



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

"Procurement That Delivers"

**PROCUREMENT AND DISPOSAL AUDIT REPORT
FOR THE FINANCIAL YEAR 2021/22**

KITAGWENDA DISTRICT LOCAL GOVERNMENT

JUNE 2023

TABLE OF CONTENTS

TABLE OF CONTENTS	i
ACRONYMS	iv
EXECUTIVE SUMMARY	1
CHAPTER 1: INTRODUCTION.....	2
1.1 Structure of the Entity	2
1.2 Background	2
1.3 Main Audit Objectives.....	2
1.4 Audit Scope	2
1.5 Audit Methodology.....	3
CHAPTER 2: AUDIT FINDINGS, IMPLICATIONS, AND RECOMMENDATIONS.....	4
2.1 LEVEL OF COMPLIANCE WITH THE GENERAL PROVISIONS UNDER THE PPDA ACT, 2003, AND LOCAL GOVERNMENTS (PPDA) REGULATIONS, 2006 .	4
2.1.1 Revenue sources	4
2.1.2 Statements of requirements	5
2.1.3 Issuance of inadequate bidding documents.....	6
2.1.4 Use of the brand name	7
2.1.5 Unjustified use or approval of direct procurement.....	7
2.1.6 Titling of land.....	8
2.1.7 Engraving of District Assets	8
2.1.8 Disposal of obsolete assets.....	9
2.1.9 Records Management	9
2.2 LEVEL OF COMPLIANCE WITH THE PPDA ACT, 2003 AND REGULATIONS, 2006 IN THE CONDUCT OF PROCUREMENT AND DISPOSAL ACTIVITIES	10
2.2.1 Competitiveness of procurement processes	10
2.2.2 Usurping powers of the PDU and the Accounting Officer	11
2.2.3 Failure to follow approved procedures for procurement of consultancy services	12
2.2.4 Anomalies in contract documents.....	13
2.2.5 Performance Security.....	14
2.3 LEVEL OF EFFICIENCY AND EFFECTIVENESS IN CONTRACT IMPLEMENTATION.....	15
2.3.1 Delayed delivery of procured goods.....	15
2.3.2 Slow implementation of works by the UPDF Engineering Brigade	15
2.3.3 Unsatisfactory works	16
2.3.4 Force Account Mechanism	19
a) Unjustified use of Force Account Mechanism	19

b) Irregular procurement of inputs under the Force Account Mechanism.....	20
c) Irregular use of Force Account in the supply of school desks	20
Management Request.....	21
CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY	22
3.1 Overall Audit Conclusion	22
3.2 Recommended Action Plan.....	24
Annex 1: Transaction list and rating per case	25
Annex 2: Risk Rating Criteria	27

List of Key Tables

Table 1: Analysis of Population and Sample Selected for Audit of FY 2021/22.....	3
Table 2: Procurement plan implementation rate	4
Table 3: Procurements where statements of requirements were not attached at initiation	5
Table 4: Procurements with inadequate evaluation criteria & contractual terms.....	6
Table 5: Procurements with unjustified use of the direct procurement method.....	7
Table 6: Untitled land	8
Table 7: Missing documents.....	9
Table 8: Procurements with low bidder participation.....	10
Table 9: Contract documents with anomalies noted.....	13
Table 10: Procurements with performance security irregularities.....	14
Table 11: Delayed delivery of procured items	15
Table 12: Unsatisfactory works.....	16
Table 13: Risk Rating	22
Table 14: Summary of performance of Kitagwenda District.....	22
Table 15: Recommended Action Plan	24

ACRONYMS

AO	Accounting Officer
CC	Contracts Committee
DLG	District Local Government
FY	Financial Year
HC	Health Centre
LPO	Local Purchase Order
Ltd	Limited
P/S	Primary School
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
S/C	Sub-County
SUPLS	Supplies
SVRCS	Services
TC	Town Council
UGIFT	Uganda Intergovernmental Fiscal Transfers Program Project
UGX	Uganda Shillings
UPDF	Uganda People's Defense Forces
VAT	Value-Added Tax
WRKS	Works

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the procurement and disposal audit of Kitagwenda District that covered a representative sample of 20 procurement transactions under the Financial Year 2021/22.

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

From the findings of the procurement audit exercise, the performance of Kitagwenda District for the Financial Year 2021/22 was **moderately satisfactory** with an overall weighted average risk rating of **41%**. The risk rating was weighted to determine the overall risk level of the Entity as detailed in Chapter 3 of the audit report.

The following key exceptions were noted:

1. Failure to attach statements of requirements to requisition forms in three procurements worth UGX 173,213,792.
2. Issuance of inadequately drafted solicitation documents in three procurements worth UGX 57,442,180.
3. Unjustified use and approval of direct procurement in three procurements worth UGX 283,120,076.
4. Low bidder participation in four procurement transactions worth UGX 610,877,259.
5. Lower Local Governments contracted out revenue collection to service providers without delegated authority.
6. Delays across the procurement process in four procurements worth UGX 324,560,120.
7. The irregular application of the force account mechanism in three projects worth UGX 72,106,739.

The Authority recommends that:

1. The Accounting Officer should reject all incomplete procurement requisitions submitted by the User Department.
2. The Head Procurement and Disposal Unit should issue well-prepared solicitation documents with requirements precisely defined in accordance with Regulation 48 of the Local Governments (PPDA) Regulations, 2006.
3. The Contracts Committee should carry out its oversight role in the approval of procurement and disposal procedures following Section 28 (d) of the PPDA Act, 2003.
4. The Accounting Officer should put in place a mechanism for promoting competition in accordance with Section 46 of the PPDA Act, 2003.
5. The Accounting Officer should ensure independence in the performance of functions and roles in public procurement in accordance with Section 38 of the PPDA Act, 2003.
6. The Accounting Officer and Head Procurement and Disposal Unit should efficiently implement all procurement processes as per Section 48 of the PPDA Act, 2003.
7. The Accounting Officer should adhere to Circular No. 3 of 2012 to Local Governments on the application of the use of force account mechanism to ensure value for money.

Kitagwenda District Local Government should implement the recommended action plan on **page 25**.

CHAPTER 1: INTRODUCTION

1.1 Structure of the Entity

Section 26 (1) of the PPDA Act, 2003 gives the Accounting Officer the overall responsibility for the execution of the procurement and disposal process in the Procuring and Disposing Entity. Section 26 (1) (a) and (c) specifically gives the responsibility to the Accounting Officer to cause the establishment of a Procurement and Disposal Unit and Contracts Committee staffed at an appropriate level.

The Entity had a substantive Accounting Officer, a Procurement and Disposal Unit (PDU), and a Contracts Committee. Adhoc Evaluation Committees were appointed for each procurement transaction.

1.2 Background

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the procurement and disposal audit of Kitagwenda District that covered a representative sample of 20 procurement transactions under the Financial Year 2021/22. The audit involved a review of the 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 and Local Governments (PPDA) Regulations 2006.

1.3 Main Audit Objectives

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

The specific objectives were to:

- i. Establish the level of compliance by the Entity with the general provisions of the PPDA Act 2003 and Local Government (PPDA) Regulations 2006;
- ii. Establish the level of compliance of procurement and disposal processes with the PPDA Act, 2003 and Regulations 2006; and
- iii. Assess the level of efficiency and effectiveness in contract implementation.

1.4 Audit Scope

The audit involved a review of the procurement process, disposal process, general compliance issues, and contract implementation on a sample basis. The audit covered a representative sample of 20 procurement transactions under the Financial Year 2021/22. The list of sampled transactions is contained in **Annex A**. The distribution of the transaction population and sample are indicated 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	711,900,439	12	680,154,439	7	96%	58%
2.	Selective Bidding	114,463,400	7	18,165,000	1	16%	14%
3.	Prequalification	435,856,763	8	308,464,076	4	78%	63%
4.	Force Account	444,385,303	35	113,840,739	3	26%	9%
5.	Framework/LPO/micros	767,895,326	208	81,238,687	4	11%	2%
6.	UPDF-NEC	107,928,535	1	107,928,535	1	100%	100%
TOTAL		2,582,429,766	271	1,309,791,476	20	52%	8%

1.5 Audit Methodology

An entry meeting was held on 16th January 2023. At the meeting, the objectives of the audit were discussed as well as the timelines, roles, and responsibilities. The Entity's management was requested to avail the required records in time for the audit, to which they agreed to give the necessary assistance to the auditors.

The auditors examined records and documents for each sampled procurement transaction and/or disposal 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.

At the end of the field data collection, a debriefing meeting was held on 25th January 2023 with the Entity management and staff to clear all pending issues that arose during the audit before the auditors embarked on the preparation of the management letter. The management letter was sent to the Entity on 20th March 2023 with a request to submit a management response by 13th April 2023. The exit meeting was held on 14th April 2023 at the PPDA Western Regional office premises in Mbarara City.

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

CHAPTER 2: AUDIT FINDINGS, IMPLICATIONS, AND RECOMMENDATIONS

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

The following areas of non-conformity were observed.

Procurement plan implementation rate

The Authority assessed the Entity's procurement plan, budget, and utilization of funds. The procurement plan implementation rate was 87% with a variance of UGX 386,599,234 as indicated in Table 2 below:

Table 2: Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	2,969,029,000
Total procurement spend value inclusive of VAT (UGX)	2,582,429,766
Procurement plan implementation rate	87%
Budget variance (UGX)	386,599,234

Implication

Despite the moderately satisfactory performance, planned services worth UGX 386,599,234 were not delivered to the intended beneficiaries.

Recommendation

The Accounting Officer and Management should regularly review the implementation of the procurement plan and update it where necessary in accordance with Section 58 (4) of the PPDA Act, 2003 to ensure improved performance.

Management response

National Economic performance due to the COVID-19 pandemic resulted in budget cuts which impacted project implementation. In addition, UGIFT Co-funding development conditions were fulfilled by few farmers, hence money meant for micro-scale irrigation was not fully absorbed as budgeted. Farmers are encouraged to Co-fund accordingly.

2.1.1 Revenue sources

According to the Revenue collection report for 2021-2022, the Entity had budgeted for revenue collection worth UGX 171,602,900 from the 9 Sub counties and 4 Town Councils. However, these were not included in the Entity's procurement plan.

Implication

Procurement of management services for revenue sources was carried out outside the procurement plan contrary to Section 58 (7) of the PPDA Act, 2003.

Recommendation

The Accounting Officer and Head Procurement and Disposal Unit should plan for revenue sources in the Entity's procurement plan in accordance with Section 58 of the PPDA Act, 2003.

Management response

The Entity had prepared and approved the revenue enhancement plan for the period 2020/21-2024/25 and was approved by District Council under Min.57/KDLG/COU/APR 2021/22. Management has taken note of the requirement to incorporate the revenue sources from the revenue enhancement plan into the District Procurement Plan.

2.1.2 Statements of requirements

The Authority found that statements of requirements were not attached to requisition forms in three procurements worth UGX 173,213,792. These procurements are indicated in Table 3 below:

Table 3: Procurements without Statements of Requirements Attached at Initiation

No.	Subject of Procurement	Details	Contract Value (UGX)
1.	Supply of two brand new motorcycles (Simba UG Boss Pro 125CC with riding accessories to the Production Department	Specifications for the motorcycles were not attached at the initiation. Specifications were drafted and submitted by the Assistant Engineering Officer- Mechanical on 22 nd September 2021, 13 days after the confirmation of funding by the Accounting Officer.	30,000,000
2.	Construction of Ntara Sub County Administration Block Phase 1	The User Department initiated procurements without recommending a statement of requirements resulting in a two months delay between the date the procurement was initiated and the confirmation of funding by the Accounting Officer.	42,306,739
3.	Supply of HDPE pipes and accessories for Water extension to Ntara Rural Growth Centre- DWSCG Funds	The User Department initiated procurements without recommending a statement of requirements resulting in a 21 days delay between the date the procurement was initiated and confirmation of funding by the Accounting Officer.	100,907,053
Total			173,213,792

Implication

Unnecessary delays within the procurement process as submissions are rejected.

Recommendations

- User Departments should ensure that specifications for supplies, terms of reference for services, and bills of quantities for works, are prepared and attached to the procurement requisitions before seeking approval in accordance with Section 60 of the PPDA Act 2003.
- The Accounting Officer should reject all incomplete procurement requisitions submitted by the User Department.

Management response

Management takes note of the delayed procurement initiation by User Departments and pledges to improve to achieve timely procurement.

2.1.3 Issuance of inadequate bidding documents

The Entity issued bidding documents with inadequate criteria as well as contractual terms in three procurements worth UGX 57,442,180. These procurements are detailed in Table 4 below:

Table 4: Procurements with Inadequate Evaluation Criteria & Contractual Terms

No.	Subject of procurement	Findings
1.	Installation of Microscale Irrigation Equipment for benefiting farmers under UGIFT (Abigaba Grace) worth UGX 18,165,000.	Inadequate bidding document The bidding document particularly the Special Conditions of Contract did not include the delivery terms like time period, or a copy of the contract to be signed.
2.	Procurement of consultant for property valuation Kitagwenda TC worth UGX 13,870,000.	Inadequate bidding document The document, under Section 3, showed that the evaluation methodology to be used would be Quality Cost Based Selection (QCBS) in accordance with the evaluation of bids under consultancy services. However, the document failed to ensure the applicability of the stated methodology by failing to give relative weights to the technical and financial components of the evaluation, so as to enable the evaluators to individually award merit points to every bid and come up with a final score contrary to Guideline No.7/2007 of the Local Governments (PPDA) Guidelines, 2007, on Procedures for Evaluation Methods. This led to the irregular evaluation of bids as some detailed technical and financial aspects were not fully considered and scored.
3.	Drilling deep borehole/ production well at Kabirizi-Kanara Sub County worth UGX 25,407,180.25	Inadequate bidding document Ambiguous start date. Clause GCC 1.1 (ee) of the Special Conditions of Contract did not state the actual start date for implementation of the works but instead relied on the issuance of a commencement letter within which the timeframe was not clearly stated.

Implication

The Authority established that the highlighted criteria above were generic and not quantifiable, this implies that the criteria cannot be used to commit or disqualify bidders as limits were not set.

Recommendations

- The Head Procurement and Disposal Unit should prepare solicitation documents with well-defined methodology and criteria in accordance with Regulations 48(2) & 48(4) of the Local Governments (PPDA) Regulations, 2006.
- The Contracts Committee should ensure that the bidding documents are scrutinized for quality before approval.

Management Response

Management takes note and pledges to improve.

2.1.4 Use of the brand name

The Authority noted the use of the brand name “YAMAHA” Model “XTZ” on the procurement requisition in the supply of two brand new motorcycles (Simba UG Boss Pro 125CC) to the Production Department worth UGX 30,000,000.

Implication

This contravenes Regulation 48 (8) of the Local Government (PPDA) Regulations, 2006, and the principles of fairness and competition highlighted in Sections 45 and 46 of the PPDA Act, 2003.

Management response

Management has taken note and pledges to improve.

Recommendation

The Heads of User Departments and the Head Procurement and Disposal Unit should ensure that the use of brand names is avoided in accordance with Regulation 48 (8) of the Local Government (PPDA) Regulations, 2006.

2.1.5 Unjustified use or approval of direct procurement

The Authority notes that three procurements worth UGX **312,568,763** were irregularly conducted using a direct procurement method without justification contrary to Section 85 (1) of the PPDA Act, 2003. The Authority found no exceptional circumstances to prevent the use of competition. These procurements are detailed in Table 5 below:

Table 5: Procurements with Unjustified use of the Direct Procurement Method

No.	Procurement	Contract value (UGX)
1.	Construction of staff house at Kanara HCIII under UGIFT	149,213,023
2.	Supply of HDPE pipes and accessories for Water extension to Ntara Rural Growth Centre-DWSCG Funds	100,907,053
3.	Supply of pesticides for demonstration on control of field crop pests in fruits and coffee FY 2021/2022	33,000,000
Total		283,120,076

Implication

The unjustified use of direct procurement undermines the principle of competition.

Recommendation

The Contracts Committee should carry out its oversight role in the approval of procurement and disposal procedures in accordance with Section 28 (d) of the PPDA Act, 2003.

Management response

The Entity received supplementary funds, the procurements were initiated and received by the Procurement and Disposal Unit in June 2022, the last month of the Financial Year 2021/2022. To save the Entity's funds from the return to the treasury, the District Contracts Committee approved the direct procurement method from prequalified firms, and works were executed to a satisfactory completion. The project was handed over but management pledges to improve on this.

2.1.6 Titling of land

The Board of Survey report for the Financial Year 2021/2022 revealed that Kitagwenda District owned various plots of land that have no titles. These are listed in Table 6 below:

Table 6: Untitled land

No.	Land Location	Quantity	Status
1.	Kitagwenda TC and Ntara S/C	19 properties	Not surveyed or titled
2.	Mahyoro S/C	27 properties	Not surveyed or titled

Implication

The Entity's land is susceptible to grabbing and theft.

Recommendation

The Accounting Officer should ensure that land titles are processed for all untitled District land.

Management response

During the financial year under audit, the Entity had no District Land Board, but this current year, the District Land Board is fully constituted, and operational and is handling land registration matters. The Entity will continue to budget for land titling in the subsequent financial years.

2.1.7 Engraving of District Assets

The board of survey report for the Financial Year 2021/2022 revealed that various movable assets belonging to Kitagwenda District Local Government such as motorcycles, furniture, office, and ICT equipment were neither engraved nor labelled with a unique identification mark.

Implications

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

Management Response

Management takes note of this continuous exercise and has already started the engraving process, for example, motor vehicles and office furniture are engraved and the Entity is continuing to engrave the newly procured assets during the financial year as per the budget.

Management will continue with this, taking note of the donor and community-funded assets like furniture in schools and health centres will also be engraved.

Recommendation

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

2.1.8 Disposal of 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 report contrary to Regulation 122 of the Local Governments (PPDA) Regulations, 2006. The obsolete assets included seven motor vehicles and seven motorcycles.

Implication

The User Departments have failed to plan and initiate the disposal of the 14 items which has kept the Entity with obsolete items and may lead to loss of value of the items through depreciation.

Management response

Management has already started the disposal processes where by the Entity invited the Chief Mechanical Engineer from Ministry of works and Transport and Chief Government Valuer for assessment and valuation for onward disposal.

Recommendation

The Accounting Officer and Heads of User Departments should dispose of all obsolete assets in accordance with Regulation 122 (10) of the Local Governments (PPDA) Regulations, 2006.

2.1.9 Records Management

The Authority noted that four procurement action files worth UGX 65,660,000 were lacking various procurement procedural forms and documents contrary to Regulation 46 (2) of the PPDA, Local Governments Regulations 2006. The missing records are detailed in Table 7 below:

Table 7: Missing documents

No.	Subject of procurement	Contract Value (UGX)	Missing documents
1.	Procurement of consultant for property valuation Kitagwenda TC	13,870,000	<ul style="list-style-type: none"> • Payment records, • No evidence of inception and reconnaissance report, • Field draft report and final valuation roll.
2.	Supply of a laptop and printer	6,800,000	Contract management records (evidence of completion) and payment records
3.	Supply of pesticides for demonstration on control of	33,000,000	Contract management records (evidence of completion) and payment

No.	Subject of procurement	Contract Value (UGX)	Missing documents
	field crop pests in fruits and coffee FY 2021/2022		records
4.	Repair of motor vehicle: Ford Ranger UAR238G	11,990,000	Contract management records (evidence of completion) and payment records
	Total	65,660,000	

Implication

This affects the audit trail and the key principle of accountability.

Recommendation

The Accounting Officer should compel the Procurement and Disposal Unit to ensure that procurement action files are complete with all documents in accordance with Procurement Section 31 (o) of the PPDA Act, 2003.

Management response

Financial and contract management records exist. Management takes note of this and will always ensure that financial records kept by the Finance Department in original form and contract management reports made by Works/User Departments and Lower Local Governments are photocopied and shared with PDU to update action files.

2.2 LEVEL OF COMPLIANCE WITH THE PPDA ACT, 2003 AND REGULATIONS, 2006 IN THE CONDUCT OF PROCUREMENT AND DISPOSAL ACTIVITIES

The following areas of non-conformity were observed.

2.2.1 Competitiveness of procurement processes

The Authority found low bidder response to business opportunities advertised by Kitagwenda District for open bid invitations in four procurement transactions worth UGX 610,877,259. The Entity received an average of 1 bidder responding to the invitations to bid as detailed in Table 8 below:

Table 8: Procurements with Low Bidder Participation

No.	Subject of procurement	Amount (UGX)	Procurement Method	No. of invited bidders	No. of bids received
1.	Supply of two brand new motorcycles (Simba UG Boss Pro 125CC with riding accessories to the Production Department	30,000,000	Open Bidding	Open	1
2.	Supply of double cabin pick-up for Education Department Kitagwenda District	186,631,585	Open Bidding	Open	1

No.	Subject of procurement	Amount (UGX)	Procurement Method	No. of invited bidders	No. of bids received
3.	Completion of Kitagwenda Town Council Administration Block Phase III	24,814,814	Open Bidding	Open	1
4.	Construction of Kitagwenda District main Administration Offices Block- Phase II	369,430,860	Open Bidding	Open	1
Total/ Average		610,877,259			1

Implication

This may lead to costly procurements and deter achievement of value for money.

Recommendation

The Accounting Officer should organize a bidder conference to attract new bidders to the District and provide reassurance to existing bidders that procurement processes are fair, transparent, and competitive.

Management Response

The procurement requirement was advertised under open bidding in the New Vision dated Friday, November 19, 2021 page 43 and bids were received. PPDA Regulations provide for the receipt and evaluation of a single bid or a limited number of bids. Management shall always ensure the advertisement of procurements for open bidding and competition. The Presidential Directives on the construction of government projects by the Army Engineering Brigade demotivated bidders to apply/bid as government contracts were to be awarded to the Army Engineering Brigade.

2.2.2 Usurping powers of the PDU and the Accounting Officer

The Lower Local Governments usurped powers of the PDU and Accounting Officer by contracting out revenue collection to service providers and consequently entering into contracts with these providers without delegated authority from the Accounting Officer and without input of the PDU or Contracts Committee. Although the Sub Counties remitted funds on a quarterly basis to the District Local Government, the process of contracting the providers should have been handled by the PDU and contracts thereafter signed by the Accounting Officer in accordance with Sections 26 and 38 of the PPDA Act 2003.

In addition, the Authority noted the failure to report on revenue collection in the Entity's quarterly reports submitted to the Authority. Revenue collection worth UGX 25,126,000 from contracted out sources was not reported.

Implication

Usurping powers in the procurement process contravenes the independence in the performance of functions and powers in public procurement highlighted in Section 38 of the PPDA Act, 2003.

Recommendation

The Accounting Officer should ensure independence in the performance of functions and powers in public procurement in accordance with Section 38 of the PPDA Act, 2003.

Management response

Due to COVID-19 pandemic, markets were closed on orders of the Head of State and lower Local Governments took over the management of revenue collection centres. However, the Accounting Officer has formally communicated to the Lower Local Governments to submit their revenue sources to PDU for onward procurement processes as a way of corrective action.

2.2.3 Failure to follow approved procedures for procurement of consultancy services

In the procurement of a consultant for property valuation of Kitagwenda Town Council worth UGX 13,870,000, the Authority noted the following anomalies:

a) Opening of financial bids

The bid submission method stated in the bid document was one stage two envelope method. This meant that technical bids are evaluated first without access to financial bids.

However, in spite of the above criteria, the financial proposals were opened alongside the technical proposals and evaluated as evidenced by the record of receipt of bids and record of bid opening both dated 10th December 2022 as well as the evaluation report dated 17th December 2022.

b) Use of different evaluation methodology

The Authority noted that, the Evaluation Committee used the Technical Compliance Selection (TCS) as opposed to Quality and Cost Based Selection (QCBS) that had been stated in the bid document. There were no relative weights given to the technical and financial components of the evaluation criteria in the issued solicitation document. Consequently, the Evaluation Committee did not conduct a detailed merit point evaluation of the sole bid to come up with a score as it should be done under QCBS in accordance with Guideline No.7/2007 of the Local Governments (PPDA) Guidelines, 2007, on Procedures for Evaluation Methods.

Implication

The provisions of the bidding document were not adhered to.

Recommendations

- The Contracts Committee and Head Procurement and Disposal Unit should ensure adherence to the provisions of the bidding document at bid opening in accordance with Regulation 70 (9) of the Local Governments (PPDA) Regulations, 2006.
- The Evaluation Committee should strictly adhere to the evaluation criteria in the solicitation documents in accordance with Regulation 73 of the Local Governments (PPDA) Regulations, 2006.

Management response

No management response was received.

2.2.4 Anomalies in contract documents

The Authority reviewed the contract documents prepared for the sampled procurements and observed some anomalies as indicated in Table 9 below:

Table 9: Contract Documents with Anomalies noted

No.	Issue	Procurement in which the issue was observed	Contract Value (UGX)
1.	Signing a contract with a provider without a Power of Attorney	Construction of staff house at Kanara HCIII under UGIFT There was no evidence that Mr. Mwijuka Hannington held the Power of Attorney to represent and sign contracts on behalf of Mwijuka HR Services Ltd since the bidder had not submit a Power of Attorney. The Entity is at risk of signing a contract with a wrong party.	149,213,023
2.	Inadequate contract management and supervision.	This was because there was no official appointment of a contract supervisor, subsequently, a contract implementation plan was not prepared to guide the supervision process	
		i. Supply of two brand new motorcycles (Simba UG Boss Pro 125CC with riding accessories) to the Production Department.	30,000,000
		ii. Supply of two brand new motorcycles (Simba UG Boss Pro 125CC with riding accessories) to the Health and Education Departments	30,000,000
		iii. Supply of double cabin pick-up for Education Department Kitagwenda District.	186,631,585
		iv. Completion of Kitagwenda Town Council Administration Block Phase III	24,814,814
		v. Supply of a laptop and printer.	6,800,000
		vi. Supply of pesticides for a demonstration on control of field crop pests in fruits and coffee FY 2021/2022.	33,000,000
		vii. Supply 151 engraved three-seater desks to Primary Schools.	29,448,687
		viii. Supply of HDPE pipes and accessories for Water extension to Ntara Rural Growth Centre-DWSCG Funds.	100,907,053
		ix. Construction of a 5-stance VIP latrine at Kirembe Primary School.	23,964,251
	TOTAL		614,779,413

Implications

- This is an indicator of a lack of checks and balances in the procurement function by the Contracts Committee.
- Anomalies in contract supervision inhibit efficient contract management.

Recommendations

- The Contracts Committee should carry out its oversight function following Regulation 48 of the Local Governments (PPDA) Regulations, 2006.
- User Departments should nominate contract supervisors for the Accounting Officer's appointment as per Regulation 119 of the Local Governments (PPDA) Regulations, 2006.

Management Response

Management has taken note of this and pledges to improve.

2.2.5 Performance Security

To protect the Entity against non-performance of contracts, the Special Conditions of the Contract, particularly General Condition of Contract (GCC) 52.1, required the contractor to submit a performance security of 10% of the contract sum in the form of unconditional bank guarantee.

The audit revealed irregularities in the performance securities submitted in two procurement transactions worth UGX **394,838,040** as detailed in Table 10 below:

Table 10: Procurements with Performance Security Irregularities

No.	Subject of procurement	Contract Value (UGX)	PPDA Finding
1.	Construction of Kitagwenda District main Administration Offices Block- Phase II	369,430,860	No evidence that the 10% performance security required in GCC 52.1 was submitted.
2.	Drilling deep borehole/production well at Kabirizi-Kanara Sub County	25,407,180	No evidence that the 30% performance security required in GCC 61.1 was submitted.
Total		394,838,040	

Implication

The Entity may not be protected from non-performing firms.

Recommendation

Contract Supervisors should ensure that providers submit all required documentation as per the terms and conditions of the contract in accordance with Regulation 119 (10) (a) (ii) of the Local Governments (PPDA) Regulations, 2006.

Management Response

The Entity retained the bid security (bank Guarantee) submitted by the contractors for the construction of the Kitagwenda Main Administration block and Drilling deep borehole at Kabirizi Primary School. Management will always ensure performance securities are received from Contractors as provided for in the contract agreement.

2.3 LEVEL OF EFFICIENCY AND EFFECTIVENESS IN CONTRACT IMPLEMENTATION

The following areas of non-conformity were observed.

2.3.1 Delayed delivery of procured goods

The Authority noted delays in the delivery of goods in two procurements worth UGX 216,631,585 as detailed in Table 11 below:

Table 11: Delayed Delivery of Procured Items

No.	Procurement	Contract Value (UGX)	Contractual delivery date	Actual Delivery date	Delay period
1.	Supply of two brand new motorcycles to the Production Department	30,000,000	4 th March 2022	22 nd March 2022,	18 days
2.	Supply of double cabin pick-up for Education Department	186,631,585	9 th March 2022	6 th May 2022	2 months

Implication

This is a breach of contractual terms and conditions.

Management Response

No management response was received.

Recommendation

User Departments should ensure that the providers perform contracts following the terms and conditions specified in the contract following Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.

2.3.2 Slow implementation of works by the UPDF Engineering Brigade

On 24th May 2022, Kitagwenda DLG entered a six-month contract worth UGX 107,928,535 with the Ministry of Defence and Veteran Affairs/ UPDF Engineering Brigade for the construction of an incinerator at Ntara Health Center IV and the construction of a laboratory block at Kicheche Health Center II. The contract expired on 24th November 2022. However, the works were not yet completed as of 15th December 2022 according to records, and the contractor was still on the site as shown in the pictures below:



The laboratory block at Kicheche Health Centre II during physical verification on 25th January 2023, two months after the contract expired.

Implication

This has denied the intended beneficiaries timely use of the infrastructure.

Management response

The UPDF Engineering Brigade is currently on site trying to complete the work.


Recommendation

The Accounting Officer should diligently monitor the implementation of the revised construction schedule to ensure that the works are completed.

2.3.3 Unsatisfactory works

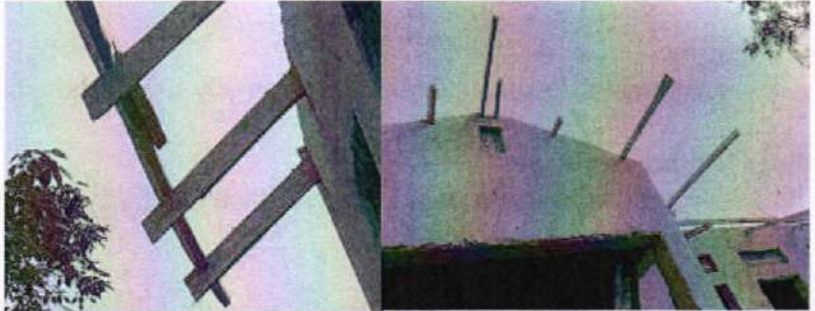
The Authority found unsatisfactory works in three contracts worth UGX 161,915,349 as indicated in Table 12 below:

Table 12: Unsatisfactory Works

No.	Contract	Findings
1.	Construction of an incinerator at Ntara Health Centre IV and construction of a laboratory block at Kicheche Health Centre II worth UGX 107,928,535. Contractor: Ministry of Defence and Veteran Affairs/UPDF Engineering Brigade.	



On the 25th January 2023, the Authority visited the construction site for a laboratory at Kicheche Health Centre II. However, no worker was on site. There were no equipment or materials on the site as well. A clear sign that the contractor had demobilised and abandoned the site.

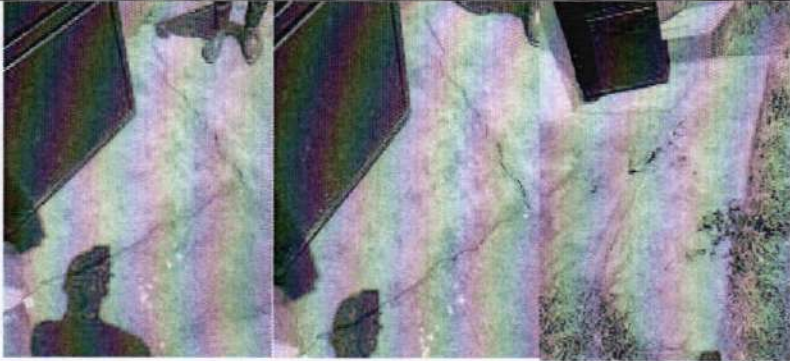
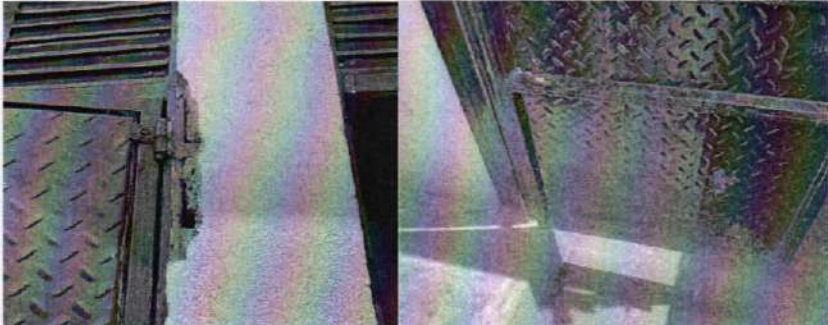
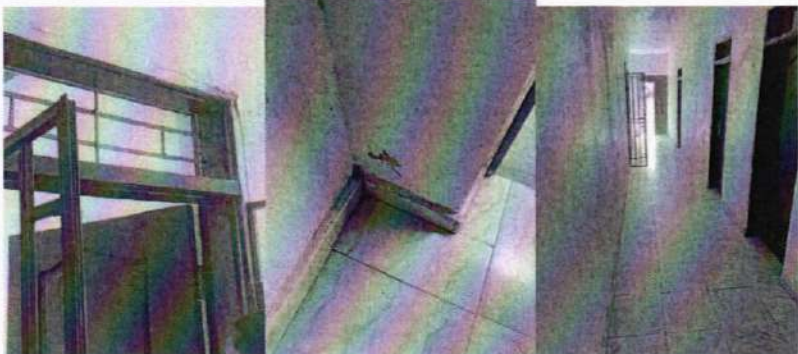


Furthermore, the wood bars (struts and ties) for the roof for the laboratory block at Kicheche Health Centre II were not thick enough to support the roof as shown in the pictures above.

2. Construction of 5 stance VIP latrine at Kyanyinihuri Primary School worth UGX 29,172,000.
Contractor:
 Mayanja Gaudius Co. Ltd



Above: The latrine at Kyanyinihuri Primary School had low foundation/slab, as a result, whenever it rains, the latrine floods, this reduces the longevity of the project as water damage will reduce the latrine's life span.

		 <p>Above: It was noted during physical verification on 25th January 2023 that the ramp for the stance for People With Disabilities (PWDs) had cross sectional cracks.</p>  <p>Left: The cement covering the latrine door hinges fell out leaving the hindges exposed. Right: The bottom of the latrine doors was observed to be rusting because of insufficient paint and dampness caused by excess water. Generally, there were signs of poor workmanship from the contractor.</p>
3.	<p>Completion of Kitagwenda Town Council Administration Block Phase III. Contractor: Mayanja Gaudius Co. Ltd UGX 24,814,814</p>	 <p>Above: The contractor only applied an undercoat-painting, sections of the plastered wall could still be visible to the plain eye. In addition, some painted sections were peeling away by 25th January 2023, the date of physical verification.</p>



Above: The door and anti-buglary frame for the Finance Department were substandard and inferior as the door had visible cracks during physical verification. In addition the protective frame appeared small and of a low gauge for an important department like Finance.



Above: Exposed hinges for the anti-buglary frame which can make it easy to decouple. Generally, the workmanship was questionable.

Implication

Shoddy works delay service delivery to the intended beneficiaries and may deter the achievement of value for money.

Recommendation

The Accounting Officer should ensure that all defects identified in the above projects are fixed and rectified by the contractor.

Management response

Management followed up with in defects liability period and the contractor corrected the defects. UPDF Engineering Brigade is on site with efforts to complete the works, so far, the laboratory block is roofed.

2.3.4 Force Account Mechanism

The following areas of non-conformity were observed.

a) Unjustified use of Force Account Mechanism

In the construction of Ntara Sub County Administration Block Phase One worth UGX 42,306,739, there was an unjustifiable delay by the Senior Assistant Secretary (SAS) Ntara Sub County to submit the requisition for approval by the Accounting Officer. This delay enabled the User Department to justify the request for the use of force account giving the justifications of limited timeframe (remaining) to source a contractor and urgent need of the office construction.

The procurement was planned for second quarter and the User Department initiated it on 29th October 2021, the approval to procure was made by the Senior Assistant Secretary-Ntara Sub County on 29th October 2021. Yet, there was an unjustifiable delay of 39 days to seek confirmation of funding from the Accounting Officer (which was done on 13th December 2021). There was another delay of two months to seek Contracts Committee's approval which was attained on 1st March 2022.

The Contracts Committee approved the use of Force Account based on justification of a limited timeframe to source a contractor and urgent need of office construction. This justification was inadequate since the delays could have been avoided, and furthermore, as at 1st March 2022, when Contracts Committee approved force account, there was still enough time to competitively source a contractor and have the works done within three months. This was not an emergency since the procurement had been planned for 2nd quarter and was to be implemented in phases.

b) Irregular procurement of inputs under the Force Account Mechanism

Whereas the force on account mechanism was used to construct Ntara Sub County Administration Block Phase One worth UGX 42,306,739 and Mahyoro Sub County administration block under DDEG Phase 2 worth UGX 25,000,000, there was no evidence to show that building materials such as sand, bricks, cement, iron sheets, nails and timber were competitively procured as required.

The Works Department did not provide accountability in form of the issued LPOs and delivery notes for the inputs used. In addition, the Authority was not availed evidence of submission of progress reports as well as a completion report to the Accounting Officer.

c) Irregular use of Force Account in the supply of school desks

Circular No. 3 of 2012 to Local Governments on the application of the use of Force Account Mechanism requires the use of Force Account for only works projects. However, the Authority noted that the Contracts Committee approved the use of force account for procurement of supplies by Kanara Sub County as evidenced by Contracts Committee minutes dated 28th June 2022. This was done despite having prequalified suppliers for the supplies.

The supplies included:

- Procurement of 21 twin desks for Mwora B Primary School.
- Procurement of 40 single seater desks for Kanara Secondary School worth UGX 4,800,000.

Implication

This creates doubt on whether value for money was achieved through use of force account.

Recommendation

The Accounting Officer should adhere to Circular No. 3 of 2012 to Local Governments on the application of the use of force account mechanism to ensure value for money.

Management Request

As a new Entity, we request PPDA to consider organizing training of our User departments, Procurement and Disposal Unit, Contracts Committee, Accounting Officer, political leaders as well as contractors on best procurement practices and procedures to minimize errors and achieve sustainable procurement within Kitagwenda District.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section graphically presents the scores per area assessed under the different audit questions

3.1 Overall Audit Conclusion

The performance of Kitagwenda District for the Financial Year 2021/22 was **moderately satisfactory** with an overall weighted average risk rating of **41%**. The risk rating is shown in Table 13 below;

Table 13: Risk Rating

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

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 below:

Table 14: Summary of Performance of Kitagwenda District

Risk category	No.	No. %	Value (UGX)	Value %	Weights	Total weighted Average	
						By No.	By Value
High	2	10	62,172,000	5	0.6	6	3
Medium	10	50	877,043,204	67	0.3	15	20.1
Low	6	30	294,870,272	22	0.1	3	2.2
Satisfactory	2	10	75,706,000	6	0	0	0
Total	20	100	1,309,791,476	100	1	24	25.3

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score} \times 100}{60} = \frac{24 \times 100}{60} = 40\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score} \times 100}{60} = \frac{25.3 \times 100}{60} = 42\%$$

$$\text{Combined Weighted Average} = \frac{40 + 42}{2} = 41\%$$

Figure 1: Risk Rating by Number

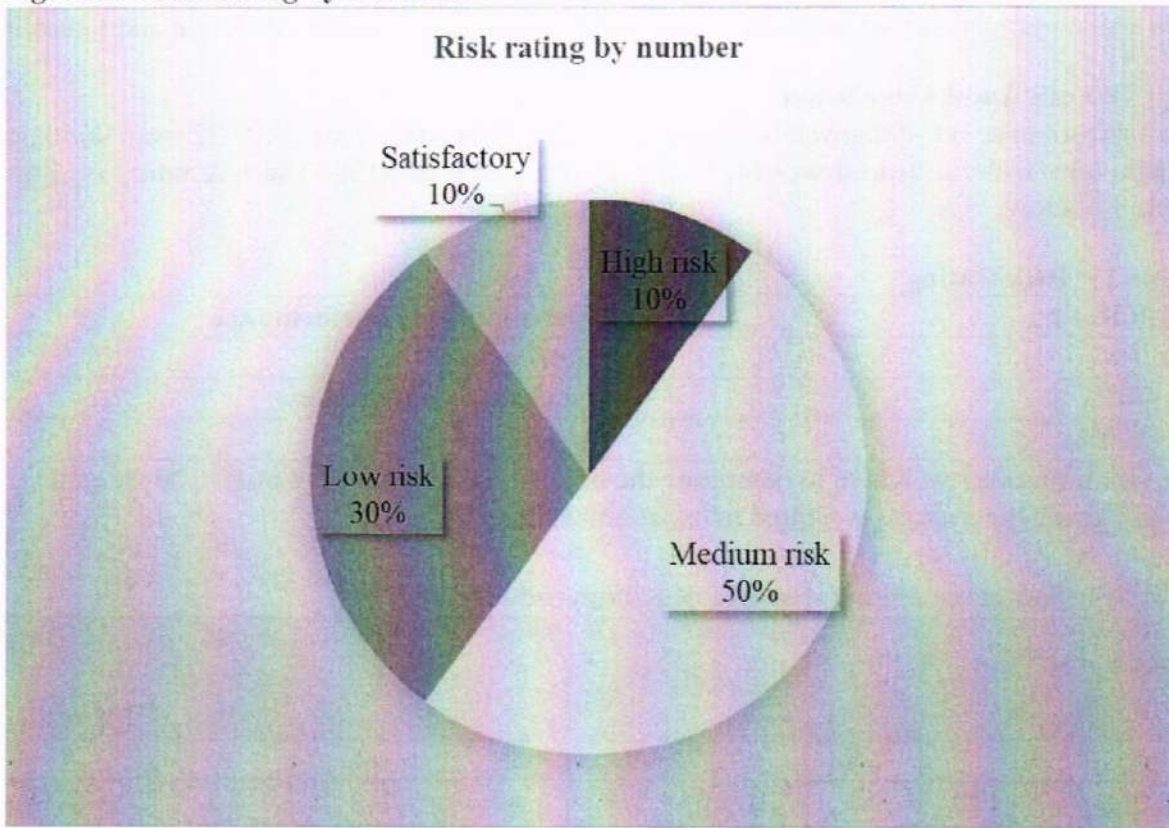
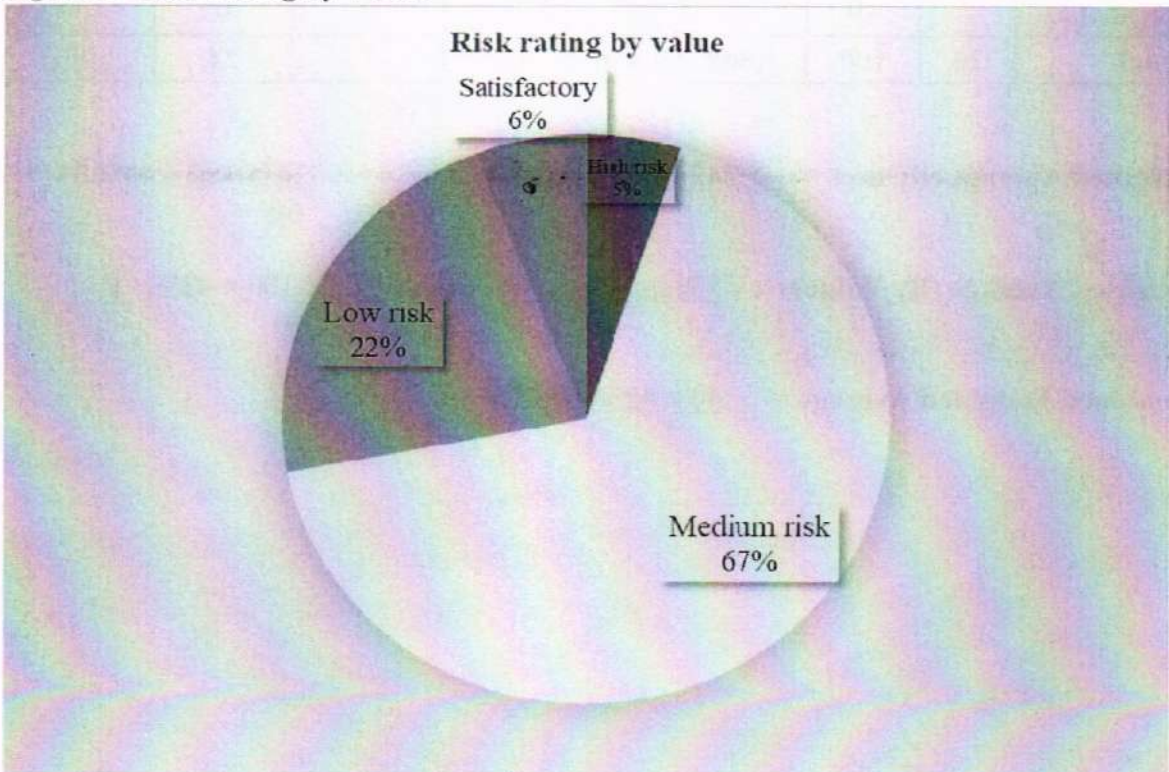


Figure 2: Risk Rating by Value



3.2 Recommended Action Plan

Kitagwenda District should implement the following recommendations within the timeframe given to improve its performance in Procurement and Disposal.

Table 15: Recommended Action Plan

No.	Recommendation	Action Party	Action Date
1.	The Accounting Officer should ensure independence in the performance of functions and powers in public procurement in accordance with Section 38 of the PPDA Act, 2003.	Accounting Officer	August 2023
	The Accounting Officer should put in place a mechanism for promoting competition in accordance with Section 46 of the PPDA Act, 2003.		
	The Accounting Officer should adhere to Circular No. 3 of 2012 to Local Governments on the application of the use of force account mechanism to ensure value for money.		
2.	The Head Procurement and Disposal Unit should prepare well-detailed solicitation documents with properly defined requirements and appropriate evaluation methodology and criteria in accordance with Regulations 48 of the Local Governments (PPDA) Regulations.	Procurement and Disposal Unit	August 2023
3.	The Contracts Committee should improve its oversight role in approving procurement and disposal procedures per Section 28 (d) of the PPDA Act, 2003	Contracts Committee	August 2023
4.	The Heads of User Departments should ensure that statements of requirements, that is, specifications for supplies, terms of reference for services, and bills of quantities for works, are prepared and attached to the procurement requisitions before approval in accordance with Section 60 of the PPDA Act 2003.	User Departments	August 2023
5.	The Accounting Officer and Head Procurement and Disposal Unit should ensure the implementation of all procurement processes efficiently in accordance with Section 48 of the PPDA Act, 2003	Management	August 2023

Annex 1: Transaction list and rating per case

No.	Procurement Reference No.	Subject of Procurement	Method of Procurement	Provider	Contract Value (UGX)	Risk rating
1.	KITAG632/WRKS/2021-22/00002	Construction of Kitagwenda District Main Administration Offices Block Phase II	Open bidding	SBR General Supply and Construction Ltd	369,430,860	Medium risk
2.	KITAG632/WRKS/2021-22/00005	Drilling deep borehole-production well at Kabirizi-Kanara Subcounty	Open bidding	Luck and Lark Company Ltd	25,407,180	Medium risk
3.	KITAG632/WRKS/21-22/00004	Completion of Kitagwenda TC Administration Block Phase III	Open bidding	Mayanja Gaudius Co. Ltd	24,814,814	Medium risk
4.	KITAG632/SRVCS/2021-22/00002	Procurement of consultant for property valuation Kitagwenda TC	Open bidding	Peak Partners Ltd	13,870,000	Medium risk
5.	KITAG632/SUPLS/2021-22/00001	Supply of a Double cabin pick up to the Education Department	Open bidding	Cooper Motors Corporation U Ltd	186,631,585	Low risk
6.	KITAG632SUPLS/2021-22/00002	Supply of 2 brand new motorcycles to the Production Department	Open bidding	Simba Automotives Ltd	30,000,000	Low risk
7.	KITAG632/WRKS/21-22/00027	Construction of Ntara Sub County staff offices block	Force Account	District Engineer	42,306,739	Medium risk
8.	KITAG632/SUPL/21-22/00004	Supply of HDPE pipes and accessories for Water extension to Ntara Rural Growth Centre	Prequalification	Mwijuka HR Services Ltd	100,907,053	Medium risk
9.	KITAG632/SUPLS/21-22/00005	Procurement of 2 motorcycles for the Education and Health departments	Open bidding	Simba Automotives Ltd	30,000,000	Low risk
10.	KITAG632/WORKS/21-22/00029	Construction of Kanara HCIII staff quarters under UGIFT	Prequalification	Mwijuka HR services Ltd	149,213,023	Medium risk
11.	KITAG632/WORKS/21-22/00030	Construction of a 5 stance VIP latrine at Rutooma K P/S	Prequalification	GaliookaMutegye ki Tom Co. Ltd	29,172,000	Satisfactory
12.	KITAG632/WORKS/21-22/00031	Construction of 5 stance VIP latrine at Kyanyinhuri P/S	Prequalification	Mayanja Gaudius Co. Ltd	29,172,000	High risk

No.	Procurement Reference No.	Subject of Procurement	Method of Procurement	Provider	Contract Value (UGX)	Risk rating
13.	KITAG632/WORK S/21-22/00032	Routine mechanized maintenance of Kyotamusana Katoma road 14.2km	Force Account	District engineer	46,534,000	Satisfactory
14.	LPO	Supply of a laptop and printer to the Health Department	LPO	Herbson General Supplies Ltd	6,800,000	Low risk
15.	LPO	Supply of pesticides for the demonstration on control of field crop pests in fruits and coffee FY 2021/2022	LPO	Tamsak Development Link U Ltd	33,000,000	High risk
16.	LPO	Motor vehicle repair UAR 238G for the works department	LPO	Provider Transporters Co. Ltd	11,990,000	Low risk
17.	KITAG632/WORK S/21-22/00035	Construction of Mahyoro S/C Staff Offices block	Force Account	District Engineer	25,000,000	Medium risk
18.	KITAG632/SUPLS/21-22/00013	Installation of Microscale Irrigation Equipment for Abigaba Grace	Selective bidding	Kaftech Investments Ltd	18,165,000	Medium risk
19.	KITAG632/WORK S/SSUPLS/21-22/00006	Supply 151 engraved three-seater desks to Primary Schools	LPO	Galizoka Mutegyeki Tom & Co. Ltd	29,448,687	Low risk
20.		Construction of an incinerator at NtaraHC IV & construction of a laboratory block at Kicheche HC II	Direct Procurement	National Enterprise Corporation (NEC)/UPDF Engineering Brigade	107,928,535	Medium risk
Total					1,309,791,476	

Annex 2: Risk Rating Criteria

RISK	DESCRIPTION
HIGH	<p>Such procurements are 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.</p> <p>Significant deviations from established policies and principles and/or generally accepted industry standards will normally be rated "high".</p>
MEDIUM	<p>Procurements that were 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>
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>
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>