



**THE PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS
AUTHORITY**

**PROCUREMENT AND DISPOSAL AUDIT REPORT OF KAZO
DISTRICT LOCAL GOVERNMENT FOR THE FINANCIAL YEAR
2021/2022**

MAY 2023

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ACRONYMS

AO	Accounting Officer
CC	Contracts Committee
DLG	District Local Government
EC	Evaluation Committee
ESHS	Environmental, Health and Social Safety safeguards
FY	Financial Year
ICT	Information, Communication and Technology
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
UGX	Uganda Shillings

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the Procurement and Disposal audit of Kazo District Local Government. The audit covered a representative sample of 20 procurement transactions carried out during the Financial Year 2021/22. The audit involved a review of procurement system, procurement processes and asset disposal processes following the Public Procurement and Disposal of Assets Act 2003 as amended and Local Governments (PPDA) Regulations, 2006.

From the findings of the procurement audit exercise, the performance of Kazo District Local Government for the Financial Year 2021/22 established an overall weighted average risk rating of **54.9%** which is a **moderately satisfactory risk rating** as per the rating in table 17 in the detailed report.

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

1. Failure by the Entity to implement 43% of the procurement plan and as a result planned activities worth UGX 2,440,956,203 were not delivered to the intended beneficiaries. Furthermore, five procurements worth UGX 227,129,750 were conducted outside the procurement plan raising the risk of utilization of funds meant for other activities thus affecting service delivery.
2. According to the Board of Survey report for the Financial Year 2021/2022 no action was taken to dispose of obsolete assets recommended for boarding off in the previous report contrary to Regulation 122 of the Local Governments (PPDA) Regulations, 2006.
3. There were unnecessary delays to seek approval from Contracts Committee in three procurements worth UGX 84,893,636. The Authority noted that was an average delay of 8.6 months which delayed service delivery to the intended beneficiaries and could increase the risk of failure to absorb budgeted funds affecting the Entity's performance.
4. Solicitation documents in three procurements worth UGX 937,602,026 were poorly drafted with inconsistent evaluation criteria, contractual terms and conditions. This creates a risk of bidders preparing non-responsive bids and may lead to awarding contracts to bidders without the capacity to execute the required volume of works.
5. There was irregular evaluation of bids by the Evaluation Committee in three procurement transactions worth UGX 198,872,884. This resulted in passing non-compliant bidders in tax clearance certificate, specific experience and Powers of Attorney which exposed the Entity to the risk of contracting providers without the competence to execute the construction works.
6. Mahindure Investment Limited, a non VAT registered company was paid VAT amounting to UGX 11,296,642 for the construction of a two classroom block with an office at Buteraniro Primary School. This caused a financial loss to the Entity worth UGX 11,296,642 and loss of revenue to Government since the provider was not registered for VAT and therefore could not remit the VAT to Uganda Revenue Authority.
7. The Entity did not obtain performance and/or Environmental & Social (ES) securities in two procurements worth UGX 242,091,868 which exposed the Entity to the risk of lack of recourse in the event of contract non- performance.
8. The Authority noted irregularities in the physical implementation of seven of the sampled procurements worth UGX 748,293,424. Some of the noted defects were; full payment prior to completion of works, lack of provisions for a ramp and mettalic rail in BOQs and failure to fully fence the project. Poor contract monitoring and supervision could lead to non- performance by the contractors hence failure to achieve value for money.

9. Slow progress of works, site abandonment, limited workforce, failure to adhere to Gender, Environmental, Health and Safety Requirements, failure to submit updated program of works and lack of evidence that all samples and materials used in day to day construction works were tested and approved. This was noted on the Upgrade of Kyamparangara and Kyengendo Health Centre IIs to Health Centre IIIs, Health and safety, security of the workers as well as the community and materials is compromised posing a risk of litigation to the Entity in case of accidents.

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

1. The Accounting Officer should:
 - i. Regularly conduct or designate persons to regularly conduct a review of the procurement plan to harmonize it with the existing circumstances and most especially changes in the budget of the Entity.
 - ii. Ensure that the User Departments prepare comprehensive work plans and all intended items are included on the plan in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006. In the event that amendments are made to the departmental work plans, User Departments should share amendments with the Head Procurement and Disposal Unit to update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003.
 - iii. Conduct disposal of all the obsolete items identified by the Board of Survey following Regulation 122 of the Local Governments (PPDA) Regulations, 2006.
 - iv. Task the Head Procurement and Disposal Unit to seek timely approvals to expedite the procurement process to promote efficiency and achieve value for money in procurement as provided in Section 48 of the PPDA Act, 2003 as amended.
 - v. Liaise with Uganda Revenue Authority and recover UGX 11,296,642 from the service provider Mahindure Investment Limited being the VAT component irregularly paid to a non VAT registered provider.
 - vi. Endeavor to fulfil contract effectiveness requirements by obtaining the ES securities where required and performance securities from contractors in accordance with Regulation 89 (1) (a) of the Local Governments (PPDA) Regulations, 2006.
 - vii. Fast track the correction of defects, commissioning and handover of the completed projects to the intended beneficiaries. The Contract supervisors should ensure that each provider meets all performance or delivery obligations as per the terms and conditions of a contract, in accordance with Regulation 119 (10) (a) (i) of the Local Governments (PPDA) Regulations, 2006.
2. The Head Procurement and Disposal Unit should;
 - i. Prepare quality solicitation documents in accordance with Regulation 48 of the Local Governments (PPDA) Regulations, 2006 and the Contracts Committee should always scrutinize bidding documents for completeness, correctness, clarity and accuracy before approval.
 - ii. Ensure that the Evaluation Committee members strictly adhere to the criteria set out in the solicitation document in accordance with Regulation 48 (4) of the Local Governments (PPDA) Regulations 2006.
3. The Contract Supervisor should direct the Contractor to provide appropriate PPEs to staff and implement the ESMP in accordance with Part I Section 4 of the bidding forms when construction resumes. and the Accounting Officer should ensure that going forward, the

contractor adheres to the environmental, health and social safety standards to protect the community as well as the workers to avoid the risk of litigation in cases of accidents

CHAPTER ONE: INTRODUCTION

1.1. Background

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Kazo District Local Government that covered a representative sample of 20 procurement transactions under Financial Year 2021/22. The audit involved a review of procurement structures, procurement and asset disposal processes, as well as contract performance following the provisions of the Public Procurement and Disposal of Assets Act 2003 as amended and Local Governments (PPDA) Regulations, 2006.

1.2. PPDA Mandate

The PPDA is mandated under Section 7 (j) of the PPDA Act, 2003 as amended and Local Governments (PPDA) Regulations, 2006 to institute procurement and disposal audits in the Entities. This mandate is executed in line with the principles and objectives below:

1.3. Main Audit Objectives

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

The specific objectives were:

1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act, 2003 as amended and Local Government (PPDA) Regulations, 2006.;
2. To establish the level of compliance with the PPDA Act, 2003 as amended and Local Governments (PPDA) Regulations, 2006. in the conduct of procurement and disposal activities; and
3. To assess the level of efficiency and effectiveness in contract implementation.

1.4. Scope of the Audit

The audit covered a pre-selected sample of 20 case files worth **UGX 3,474,834,908** for procurement transactions carried out in the Financial Year 2021/22. The list of sampled transactions is contained in **Annex 1**. The distribution of the transaction population and sample are in Table 1 below:

Table 1: Analysis of Population and Sample Selected for Audit of FY 2021/22

No	POPULATION			SAMPLE		PERCENTAGE	
	Procurement method	Value (UGX)	No	Value (UGX)	No	Value	No
1.	Open Bidding	3,731,607,664	19	2,527,863,200	7	67.7	36.8
2.	Selective Bidding	430,079,326	29	172,478,670	6	40.1	20.7
3.	Micro procurements	0	0	0	0	0	0
4.	Direct procurement	40,844,048	1	40,844,048	1	100	100
5.	Force account	160,753,024	9	49,698,855	2	30.9	22.2
6.	UPDF/MOU	823,185,926	5	683,950,135	4	83.1	80.0
TOTAL		5,186,469,988	63	3,474,834,908	20	67.0	31.7

1.5. Audit Methodology

The auditors examined records and documents for each sampled procurement transaction and obtained the relevant evidence to derive audit conclusions. This involved a review of the Entity's procurement/disposal planning, initiation, bidding, evaluation, contract placement and processes. At the end of the document review, a physical verification was undertaken to ascertain the level of contractual delivery and fit for purpose.

During the audit, the auditors held interviews with the staff from the Procurement and Disposal Unit (PDU) and User Departments that were necessary in obtaining crucial qualitative information about the internal control system and processes in place.

A debrief meeting to clear all pending issues that arose during the audit was held with the Entity management and staff on **22nd December 2022** before the auditors could embark on preparation of the management letter. The auditors prepared the management letter, which was sent to the Entity on **9th March 2023** with a request to submit a management response by **14th March 2023**, which was submitted as requested. The exit meeting was held on **13th April 2023** at PPDA Mbarara Regional Office.

On completion of data collection and before writing the report, the audit manager reviewed the working papers for completeness. The working papers contain detailed chronology of findings on each of the sampled transactions. The audit report presents the key findings and conclusions arising from the audit.

1.6. Reporting

Reporting is in a format which identifies the findings by exception, the level of risk and the recommendations. The procurements are rated in four categories according to the weakness identified namely; High Risk, Medium Risk, Low risk and Satisfactory. The definition of the risk rating is in **Annex C**.

CHAPTER TWO: AUDIT FINDINGS

This chapter presents the findings arising from the audit. The audit was carried out based on the set criteria per the PPDA Act, Regulations and Guidelines and the procurement audit manual. The implications are presented and the recommendations are made considering the management responses from the entity.

2.1 COMPLIANCE WITH THE GENERAL PROVISIONS UNDER THE PPDA ACT, 2003 AND LOCAL GOVERNMENTS (PPDA) REGULATIONS, 2006

The following areas of non-conformity were observed:

2.1.1 Inadequate composition of the Contracts committee

The Authority noted that the Entity's Contracts Committee was not fully constituted comprising of only four members contrary to Regulation 15 (1) of the Local Governments (PPDA) Regulations, 2006 that requires a contracts committee to consist of five members. The members of the Contracts committee are shown in Table 2 below;

Table 2: Composition of the Contracts Committee

No	Name	Position on Contracts Committee
1.	Ms. Divine Kyogabirwe	Chair Person
2.	Mr. John Baptist Asiimwe	Member
3.	Ms. Imelda Tumuhaise	Member
4.	Mr. John Bosco Tumwesigye	Member

Implication

Failure to have a fully constituted Contracts Committee compromises procurement processes and may lead to non compliance of the Entity to the provision of the PPDA Act 2003, as amended.

Management response

We have appointed Ms. Ayebare Susan as a member pending her approval by the PS/ST.

Recommendations

- The Accounting Officer should ensure to have a fully constituted Contracts Committee in accordance with Regulation 15 (1) of the Local Governments (PPDA) Regulation, 2006.
- In the meantime, the Accounting Officer may appoint a temporary member in accordance with Regulation 15 (6) of the Local Governments (PPDA) Regulations, 2006.

2.1.2 Procurement Plan implementation rate

2.1.2.1 Non-implementation of 43% of the procurement plan

The Entity did not implement 43% worth UGX 2,440,956,203 of the planned procurements as detailed in table 2 below:

Table 3: Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	5,679,977,783
Total procurement spend value inclusive of VAT (UGX)	3,239,021,580
Procurement plan implementation rate (%)	57%
Implementation variance (UGX)	2,440,956,203

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

Implication

The Entity did not fully implement the procurement plan and as a result, planned services worth UGX 2,440,956,203 were not delivered to the intended beneficiaries.

Management response

These were UGIFT Projects procured late due to hybrid procurement. Contractors have since progressed as per the progress reports.

Recommendations

The Authority notes the Entity's response and recommends as follows:

1. The Accounting Officer should regularly conduct or designate persons to regularly conduct a review of the procurement plan to harmonize it with the existing circumstances and most especially changes in the budget of the Entity.
2. In the event that amendments are made to the departmental work plans, User Departments should share amendments with the Head Procurement and Disposal Unit to update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003.

2.1.2.2 Conducting procurements outside the procurement plan

The Authority reviewed the sampled procurements against the procurement plan and noted that five procurements worth UGX. 227,129,750 were conducted outside of the procurement plan. These are indicated in Table 4 below;

Table 4: Procurements outside the procurement plan

No.	Subject of procurement	Contract Value (UGX)
1.	Construction and completion of plant clinic	93,545,680
2.	Renovation of Mbogo HCII outpatient department	24,721,604
3.	Finishing of Community building phase III, construction of 2 stance pit latrine at Migina S/C and construction of 4 stance at St.PaulRwemikoma	39,745,430
4.	Completion of subcounty offices phase II- Nkungu sub county and construction of a 2 stance latrine at Kabingo H/C II	37,345,595
5.	Renovation of 7 institutional rain water harvesting tanks in selected institutions	31,771,441
	Total	227,129,750

Implications

- This impacts on procurements that were planned for which may in turn lead to domestic arrears.
- Conducting procurements outside the plan raises the risk of utilization of funds meant for other activities thus affecting service delivery.

Management response

Advise taken. This was due to the late submission of the Sub County plans but the rest were included in our plan. Going forward we have tasked all Sub County Chiefs to submit their procurement plans by 10th June to enable us capture and integrate.

Recommendations

The Authority noted the Entity's response and recommends that the Accounting Officer should ensure that the User Departments prepare comprehensive work plans and all intended items are included on the plan in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006. In the event that amendments are made to the procurement plan, the Head, Procurement and Disposal Unit should update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003, as amended.

2.1.3 Reporting to the Authority

2.1.3.1 Failure to report on micro procurements.

There were no micro procurements reported to the Authority in the Financial Year 2021/22.

2.1.3.2 Irregularities noted in the submitted quarterly reports;

- a) The Entity has failed to adapt to the new format of reporting as issued by the Authority in a circular dated 25th April, 2022 which includes reporting on Reservation/preference schemes as well as Beneficial ownership.
- b) It was noted that in the quarterly reports, the Entity reported on ongoing procurements for every stage of the procurement process resulting into exaggerated figures in the total quarterly reports which affects the compilation of performance data by the Authority. Some procurements were reported by the Entity in all the four quarters of the year as ongoing processes.

Table 5 below shows a sample of some procurement contracts that were reported by the Entity in more than one quarter.

Table 5: Some of the Procurement transactions that were reported more than once to the Authority in the quarterly reports

No.	Subject of procurement	Number of times reported (status of procurement as reported per quarter)			
		QRT 1	QRT 2	QRT 3	QRT 4
1.	Completion of Kazo Health Centre IV Maternity ward phase II worth UGX.	Evaluation stage	To be done by UPDF	Awarded pending signing of agreement	On going

	140,000,000				
2.	Constriction of staff houses at Rwiiji and Kijuma HC II worth UGX. 100,000,000	Evaluation stage	Submitted to UPDF	Awarded	Completed/On going
3.	Construction and completion of plant clinic worth UGX. 68,198,772	Evaluation stage	CC Decision/ Re-advertising	Re-advertised/Bidding process	Completed
4.	Construction of Kazo District Administration block phase III worth UGX. 618,408,765	Evaluation stage	BEB Notice	Awarded pending signing of agreement	
5.	Renovation of Mbogo health centre II Out Patients department	BEB Notice	Awarded, Agreement pending	Awarded. Agreement pending	

Implications

- This implies that there are reporting gaps in the Entity which affects the compliance assessment trail by the Authority and contradicts the principles of accountability and transparency.
- Use of the wrong format of reporting and exaggerated figures hinders effective performance monitoring by the Authority and thus affecting data based conclusions and recommendations for improvement.

Management response

- *We do take note of the recommendation and going forward we shall be reporting micro procurements.*
- *We take note of the recommendation and we are currently using the new format. The procurements that were reported as ongoing throughout the financial year were the ones that were not yet complete and these were handled by the UPDF Engineering Brigade under the Presidential Directive.*

Recommendation

- The Head Procurement and Disposal Unit should ensure that the quarterly reports (on procurements, disposals, micro procurements and revenues) are in the recommended format and are submitted on every 15th day of the month preceding the quarter being reported with Contracts Committee minutes attached in accordance with Guideline 6/2008 of the Local Governments (PPDA) Guidelines, 2008.
- The entity should only report on procurements that have been awarded or completed.

2.1.4 Failure by Divisions to report to the District on the micro procurements conducted

The Authority noted that there was no evidence inform of reports and Contracts Committee minutes to show that lower Local Governments submit monthly reports for the micro procurements conducted to the Contracts Committee through the PDU for ratification and further reporting to the Authority contrary to Regulation 41 (8) of the Local Governments (PPDA) Regulations, 2006.

Implication

Failure to report procurement transactions conducted by lower local governments compromises the principles of transparency and accountability which may expose the Entity to fraudulent practices in the procurement process.

Management response

We have written to all Lower Local Governments reminding them to submit micro procurement as per Regulation 41 (8).

Recommendation

The Accounting Officer should ensure that Lower Local Governments report on all micro procurements undertaken to the PDU for onward submission to the Contracts Committee and to PPDA in accordance with Regulation 41 (8) of the Local Governments (PPDA) Regulations, 2006.

2.1.5 Records Management

The Authority observed that various procurement procedural forms and documents were missing from their respective procurement action files contrary to Regulation 46 (2) of the Local Governments (PPDA) Regulations, 2006. These are detailed in Table 6 below:

Table 6: List of documents missing on procurement action files

No	Subject of Procurement	Amount (UGX)	Missing records
1.	Construction of a 2 classroom block with an office at Mirama Primary School	73,108,535	Contract management records (contract completion)
2.	Construction of a 2 stance lined VIP Latrine in 4 selected primary schools	40,844,048	<ul style="list-style-type: none">• Advert;• Record of issue, receipt and bid opening;• Contract management records;• Payment records;
3.	Procurement of consultancy service for water quality testing on developed water sources and consultancy services for supervision of construction of piped water scheme at akashayi-Kyampangara s/c	23,128,000	<ul style="list-style-type: none">• Contract management records (inception report, and final reports);

No	Subject of Procurement	Amount (UGX)	Missing records
4.	Supply, delivery and installation of 2 lines of 600mm culverts on Buremba-Kibwera and rwangwemukunguru- mirambi road and supply, delivery and installation of 02 lines of 600mm culverts on Kyampangaraobuzinga community access road	15,776,600	<ul style="list-style-type: none"> • Payment records; • Goods received note; • Delivery note;
5.	Completion of sub county offices phase II- Nkungu sub county and construction of a 2 stance latrine at Kabingo H/C II	37,345,595	<ul style="list-style-type: none"> • Contract management records; • Payment records.
Total		190,202,778	

Implications

- The lack of records on the procurement process is a sign of laxity and lack of effective supervision of the Procurement and Disposal Unit.
- This casts doubt on whether the Entity was monitoring projects effectively and efficiently.

Recommendations

1. The Accounting Officer should through the Heads of User Departments task contract supervisors to submit progress reports/contract management reports and all contract implementation documentation to the Procurement and Disposal Unit in accordance with Regulation 119 (10) (f) of the Local Governments (PPDA) Regulations, 2006.
2. The Head Procurement and Disposal Unit should maintain and archive all documents pertaining to a particular procurement on each respective file in accordance with Section 31 (o) of the PPDA Act, 2003.

2.1.6 Assets Management

The audit revealed the following exceptions.

2.1.6.1 Disposal of Kazo District Local Government's obsolete assets

The Authority noted that according to the board of survey report for the Financial Year 2021/2022, no action was taken to dispose of obsolete assets recommended for boarding off in the previous board of survey report contrary to Regulation 122 of the Local Governments (PPDA) Regulations, 2006. The board of survey report recommended these assets be disposed of again and also highlighted other obsolete assets to be disposed of. These items are listed in table 7 below:

Table 7: Items recommended for disposal

S/N	Asset Description
1.	Nissan Double cabin pick up UG 1853M located at Kazo Health Center IV
2.	Toyota Double cabin pick up UG 6471M located at Production department
3.	Motorcycle/Jailing UG 1284R located at Kanoni S/C Headquarters

S/N	Asset Description
4.	Motorcycle/Jiansy UG 2677 Located at Kanoni S/C Headquarters
5.	Motorcycle Honda 125 LG 0009-65 Located at Rwemikoma S/C Headquarters
6.	Motorcycle LG 002965 located at Rwemikoma S/C Headquarters
7.	Motorcycle UEC 978U located at Kazo S/C Headquarters
8.	Motorcycle LG 0021-65 located at Kazo S/C Headquarters
9.	Motorcycle UG 1786 R located at Kazo S/C Headquarters
10.	Motorcycle LG0025-65 located at Burunga Police Post
11.	Motorcycle LG 003465 Located Nkungu S/C Headquarters
12.	Motorcycle UDY918Y located at Nkungu S/C Headquarters
13.	Motorcycle UDR295Y Located at Nkungu S/C Headquarters
14.	Money safe located at Burunga S/C Headquarters
15.	Desktop KIRU/03/CP/02 located District head
16.	Desktop computer 3WKYIDI located at the District headquarters
17.	Dell CRT Monitor PACE/C.462 located at the District headquarters
18.	11 Iron sheets located at Kazo Health center
19.	Borehole old spare parts located Kazo District stores

Implication

Failure to dispose of inhibits the achievement of value for money as funds are held up in assets and also lost through depreciation.

Management response

We take note of the recommendation and we have begun on the disposal process of the said assets. We are submitting the request to the District Executive Committee for action.

Recommendation

The Accounting Officer should conduct disposal of all the obsolete items identified by the Board of Survey following Regulation 122 of the Local Governments (PPDA) Regulations, 2006.

2.1.6.2 Engraving of Kazo DLG's assets

The board of survey report for Financial Year 2021/2022 revealed that various movable assets belonging to Kazo DLG such as furniture, office, and ICT equipment were neither engraved nor labeled with a unique identification mark. Some of the un-engraved assets are listed in Table 8 below.

Table 8: Assets that require engraving

S/N	Location	Asset Description	Quantity
1.	Laboratory at Kazo HC IV	Only 5 items were engraved, the rest of the equipment at the laboratory was not engraved	57
2.	In patient's department at Kazo HC IV	All items not engraved	26
3.	Out patient's department at Kazo HC IV	Only one item is engraved. The rest of the items are not engraved.	16

S/N	Location	Asset Description	Quantity
4.	Theatre equipment at Kazo HC IV	All items are not engraved	1017
5.	Administration Department	Office chairs in CAO's office	4
		Fan in CAO's office	1
		Wall clock in CAO's office	1
		Solar panels	
6.	Statutory bodies	Executive Chairs for the District C/Person	
		Office chairs for Executive members	
		Office tables for Executive members, the SPO and PO	
		Office chairs for the council hall	
		Bid box for the Procurement Office	
7.	Community based services	Office tables	3
		Office chairs	2
8.	Works department	Office tables	2
		Office chairs	4
9.	Finance	Office tables	2
10.	Health department	Office table	1
		Office Chair	1
11.	ICT Equipment	Laptops	8
		Projector	1
		Desk top	1
		Printer	2
		Canon camera	1
12.	Administration of Kazo HC IV	Office chairs	2
		Office tables	2
		Computer	2
		CPU	2
		Double cabin	1
		Staff ice incentives	7
		Facility blocks	5
		Shelves	3
		Ambulance	1
13.	Maternity equipment	All items not engraved	43

Implications

- Assets for the District are prone to theft and pilferage since they cannot be identified.
- This implies that tracking and tracing unlabelled assets is problematic.

Management response

Advice taken, all assets will be engraved. They are going to be budgeted for in this coming financial year 2023/24.

Recommendation

The Accounting Officer should ensure that all assets belonging to the District are labelled to ease identification of obsolete ones to be subjected to disposal in accordance with Regulation 122 (6) of the Local Government (PPDA) Regulations, 2006.

2.2 LEVEL OF COMPLIANCE WITH THE PPDA ACT, 2003 AS AMENDED AND LOCAL GOVERNMENTS (PPDA) REGULATIONS, 2006 IN THE CONDUCT OF PROCUREMENT AND DISPOSAL ACTIVITIES

2.2.1 Usurping powers of the Accounting Officer

The Authority noted that, in the procurement for finishing of Community building phase III, construction of 2 stance pit latrine at Migina S/C and construction of 4 stance Pit latrine at St,Paul Rwemikoma P/S worth UGX 39,745,430, three different individuals confirmed availability of funding and yet none of them had delegated Authority from the Accounting Officer. The Ag. Sub county chief Rwemikoma SC, the Deputy CAO as well as the Ag. SAS for Migiwa Sub county undertook the role of confirmation of funding for these particular procurements without evidence of delegated Authority.

Implication

Usurping powers of the Accounting Officer undermines the checks and balances embedded within the procurement process.

Management Response

Advice taken for compliance as guided.

Recommendation

The Chairperson Contracts committee and the Head Procurement and Disposal Unit shall ensure that going forward, for all procurements undertaken, only the Accounting Officer has certified the availability of funds to support the procurement activity in accordance with Regulation 14 (e) of the Local Governments (PPDA) Regulations, 2006.

2.2.2 Delays to seek approvals after initiation of procurement

In the following three sampled procurements worth UGX. 84,893,636, the Authority observed unnecessary delays to seek approvals after initiation of procurement as detailed in Table 9:

Table 9: Procurements with delays in the process

No.	Subject of procurement	Details of Delay
1.	Supply, delivery and installation of 2 lines of 600mm culverts on Buremba-Kibwera and rwangwemukunguru- mirambi road and supply, delivery and	The requisition form was initiated on 18 th August 2021 and funds confirmed on the same date. However, the submission to Contracts committee for approval of method, document and committee was in April 2022 over 10

No.	Subject of procurement	Details of Delay
	installation of 02 lines of 600mm culverts on Kyampangaraobuzinga community access road worth UGX. 15,776,600	months after the requisitioning. The Authority noted that the Entity combined this requisition of 18 th August 2021 with one that was initiated 9 months later on 11 th May 2022. The significance in the time period is however too big.
2.	Completion of subcounty offices phase II- Nkungu sub county and construction of a 2 stance latrine at Kabingo H/C II worth UGX. 37,345,595	Whereas the requisition for the construction of a VIP latrine was signed and approved on 18 th August 2021, the procurement was combined with another for the completion of the Sub County offices phase II that was initiated and funds availability confirmed on 4 th April 2022, over 9 months after the initiation of the former.
3.	Renovation of 7 institutional rain water harvesting tanks in selected institutions worth UGX. 31,771,441	Whereas the requisition was initiated and confirmation of funding signed on 13 th July 2021, Contracts Committee approved the procurement on 15 th February 2022 over 7 months later.

Note: The Authority noted that some delays as in case 2 were brought about by the Entity's initiative to aggregate procurements. However, the procurements were unrelated and have a significant time difference in initiation dates which undermines the overall objective for the aggregation by compromising timely service delivery.

Implication

Inefficiencies in the procurement process increase procurement lead times which delay service delivery to the intended beneficiaries and increase the risk of failure to absorb budgeted funds affecting the Entity's performance.

Management Response

The mentioned procurements were of low value and they could not attract bidders and the only way we could handle such procurement was to merge them. This forced us to keep hold of some procurements that were initiated early and wait for the ones we could merge them with.

Recommendations

1. The Authority noted the Entity's response and recommends that the Accounting Officer should task the Head Procurement and Disposal Unit to seek timely approvals to expedite the procurement process to promote efficiency and achieve value for money in procurement as provided in Section 48 of the PPDA Act, 2003 as amended.
2. The Head PDU should be able to aggregate requirements in accordance with Regulation 63 of the Local Governments (PPDA) Regulations, 2006.

2.2.3 Issuance of poorly drafted solicitation documents with inadequate requirements

In three procurement transactions worth UGX 937,602,026, the Authority reviewed the issued solicitation documents and observed that they were poorly drafted with inconsistent evaluation criteria, contractual terms and conditions contrary to Regulation 48 of the Local Governments (PPDA) Regulations, 2006. The three procurement transactions are indicated in Table 10 below:

Table 10: Procurements with inadequate solicitation documents

No	Subject of Procurement	Amount (UGX)	Findings
1.	Finishing of Community building phase III, construction of 2 stance pit latrine at Migina S/C and construction of 4 stance at St,PaulRwemikoma P/S	39,745,430	<p>Inadequate bidding document</p> <ul style="list-style-type: none"> The bidders were not required to submit a Power of Attorney. The Entity is at risk of receiving bids from persons not authorized to act on behalf of the companies. The bidders were not required to have previous experience in execution of similar works. The Entity is at risk of awarding a contract to an incompetent bidder without experience to execute the required works
2.	Construction of 2-stance lined VIP Latrine in 4 selected P/S	40,844,048	<p>Inadequate bidding document</p> <p>The bidders were not required to submit Power of Attorney. The Entity is at risk of receiving bids from persons not authorized to act on behalf of the companies.</p>
3.	Construction of Kazo Administration block phase 3	857,012,548	<p>Inadequate technical evaluation criteria stated in the bidding document</p> <ul style="list-style-type: none"> The stated threshold, in the issued bidding document, meant to assess the bidder's financial capacity was too low in relation to the estimated cost of works as detailed below: The estimated cost for the project was UGX 618,408,765 but the document was only requiring the bidder to submit evidence of a minimum average annual turnover of only UGX 150M within the last 3 years (4 times less the estimated cost of the project). Furthermore, the bidder was meant to demonstrate access to a cash flow requirement of only UGX 100M

No	Subject of Procurement	Amount (UGX)	Findings
			<p>which was six times less the estimated cost of the project.</p> <ul style="list-style-type: none"> • It further required the bidder to submit evidence in specific experience as a contractor or subcontractor in at least 3 contracts within the last three years each with a value of only UGX 150M which was 4 times less the estimated cost of the project.
Total		937,602,026	

Implication

There is a risk of bidders preparing non-responsive bids and it also may lead to awarding a contract to bidders without financial capacity to execute the required volume of works.

Management response

Advice taken for future compliance going forward.

Recommendations

- The Contracts Committee should always scrutinize bidding documents for completeness, correctness, clarity and accuracy before approval.
- The Head Procurement and Disposal Unit should prepare quality solicitation documents in accordance with Regulation 48 of the Local Governments (PPDA) Regulations, 2006.

2.2.4 Irregular evaluation of bids

The audit revealed irregular evaluation of bids in three procurement transactions worth UGX 198,872,884 contrary to Regulation 48 (4) of the Local Governments (PPDA) Regulations, 2006 as detailed in Table 11 below: -

Table 11: Procurements with irregularities during the evaluation

No	Subject of procurement	Amount UGX	PPDA Finding
1.	Construction and completion of plant clinic by Mwetrust and 4P Enterprises Ltd	93,545,680	<p>Passing a non-compliant bidder</p> <ul style="list-style-type: none"> • The sole bidder, Mwetrust and 4P Enterprises Ltd should have been eliminated at preliminary evaluation for submitting a Transaction Tax Clearance Certificate addressed to Charm Partners Ltd as opposed to Mwetrust and 4P Enterprises Ltd. This implies that the bidder was not compliant with the requirement of obligation to pay taxes.

No	Subject of procurement	Amount UGX	PPDA Finding
			<ul style="list-style-type: none"> The bidder did not meet the specific experience as stated under Section 3, Clause 6.2.8 of the bidding document. The bidder was required to submit certificates of completion or substantial completion as evidence of fulfilment of the requirement for participation as contractor, or subcontractor in at least 3 contracts within the last years each with a value of at least UGX 150M and that have been successfully and substantially completed. The bidder only submitted one contract above the required threshold as opposed to three contracts. Furthermore, the bidder did not submit a completion certificate or a substantial completion certificate and only submitted copies of contracts as well as payment certificates.
2.	Construction of a 2 classroom block with an office at Buteraniro Primary School	73,555,763	<p>Passing a non-compliant bidder Mahindura Investments Ltd should have been eliminated at preliminary evaluation stage for submitting an invalid transaction tax clearance certificate. Mahindura Investments Ltd submitted TCC Ref No. IB01210158233 which upon authentication turned out to be invalid.</p>
3.	Renovation of 7 institutional rain water harvesting tanks in selected institutions	31,771,441	<p>Passing a non-compliant bidder The best evaluated bidder, Kihani Modern Contractors Ltd, did not submit a Power of Attorney which was a requirement in the solicitation document and yet was passed at preliminary evaluation stage.</p>
Total		246,450,484	

Implication

Passing non-compliant bidders exposed the Entity to the risk of contracting providers without the competence to execute the construction works.

Management response

The Head PDU explained that they decided to move on with this bidder being that it was the second time advertising this project and it was failing to attract bidders which would have delayed the project if we had opted to advertise again. Otherwise advice taken for future compliance.

Recommendation

The Head, Procurement and Disposal Unit should ensure that the Evaluation Committee members strictly adhere to the criteria set out in the solicitation document in accordance with Regulation 48 (4) of the Local Governments (PPDA) Regulations 2006.

2.2.5 Failure to communicate arithmetic errors to the bidders

The audit observed that although arithmetic errors were detected and corrected, there was no evidence of communicating these arithmetic corrections to the concerned bidders in two (2) procurement transactions worth UGX 96,236,535. The procurements are listed in Table 12 below:

Table 12: Procurements with arithmetic error corrections not communicated

No	Subject of Procurement	Amount (UGX)	Observation
1.	Construction of a two classroom block with an office at Mirama Primary School	73,108,535	There was no communication of arithmetic error corrections to Hemo Engineering Services Ltd worth UGX. 3,856,061.
2.	Procurement of consultancy service for water quality testing on developed water sources and consultancy services for supervision of construction of piped water scheme at Akashayi-Kyampangara S/C	23,128,000	There was no communication of arithmetic errors to Weekfield Limited worth UGX. 1,888,000
Total		96,236,535	

Implication

Lack of transparency is an indicator of suspicious activity and fraudulent behaviour.

Management Response

Advice is taken, the Evaluation Committees have been cautioned and advised to comply.

Recommendation

The Chairperson of the Evaluation Committee should ensure to communicate the correction of arithmetical errors during evaluation to all bidders in accordance with Regulation 74 (4) of the Local Governments (PPDA) Regulations, 2006.

2.2.6 Payment of VAT to a non VAT registered provider leading to a financial loss to the entity

This was noted in the procurement for Construction of a two classroom block with an office at Buteraniro Primary School worth UGX. 73,555,763 by Mahindure Investment Limited where the contractor charged 18% VAT worth UGX. 11,296,642 in their quotation and yet the URA registration certificate submitted did not indicate them as being registered for VAT. The Entity paid the contractor VAT Inclusive.

Implication

Payment of VAT to a non VAT registered company caused a financial loss to the Entity worth UGX 11,296,642 and loss of revenue to Government since the provider was not registered for VAT and therefore could not remit the VAT to Uganda Revenue Authority through VAT Returns.

Management Response

Action is going to be taken,

Recommendation

The Accounting Officer should liaise with Uganda Revenue Authority and recover UGX 11,296,642 from the service provider Mahindure Investment Limited being the VAT component irregularly paid to a non VAT registered provider.

2.3 LEVEL OF EFFICIENCY AND EFFECTIVENESS IN CONTRACT IMPLEMENTATION

The audit revealed the following exceptions;

2.3.1 Failure to obtain performance and Environmental and Social securities

The Entity did not obtain performance and/or Environmental & Social (ES) securities in two procurements worth UGX 242,091,868, contrary to the conditions of contract. The procurements were;

- i. Construction and completion of plant clinic worth UGX 93,545,680 by MweTrust and 4P Enterprises Ltd. (10% ESHS and performance security)
- ii. Sitting and drilling of 6 deep boreholes in selected Sub counties worth UGX 148,546,188 by Icon Enterprises Ltd (10% performance security)

Implication

Failure to obtain securities exposes the Entity to the risk of lack of recourse in the event of contract non-performance.

Management response

Advice taken for compliance.

Recommendation



The Accounting Officer should endeavour to fulfil contract effectiveness requirements by obtaining the ES securities where required and performance securities from contractors in accordance with Regulation 89 (1) (a) of the Local Governments (PPDA) Regulations, 2006.



2.3.2 Irregularities noted at contract implementation

The Authority conducted a physical verification exercise on 16th December 2022 and noted the following irregularities in implementation of projects as detailed in Table 13:

Table 13: Procurements with irregularities at contract implementation as at 16th December 2022

No.	Subject of procurement	Authority's Findings
1.	<p>UPDF Projects</p> <ul style="list-style-type: none"> i. Construction of maternity ward at Kazo HCIV worth UGX 426,632,367 ii. Completion of maternity ward phase II for Kazo HC IV worth UGX 116,925,208 iii. Construction of two in one staff houses at Kijuma HC II worth UGX 70,196,280 iv. Renovation of OPD at Kaicumu HCII worth UGX 21,186,441 v. Construction of two in one staff houses at Rwigi HCII worth UGX 70,196,280 	<p>Full payment prior to completion of works Upon signing of the contract with Ministry of Defense and Veteran Affairs/ UPDF Engineers Brigade, the Entity made a full payment for all the stated works prior to commencement of works. This was contrary to Article 7.0 of the MOU which stated that "Advance payment shall be 30% of the total project cost upon signing of the agreement, apart from exceptional cases where it shall be decided by the Accounting Officer based on the circumstances."</p>
2.	<p>Construction of 2 stance lined VIP Latrine at Kantaganya P/S and Akengeja P/S worth UGX. 40,844,048 by Kihani Modern Contractors Ltd</p>	<p>Status of works: Works were completed and handed over. The facilities were in use at the time of physical verification on 16th December 2022.</p> <p>Exceptions noted: There were no provisions to enable easy access of the facility for PWDs (a ramp and metallic rail in one of the stances). The bills of quantities did not have a provision for construction of a ramp as well as a metallic rail. This is an indicator of marginalising of PWDs.</p>

No.	Subject of procurement	Authority's Findings
		 <p data-bbox="730 725 1417 792"><i>Image 1: VIP Latrine at Akengenya P/S without a provision for PWDs.</i></p>  <p data-bbox="730 1184 1417 1252"><i>Image 2: VIP Latrine at Kantaganya P/S without a provision for PWDs</i></p>
3.	Supervision of construction of piped water water scheme at Akashayi-Kyampangara S/C worth UGX. 23,128,000 by Weekfield Limited	<p data-bbox="730 1294 1417 1397">Status of the works: The works were not yet complete and the contractor was not on site at the time of the verification on 16th December 2022.</p> <p data-bbox="730 1442 1417 1621">Exception noted: The contractor had not fully fenced off the project as required in the bills of quantities. A section towards the gate was not worked on and the project was therefore still accessible to the public.</p>

No.	Subject of procurement	Authority's Findings
		 <p data-bbox="743 645 1417 719"><i>Image 3: A section of the fence towards the gate that was not worked on by the contractor.</i></p>  <p data-bbox="743 1167 1417 1200"><i>Image 4: The building housing the water pump</i></p>

Implications

Poor contract monitoring and supervision could lead to non- performance by the contractors hence failure to achieve value for money.

Management response

For case1: Advice has been taken.

For case 2: Advice has been taken, the defects will be addressed before paying retention.

For case 3: This was UGIFT project where funds were returned and contractor slowed progress. Parliament has passed the supplementary budget and works are expected to resume soon.

Recommendations

1. The Accounting Officer should fast track the correction of defects, commissioning and handover of the completed projects to the intended beneficiaries.
2. Contract supervisors should ensure that each provider meets all performance or delivery obligations as per the terms and conditions of a contract, in accordance with Regulation 119 (10) (a) (i) of the Local Governments (PPDA) Regulations, 2006.

**2.4 Upgrade of Kyamparangara and Kyengendo Health Centre IIs to Health Centre IIIs
PROC REF. NO. MOH/UgIFT/Works/21-22/00013/13-28. (UGIFT Funded)**

The Government of Uganda received a loan from the World Bank to fund the Uganda Intergovernmental Fiscal Transfer (UGIFT) Program for Results (P4R). The loan was set to upgrade Health Centre IIs to Health Centre III through the Ministry of Health in the Financial Year 2021-22. Kazo District Local Government (DLG) was among the beneficiaries in the Western Region with the upgrade of Kyamparangara Health Center II and Kyengendo Health Centre II to Health Centre IIIs.

On 23rd June 2022, Kazo District Local Government entered into a contract with Kaleeta Construction Ltd at a cost of UGX 1,234,328,086 to upgrade two Health Centre IIs to Health Centre IIIs i.e. upgrade Kyamparangara and Kyengendo Health Centre IIs to Health Centre III with an intended completion date of 23rd February 2023 (8 months). The contract summary is detailed in Table 14 below:

Table 14: Contract Summary and status of the works as of December 2022

Entity	Kazo District Local Government
Contract Title	Upgrade of Kyamparangara and Kyengendo Health Centre IIs to Health Centre IIIs PROC REF. NO. MOH/UgIFT/Works/21-22/00013/13-28
Contract Outputs/Deliverables	The works at Kyamparangara and Kyengendo Health Centre IIs involved the following construction works: <ul style="list-style-type: none"> • Construction of General/Maternity Ward; • Improvement of OPD • Construction of 1 VIP 4 stance Latrine; • Construction of a Placenta pit; and • Medical waste pit. • Walk ways and General External Works
Name of the Provider	Kaleeta Construction Limited
Method of Procurement	Open Domestic Bidding
Type of Contract	Admeasurement Contract
Original Contract value Inclusive of VAT	UGX 1,234,328,086
Contract signature date	23 rd June 2022
Contract commencement date	27 th June 2022
Contract end date	23 rd February 2023
Contract Supervisor	District Engineer
Current status	Physical progress measured at 10% at Kyamparangara site and 25% at Kyengendo site as at 16 th December 2022
	Contract period elapsed is measured at 87.5%
	Financial progress stood at 30% advance payment worth UGX 370,298,426

Exceptions noted:

2.4.1 Slow progress of works

The Authority on 16th December 2022 conducted a physical verification exercise of the sites at Kyamparangara HCII and Kyengendo HCII and noted slow progress of the ongoing works at both sites. Physical progress of the works stood at 10% at Kyamparangara HCII and 25% at Kyengendo HCII. The overall physical progress of works for both sites stood at 17.5% against 87.5% of the contract time and a payment of UGX 370,298,426 (30% advance payment) as shown in Table 15 below:

Table 15: Physical inspection pictures as at 16th December 2022



Above: Works ongoing on the substructure of the maternity ward at Kyamparangara HCII. The physical progress stood at 10% against 87.5% of the contract time at the time of physical verification. The following works had not commenced:

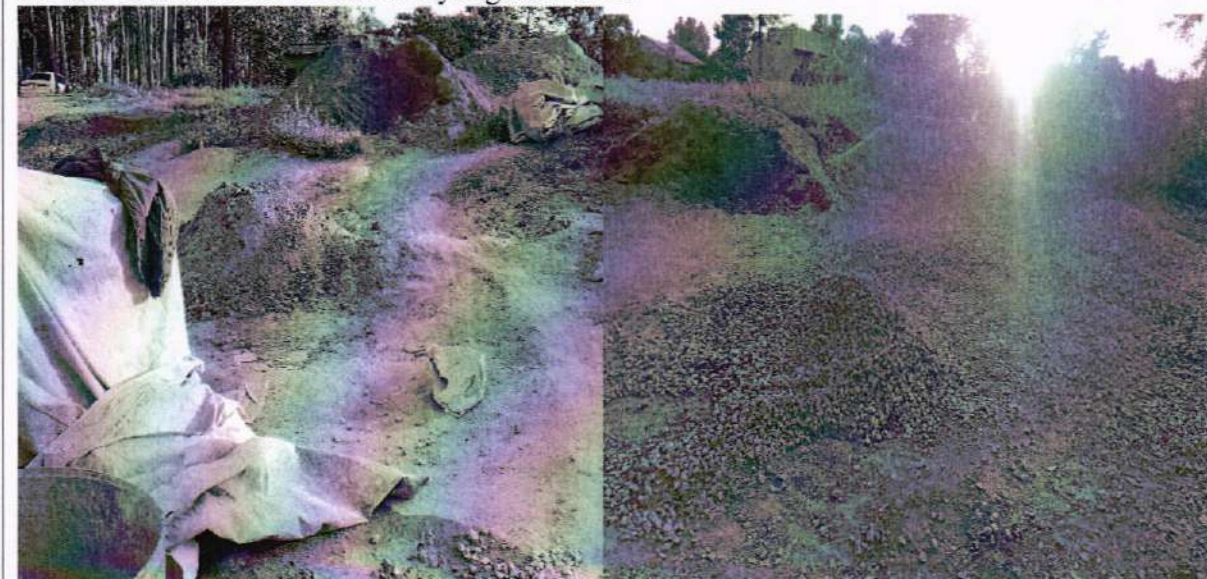
- Improvement of OPD
- Construction of 1 VIP 4 stance Latrine;
- Construction of a Placenta pit; and
- Medical waste pit.
- Walk ways and General External Works



Above: Ongoing works on the substructure of maternity ward at Kyengendo HCII. Physical progress stood at 25% as at physical verification on 16th December 2022. The following works had not commenced:

- Improvement of OPD
- Construction of 1 VIP 4 stance Latrine;
- Construction of a Placenta pit; and
- Medical waste pit.
- Walk ways and General External Works

Below: The material on site at Kyengendo HCII



The Authority noted that the slow progress of this project was mainly attributed to the following:

- Site abandonment by the contractor. According to a progress report dated 2nd September 2022, the site was officially handed over to the contractor on 27th June 2022. An advance of UGX 370,298,425 was paid to the contractor on 30th June 2022. However, two months later on 10th August 2022, the contractor had only managed to level both sites with no materials on site. Regular follow ups by the project management team showed that the contractor had abandoned both sites.
- Lack of full commitment by the Contractor demonstrated by low deployment of man power at both project sites.

2.4.2 Limited workforce on site

The contractor was on both sites with a limited workforce than recommended in the contract document and program for works. There was only the Site Foreman, 15 casual labourers and six masons as noted during physical inspection by PPDA on 16th December 2022. Given that the works were still at the substructure at Kyamparangara HCII and super structure at Kyengendo HCII, the Project Manager, Site Engineer, Safety Officer should have been on both sites as required.

Implication

This could be the reason for the delayed execution of works and if not addressed may lead to failure to complete the project on time.

Management response

The contractor has resumed the site and now at the roofing level.

Recommendation

The Contract Supervisor should ensure that the workforce on site is adequate in accordance with the contract.

2.4.3 Adherence to Gender, Environmental, Health and Safety Requirements

During site inspection by the Authority on 16th December 2022, the following was observed;

- i. There was no site signboard showing key project stakeholders;
- ii. The staff on site lacked adequate Personal Protective Equipment;
- iii. There were no safety signs, warning tapes placed at dangerous spots.
- iv. There was no waste management system on site.
- v. There was no First Aid Box
- vi. The site was not hoarded off, hence a security risk to the materials on site and a safety risk to the community.

Implication

Health and safety, security of the workers as well as the community and materials is compromised posing a risk of litigation to the Entity in case of accidents.

Management Response

Advice taken for compliance.

Recommendations

- The Contract Supervisor should direct the Contractor to provide appropriate PPEs to staff and implement the ESMP in accordance with Part I Section 4 of the bidding forms when construction resumes.
- The Accounting Officer should ensure that going forward, the contractor adheres to the environmental, health and social safety standards to protect the community as well as the workers to avoid the risk of litigation in cases of accidents.

2.4.4 Failure to submit an updated program for works

Whereas GCC 36.1 stated that “*the Contractor shall submit the Program for Works within 14 days of contract signature.*” And; GCC 36.3 stated that “*the period between Program updates is 30 days. The amount to be withheld for late submission of an updated program is 500,000/=*”, there was no evidence that the program of works was submitted.

Implication

Without a program for works, the Contract Supervisor could not measure/monitor the actual progress achieved on each activity and the effect of the progress achieved on the timing of the remaining work, including any changes to the sequence of the activities.

Management Response

Advice taken, the letter has been written to the contractor to submit a revised work schedule.

Recommendation

The Authority notes the Entities response and maintains that the Contractor should submit an updated program for works as required under GCC 36.1 of the Special Conditions of Contract.

2.4.5 No evidence of conducting tests and approval of materials and samples used on site

The Authority was not furnished with any evidence that all samples and materials used in day to day construction works were tested and approved.

Implication

The viability and safety of a construction project cannot be determined, hence a potential risk to the Users.

Management Response

The contractor has been instructed to carry out material tests to submit a report.

Recommendation

The Contract Supervisor should ensure that material testing is done to ascertain the general specifications of work quality.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This chapter will present graphically the scores per area assessed under different audit questions.

3.1 Overall Audit Conclusion

The performance of Kazo District Local Government was **Moderately Satisfactory** with overall weighted average risk rating of **54.9%** as detailed below:

3.2 Entity's Performance

The risk rating was weighted to determine the overall risk level of the Entity. The weighting was derived using the average weighted index as shown in Table 16:

Table 16: Entity's performance

Risk Category	Number of sampled procurements	Value (UGX)	Rating by No. %	Rating by Value%	Weights %	Total Weighted Score	
High	7	1,942,999,825	35	24.0	0.6	21.0	14.4
Medium	6	1,157,203,075	30	65.2	0.3	9.0	19.6
Low	3	324,933,153	15	3.7	0.1	1.5	0.4
Satisfactory	4	49,698,855	20	7.1	0	0.0	0.0
Total	20	3,474,834,908	100	100	1	31.5	34.4

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{31.5}{60} \times 100 = 52.5\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{34.4}{60} \times 100 = 57.3\%$$

$$\text{Combined Weighted Average} = \frac{52.5 + 57.3}{2} = 54.9\%$$

Since 54.9% falls within the 31% - 70% risk range, the performance of the Entity is rated **Moderately Satisfactory** as detailed in Table 17.

Table 17: Risk rating

Risk Rating	Description of Performance
0-30%	Satisfactory
31-70%	Moderately Satisfactory
71-100%	Unsatisfactory

Figure 1: Risk Rating by Number

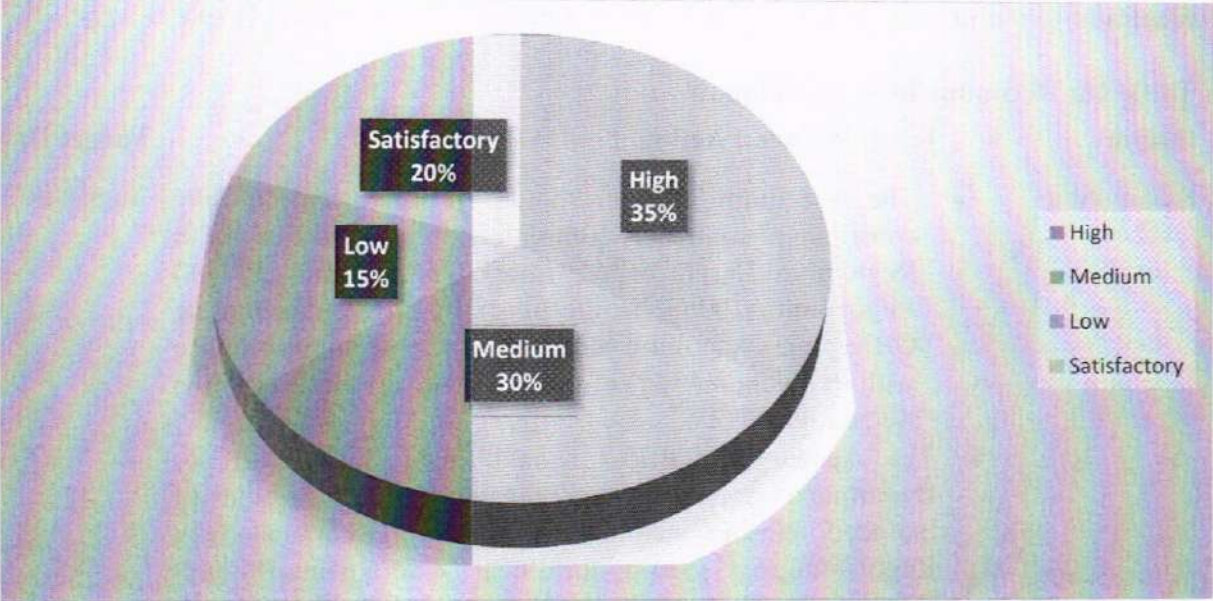
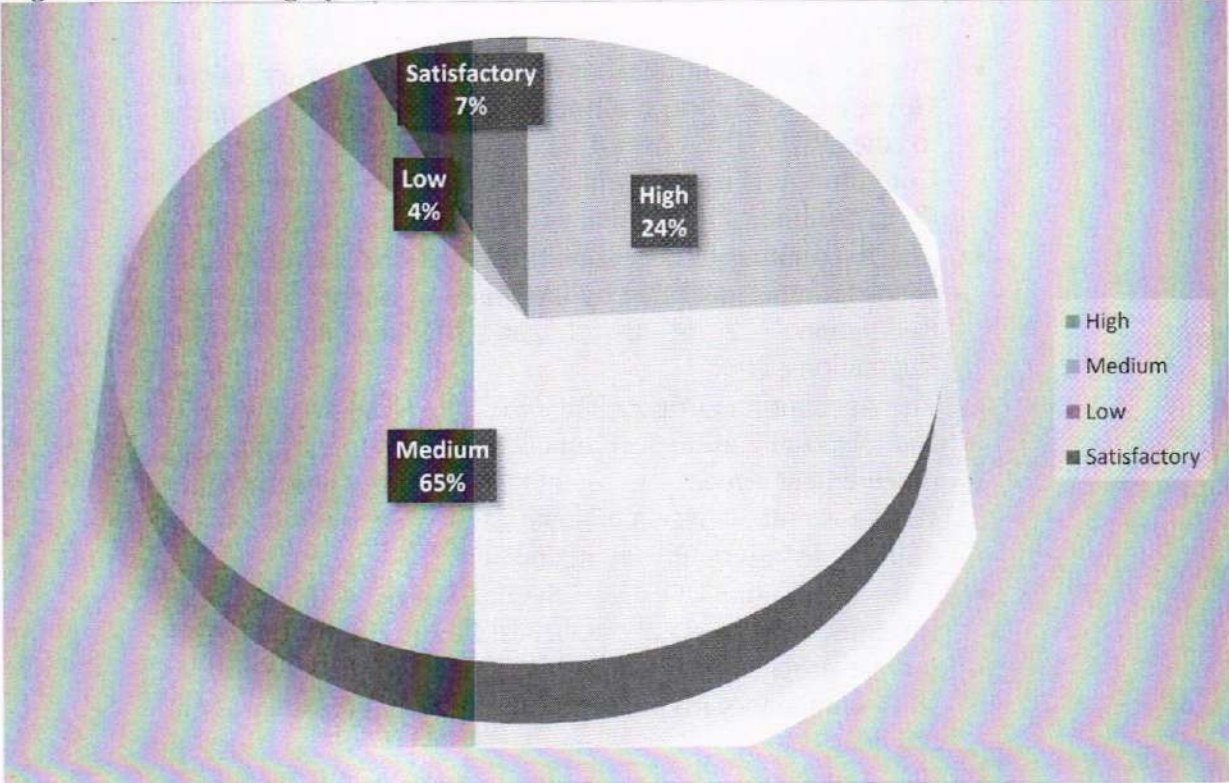


Figure 2: Risk Rating by Value



3.3 Recommended Action Plan

Kazo District Local Government should implement the following recommendations within the timeframe given in order to improve its performance in Procurement and Disposal.

Table 18: Recommended Action plan

Origin	Recommended Action	Target Date
Accounting Officer	<ul style="list-style-type: none"> • The Accounting Officer should ensure to have a fully constituted contracts committee in accordance with Regulation 15 (1) of the Local Governments (PPDA) Regulation, 2006. In the meantime, the Accounting Officer may appoint a temporary member in accordance with Regulation 15 (6) of the Local Governments (PPDA) Regulations, 2006. • The Accounting Officer should ensure that the User Departments prepare comprehensive work plans and all intended items are included on the plan in accordance with Regulation 26 (1) (a) of the Local Governments (PPDA) Regulations, 2006. In the event that amendments are made to the procurement plan, the Head, Procurement and Disposal Unit should update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003, as amended. • The Accounting Officer should ensure that Lower Local Governments report on all micro procurements undertaken to the PDU for onward submission to the Contracts Committee and to PPDA in accordance with Regulation 41 (8) of the Local Governments (PPDA) Regulations, 2006. • The Accounting Officer should conduct disposal of all the obsolete items identified by the Board of Survey following Regulation 122 of the Local Governments (PPDA) Regulations, 2006. • The Accounting Officer should task the Head Procurement and Disposal Unit to seek timely approvals to expedite the procurement process to promote efficiency and achieve value for money in procurement as provided in Section 48 of the PPDA Act, 2003 as amended. • The Accounting Officer should liaise with Uganda Revenue Authority and recover UGX 11,296,642 from the service provider Mahindure Investment Limited being the VAT component irregularly paid to a non VAT registered provider. • The Accounting Officer should endeavor to fulfil contract effectiveness requirements by obtaining the ES securities where required and performance securities from contractors in accordance with Regulation 89 (1) (a) of the 	August 2023

Origin	Recommended Action	Target Date
	<p>Local Governments (PPDA) Regulations, 2006.</p> <ul style="list-style-type: none"> The Accounting Officer should fast track the correction of defects, commissioning and handover of the completed projects to the intended beneficiaries. 	
Procurement and Disposal Unit	<ul style="list-style-type: none"> The Head Procurement and Disposal Unit should ensure that the quarterly reports (on procurements, disposals, micro procurements and revenues) are in the recommended format and are submitted on every 15th day of the month preceding the quarter being reported with Contracts Committee minutes attached in accordance with Guideline 6/2008 of the Local Governments (PPDA) Guidelines, 2008. The Head Procurement and Disposal Unit should prepare quality solicitation documents in accordance with Regulation 48 of the Local Governments (PPDA) Regulations, 2006. The Head, Procurement and Disposal Unit should ensure that the Evaluation Committee members strictly adhere to the criteria set out in the solicitation document in accordance with Regulation 48 (4) of the Local Governments (PPDA) Regulations 2006. 	August 2023
Contracts Committee	<p>The Chairperson Contracts Committee and the Head Procurement and Disposal Unit shall ensure that going forward, for all procurements undertaken, only the Accounting Officer has certified the availability of funds to support the procurement activity in accordance with Regulation 14 (e) of the Local Governments (PPDA) Regulations, 2006.</p>	August 2023
Evaluation committee	<p>The Chairperson of the Evaluation Committee should ensure to communicate the correction of arithmetic errors during evaluation to all bidders in accordance with Regulation 74 (4) of the Local Governments (PPDA) Regulations, 2006.</p>	August 2023
User Departments	<p>Contract supervisors should ensure that each provider meets all performance or delivery obligations as per the terms and conditions of a contract, in accordance with Regulation 119 (10) (a) (i) of the Local Governments (PPDA) Regulations, 2006.</p>	August 2023

ANNEXES

Annex A: Kazo District Local Government audit sample list for FY 2021-22.

No	Reference Number	Subject of Procurement	Method of Procurement	Provider	Contract Value	Risk rating
1.	MoH – UGIFT/Wrks/2021-22/00013/13-28	Upgrading of Kyengando Health Centre II and Kyampangara Health Centre II	Open Domestic Bidding	Kaleeta Construction Ltd	1,234,328,086	Medium
2.	Kz630/WRKS/21-21/00013	Renovation of 07 institutional rain water harvesting tanks at selected institutions	Selective Bidding	Kihani Modern Contractors Ltd	31,771,441	High
3.	Kz630/WRKS/21-22/00022	Construction and completion of plant clinic	Open Domestic Bidding	Mwetrust and 4P Enterprise Limited	93,545,680	High
4.	Kz630/WRKS/21-22/00023	Construction of staff house at Rwiji Health Center II	Open Bidding	UPDF Engineers Brigade	70,196,280	High
5.	Kz630/WRKS/21-22/00028	Construction of Kazo Health Center IV maternity ward	Open Domestic Bidding	UPDF Engineers Brigade	426,632,367	High
6.	Kz630/WRKS/21-22/00024	Construction of staff house at Kijuma Health Center II	Open Domestic Bidding	UPDF Engineers Brigade	70,196,280	High
7.	Kz630/WRKS/21-22/00029	Completion of Kazo health Center IV maternity ward extension- Phase II	Open Domestic Bidding	UPDF Engineers Brigade	116,925,208	High
8.	Kz630/SUPLS/21-22/00207	Procurement of borehole spare parts	Open Domestic Bidding	Mwetrust and 4P Enterprise Ltd	47,766,400	Satisfactory
9.	Kz630/WRKS/21-22/00217	Construction of 2 stance lined VIP latrine in selected 4 primary schools	Direct procurement	Kihani Modern Contractors Ltd	40,844,048	Medium
10.	Kz630/WRKS/21-22/00241	Construction of a 2 classroom block with an office at Mirama primary school	Open Domestic Bidding	Hemo Engineering Services Limited	73,108,535	Low

No	Reference Number	Subject of Procurement	Method of Procurement	Provider	Contract Value	Risk rating
11.	Kz630/SRVCS/21-22/00258	Procurement of consultancy service for water quality testing on developed water sources and supervision of construction of piped water scheme at Akashayi-Kyampangara S/C	Selective Bidding	Weekfield Limited	23,128,000	Medium
12.	Kz630/WRKS/21-22/00271	Finishing of community building phase III, Construction of 2-stance pit latrine at migina S/C and construction of 4 stance pit latrine at St.PaulRwemikoma p/s	Selective Bidding	Kihani modern contractors limited	39,745,430	Low
13.	Kz630/WRKS/21-22/00297	Completion of Nkungu Sub County Offices- Phase II and Construction of a 2 – stance latrine at Kabingo H/C II	Selective Bidding	Bamer Construction Company Ltd	37,345,595	Medium
14.	Kz630/WRKS/21-22/00332	Supply, supply and installation of 2 lines of 600mm culverts on Buremba-Kibwera and Rwangwe- Mukunguru-Mirambi road and supply and delivery and installation of 2 lines of 600mm culverts on Kyampangara- obuzings community access road	Selective Bidding	Bamer Construction Company Ltd	15,766,600	Low
15.	Kz630/WRKS/21-22/00017	Renovation of Mbogo Health Center II out patients department	Selective Bidding	M.F Friend Interlocking tiles and construction Co. Ltd	24,721,604	High

No	Reference Number	Subject of Procurement	Method of Procurement	Provider	Contract Value	Risk rating
16.	Kz630/WRKS/21-22/00030	Construction of Kazo district administration block phase III	Open Domestic Bidding	Kirimi Enterprise Ltd	857,012,548	Medium
17.	Kz630/WRKS/21-22/00031	Silting and drilling of deep boreholes in selected sub counties	Open Domestic Bidding	Kirimi Enterprises Ltd	148,546,188	Satisfactory
18.	Kz630/WRKS/21-22/00002	Construction of 2 classroom block with an office at Buteraniro primary school	Open Domestic Bidding	Mahindure Investments Ltd	73,555,763	Medium
19.	Kz630/WRKS/21-22/00119	Grading and shaping of rwabwonyo-kyenju-katarishwera road	Force on account		33,420,557	Satisfactory
20.	Kz630/WRKS/21-22/00086	Opening of RwigiKyenshama-Rwemirondo road	Force on account		16,278,298	Satisfactory
TOTAL					3,474,834,908	

Annex B: Findings and rating on the individual contracts reviewed

No.	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
1.	Construction and completion of plant clinic worth UGX 93,545,680 Mwetrust and 4P Enterprises Ltd Open bidding method	<ul style="list-style-type: none"> • Not on plan • Passing a non-compliant bidder • Signing contract above estimated price (UGX 93,545,680 and estimated was UGX 68,198,772) • No evidence of submission of performance security as requirement stated in SCC • 10% ESHS and performance security
2.	Construction of maternity ward at Kazo HCIV worth UGX 426,632,367	100 % advance payment against 65% works done
3.	Completion of maternity ward phase II for Kazo HC IV worth UGX 116,925,208	100 % advance payment against 75% works done
4.	Construction of two in one staff houses at Kijuma HC II worth UGX 70,196,280	100 % advance payment against 70% works done
5.	Construction of two in one staff houses at Rwigi HCII worth UGX 70,196,280	100 % advance payment against 70% works done
6.	Renovation of Mbogo HCII outpatient department worth UGX 24,721,604	Procurement not on plan
7.	Renovation of 7 institutional rain water harvesting tanks in selected institutions. 31,771,441	<ul style="list-style-type: none"> • Procurement not on the plan. • Unnecessary delays. • Passing a non-compliant bidder.

No.	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
8.	Upgrade of Kyampangara and Kyengando HCII to HC III worth UGX 1,149,007,432	<ul style="list-style-type: none"> • Slow progress of works • Limited workforce on site • Failure to adhere to ESHS requirements • Failure to submit updated program of works • Lack of evidence of conducting tests and approval of material and samples used.
9.	Construction of 2-stance lined VIP Latrine in 4 selected P/S worth UGX 40,844,048	<ul style="list-style-type: none"> • Inadequate bidding document • Missing records • There were no provisions to enable easy access of the facility for PWDs (a rump and metallic rail). The BOQs did not have a provision for construction of a rump as well as a metallic rail
10.	Construction of Kazo Administration block phase 3 worth UGX 857,012,548 Kirimi Enterprise Limited	<ul style="list-style-type: none"> • Inadequate technical evaluation criteria • No evidence of submission of 10% performance security as a requirement stated in SCC.

No.	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
11.	Construction of a 2 (two) classroom block with an office at Buteraniro Primary School worth UGX. 73,555,763	<ul style="list-style-type: none"> Inadequate evaluation criteria. Passing a non-compliant supplier. Payment of VAT to a non VAT registered user.
12.	Procurement of consultancy service for water quality testing on developed water sources and supervision of construction of piped water scheme at Akashayi-Kyampangara S/C worth UGX. 23,128,000	<ul style="list-style-type: none"> The contractor had not fully fenced off the project as required in the BOQs. A section towards the gate was not worked on. Missing documents; Failure to communicate and incorporate arithmetic errors in the bid.
13.	Completion of sub county offices phase II- Nkungu sub county and construction of a 2 stance latrine at Kabingo H/C II 37,345,595	<ul style="list-style-type: none"> The procurement is not on the plan Unnecessary delays.

No.	LOW RISK CONTRACTS	REASONS FOR LOW RISK
14.	Finishing of Community building phase III, construction of 2 stance pit latrine at Migina S/C and construction of 4 stance at St,Paul Rwemikoma P/S worth UGX 39,745,430 Kihani Modern Contractors Ltd	<ul style="list-style-type: none"> Usurping powers of AO at initiation Inadequate bidding document
15.	Construction of a 2 (two) classroom block with an office at Mirama Primary School worth UGX. 73,108,535	<ul style="list-style-type: none"> Missing records; Failure to communicate arithmetic error correction.
16.	Supply, delivery and installation of 2 lines of 600mm culverts on Buremba-Kibwera and rwangwemukungurumirambi road and supply, delivery and installation of 02 lines of 600mm culverts on Kyampangaraobuzinga community access road.	<ul style="list-style-type: none"> Delayed procurement. Missing documents;

No.	SATISFACTORY CONTRACTS
17.	Grading and shaping of Rwabwonyo – kyenju- katarishwera road worth UGX. 7,730,449
18.	Opening of RwingiKyenshama – Rwemirondo road worth UGX. 16,278,298
19.	Sitting and drilling of 6 deep boreholes in selected Sub counties worth UGX 148,546,188
20.	Supply of borehole spare parts worth UGX 47,577,600

Annex C: Risk Rating Criteria

RISK	DESCRIPTION	AREA	IMPLICATION
HIGH	Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry risk for the regulatory system or the Entity's reputation. Such cases warrant immediate attention by senior management. Significant deviations from established policies and principles and/or generally accepted industry standards will normally be rated "high".	Planning: Lack of or failure to procure within the approved plan	This implies emergencies and use of the direct procurement method which affects competition and value for money.
		Bidding Process: Use of wrong/inappropriate procurement methods, failure to seek Contracts Committee approvals and usurping the powers of the PDU.	This implies use of less competitive methods which affects transparency, accountability and value for money.
		Evaluation: Use of inappropriate evaluation methodologies or failure to conduct evaluation.	This implies financial loss caused by awarding contracts at higher prices or shoddy work caused by failure to recommend award to a responsive bidder.
		Record Keeping: Missing procurement files and missing key records on the files namely; solicitation document, submitted bids, evaluation report and contract.	This implies that one cannot ascertain the audit trail namely; whether there was competition and fairness in the procurement process.
		Fraud/forgery: Falsification of Documents	This implies lack of transparency and value for money.
		Contract Management: Payment for shoddy work or work not delivered.	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 beneficiaries
		MEDIUM	Procurements that were

RISK	DESCRIPTION	AREA	IMPLICATION
	<p>considered to have weaknesses which, 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.</p>	<p>initiation of procurements and confirmation of funds.</p>	<p>the Entity without funds thereby causing domestic arrears.</p>
<p>Bidding Process: 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.</p>		<p>This implies lack of efficiency, standardisation and avoiding competition.</p>	
<p>Procurement Structures: Lack of procurement structures</p>		<p>This implies lack of independence of functions and powers and interference in the procurement process.</p>	
<p>Record Keeping: Missing Contracts Committee records and incomplete contract management records.</p>		<p>This implies that one cannot ascertain the audit trail namely; whether the necessary approvals were obtained in a procurement process.</p>	
<p>Contract and Contract Management: Failure to appoint Contract Supervisors, failure to seek the Solicitor General's approval for contracts above UGX. 200 million and lack of notices of Best Evaluated Bidders.</p>		<p>This leads to unjustified contract amendment and variations which lead to unjustified delayed contract completion and lack of value for money. Bidders are not given the right of appeal.</p>	
<p>Failure by the Entity to incorporate in the</p>			

RISK	DESCRIPTION	AREA	IMPLICATION
		<p>solicitation document aspects of gender, social inclusion, environment, health and safety.</p> <p>Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.</p>	
LOW	<p>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 practice. 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.</p>	<p>Planning: Lack of procurement reference numbers.</p> <p>Bidding Process: Not signing the Ethical Code of Conduct</p>	<p>This leads to failure to track the procurements which leads to poor record keeping.</p> <p>This leads to failure to declare conflict of interest and lack of transparency.</p>
SATISFACTORY	<p>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.</p>		

Annex D. List of staff in the Procurement and Disposal Unit

No.	Name	Job Title
1.	AkampaAggrey	Senior Procurement officer
2.	Catherine Nabuenya	Procurement Officer

Annex E. List of Contracts Committee members

No.	Name	Position on Committee
1.	Ms. Divine Kyogabirwe	Chairperson
2.	Mr. John Baptist Asiimwe	Member
3.	Ms. Imelda Tumuhaise	Member
4.	Mr. John Bosco Tumwesigye	Member

Annex F: Other projects verified as at 16th December 2022

Contract: Construction of Kazo Administration block phase 3 worth UGX 857,012,548

Provider: Kirimi Enterprise Limited

Status of Works: Phase 3 completed



Above: Front view of staff Administration block



Above: Back view of the administration block

Case	UGX 64,745,420
Contract: Construction and completion of plant clinic worth UGX 93,545,680	
Provider: Mwetrust and 4P Enterprises Ltd	
Status of Works: The works were complete and the facility was in use	





Case	UGX 148,546,188
Contract: Sitting and drilling of 6 deep boreholes in selected Sub counties worth UGX 148,546,188	
Provider: Kirimi Enterprises Ltd	
Status of Works: The works at Kyentulege were completed and the borehole was in use at the time of physical verification.	



Case	
Contract:	Routine mechanized maintenance of Rwetuuma- Akatooma 10km
Provider:	District Engineer
Status of Works:	The works were completed at the time of physical verification.

