



**COMPLIANCE AUDIT REPORT OF RUBIRIZI DISTRICT  
LOCAL GOVERNMENT FOR FINANCIAL YEAR 2022/23**

**FEBRUARY 2024**

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**Acronyms**

AO	Accounting Officer
CC	Contracts Committee
DLG	District Local Government
EC	Evaluation Committee
ESHS	Environmental, Social, Health and Safety safeguards
FY	Financial Year
HC	Health Centre
HPDU	Head Procurement and Disposal Unit
LTD	Limited
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
SBD	Standard Bidding Document
SCC	Special Conditions of Contract
UGX	Uganda Shilling

## EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out a compliance audit of Rubirizi District Local Government that covered a representative sample of ten procurement and revenue transactions in the Financial Year 2022/23. The audit involved a review of procurement and disposal systems and processes.

From the findings of the compliance audit exercise, the Entity's total weighted score was **48%**, which is **moderately satisfactory risk rating**. The details to the rating are depicted in chapter three of the report.

Despite the moderately satisfactory performance, the following key exceptions were noted:

1. The Entity failed to fully implement 84.6% of the previous recommendations from Financial Year 2019/2020, implying that they did not have a mechanism in place to implement PPDA recommendations;
2. Due to poor planning, the following irregularities were noted:
  - i. Failure by the Entity to implement 46% of the procurement plan, equivalent to activities worth UGX 2,113,181,399, thus affecting service delivery to intended beneficiaries.
  - ii. Two procurement transactions worth UGX 27,044,000 were conducted outside the procurement plan, hence the risk of accumulating domestic arrears.
  - iii. The User Departments caused variances between initiation stage and contracting due to poor planning and budgeting. This affects planning and delivery of other services that would have otherwise been covered with the variance;
3. The Accounting Officer failed to submit the 4<sup>th</sup> quarterly report and to include micro procurements in all the quarterly reports for the Financial Year 2022/23 which undermines the Authority's oversight role;
4. The User Departments used the brand name, Yamaha AG 100, in the supply of four motorcycles worth UGX 65,450,000, hence hindering competition and impeding the achievement of value for money;
5. The Procurement and Disposal Unit prepared incomplete contract documents by missing key documents, for example, the bids, general conditions of the contract and technical drawings. This exposed the Entity to a risk of non-adherence to agreed obligations during contract execution and may also create gaps in contract management;
6. The Procurement and Disposal Unit did not prepare a disposal plan to capture and dispose of the 184 obsolete items identified by the Board of Survey of June 2022. This may result in further depreciation of the assets resulting into further loss of asset value;
7. There were delays in the procurement process and subsequently, the following observations were made:
  - i. The User Departments delayed to initiate procurements by a period of 22 working days from the planned to actual date. This was noted in the construction of Rubirizi Administration Block III worth UGX 167,307,504.
  - ii. On average, the Accounting Officer delayed to sign the contracts by a period of 64.5 working days from planned to actual date in four procurements worth UGX 485,636,455.
  - iii. On average, the contractors delayed to complete works and deliver services by 42 working days from contractual to actual completion date;
8. In the supply of fuel, Shell Katunguru had the Lion's Share of 80.7% of the total call-off orders in the Financial Year 2022/23 despite prequalifying four other suppliers on

- framework contracts. This may lead to low bidder participation and loss of confidence in the Entity's procurement function;
9. The Finance Department irregularly paid retention of UGX 42,453,600 in the construction of District Administration Block Phase VI prior to completion of works and the elapse of the defects liability period;
  10. At the time of the audit on 20<sup>th</sup> August 2023, the Entity had two outstanding balances of UGX 190,989,532 in two procurements worth UGX 483,022,500, that is, construction of Rutoto Piped Water Supply System Phase II and the supply of four motorcycles. Delayed payment affects the cash flows of the providers and this may lead to shoddy works;
  11. In respect to the construction of St. Kizito Seed Secondary School worth UGX 3,532,121,696, the performance and advance securities from Khalsa Developments (U) Ltd were inadequate and did not cover the entire contract/recovery period, hence exposing the Entity to risks of non-performance. The progress of works was at 5% compared to 12.5% of the contract time which could lead to delayed service delivery; and
  12. The District Engineer failed to provide for the Environmental, Social, Health and Safety (ESHS) safeguards in the bills of quantities. Furthermore, the Environment and Community Development Officers did not carry out environmental and social screening in the construction of the General Ward at Kichwamba Health Centre III which undermines the safety and health of the community and workers at site.

In light of the above, Rubirizi District Local Government should implement the following recommendations:

1. The Accounting Officer should:
  - i. Take corrective action and engage all stakeholders to develop strategies for the implementation of the Authority's recommendations in accordance with Regulation 14 (k) of the Local Governments (PPDA) Regulations, 2006;
  - ii. Ensure that the Procurement and Disposal Unit submits comprehensive quarterly reports to the Authority in accordance with Regulations 7 (1) of the Local Governments (PPDA) Regulations, 2006 and Guideline 6/2008 of the Local Government (PPDA) Guidelines, 2008;
  - iii. Expeditiously dispose obsolete assets identified by the Board of Survey in accordance with Regulation 122 (6) of the Local Governments (PPDA) Regulations, 2006;
  - iv. Ensure that the planned timelines are adhered to and that contracts are signed promptly once funds are available to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003; and
  - v. Conduct all procurement and disposal processes in a manner that promotes efficiency in accordance with Section 48 of the PPDA Act, 2003.
2. The Head of the Procurement and Disposal Unit should:
  - i. Update the procurement plan if amendments occur in accordance with Section 58 (4) of the PPDA Act, 2003;
  - ii. Prepare complete contract documents in accordance with Section 7 of the General Conditions of Contract and Regulation 88 of the Local Government (PPDA) Regulations, 2006;
  - iii. Submit all contract documents to the Contracts Committee for approval in accordance with Section 28 (1) (c) of the PPDA Act 2003; and

- iv. Ensure that all bidders who have been awarded contracts under the framework arrangement are given an equal opportunity to deliver goods and services in accordance with Section 45 of the PPDA Act, 2003.
3. The Heads of User Departments should:
    - i. Prepare comprehensive work plans and include all procurement transactions and obsolete items due for disposal in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006;
    - ii. Desist from the use of brand names in the preparation of specifications to maximize competition and ensure the achievement of value for money following Sections 46 and 60 (2) of the PPDA Act, 2003; and
    - iii. Initiate all procurements within the planned timelines to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.
  4. The contract supervisors should:
    - i. Ensure that the Entity meets all payment obligations following the terms and conditions of a contract in accordance with Regulation 119 (10) (a) (iii) of the Local Governments (PPDA) Regulations, 2006; and
    - ii. Ensure that the provider performs the contract following the terms and conditions specified in the contract in accordance with Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.
  5. The District Engineer, Community Development Officer and Environment Officer should ensure that the bills of quantities provide for a costed Environment and Social Management Plan in accordance with Section 61A of the PPDA Act, 2003.
  6. The Internal Audit Department should monitor the distribution of call-off orders among contracted firms in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.

## CHAPTER 1: INTRODUCTION

### 1.1 Background

The Public Procurement and Disposal of Public Assets Authority carried out a compliance audit of Rubirizi District Local Government that covered a representative sample of ten procurement and revenue transactions in the Financial Year 2022/23. The audit involved a review of procurement and disposal systems and processes.

### 1.2 Objective of the compliance audit

The overall objective of the audit was to assess and establish the degree of compliance of Rubirizi District Local Government's procurement and disposal systems and processes with the provisions of the PPDA Act 2003 and Local Government (PPDA) Regulations 2006 and assess the level of procurement performance over the audit period.

The specific objectives of the audit of Rubirizi District Local Government were:

1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act, 2003 and Regulations 2006 with regard to the performance of the procurement structures and conduct of procurement and disposal processes;
2. To assess the degree of compliance of the Entity's procurement and disposal process with the provisions of the PPDA Act, 2003 and Regulations 2006; and
3. To assess the level of efficiency and effectiveness in contract implementation including the application of Environmental, Social, Health and Safety (ESHS) Requirements in the procurement process.

### 1.3 Structure of the Entity

Rubirizi District Local Government's procurement structures were in place, that is, there was a substantive Accounting Officer, Contracts Committee comprising of five members, a fully instituted Procurement and Disposal Unit and adhoc Evaluation Committees were appointed for each procurement transaction.

#### a. Contracts Committee

The composition of the Contracts Committee is shown in table 1 below:

**Table 1: Composition of Contracts Committee**

S/N	Name	Committee position	Title
1.	Mr. Anthony Rubyehayo	Chair Person	Principal Fisheries Officer
2.	Mr. Conrad Mujuni	Member	Sen. Community Development Officer
3.	Ms. Mary Komugisha	Member	District Inspector of Schools
4.	Mr. Edmond Mugabe	Member	Senior Records Officer
5.	Ms. Ritah Murungi	Member	Forestry Officer

#### b. Procurement and Disposal Unit

The composition of the Procurement and Disposal Unit is shown in table 2 below:

**Table 2: Composition of the Procurement and Disposal Unit**

S/N	Name	Qualification	Position on PDU
1.	Mr. Alex Kwizera	Bachelor of Procurement and Logistics Management, Post Graduate in Procurement and Supply Chain Management	Senior Procurement Officer

S/N	Name	Qualification	Position on PDU
2.	Mr. Saturday Izidooro	Bachelor's Degree Procurement and Logistics	Procurement Officer

### c. User Departments

The Entity is subdivided into the following departments as shown in table 3 below:

**Table 3: User Departments**

S/N	User Department	S/N	Lower Local Government
1.	Administration	10.	Rutoto Sub County
2.	Planning	11.	Ryeru Sub County
3.	Natural resources	12.	Kichwamba Sub County
4.	Human Resources	13.	Katunguru Sub County
5.	Community Based services	14.	Kirugu Sub County
6.	Works	15.	Katanda Sub County
7.	Health	16.	Kyabakara Sub County
8.	Education	17.	Magambo Sub County
9.	Finance	18.	Katerera Town Council
		19.	Rubirizi Town Council

### 1.4 Scope of the compliance audit

PPDA carried out the procurement and disposal compliance audit of Rubirizi District Local Government from **22<sup>nd</sup> to 24<sup>th</sup> August 2023**. The exercise covered a sample of ten procurement transactions worth UGX **5,529,984,857** conducted during the FY 2022/23, review of procurement structures and review of the procurement plan performance. The list of sampled transactions is contained in **Annex A**.

The distribution of the sample according to the method of procurement and value is detailed in Table 4 below.

**Table 4: Analysis of Population and Sample Selected for Audit of FY 2022/23**

S/N	Procurement method	Population		Sample		Percentage	
		Value (UGX)	No.	Value (UGX)	No.	Value	No.
1.	Open Domestic bidding	5,874,673,312	21	5,522,034,857	9	94	42.9
2.	Selective bidding	124,792,814	9	7,950,000	1	6.4	11.1
<b>TOTAL</b>		<b>5,999,466,126</b>	<b>30</b>	<b>5,529,984,857</b>	<b>10</b>	<b>92.2</b>	<b>33.3</b>

*Note: A procurement worth UGX 3,532,121,969 from FY2021/22 was audited and hence added to both the population and sample figures*

### 1.5 Methodology

Rubirizi District Local Government was notified about the audit exercise on **16<sup>th</sup> August 2023**. A sample of ten procurement and revenue transactions was selected based on stratified random sampling using the Contracts Committee minutes, the contracts register, and quarterly procurement and disposal reports.

Two Senior Officers carried out the exercise under the supervision of the Regional Manager. During the exercise, the team examined records and documents for each of sampled transactions. The team also reviewed the procurement plan for FY 2022/23 and quarterly procurement and disposal reports.

## CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS

This Section presents the key findings arising from the audit based on the specific objectives of the exercise.

### 2.1 COMPLIANCE BY THE ENTITY WITH THE GENERAL PROVISIONS OF THE PPDA ACT, 2003 AND REGULATIONS 2006 WITH REGARD TO THE PERFORMANCE OF THE PROCUREMENT STRUCTURES AND CONDUCT OF PROCUREMENT AND DISPOSAL PROCESSES

#### 2.1.1 Failure to implement previous PPDA recommendations

Regulation 14 (k) of the Local Governments (PPDA) Regulations, 2006 requires the Accounting Officer to implement the recommendations of the Authority.

The Accounting Officer failed to implement 84.6% of the previous audit recommendations contained in the audit report for the Financial Year 2019/2020 issued on 8<sup>th</sup> January 2021 contrary to the above regulation. Only two out of the 13 recommendations made were implemented as detailed in Table 5.

**Table 5: Implementation of PPDA recommendations**

S/N	Recommended action plan	Status
1.	The Accounting Officer should ensure that all recommendations by the Authority are shared with all Departments of the Entity and institute a mechanism to ensure full implementation.	Not Implemented
2.	The Accounting Officer should ensure that all Heads of the Lower Local Governments report all micro procurements conducted, to the Contracts Committee and submit copies to the Procurement and Disposal Unit monthly in accordance with Guideline 6/2008 of the Local Governments (PPDA) Guidelines, 2008 on micro procurements and community purchases.	Not Implemented
3.	The Accounting Officer and the Procurement and Disposal Unit should ensure competition in accordance with Section 46 of the PPDA Act, 2003 and Schedule 7 (c) of the Fourth Schedule of the PPDA Act, 2003.	Not Implemented
4.	The Accounting Officer should ensure that the planned timelines are adhered to to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.	Not Implemented
5.	The Accounting Officer should prevail over the contract supervisors to ensure that all providers are promptly paid in accordance with Regulation 119 (10) (a) (iii) of the LG (PPDA) Regulations, 2006.	Not implemented
6.	The Heads of the Lower Local Governments should ensure that the work plans prepared are realistic, ensure 100% plan implementation in the Financial Year 2020/21, and regularly update their work plans in accordance with Section 58 (4) of the PPDA Act, 2003.	Not implemented
7.	The Head Procurement and Disposal Unit should ensure that all revenue points are incorporated in the procurement plan and always update the procurement plan in accordance with Regulation 58 (4) of the Local Governments (PPDA) Regulations, 2006.	Not implemented
8.	The Authority recommends that the Head Procurement and Disposal Unit should ensure that all records on a procurement transaction are properly archived in accordance with Section 30 (o) of the PPDA Act	Not implemented

S/N	Recommended action plan	Status
	2003.	
9.	The Procurement and Disposal Unit should ensure that performance securities are furnished before contracts are signed in accordance with Regulation 89 (1) (a) of the Local Governments (PPDA) Regulations, 2006.	Not implemented
10.	The Procurement and Disposal Unit and the Contracts Committee should read through the Special Conditions of the Contract to ensure that the correct details are input prior to signing the contract and that all contracts are prepared in accordance with Regulation 88 of the Local Governments (PPDA) Regulations, 2006.	Not implemented
11.	The Head Procurement and Disposal Unit should also conduct supplier appraisals of providers and develop strategies to maximize competition in accordance with Section 46 of the PPDA Act 2003.	Not implemented

### Implication

This implies that the Entity did not have a mechanism for implementation of audit recommendations.

### Management response

*Issues above have been noted we shall ensure that the regulation is adhered to.*

### Recommendation

The Accounting Officer should take corrective action and engage all stakeholders to develop strategies for the implementation of all the Authority's recommendations in accordance with Regulation 14 (k) of the Local Governments (PPDA) Regulations, 2006.

### 2.1.2 Procurement plan management

The Authority noted the following irregularities regarding procurement planning within Rubirizi District Local Government;

#### (a) Non-implementation of planned procurement transactions

Section 58 of the PPDA Act, 2003 requires entities to plan their procurement and disposal activities rationally and also empowers them to review and update their procurement plans quarterly or wherever necessary.

The Procurement and Disposal Unit did not review and update the Entity's procurement plan for the Financial Year 2022/2023 despite procurement transactions worth UGX 2,113,181,399 not being implemented contrary to the above regulation. Rubirizi District Local Government implemented 54% of its procurement plan for the financial year 2022/2023 as of 30<sup>th</sup> June 2023 as detailed in Table 6.

**Table 6: Procurement Plan Implementation Rate**

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	4,577,091,943
Total procurement spend value inclusive of VAT (UGX)	2,463,910,544
Procurement plan implementation rate (%)	54%
Implementation variance (UGX)	2,113,181,399

*Note: This information is based on the Entity's procurement plan and quarterly reports submitted to the Authority.*

**(b) Conducting procurements outside the procurement plan**

Section 58 (7) of the PPDA Act 2003 requires all procurement transactions to be carried out within the procurement plan except during emergencies.

The Authority reviewed the procurement plan and noted that two procurement transactions worth UGX 27,044,000 were conducted outside the procurement plan for the Financial Year 2022/23 as detailed in Table 7 below;

**Table 7: Procurements conducted outside the procurement plan**

S/N	Subject of procurement	Provider	Contract Value (UGX)
1.	Construction of 2 protected spring well	Mutara Works Enterprise Ltd	6,914,000
2.	Installation of a 50000 ltrs water tank at Kichwamba Health Centre II and Renovation of 2 stance VIP latrine at Kichwamba Sub-County headquarters	Mattroch Technical Services	20,130,000
<b>TOTAL</b>			<b>27,044,000</b>

Furthermore, procurement transactions for the management of revenue sources within the Financial Year 2022/23 were not included in the procurement plan prepared and submitted to the Authority.

**Implications**

- Planned works and services worth UGX 2,113,181,399 were not delivered to the intended beneficiaries.
- Conducting procurement and disposal transactions outside the plan contravenes the principles of transparency and accountability.
- Failure to plan for revenue sources affects service delivery from projects to be conducted using local revenue.

**Management responses**

*The issues have been noted. However, some projects were not implemented and the Entity shall always update the procurement plan*

**Recommendations**

- The Entity should aim at a 100% procurement plan implementation rate in the Financial Year 2023/2024.
- User Departments should prepare comprehensive work plans and include all procurement transactions in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006.
- The Head of the Procurement and Disposal Unit should update the procurement plan if amendments occur in accordance with Section 58 (4) of the PPDA Act, 2003.

**2.1.3 Variances between planned, initiated and contracted amounts**

Section 58 (2) of the PPDA Act, 2003 requires a Procuring and Disposing Entity to plan its procurement and disposal rationally.

However, the Authority noted variances between the planned estimated prices and market prices at the initiation in 20% of the sampled procurement transactions contrary to the above regulation as detailed in Table 8 below:

**Table 8: Procurements with variances between the planned prices and market price at the initiation stage**

S/N	Subject of procurement	Market price at		Variance	
		Planning	Initiation	Amount (UGX)	%
1.	Construction of Rubirizi Administration Block III	200,000,000	167,445,540	32,554,460	16.3
2.	Supply and delivery of a refrigerator for the Production Department	3,000,000	8,743,499	(5,743,499)	191.4
<b>TOTAL</b>		<b>203,000,000</b>	<b>176,189,039</b>	<b>26,810,961</b>	<b>103.9</b>

The Authority also noted the variances between planned amounts and contract amounts in 30% of the sampled procurement transactions contrary to the above regulation as detailed in Table 9 below;

**Table 9: Procurements with variances in planning and contracting**

S/N	Subject of procurement	Planned amount	Contract Amount	Variation	
				UGX	%
1.	Construction of Rubirizi District Administration Block Phase VI	1,020,000,000	849,072,010	(170,927,990)	16.8
2.	Construction of 5 VIP stance latrine at Nyakarambi PS	3,000,000	29,711,810	26,711,810	890.4
3.	Completion of Katanda S/C Community Hall	25,000,000	12,130,000	(12,870,000)	51.5
<b>TOTAL</b>		<b>1,048,000,000</b>	<b>890,913,820</b>	<b>(157,086,180)</b>	<b>239.7</b>

#### **Implication**

This is an indicator of poor planning and budgeting and inappropriate market price assessment which affects planning and delivery of other services that would have otherwise been covered with the variance.

#### **Management response**

*These were indicative planning figure. Prices changed by the time of execution hence variance. However, the planned activities were executed and some of the planning figures include service investment costs.*

#### **Recommendation**

The Procurement and Disposal Unit should ensure that procurement planning is carried out in a rational manner and wherever necessary, review and update its procurement plan in accordance with Section 58 (2 & 4) of the PPDA Act, 2003.

#### **2.1.4 Failure to submit the 4<sup>th</sup> quarter procurement and disposal report to the Authority**

Regulations 7 (1) of the Local Governments (PPDA) Regulations, 2006 requires Entities to submit quarterly procurement and disposal reports and performance data to the Authority. According to Guideline 6/2008 of the Local Government (PPDA) Guidelines, 2008, these quarterly reports should be submitted by the 15<sup>th</sup> of the month that immediately follows the quarter to be reported on.

The Authority found that Rubirizi District Local Government did not submit its fourth quarter report for the Financial Year 2022/23 contrary to the above regulation.

**Implication**

This impedes the Authority’s ability to analyze the data and make recommendations for the improvement of the procurement and disposal functions and operations.

**Management response**

*The fourth quarter procurement report was submitted.*

**Recommendations**

Following the above response, the Authority was not provided evidence to that effect. The Accounting Officer should submit all quarterly procurement and disposal reports including micro procurements to the Authority in accordance with Regulations 7 (1) of the Local Governments (PPDA) Regulations, 2006 and Guideline 6/2008 of the Local Government (PPDA) Guidelines, 2008.

**2.1.5 Delayed submission of quarterly procurement reports**

Guideline 6/2008 (1) of the Local Government (PPDA) Guidelines, 2008 states that quarterly Reports are to be submitted by the 15<sup>th</sup> of the month that immediately follows the quarter to be reported on.

The Authority reviewed the quarterly reports submitted and found that Rubirizi District Local Government delayed submitting its quarterly reports contrary to the above guideline as detailed in Table 10 below;

**Table 10: Delayed submission of quarterly reports**

Quarter	Expected date of submission	The actual date of submission	Delay (working days)
1	15 <sup>th</sup> September 2022	3 <sup>rd</sup> October 2022	13
2	15 <sup>th</sup> January 2023	27 <sup>th</sup> January 2023	9
3	15 <sup>th</sup> April 2023	3 <sup>rd</sup> May 2023	11
<b>AVERAGE</b>			<b>11</b>

Furthermore, micro procurements conducted during the Financial Year 2022/2023 were not reported on.

**Implication**

This undermines the Authority’s oversight role over the Entity’s procurement and disposal functions and operations creating unnecessary suspicion.

**Management response**

*This has been noted and we shall comply with reporting timelines.*

### Recommendation

The Accounting Officer should submit all quarterly procurement and disposal reports including micro procurements and community purchases to the Authority by the 15<sup>th</sup> of the month that immediately follows the quarter to be reported on in accordance with Guideline 6/2008 (1) of the Local Government (PPDA) Guidelines, 2008.

#### 2.1.6 Missing records on procurement action files

Section 31 (o) of the PPDA Act, 2003 requires the Procurement and Disposal Unit to maintain and archive all records of the procurement and disposal process.

The audit revealed that in two procurement transactions worth UGX 658,280,004, various procurement records were missing from their respective procurement action files as detailed in Table 11 contrary to the above requirement;

**Table 11: Missing records**

S/N	Subject of procurement	Contract Amount (UGX)	Missing documents
1.	Construction of Rubirizi Administration Block III	167,307,504	No completion certificate and payment records. Handover report.
2.	Construction of Rutoto Piped Water Supply System Phase II in Rutoto Sub-County	417,572,500	Contract implementation plan No completion certificate and payment records. Handover report.
<b>TOTAL</b>		<b>658,280,004</b>	

### Implications

- The lack of contract management records is a sign of laxity by contract supervisors and casts doubt on whether contract management was effectively handled.
- This affects the audit trail and the key principle of accountability.

### Management response

*The above missing documents have been retrieved and available for verification.*

### Recommendation

Following the above response, the evidence submitted was verified and updates made to the table to extent of the documents submitted. The Accounting Officer should prevail over the concerned User Departments to avail the necessary records to the Procurement and Disposal Unit to enable the unit to close off the respective procurement action files and archive them in accordance with Section 31 (o) of the PPDA Act, 2003.

#### 2.1.7 Usurping the powers of the Accounting Officer.

Regulation 65 (7) of the Local Governments (PPDA) Regulations, 2006, states that certification of the availability of funds shall be made by the Accounting Officer or by any Officer authorized by the Accounting Officer.

However, the audit revealed that in the construction of Rubirizi Administration Block III worth UGX 167,307,504, availability of funds was certified by the Town Clerk for Rubirizi Town Council, Mr. Byomuhangi Vianny, instead of the Chief Administrative Officer (Accounting Officer) charged with responsibility contrary to the above regulation.

There was no evidence of delegation of the function to the Town Clerk, Rubirizi Town Council.

### **Implication**

This amounts to usurping the powers of the Accounting Officer and could result in confirmation of unavailable funds.

### **Management response**

*The procurement belonged to the Town Council & the Town Clerk had delegated responsibilities.*

### **Recommendations**

The Authority takes note of the above response. However, the proof of delegation of responsibilities was not provided to support the above response. The Accounting Officer should:

- a. Carry out their responsibilities including certifying the availability of funds as stipulated under Section 26 (1) (f) of the PPDA Act, 2003.
- b. Delegate certain procurement and disposal functions of the Accounting Officer in writing in accordance with Sections 39 and 57 of the PPDA Act, 2003.

### **2.1.8 Use of a brand name**

Regulation 48 (8) of the Local Governments (PPDA) Regulations 2006 requires the statement of requirements in the bidding documents issued to not refer to a particular trademark, brand name, patent, design, type, specific origin, producer, manufacturer, catalogue, or numbered item.

However, in the supply of four motorcycles (one for the Water Department and three for the Production Department) worth UGX 65,450,000 under Open Domestic Bidding, specifications included the brand name Yamaha AG 100. Furthermore, pictures and brochures were also included in the specifications attached to the requisition form contrary to the above regulation.

### **Implication**

The use of brand names hinders competition which in turn impedes the achievement of value for money since other brands are automatically knocked even before bidding.

### **Management response**

*This has been noted. The user departments are not technical in procurement issues but have been guided accordingly through management and TPC meetings. However, brand names were not used in solicitation documents to avoid limited competition.*

### **Recommendation**

Following the above response, the documents under question are specifications attached to the requisition form and not the bidding documents. The User Departments should desist from the use of brand names in the preparation of specifications to maximize competition and ensure the achievement of value for money following Sections 46 and 60 (2) of the PPDA Act, 2003.

### 2.1.9 Low bidder participation

Section 46 of the PPDA Act, 2003 requires all procurement and disposal processes to be conducted in a manner that maximizes competition to achieve value for money.

The audit revealed low bidder participation in 30% of the sampled procurements worth UGX 1,056,334,314 as detailed in Table 12 below:

**Table 12: Level of participation**

S/N	Subject of procurement	Procurement method	Contract amount (UGX)	Number bidders invited	Number of participating bidders
1.	Construction of Rubirizi District Administration Block Phase VI	Open Domestic bidding	849,072,010	Open to all	1
2.	Construction of a fence at Mubanda HC III	Open Domestic bidding	39,954,800	Open to all	1
3.	Construction of Rubirizi Administration Block III	Open Domestic Bidding	167,307,504	Open to all	1
<b>TOTAL</b>			<b>1,056,334,314</b>		<b>1</b>

The bid invitation notice was not in the required format, the run advert (New Vision 7<sup>th</sup> October 2022) was generalized and did not bear enough information to guide and attract bidders, it missed important information like timelines and type of procurements and instead bidders were referred to the Entity's website [www.rubirizi.go.ug](http://www.rubirizi.go.ug). This goes against the key principles of transparency and fairness as key providers without access to the internet were not given an opportunity.

#### **Implication**

Low bidder participation hinders competition in the procurement processes of the Entity which affects value for money.

#### **Management response**

*The Entity will improve on its advertising mode by publishing in at least two newspapers.*

#### **Recommendation**

The Accounting Officer should conduct a supplier appraisal to ascertain why providers, under open domestic bidding, do not want to do business with the entity and develop strategies to maximize competition in accordance with Section 46 of the PPDA Act 2003.

## **2.2 THE DEGREE OF COMPLIANCE OF THE ENTITY'S DISPOSAL PROCESS WITH THE PROVISIONS OF THE PPDA ACT, 2003 AND REGULATIONS 2006.**

### 2.2.1 Lack of a disposal plan

Regulation 25 (1) (e) of the Local Governments (PPDA) Regulations, 2006 requires the Procurement and Disposal Unit to plan the disposal activities of the Procuring and Disposing Entity.

The Authority however noted that despite the presence of various obsolete items within the Entity, there were no disposal plans prepared and submitted to the Authority during the Financial Year under review contrary to the above regulation.

#### Implication

Obsolete assets will not be disposed of and this will result in further depreciation of assets hence loss of revenue to the Government.

#### Management response

*We acknowledge the absence of the disposal plan. However, we found out that most of the obsolete assets didn't belong to Rubirizi DLG and it has become hard to dispose.*

#### Recommendation

- Following the above response, the Accounting Officer should seek approval to dispose and release of log books where necessary from the owners of the assets so to avoid further loss of asset value.
- The User Departments should prepare comprehensive disposal plans and include all obsolete items due for disposal in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006.

### 2.2.2 Failure to dispose of obsolete assets

Regulation 122 (6) of the Local Governments (PPDA) Regulations, 2006 requires the Accounting Officer to review all District assets on an annual basis, identify obsolete assets, and dispose of them.

The Authority reviewed the Board of Survey Report for the Financial Year ended June 2022 and observed that Rubirizi District Local Government had 184 obsolete assets that were not disposed of as detailed in Table 13 below contrary to the above regulation.

**Table 13: Obsolete items**

S/N	Classification of items	Subtotal (Number)
1.	Motor vehicles	1
2.	Motorcycles	24
3.	Refrigerators	7
4.	ICT equipment and accessories	14
5.	Other equipment and machinery	7
6.	Furniture and fittings	69
7.	Motor vehicle batteries	5
8.	Stores inventory	53
9.	Motor vehicle Tyres	1
10.	Incubator	1
11.	Water tank	1
12.	Boat engine	1
<b>TOTAL</b>		<b>184</b>

Table 14: Images of obsolete motor vehicles and equipment at Rubirizi DLG





#### **Implication**

Failure to dispose of obsolete items may result in further depreciation of assets hence further loss of Asset value.

#### ***Management response***

*An advertisement was made for the items but we were unable to attract bidders.*

#### **Recommendation**

- The Authority takes note of the above response and advises the Entity to consider application of other methods of disposal like donation, sale to public officers among other as detailed under Section 87 of the PPDA Act, 2003.
- The Accounting Officer should expeditiously dispose of all obsolete assets identified by the board of survey in accordance with Regulation 122 (6) of the Local Governments (PPDA) Regulations, 2006.

### **2.3 THE LEVEL OF EFFICIENCY AND EFFECTIVENESS IN CONTRACT IMPLEMENTATION INCLUDING THE APPLICATION OF ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY (ESHS) REQUIREMENTS IN THE PROCUREMENT PROCESS.**

#### **2.3.1 Delays in the procurement process**

Section 71A of the PPDA Act 2003, requires the procurement processes, and each stage of the procurement process to be completed within the period prescribed. The Authority noted unnecessary delays at various stages of the procurement process as detailed below;

**a. Initiation stage**

The Authority noted a delay of 22 working days by the User Departments to initiate the procurement for the Construction of Rubirizi Administration Block III worth UGX167,307,504. The initiation date stated in the approved procurement plan was 16<sup>th</sup> August 2022, however, the User Department initiated the procurement on 14<sup>th</sup> September 2022.

**b. Contract signing stage**

The Authority noted an average delay period of 64.5 working days between the planned and actual date of contract signing in four procurement transactions worth UGX 485,636,455 as detailed in Table 15 below;

**Table 15: Procurements with delays at contract signing**

S/N	Subject of procurement	Contract amount (UGX)	Planned date	Actual date	Delay (working days)
1.	Construction of Rubirizi Administration Block III	167,307,504	28 <sup>th</sup> September 2022	11 <sup>th</sup> January 2023	75
2.	Construction of general ward at Kichwamba HC III	116,507,964	28 <sup>th</sup> September 2022	16 <sup>th</sup> December 2022	58
3.	Construction of a staff house at Kyabakara HC III	161,866,187	28 <sup>th</sup> September 2022	21 <sup>st</sup> December 2022	61
4.	Construction of a fence at Mubanda HC III	39,954,800	28 <sup>th</sup> September 2022	27 <sup>th</sup> December 2022	64
<b>TOTAL</b>		<b>485,636,455</b>			<b>64.5</b>

**c. Delayed completion of contracts**

Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006 requires contract supervisors to ensure that providers execute their contractual obligations following the terms and conditions specified in the contract document.

The Authority noted that there was delayed completion of works and delivery of goods in five procurements worth UGX 397,170,268 contrary to the above regulation as detailed in Table 16 below;

**Table 16: Procurements with delayed completion**

S/N	Subject of procurement	Contract amount (UGX)	Contractual completion date	Actual completion date	Delay (working days)
1.	Supply and delivery of a refrigerator for the Production Department	7,950,000	26 <sup>th</sup> February 2023	13 <sup>th</sup> June 2023	71
2.	Supply of four motorcycles one for	65,450,000	28 <sup>th</sup> May 2023	13 <sup>th</sup> June 2023	11

S/N	Subject of procurement	Contract amount (UGX)	Contractual completion date	Actual completion date	Delay (working days)
	the Water Department and three for the Production Department				
3.	Construction of a fence at Mubanda HC III	39,954,800	26 <sup>th</sup> April 2023	14 <sup>th</sup> June 2023	34
4.	Construction of Rubirizi Administration Block III	167,307,504	10 <sup>th</sup> June 2023	Works still ongoing as of 23 <sup>rd</sup> August 2023	52
5.	Construction of general ward at Kichwamba HC III	116,507,964	15 <sup>th</sup> June 2023	67% completion per progress report of 2 <sup>nd</sup> June 2023	NA
<b>TOTAL/AVERAGE</b>		<b>397,170,268</b>			

#### Implications

- Such delays expose the Entity to a risk of low budget absorption due to non-payment by the end of the financial year.
- This leads delay in service delivery to the intended beneficiaries.

#### Management response

- *The issue is noted. However, much of the time has always been lost in data collection to prepare bills of materials.*
- *This is noted and the Entity will ensure that completion timelines are adhered to. However, weather conditions usually slow down the progress especially works.*

#### Recommendations

- Following the above responses, the Entity should during planning make provision for time spent carrying out data collection and affected by weather conditions.
- The Accounting Officer should ensure that the planned timelines are adhered to and that contracts are signed promptly once funds are available to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.
- The Heads of User Departments should initiate all procurements within the planned timelines to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.
- Contract supervisors should supervise providers to perform their contractual obligations following the terms and conditions specified in the contract following Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.

#### 2.3.2 Incomplete contract documents

Regulation 88 (2) (a) of the Local Governments (PPDA) Regulations 2006, requires a contract document to identify the obligations of each party.

The Authority noted the signed contract documents deemed the letter of acceptance, the bid, the General and Special Conditions, the specifications drawings and completion schedules to form part of the agreement. However, signed contracts in four procurement transactions worth UGX 326,278,951 were missing these key documents contrary to the above regulation as detailed in Table 17 below;

**Table 17: Missing documents on signed contracts**

S/N	Subject of procurement	Document not attached to the Contract
1.	Construction of general ward at Kichwamba Health Centre III worth UGX 116,507,964	The bid The General Conditions,
2.	Construction of a staff house at Kyabakara Health Centre III worth UGX 161,866,187	The Letter of Acceptance, The bid General Conditions, The drawings
3.	Construction of a fence at Mubanda Health Centre III worth UGX 39,954,800	The bid The General Conditions, The completed schedules.
4.	Supply and delivery of a refrigerator for the Production Department worth UGX 7,950,000	Statement of requirements (specifications)

#### **Implication**

Key documents forming part of the contract are left out which may expose the entity to a risk of non-adherence or non-compliance to agreed obligations during contract execution and may also create laxity in contract management.

#### **Management response**

*The above documents have been retrieved and available for your verification.*

#### **Recommendations**

The Authority takes note of the above response. However, the evidence submitted was verified and updates made to Table 17 to extent of the documents submitted. The Procurement and Disposal Unit should:

- a. Prepare complete contract documents in accordance with Section 7 of the General Conditions of Contract and Regulation 88 of the Local Government (PPDA) Regulations, 2006.
- b. Submit all contract documents to the Contracts Committee for approval in accordance with Section 28 (1) (c) of the PPDA Act 2003.

#### **2.3.3 Unfair distribution of framework call-off orders to contracted firms**

The Authority noted that Rubirizi District Local Government had five providers of fuel and lubricants, namely; Shell Katunguru, Elephant Petrol Station, Gaz Energy, Total Igara Service Station, and Asea Investments Co Ltd. However, Shell Katunguru was issued 80.7% of the total call-off orders as detailed in Table 18 below:

**Table 18: Lion's share in issued call-off orders**

S/N	Contractor	Contract sharing			
		No. of issued call-off orders	Percentage in terms of no. (%)	Value of issued call-off orders (UGX)	Percentage in terms of value (%)
1.	Shell Katunguru	46	80.7	134,817,196	78.3
2.	Elephant Petrol Station	2	3.5	2,100,000	1.2
3.	Gaz Energy	0	0.0	0	0.0
4.	Total Igara Service Station	4	7.0	26,835,000	15.6
5.	Asea Investments Co Ltd	5	8.8	8,430,000	4.9
<b>TOTAL</b>		<b>57</b>	<b>100</b>	<b>172,182,196</b>	<b>100</b>

**Implication**

This contravenes the principles of fairness and disadvantages the other bidders who may feel disgruntlement and ultimately stop participating in future district procurement processes.

**Management response**

*This has been noted. The Entity shall ensure equal distribution of framework contracts. However, Shell Katunguru has been preferred because of its proximity.*

**Recommendations**

- The Head Procurement and Disposal Unit should ensure that all bidders who have been awarded contracts under the framework arrangement are given an equal opportunity to deliver goods and services in accordance with Section 45 of the PPDA Act, 2003.
- The Internal Audit Department should monitor the distribution of call-off orders among contracted firms in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.

**2.3.4 Late submission of the required performance security**

The Authority reviewed the signed contract for the construction of Rubirizi District Administration block phase VI worth UGX 849,072,010 and noted that GCC 4.15.1 required the contractor to submit a performance Security amount worth 10% of the contract price. This was required in the form of a bank guarantee or acceptable Unconditional Insurance Bond and it was supposed to be delivered in 21 Calendar days after the date of contract signing.

However, Khalsa Developments (U) Ltd (the contractor) submitted the performance security on 21<sup>st</sup> June 2023, 108 days after contract signing (11<sup>th</sup> January 2023). Therefore, there was a delay of 87 days to submit the performance security contrary to the above regulation and conditions specified in the contract document.

**Implication**

Rubirizi District Local Government was not protected against non-performance of the contract by the contractor.

**Management response**

*The contractor submitted the security and it is available for verification E.*

### Recommendation

Following the above response, the provided response did not address the issue but confirmed that the performance security was submitted on 21<sup>st</sup> June 2023. The Contract supervisors should ensure providers submit performance securities in the correct format whenever it is specified as a requirement in the terms and conditions of the contract in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006.

### 2.3.5 Failure to attach the necessary payment documents

Regulation 117 (1&2) of the Local Governments (PPDA) Regulations, 2006 requires a Procuring and Disposing Entity to clearly state in the contract documents, the documents against which each payment shall be made. A payment document may include a document certifying or proving the delivery or receipt of goods, works, and services following the terms of the contract.

However, the audit revealed two procurement transactions worth UGX 1,010,938,197 whose payment was effected without progress reports attached to confirm the amount of work being certified for payment contrary to the above regulation as detailed in Table 19 below;

**Table 19: Payments without attached progress reports**

S/N	Subject of the procurement	Contract amount (UGX)	Certificate	
			No.	Amount (UGX)
1.	Construction of Rubirizi District Administration Block Phase VI	849,072,010	2	482,018,791
2.	Construction of a staff house at Kyabakara Health Centre III	161,866,187	2	129,347,249
<b>TOTAL</b>		<b>1,010,938,197</b>		<b>611,366,040</b>

### Implication

Failure to attach progress reports to payment certificates leads to the payment of works not conducted.

### Management response

*Payment documents have been retrieved for your verification.*

### Recommendation

The Authority takes note of the response above. However, the verification of the evidence submitted revealed that progress report attached as a payments document for Certificate No.1 was for construction of administration block phase III at Rubirizi Town Council and not Administration Block Phase VI. The progress report attached as a payment document for certificate No. 2, was at 33% progress and not equivalent to the amount in the certificate. Therefore, the evidence was not sufficient to support the response.

The Contract supervisors should always ensure that all the necessary documents are attached to all payment certificates to prove delivery or receipt of goods, works, or services in accordance with Regulation 117 (1&2) of the Local Governments (PPDA) Regulations, 2006.

### 2.3.6 Irregular payment of retention

Regulation 103 (1) of the Local Governments (PPDA) Regulations, 2006 requires Heads of Department involved with the administration of payments to contractors to be vigilant and ensure that no irregular payments are made to contractors.

The audit revealed that in the construction of Rubirizi District Administration block phase VI worth UGX 849,072,010, Khalsa Developments (U) Limited was irregularly paid retention worth UGX 42,453,600 on 22<sup>nd</sup> June 2023 before the completion of works and elapse of the defects liability period. According to Certificate No.2, the District Engineer certified the release of retention worth UGX 42,453,600 yet works stood at 40.2% as per the progress report issued on 30<sup>th</sup> May 2023 before the payment was made.

#### Implication

Release of retention before the completion of works exposes the Entity to possible losses in cases of uncleared defects. This defeats the purpose of retention fees.

#### Management response

*Payment was done to avoid returning money to treasury. The payment in question was also secured by the contractor.*

#### Recommendation

Following the above response, the Authority notes that release of retention prior to completion of works is an irregular practice that exposes government money to risk since the payment was not provided for in the contract.

The Accounting Officer should ensure that the Finance Department and Contract Supervisors monitor the prepared certificates to avoid irregular payments in accordance with Regulation 103 (1) of the Local Governments (PPDA) Regulations, 2006.

### 2.3.7 Failure to pay providers

Regulation 119 (10) (a) (iii) of the Local Governments (PPDA) Regulations, 2006 requires the contract supervisor to ensure that a Procuring and Disposing Entity meets all payment and other obligations following the terms and conditions of a contract.

Although, the review of contract management records revealed that contractors had fulfilled their obligations, the Authority noted an outstanding balance of UGX 190,989,532 in two procurements contrary to the above regulation as detailed in Table 20 below;

**Table 20: Procurements with unpaid balances**

S/N	Subject of procurement	Contract amount (UGX)	Outstanding balance (UGX)
1.	Construction of Rutoto Piped Water Supply System Phase II in Rutoto Sub-County	417,572,500	169,039,532
2.	Supply of four motorcycles one for the Water Department and three for the Production Department	65,450,000	21,950,000
<b>TOTAL</b>		<b>483,022,500</b>	<b>190,989,532</b>

### **Implication**

Failure to pay providers destroys the Government's reputation and leads to losses for the concerned providers.

### **Management response**

*All payments for motorcycles was done. Payment for construction of Rutoto Piped water Supply System wasn't all made as he had not completed works by the end of financial year.*

### **Recommendation**

Following the above response, there was no evidence submitted to support the response. The Contract supervisors should ensure that the Entity meets all payment obligations following the terms and conditions of a contract in accordance with Regulation 119 (10) (a) (iii) of the Local Governments (PPDA) Regulations, 2006.

### **2.3.8 Management of the UGIFT project in Rubirizi District Local Government**

The Authority reviewed the construction of St. Kizito Seed Secondary School in Magambo Sub County in Rubirizi District worth UGX 3,532,121,696. (MoES/UGIFT/WRKS/2021-2022/0002 LOT 8) contracted to Khalsa Developments (U) Ltd and noted the following:

#### **a) Delayed procurement process**

Section 71A of the PPDA Act 2003, requires procurement processes, and each stage of the procurement process to be completed within the period prescribed. The Authority noted unnecessary delays at various stages of the procurement process;

The audit revealed that the procurement process for the construction of St. Kizito Seed Secondary School in Magambo Sub County in Rubirizi District worth UGX 3,532,121,696 lasted two years which was too long.

The procurement started on 6<sup>th</sup> May 2021 with the delegation of function to the lead Entity Bushenyi District Local Government and the contract was finally signed later, on 25<sup>th</sup> May 2023. The entire procurement process is detailed in Table 21 below;

**Table 21: Activity process**

<b>Activity</b>	<b>Date</b>
Delegation of function	Thursday, 6 May 2021
CC approval of Evaluation Committee	Tuesday, 1 June 2021
Advert	Friday, 3 December 2021
Bid opening	Monday, 3 January 2022
Evaluation report	Thursday, 10 February 2022
Contracts Committee award date	Monday, 25 April 2022
NoBEB display date	Monday, 25 April 2022
NoBEB removal date	Friday, 6 May 2022
Request for no objection	Friday, 27 May 2022
Invitation for a meeting at the Ministry of Education & Sports	Thursday, 13 October 2022
A request of no objection	Friday, 17 February 2023
No objection	Tuesday, 7 March 2023
Request for correction of contract sum from the Ministry of Education & Sports	Monday, 20 March 2023

<b>Activity</b>	<b>Date</b>
Notification of contract award	Wednesday, 10 May 2023
Acceptance of award	Thursday, 25 May 2023
SG clearance	Wednesday, 24 May 2023
Contract signing	Thursday, 25 May 2023

### **Implication**

Such delays result in delayed service delivery to the intended beneficiaries.

### **Management response**

*We note the delays in the procurement process. We shall try to work with the line ministries to minimize the delays.*

### **Recommendation**

The Accounting Officer should conduct all procurement and disposal processes in a manner that promotes efficiency in accordance with Section 48 of the PPDA Act, 2003.

### **b) Slow progress of works**

As of 23<sup>rd</sup> August 2023, physical progress of works stood at 5% against time progress of 12.5% and 20% advance payment. The Authority attributed the slow progress of work to the poor mobilization of materials and personnel by the contractor, Khalsa Developments (U) Ltd.

Despite the contract commencing on 12<sup>th</sup> June 2023, key personnel such as the Project Manager and Site Engineer were not on site until 26<sup>th</sup> July 2023. There were also no materials on the site.

### **Implication**

Poor mobilization of materials and personnel may explain the unnecessary delays and could imply that the contractor cannot execute the works.

### **Management response**

*We note the issue of slow progress but the entity has held several site meetings with the contractor to improve on the progress.*

### **Recommendation**

The Contract Supervisor should ensure that the provider performs the contract following the terms and conditions specified in the contract in accordance with Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.

### **c) Inadequate performance security**

The performance security submitted by Khalsa Developments (U) Ltd dated 12<sup>th</sup> June 2023 did not cover the full contractual period. The security shall expire on 7<sup>th</sup> March 2024 (15 months before the expiry of the contract on 24<sup>th</sup> May 2025).

### **Implication**

Failure to provide performance security that covers the entire contract period removes the safeguard against non-performance by the contractor for the period from 18<sup>th</sup> May 2024 to 15<sup>th</sup> September 2024.

***Management response***

*This had been realised but the entity will ensure that the security is renewed before its expiry.*

**Recommendation**

The Head Procurement and Disposal Unit should ensure that the performance and environmental and social securities are renewed before the expiry date to protect the Entity against non-compliance in accordance with Regulation 102 (1) of the Local Governments (PPDA) Regulations, 2006.

**d) Inadequate advance payment guarantee**

The advance payment guarantee submitted by the contractor did not cover the full period for recovery of the advance payment. The guarantee expires on 7<sup>th</sup> March 2024 (only nine months into a two-year contract expiring on 24<sup>th</sup> May 2025)

**Implication**

The advance security submitted is not sufficient to guarantee recovery of the advanced funds.

***Management response***

*This has been noted. We shall ensure that advance is recovered before expiry of advance guarantee.*

**Recommendation**

The Head Procurement and Disposal Unit should ensure that the payment security is renewed before the expiry date and valid for the prescribed period beyond the expected final transaction date of the contract or expected release date in accordance with Regulation 116 (4) (c) of the Local Governments (PPDA) Regulations, 2006.

**2.3.9 Failure to incorporate Environmental, Social, Health, and Safety (ESHS) safeguards in the bills of quantities**

Section 61A of the PPDA Act, 2003 requires a Procuring and Disposing Entity to take into account environmental protection, social inclusion, and innovation stimulation for each procurement.

The audit revealed that there was no environmental and social screening conducted for the construction of the General Ward at Kichwamba Health Centre III worth UGX 116,507,964. As a result, the District Engineer did not make a provision for Environmental, Social, Health, and Safety safeguards within the bills of quantities. As such ESHS activities like; hoarding off the site, planting grass and trees, first aid kit on site, backfilling, provision of PPEs for workers, training/sensitization on HIV/AIDS, and sexual harassment were not quoted and implemented by the bidder.

**Implication**

This is an indicator that the Entity undermines Environmental, Social, Health, and Safety safeguards while implementing its projects.

***Management response***

*The issues concerning environment have always been dealt with and evidence available for verification.*

**Recommendation**

Following the above response, the Authority reviewed the evidence provided. However, it was not sufficient to explain the lack of ESHS safeguards in the bills of quantities in the construction of the General Ward at Kichwamba Health Centre III.

The District Engineer, Community Development Officer, and Environment Officer should work together in the preparation of bills of quantities attached to the bidding documents to ensure that environmental protection, social inclusion, and safeguards have been taken into account in accordance with Section 61A of the PPDA Act, 2003.

CHAPTER 3: ENTITY PERFORMANCE RATING, AUDIT CONCLUSION AND ACTION PLAN

**3.1 PERFORMANCE OF THE ENTITY**

Of the ten sampled procurements, 50% are high risk, 40% medium risk and 10% satisfactory. The weaknesses identified during the course of the audit especially in the high risks areas require management’s immediate action. The Entity should improve on its planning processes and record management and consider capacity building of all User Departments.

**Table 22: Summary of performance of the Entity**

Risk category	Number	Number (%)	Value (UGX)	Value (%)
High Risk	1	10	65,450,000	1.18
Medium Risk	7	70	5,262,713,870	95.17
Low	1	10	161,866,187	2.93
Satisfactory	1	10	39,954,800	0.72
<b>Total</b>	<b>10</b>	<b>100</b>	<b>5,529,984,857</b>	<b>100</b>

*Graphical Representation of Risk Rating of contracts*

**By Number**



**By Value**



**Table 23: Entity Performance**

Risk Category	Rating by number (%)	Rating by value (%)	Weights	Total weighted Average	
				By number	By value
High	10	10.73	0.6	6.0	0.7
Medium	70	85.96	0.3	21.0	28.6
Low	10	2.65	0.1	1.0	0.3
Satisfactory	10	0.66	0	0.0	0.0
<b>Total</b>	<b>100</b>	<b>100</b>	<b>1</b>	<b>28</b>	<b>29.6</b>

$$\text{Entity's Performance by Number} = \frac{28 \times 100}{60} = 46.7\%$$

$$\text{Entity's Performance by Value} = \frac{29.6 \times 100}{60} = 49.3\%$$

Average = 48%

Since 48% falls within the 31% - 70% risk range, the performance of the Entity is rated *Satisfactory*.

**Table 24:** The risk rating is as follows:

Risk rating	Description of performance
0-30%	Satisfactory
31-70%	Moderately satisfactory
71-100%	Unsatisfactory

**3.2 ACTION PLAN**

Action party	Recommended action	Target date
Accounting Officer	<p>The Accounting Officer should:</p> <ul style="list-style-type: none"> <li>i. Take corrective action and engage all stakeholders to develop strategies for the implementation of all the Authority’s recommendations in accordance with Regulation 14 (k) of the Local Governments (PPDA) Regulations, 2006.</li> <li>ii. Aim at a 100% procurement plan implementation rate in the Financial Year 2023/2024.</li> <li>iii. Submit all quarterly procurement and disposal reports including micro procurements to the Authority in accordance with Regulations 7 (1) of the Local Governments (PPDA) Regulations, 2006 and Guideline 6/2008 of the Local Government (PPDA) Guidelines, 2008.</li> <li>iv. Prevail over the concerned User Departments to avail the necessary records to the Procurement and Disposal Unit to enable the unit to close off the respective procurement action files and archive them in accordance with Section 31 (o) of the PPDA Act, 2003.</li> <li>v. Carry out their responsibilities including certifying the availability of funds as stipulated under Section 26 (1) (f) of the PPDA Act, 2003.</li> <li>vi. Delegate certain procurement and disposal functions of the Accounting Officer in writing in accordance with Sections 39 and 57 of the PPDA Act, 2003.</li> <li>vii. Conduct a supplier appraisal to ascertain why providers, under open domestic bidding, do not want to do business with the entity and develop strategies to maximize competition in accordance with Section 46 of the PPDA Act 2003.</li> <li>viii. Expediently dispose of all obsolete assets identified by the board of survey in accordance with Regulation 122 (6) of the Local Governments (PPDA) Regulations, 2006.</li> <li>ix. Ensure that the planned timelines are adhered to and</li> </ul>	April 2024

Action party	Recommended action	Target date
	<p>that contracts are signed promptly once funds are available to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.</p> <p>x. Ensure that the Finance Department and Contract Supervisors monitor the prepared certificates to avoid irregular payments in accordance with Regulation 103 (1) of the Local Governments (PPDA) Regulations, 2006.</p> <p>xi. Conduct all procurement and disposal processes in a manner that promotes efficiency in accordance with Section 48 of the PPDA Act, 2003.</p>	
Procurement and Disposal Unit	<p>The Head of the Procurement and Disposal Unit should:</p> <p>i. Update the procurement plan if amendments occur in accordance with Section 58 (4) of the PPDA Act, 2003.</p> <p>ii. Prepare complete contract documents in accordance with Section 7 of the General Conditions of Contract and Regulation 88 of the Local Government (PPDA) Regulations, 2006.</p> <p>iii. Submit all contract documents to the Contracts Committee for approval in accordance with Section 28 (1) (c) of the PPDA Act 2003.</p> <p>iv. Ensure that all bidders who have been awarded contracts under the framework arrangement are given an equal opportunity to deliver goods and services in accordance with Section 45 of the PPDA Act, 2003.</p> <p>v. Ensure that the performance and environmental and social securities are renewed before the expiry date to protect the Entity against non-compliance in accordance with Regulation 102 (1) of the Local Governments (PPDA) Regulations, 2006.</p> <p>vi. Ensure that the payment security is renewed before the expiry date and valid for the prescribed period beyond the expected final transaction date of the contract or expected release date in accordance with Regulation 116 (4) (c) of the Local Governments (PPDA) Regulations, 2006.</p>	April 2024
User Departments	<ul style="list-style-type: none"> <li>• The Heads of User Departments should: <ul style="list-style-type: none"> <li>i. Prepare comprehensive work plans and include all procurement transactions and obsolete items due for disposal in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006.</li> <li>ii. Desist from the use of brand names in the preparation of specifications to maximize competition and ensure the achievement of value for money following Sections 46 and 60 (2) of the PPDA Act, 2003.</li> <li>iii. Initiate all procurements within the planned timelines to promote efficiency in service delivery in accordance</li> </ul> </li> </ul>	April 2024

Action party	Recommended action	Target date
	<p>with Section 48 of the PPDA Act, 2003.</p> <p>iv. Supervise providers to perform their contractual obligations following the terms and conditions specified in the contract following Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.</p> <ul style="list-style-type: none"> <li>• The Contract supervisors should: <ul style="list-style-type: none"> <li>i. Ensure providers submit performance securities in the correct format whenever it is specified as a requirement in the terms and conditions of the contract in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006.</li> <li>ii. Always ensure that all the necessary documents are attached to all payment certificates to prove delivery or receipt of goods, works, or services in accordance with Regulation 117 (1&amp;2) of the Local Governments (PPDA) Regulations, 2006.</li> <li>iii. Ensure that the Entity meets all payment obligations following the terms and conditions of a contract in accordance with Regulation 119 (10) (a) (iii) of the Local Governments (PPDA) Regulations, 2006.</li> <li>iv. Ensure that the provider performs the contract following the terms and conditions specified in the contract in accordance with Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.</li> </ul> </li> <li>• The District Engineer, Community Development Officer, and Environment Officer should work together in the preparation of bills of quantities attached to the bidding documents to ensure that environmental protection, social inclusion, and safeguards have been taken into account in accordance with Section 61A of the PPDA Act, 2003.</li> <li>• The Internal Audit Department should monitor the distribution of call-off orders among contracted firms in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.</li> </ul>	

**ANNEXES**

**ANNEX A: List of Sampled Procurements**

S/N	Reference Number	Subject of procurement	Method of Procurement	Provider	Contract Amount (UGX)	Risk rating
1.	RUBI922/WRKS/2022-2023/0001	Construction of Rubirizi District Administration Block Phase VI	Open Domestic Bidding	Khalsa Development Ltd	849,072,010	Medium risk
2.	RUBI/922/WRKS/2022-2023/0002	Construction of Rutoto piped pumped water supply phase II	Open Domestic Bidding	Shine Africa Ltd	417,572,500	Medium risk
3.	MoES/Wrks/2021-2022/0002/Lot 8	Construction of a seed secondary school at St. Kizito Seed Secondary School in Magambo Sub County	Open Domestic Bidding	Khalsa Development Ltd	3,532,121,696	Medium risk
4.	RUBI922/SPLS/2022-2023/0019	Supply of fuel to various departments	Framework Contracts	Shell Katunguru	172,182,196	Medium risk
5.	RUBI922/WRKS/2022-2023/0004	Construction of a staff house at Kyabakala Health Centre III	Open domestic Bidding	Rimston and Mark's projects	161,866,187	Low risk
6.	RUBI922/SUPLS/2022-2023/0006	Supply of 4 motorcycles for the water and production department	Open Domestic Bidding	Makerere Cooperative Initiative Africa	65,450,000	High risk
7.	RUBI922/WRKS/2022-2023/001	Construction of a fence at Mubanda Health Centre III	Open Domestic Bidding	Mattrock Technical Services Ltd	39,954,800	Satisfactory
8.	RUBI922/SUPLS/2022-2023/018	Supply of a refrigerator for the production department	Selective Bidding	Makerere Cooperative Africa	7,950,000	Medium risk
9.	RUBI922/WRKS/2022-2023/003	Construction of Rubirizi Town Council Administration Block Phase III	Open Domestic Bidding	Byaaka Capital Ltd	167,307,504	Medium risk
10.	RUBI992/WRKS/	Construction of the general ward at	Open	Mutura Works	116,507,964	Medium

S/N	Reference Number	Subject of procurement	Method of Procurement	Provider	Contract Amount (UGX)	Risk rating
	2022-2023/0005	Kichwamba Health Centre III	Domestic Bidding	Enterprise Ltd		risk
<b>TOTAL</b>					<b>5,529,984,857</b>	

**ANNEX B: Findings and rating on the individual contracts reviewed**

S/N	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
1.	Supply of four motorcycles one for the Water Department and three for the Production Department worth UGX 65,450,000	<ul style="list-style-type: none"> <li>• Use of the brand name “Yamaha”</li> <li>• Low bid submission</li> <li>• Delayed delivery</li> <li>• The outstanding balance of UGX 21,950,000</li> </ul>

S/N	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
1.	Construction of Rubirizi District Administration block phase VI worth UGX 849,072,010	<ul style="list-style-type: none"> <li>• Unclear instructions on submission of performance security.</li> <li>• Release of retention before completion of works.</li> <li>• No progress report was attached to the payment certificate.</li> </ul>
2.	Construction of a seed secondary school at St. Kizito Seed Secondary School in Magambo Sub County worth UGX 3,532,121,696	<ul style="list-style-type: none"> <li>• Exaggerated delays in the procurement process</li> <li>• Inadequate performance security and advance payment guarantee</li> <li>• Poor mobilization of materials and personnel</li> </ul>
3.	Construction of Rubirizi Administration Block III worth 167,307,504	<ul style="list-style-type: none"> <li>• Usurping the powers of the Accounting Officer.</li> <li>• A large variance of 119% between the planned value and the initiated amount.</li> <li>• Delayed initiation.</li> <li>• Low bidder participation</li> <li>• Missing documents (completion certificate and payment records, and formal handover report)</li> </ul>
4.	Supply and delivery of a refrigerator for the Production Department worth UGX 7,950,000	<ul style="list-style-type: none"> <li>• A large variance of 291% between the planned value and the initiated price.</li> <li>• Low bid submission</li> <li>• Delayed delivery</li> </ul>
5.	Construction of general ward at Kichwamba Health Centre III worth UGX 116,507,964	There was no consideration for ESHS in the preparation of BOQs
6.	Construction of Rutoto Piped Water Supply System Phase II in Rutoto Sub-County worth UGX. 417,572,500	<ul style="list-style-type: none"> <li>• The outstanding balance of UGX 169,039,532</li> <li>• Missing documents (completion certificate, handover report)</li> </ul>
7.	Supply of fuel for the Financial Year 2022/23	Lion’s share to Shell Katunguru

No.	LOW-RISK CONTRACTS	REASONS FOR MEDIUM RISK
1.	Construction of a staff house at Kyabakara Health Centre III worth UGX 161,866,187	No progress report was attached to the payment certificate.

No.	SATISFACTORY
1.	Construction of a fence at Mubanda Health Centre III worth UGX 39,954,800

**ANNEX C: Risk Rating Criteria**

RISK	DESCRIPTION	AREA	IMPLICATION
<p><b>HIGH</b></p>	<p>Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry the risk for the regulatory system or the Entity's reputation. Such cases warrant immediate attention by senior management.</p> <p>Significant deviations from established policies and principles and/or generally accepted industry standards will normally be rated "high".</p>	<p><b>Planning:</b> Lack of or failure to procure within the approved plan</p>	<p>This implies emergencies and the use of the direct procurement method which affects competition and value for money.</p>
		<p><b>Bidding Process:</b> Use of wrong/inappropriate procurement methods, failure to seek Contracts Committee approvals, and usurping the powers of the PDU.</p>	<p>This implies the use of less competitive methods which affects transparency, accountability, and value for money.</p>
		<p><b>Evaluation:</b> Use of inappropriate evaluation methodologies or failure to conduct evaluation.</p>	<p>This implies financial loss caused by awarding contracts at higher prices or shoddy work caused by failure to recommend an award to a responsive bidder.</p>
		<p><b>Record Keeping:</b> Missing procurement files and missing key records on the files namely; solicitation documents, submitted bids, evaluation reports, and contracts.</p>	<p>This implies that one cannot ascertain the audit trail namely; whether there was competition and fairness in the procurement process.</p>
		<p><b>Fraud/forgery:</b> Falsification of Documents</p>	<p>This implies a lack of transparency and value for money.</p>
		<p><b>Contract Management:</b> Payment for shoddy work or work not delivered.</p>	<p>This implies financial loss since there has been no value for money for the funds spent and the services have not been received by the intended</p>

RISK	DESCRIPTION	AREA	IMPLICATION
			beneficiaries
<b>MEDIUM</b>	Procurements that were considered to have weaknesses, although less likely to lead to material financial loss or to risk damaging the regulatory system or the Entity's reputation, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls is put in place. Such procurements would normally be graded "medium" provided that there is sufficient evidence of "hands-on management control and oversight" at an appropriate level of seniority.	<b>Planning:</b> Lack of initiation of procurements and confirmation of funds.	This implies committing the Entity without funds thereby causing domestic arrears.
		<b>Bidding Process:</b> Deviations from standard procedures namely bidding periods, standard formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms, and splitting procurement requirements.	This implies a lack of efficiency, standardization, and avoiding competition.
		<b>Procurement Structures:</b> Lack of procurement structures	This implies a lack of independence of functions and powers and interference in the procurement process.
		<b>Record Keeping:</b> Missing Contracts Committee records and incomplete contract management records.	This implies that one cannot ascertain the audit trail namely; whether the necessary approvals were obtained in a procurement process.
		<b>Contract and Contract Management:</b> Failure to appoint Contract Supervisors, failure to seek the Solicitor General's approval for contracts above UGX. 200 million	This leads to unjustified contract amendments and variations which lead to unjustified delayed contract completion and lack of value for money. Bidders are not given the right of appeal.

RISK	DESCRIPTION	AREA	IMPLICATION
		and lack of notices of Best Evaluated Bidders.	
		<p>Failure by the Entity to incorporate in the solicitation document aspects of gender, social inclusion, environment, health, and safety.</p> <p>Aspects of gender, social inclusion, environment, health, and safety are not covered by the contractor during contract implementation.</p>	
<b>LOW</b>	Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or to ensure that the business matches current market best practices. Deviations from laid down detailed procedures would normally be graded "low" provided that there is sufficient evidence of management action to put in place and monitor compliance with detailed procedures.	<b>Planning:</b> Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.
		<b>Bidding Process:</b> Not signing the Ethical Code of Conduct	This leads to failure to declare a conflict of interest and a lack of transparency.
<b>SATIS-FACTORY</b>	Relates to following laid down procurement procedures and guidelines and no significant deviation is identified during the conduct of the procurement process based on the records available at the time.		