 2025 revealed high-risk structural issues such as unbraced water tank stands (collapse risk); cracked splash aprons (foundation risk) and missing PWD sanitary fittings. Without a Defects Rectification Certificate signed by the District Engineer and the Internal Auditor, these claims are considered unreliable.
- iii) **Absence of Technical Records:** Management failed to provide Site Instruction books or correspondences showing that the contractor was formally notified to fix these specific defects. In the absence of such records, there is no legal basis to hold the contractor liable for the 7% outstanding works or the poor quality of the existing 93% works.
- iv) **Operational Risk:** With critical safety omissions (e.g., lack of weather canopies and electrical interface), unresolved structural cracks and no medical-grade sanitary fittings, the facility cannot be deemed fit for clinical use.

### **Recommendations**

The Accounting Officer should:

1. Task the Project Manager (District Engineer) to conduct a comprehensive technical audit to measure all works and photographically document defects. This report should serve as the budgetary baseline for procuring a new contractor to finish the outstanding scope.
2. Hold the Project Manager (District Engineer) accountable for failing to enforce Regulation 52 (1) (b). A formal explanation should be sought as to why poor workmanship and non-compliance with BoQs were not detected and corrected during the regular supervision cycle.

## **2.2 Adherence to Environmental, Social, Health and Safety (ESHS) requirements**

### **2.2.1 Negligence of ESHS Standards**

- GCC Clause 24 (**Safety Procedures**) establishes the contractor's total liability for site safety and public protection. The contractor assumes absolute liability for site safety and regulatory compliance, requiring them to provide continuous guarding, fencing, and hazard management to protect personnel, the public, and the works until a formal handover occurs.
- GCC Clause 29 (**Protection of the Environment**) mandates the contractor to assume full responsibility for the environmental and social impact of their operations through the following requirements: implementation of the ESMP, pollution and nuisance control, compliance with emission standards and adaptive management to unforeseen environmental impacts or issues.
- GCC Clause 31 (**Health and Safety**) mandates the contractor to maintain a safe working environment through the following three pillars: Operational Safety (31.1); Health Policy & Awareness (31.2); and Pandemic & Outbreak Response (31.3).

The Authority noted that the contractor (WML Consult & Engineering Ltd.) did not implement ESHS protocols stipulated under GCC 24, 29 and 31 of the contract. This was attributed to failure in both field supervision and administrative accountability, resulting into the following anomalies:

- i) **Absence of Technical Oversight:** The contractor's Health and Safety Officer and Environmental Officer were absent with no evidence of site visits. Furthermore, no approved Health and Safety Plan existed.
- ii) **Lack of Basic Welfare and Sanitation:** There were no First Aid kits, waste management systems, a temporary office for the Project Manager and an approved ESMP on site.
- iii) **Physical Hazards:** The site was unfenced (not hoarded), unlit, unguarded and overgrown with a bush. In addition, there was a total absence of safety signage, warning tapes around dangerous spots like the open septic tank and broken glass found on site.
- iv) **Neglect of Social Safeguards:** The contractor failed to provide adequate PPEs (e.g., gumboots, gloves, safety goggles) to workers; and also ignored the mandatory HIV/AIDS, STI, and M-Pox awareness campaigns and policies required by the contract.
- v) **Absence of a Grievance Redress Structure:** the project was implemented without an active Grievance Redress Mechanism (GRM). The absence of a designated Grievance Redress Committee (GRC) to mediate site-level conflicts left the workforce without legal or administrative recourse, effectively undermining labor rights and project accountability.

#### **Implications**

- With the site abandoned and contract expired, the Entity is liable for any site accidents or fatalities and faces massive litigation and compensation claims due to the contractor's negligence.
- The continued tolerance of these non-compliances reflects a failure in oversight by the Project Manager, potentially undermining public trust and the District's credibility in managing high-value infrastructure projects.
- The absence of a Grievance Redress Mechanism and Grievance Redress Committee meant there was no formalized mechanism to identify, assess, and resolve community or labor grievances at the source. This left the workforce and local community without accessible recourse and increased the risk of unmitigated social conflict during project implementation.

#### **Management Response**

*The above is acknowledged, however, the district has a functional Grievance Redress Committee which handles grievances for all district projects, and high priced projects procured from Central Government.*

#### **Authority's Comment**

Otuke District Local Government Management's response is noted, but fails to address the systematic breach of contractual and statutory safety obligations, consequently, the findings are upheld. There was no evidence provided to prove the establishment of a functional Grievance Redress Mechanism or the formation of required Grievance Redress Committees at the **District level** (i.e., including but not limited to the District Natural Resources Officer, District Environmental Officer and Community Development Officer), **Lower Local Government level** (i.e., Sub-County/Division Level), and the **Project level** (i.e., including but not limited to community members, workers' representatives and more).

### **Recommendations**

The Accounting Officer should:

1. Task the District Engineer to conduct a site safety compliance inspection to ensure that all the health and safety measures are in place. The costs for any emergency works undertaken by the district should be billed directly to the defaulting contractor's final account.
2. Establish Grievance Redress Committees in accordance with Circular ADM 84/121/02 (Grievance Management under the UgIFT Programme) issued on 19<sup>th</sup> July 2023 by the Ministry of Gender, Labour and Social Development.
3. Conduct comprehensive training for district officials on the legal and procedural framework of the Grievance Redress Mechanism while simultaneously raising awareness among both the District Local Government and the local community regarding its existence and operations.

### **CHAPTER 3: AUDIT CONCLUSION**

The UGX 912,527,336 investment in the Alango HC III upgrade has failed to deliver Value for Money, as the expenditure has not translated into accessible healthcare services for Otuke District. Instead of a functional asset, the project has become a stranded asset where the economy, efficiency, and effectiveness of the public funds are entirely lost.

With a 453% time-lapse as of January 2026, the project has evolved into a significant legal and financial liability, with costs likely to escalate further due to site deterioration and the need to rectify defects. The Accounting Officer should immediately initiate debt recovery and secure emergency funding to complete outstanding works and commission the facility to salvage the remains of this investment.

## APPENDICES

### Appendix I: Mandatory Contractor's Equipment (GCC 28.1) not found on site

No.	Equipment type	Minimum number
1.	10-Ton dumper trucks	2
2.	2-Ton dumper trucks	3
3.	Pick-up vehicle	1
4.	Motorcycle	1
5.	Concrete block making machine (if automated one unit)	1
6.	Concrete pocker vibrator	1
7.	Carpentry and joinery kit	2
8.	Welding machines	2
9.	Power float machine	1
10.	Plate compactor	2
11.	Generator – 6KVA – 3 Phase	1

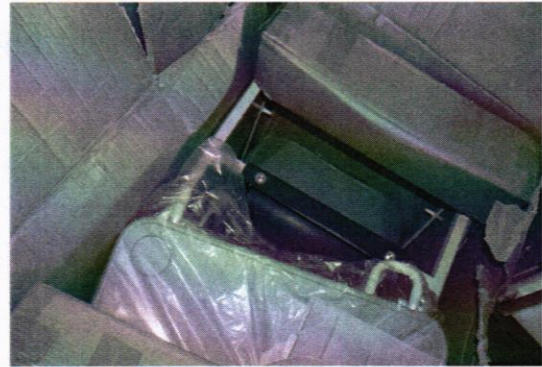
### Appendix II: Mandatory Key Personnel (SCC (GCC) 14.1) not found on site

Position	Number
Contract Manager	1
Project Engineer	1
Quantity Surveyor	1
Health, Safety and Environmental Coordinator	1
Foreman Mechanical	1
Foreman Electrical	1
Foreman Masonry	1
Foreman Carpentry	1
<b>Total</b>	<b>8</b>

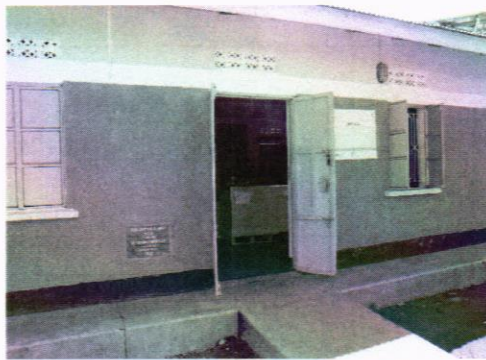
**Appendix III: Medical Equipment Stored in the OPD, Consultancy Room and Store**



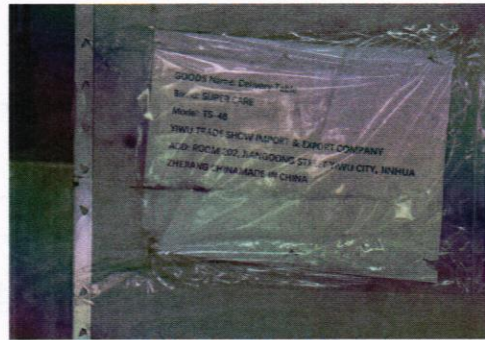
*Crates of equipment stacked in the OPD*



*One of the equipment opened*



*Equipment in the OPD building*



*Unopened delivery table*



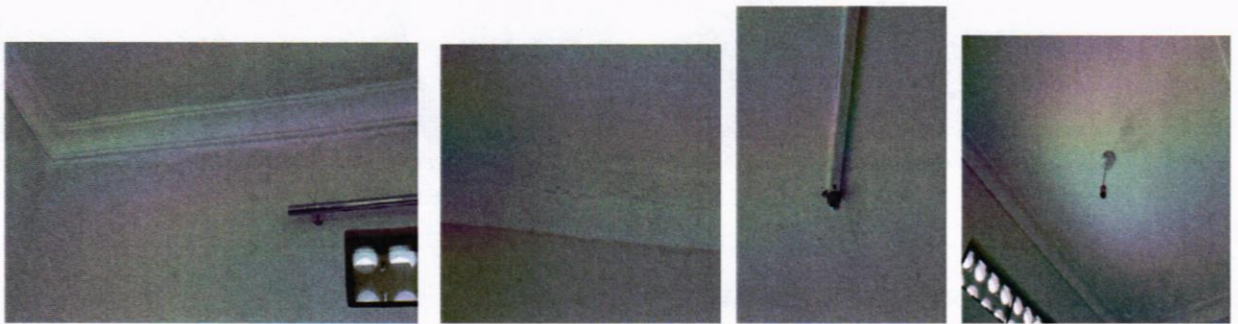
*Hospital Incharge operating under a tree*

**Appendix IV: Physical verification pictures as at November 2025**

**MATERNITY WARD**



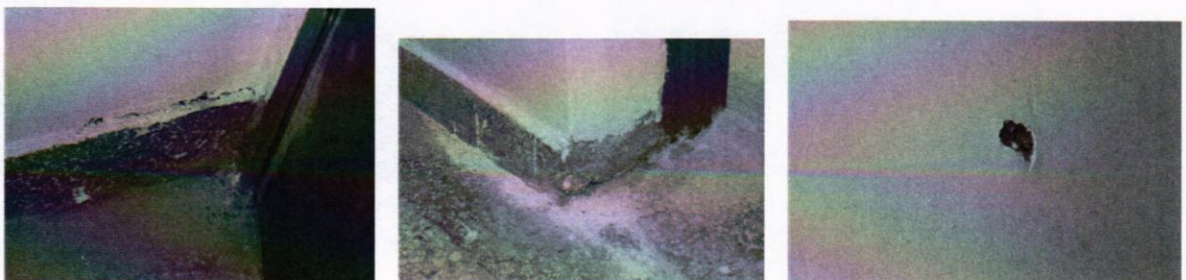
*Inaccessible ramp, bushy site and poorly cast splash apron respectively*



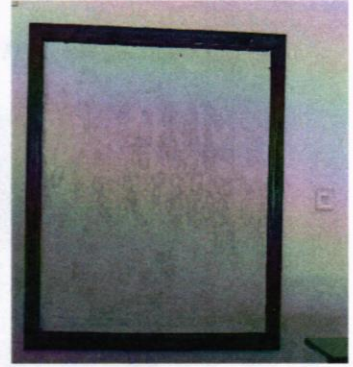
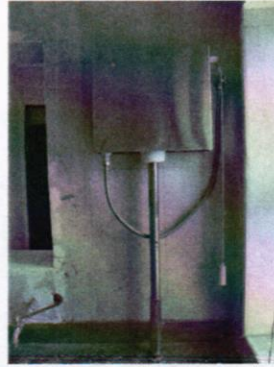
*Poor painting finishes, cracks in ceiling, incomplete lighting fixtures, respectively*



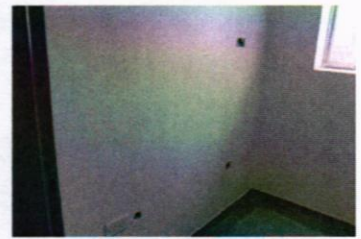
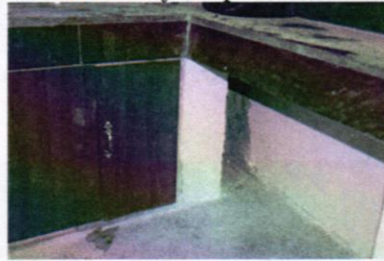
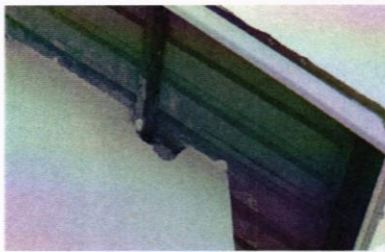
*Missing toilet accessories including shower heads, toilet roll holders, soap dishes, PWDs hinged support grabrails; and incomplete water system including missing manholes, gully traps, soak pits, and septic tanks, respectively.*



*Poor finishes- painting and skirting; and uncovered holes in the wall, respectively*

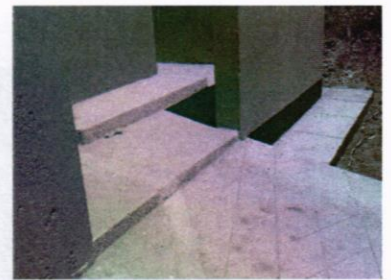
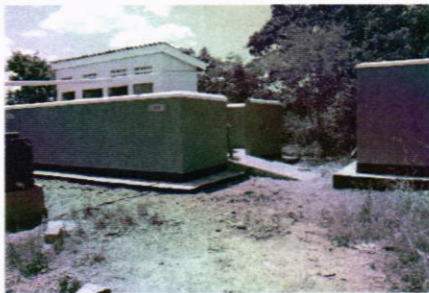


*Poor finishes, incomplete sinks and one of the pinboard with brown staining, respectively.*



*Poor roof finishes exhibiting falling debris, poor cabinetry fixtures and incomplete electrical wiring - sockets, respectively*

**VIP 4 STANCE + SHOWER**

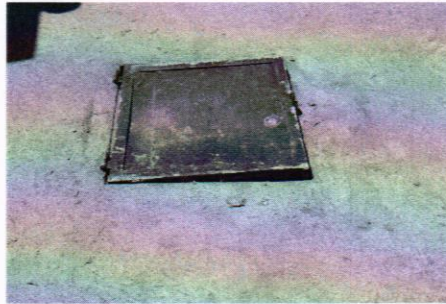
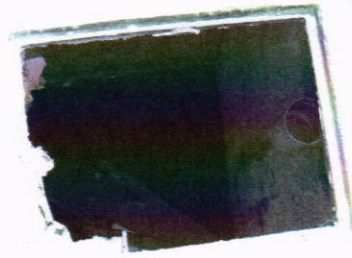


*Inaccessible ramps to both the Female and Male toilets respectively*



*Unpaved, uneven soil and bushy site obstructing access to the Male toilet, missing armrests or grab rails; and 500-liter overhead tank without a soak pit, respectively*

**PLACENTA PIT**



*Open pit irregularly used as a storage unit for construction debris; and the rusted pit cover, respectively*

**MEDICAL WASTE PIT**

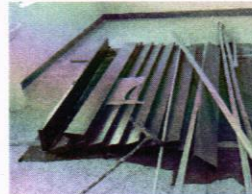


*Medical waste pit with a rusted cover and surrounded by a bush*

**EXTERNAL WORKS/ LANDSCAPING**



*Absence of safety signage, warning tapes around dangerous spots like the open septic tank and broken glass, and the site was unfenced (not hoarded), unlit, unguarded and overgrown with a bush.*



*Dismantled temporary structures; construction materials inside the Maternity Ward, and incomplete water system works, respectively.*