



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

**PROCUREMENT AND DISPOSAL AUDIT REPORT FOR  
KYENJOJO DISTRICT LOCAL GOVERNMENT FOR  
THE FINANCIAL YEAR 2019/2020**

**JUNE 2021**

**Table of Contents**

**EXECUTIVE SUMMARY** ..... 4

**CHAPTER 1: INTRODUCTION**..... 7

    1.1 Background ..... 7

    1.2 PPDA Mandate..... 7

    1.3 The objectives of the Procurement Audit:..... 7

    1.4 Scope of the Audit..... 7

    1.5 Audit Limitations ..... 7

    1.6 Audit Methodology ..... 7

    1.7 Data Collection..... 7

    1.8 Reporting..... 8

**CHAPTER 2: KEY FINDINGS** ..... 9

**Objective 1: Compliance with provisions of the PPDA Act, Regulations and Guidelines** ..... 9

    3.1. Performance of the Entity ..... 20

    3.2. Action Plan..... 20

**ANNEXES** ..... 22

## **ABBREVIATIONS/ ACRONYMS**

AO	Accounting Officer
CC	Contracts Committee
GoU	Government of Uganda
LPO	Local Purchase Order
NoBEB	Notice of Best Evaluated Bidder
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PO	Procurement Officer
PPDA	Public Procurement and Disposal of Public Assets Authority
SG	Solicitor General
SOPs	Standard Operating Procedures
UDs	User Departments
WHT	Withholding Tax

**EXECUTIVE SUMMARY**

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted procurement and disposal audit on the activities of Kyenjojo District Local Government in accordance with Section 7 (j) of the PPDA Act, 2003. For the period under review, the Entity had a procurement budget of UGX 4,488,271,111.

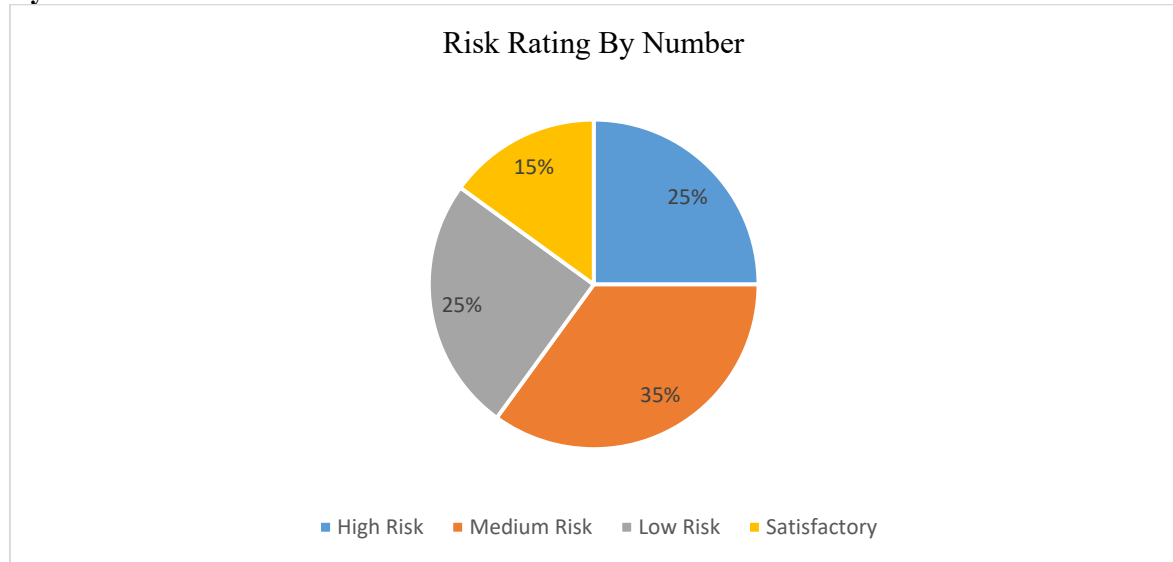
A sample of twenty (20) procurement transactions were selected and examined in detail. The sample was based on a combination of statistical and judgmental sampling methodology and was based on procurements and disposals for the financial year 2019/20.

**Summary of performance of the Entity**

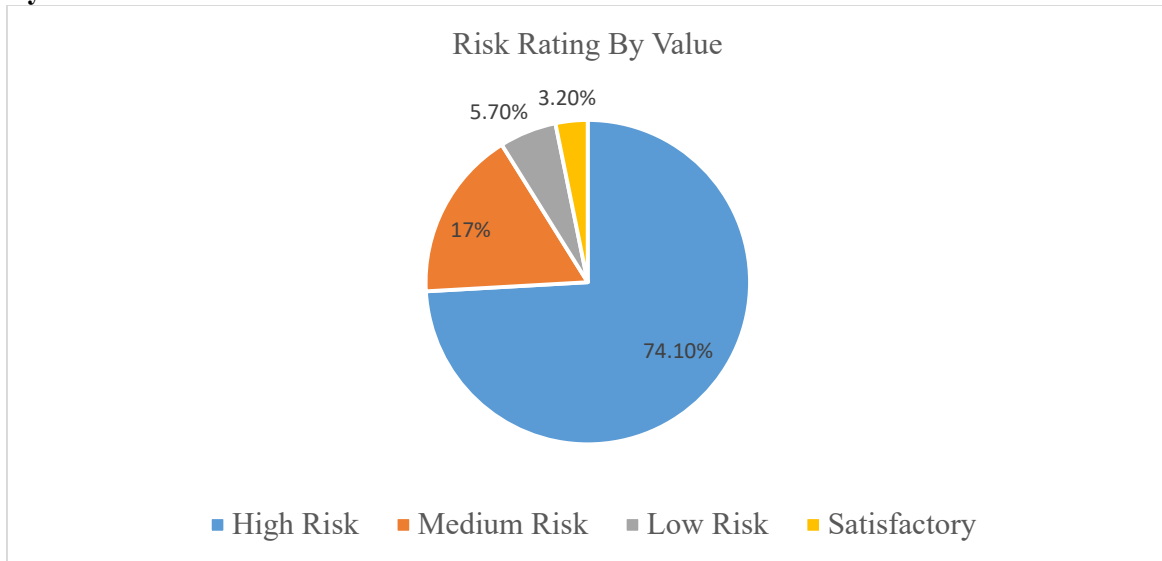
Risk category	Number	Number (%)	Value (UGX)	Value (%)
High Risk	5	25%	2,789,902,101	74.1%
Medium Risk	7	35%	648,919,339	17%
Low Risk	5	25%	209,593,657	5.7%
Satisfactory	3	15%	118,587,200	3.2%
<b>Total</b>	<b>20</b>	<b>100%</b>	<b>3,767,002,297</b>	<b>100%</b>

*Graphical Representation of Risk Rating of contracts*

**By Number**



## By Value



## Entity Performance

Risk Category	Rating by number (%)	Rating by value (%)	Weights	Total weighted Average	
High	25	74.1	0.6	15	44.5
Medium	35	17	0.3	10.5	5.1
Low	25	5.7	0.1	2.5	0.6
Satisfactory	15	3.2	0.0	0	0
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>1</b>	<b>28</b>	<b>50.2</b>

$$\text{District's Performance by Number} = \frac{28 \times 100}{60} = 46.6\%$$

$$\text{District's Performance by Value} = \frac{50.2 \times 100}{60} = 83.6\%$$

Since the Entity's average performance of 65.1% falls within the 51% -80% risk range, the performance of the Entity is rated **unsatisfactory**.

The risk rating is as follows:

0-20%	Highly Satisfactory
21-50%	Satisfactory
51-80%	Unsatisfactory
81-100%	Highly Unsatisfactory

### The following areas of exception were noted:

1. Procurement procedural forms and documents were missing from their respective procurement action files in six procurements worth UGX465,777,138.

2. The competitiveness of the procurement processes in three procurements worth UGX 250,857,458 was insufficient as the Entity received less than three bidders responding to the invitation to bid.
3. Different officers undertook the role of confirmation of funding without evidence of delegated authority from the Chief Administrative Officer in nine procurements worth UGX 711,008,992.
4. The construction of a five (5) stance VIP latrine at Kyenjojo General Hospital worth UGX 31,211,897 and supply of 75,000 tea plantlets to selected farmers in Bugati sub-county worth UGX 30,000,000 were conducted outside the procurement plan.
5. Failure to provide for or obtain performance securities in three (3) high value procurements worth UGX 1,017,987,985.
6. Underpayment of contractors due to improper calculation of With Holding Tax (WHT) payable in eight (8) procurements worth UGX 2,975,282,501.
7. Payments were undertaken without measurement sheets despite the contracts being of admeasurement type in seven (7) procurements worth UGX 2,851,697,666.

### **Recommendations**

1. The Accounting Officer should ensure that the procurement action files are complete with all documents in accordance with Section 31 (o) of the PPDA Act 2003.
2. The Accounting Officer should investigate the reasons for the low bidder participation in the Entity's procurement processes and put in place a mechanism of promoting competition in accordance with Section 46 of the PPDA Act, 2003.
3. The Accounting Officer should delegate, in writing, a procurement and disposal function in accordance with Regulation 29 of the Local Government (PPDA) Regulation 2006.
4. The Head Procurement and Disposal Unit should ensure that all items are aggregated into the annual procurement plan of the Entity and where necessary, the plan is updated to include emergency procurements in accordance with Section 58(4) of the PPDA Act, 2003.
5. The Procurement and Disposal Unit should ensure that performance securities are furnished before contracts are signed in accordance with Regulation 102 of the Local Government (PPDA) Regulations, 2006.
6. Proper calculation of the amount payable to contractors would be;
  - i. Deduct the retention amount (5%) off the invoice/ contract value; then,
  - ii. Calculate the residual balance after retention net of VAT i.e. a VAT exclusive amount; and,
  - iii. Subject WHT to the VAT Exclusive residual balance after retention; then,
  - iv. Pay the VAT Exclusive residual balance after retention less WHT but with an addition of the VAT component.
7. For all works projects, the Accounting Officer and Chief Finance Officer should not approve payment without proper measurement sheets from the contract supervisor.

## **CHAPTER 1: INTRODUCTION**

### **1.1 Background**

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the audit of Kyenjojo District Local Government. The Audit covered a sample of twenty (20) procurement activities carried out, right from planning through initiation, execution, contract award, signing, delivery and payments for sampled procurements for the Financial Year 2019/20. It also involved carrying out a review of the procurement practices in the year under consideration. The procurement and disposals were conducted following the Public Procurement and Disposal of Public Assets Act, 2003, Local Government (PPDA) Regulations, 2006 and Guidelines.

### **1.2 PPDA Mandate**

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

### **1.3 The objectives of the Procurement Audit:**

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

The specific objectives of the audit of Kyenjojo District Local Government were: -

- a) To establish the level of compliance of the procurement and disposal activities with provisions of the PPDA Act, Regulations and Guidelines.
- b) To establish the level of efficiency in the conduct of procurement and disposal process up to contracting in the Procuring and Disposing Entity (PDE).
- c) To assess the level of achievement of Value for Money (efficiency, cost and effectiveness) in contract execution.
- d) Based on the findings, offer an opinion and recommends measures to improve performance.

### **1.4 Scope of the Audit**

The audit covered a pre-selected sample of twenty (20) case files worth UGX **3,767,002,297** for procurements carried out in the Financial Year 2019/20.

### **1.5 Audit Limitations**

The Covid19 pandemic and related Standard Operating Procedures (SOPs) did not permit free interaction with staff of the district, and this affected the audit trail.

### **1.6 Audit Methodology**

The audit was conducted in accordance with the provision of the PPDA Act 2003, Local Government (PPDA) Regulations, 2006 and the Procurement Audit Manual of the PPDA.

### **1.7 Data Collection**

The following data collection methods were used to gather evidence.

### **1.7.1 Document Review**

The under listed documents were reviewed to obtain information relating to activities in the Kyenjojo District Local Government.

- a) PPDA Act, 2003.
- b) Local Government (PPDA) Regulations, 2006.
- c) Entity's procurement monthly reports.
- d) Contracts Committee Minutes.
- e) Contract Register.
- f) Procurement Action files for the 20 selected procurements.
- g) Constitution of Uganda.

### **1.7.2 Interviews/Meetings**

An entry meeting was held on Thursday 25<sup>th</sup> February 2021 and the exit meetings held on 14<sup>th</sup> April 2021. These were attended by the Accounting Officer, the PDU and representatives of User Departments. Interviews were held with a few staff at the District because of the Covid19 pandemic, particularly, the Authority met the PDU, Contracts Committee and Accounts Staff.

### **1.8 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 2: KEY FINDINGS

### Objective 1: Compliance with provisions of the PPDA Act, Regulations and Guidelines

#### 2.1.1 Record Management

##### Incomplete procurement action files

The Authority noted that various procurement procedural forms and documents were missing from their respective procurement action files contrary to Regulation 46 (2) of the PPDA, Local Governments Regulations 2006. These cases include:

**Table 1: List of procedural forms and documents missing on procurement action files**

No.	Subject of procurement	Amount (UGX)	Missing documents
1	Spot improvement of Butiti-Ruhoko-Nyantungo (8km) road	48,000,000	Payment records Contract management records
2	Supply of 75,000 tea plantlets to selected farmers in Bugati sub-county	30,000,000	Payment records Contract management records Contract implementation plan
3	Completion of maternity ward at Kigoyera Health Centre III in Kigoyera Sub County	28,097,263	NoBEB Contract implementation plan Outstanding payments of UGX 10,889,200.
4	Construction of 5 stance VIP latrine at Kyenjojo General Hospital	31,211,897	Contract implementation plan
5	Construction of a two classroom block with office and store at Nyakatoma Primary School	66,247,411	Contract implementation plan
6	Drilling and installation of 11 deep boreholes with hand pumps under Rural Water Conditional Development grant (RWCDG)	262,220,567	Contract implementation plan

##### Implication

Lack of records on a procurement process is a sign of laxity and lack of effective supervision by the Entity and it casts doubt on whether the Entity was monitoring projects effectively and efficiently.

##### Management Response

The records are now available on file.

##### Recommendation

- The Accounting Officer should ensure that the procurement action files are complete with all documents in accordance with Section 31 (o) of the PPDA Act 2003.
- The Head Procurement and Disposal Unit should ensure that the records kept by the Entity are in accordance with Section 41 (1a) of the PPDA Act, 2003 and for a period stipulated under Section 41 (1a) of the PPDA Act, 2003.

### 2.1.2 Competitiveness of procurement processes

The Authority found low bidder response to business opportunities advertised by Kyenjojo District Local Government for both selective and open bid invitations in three (3) procurement transactions worth UGX 250,857,458. The Entity either received on average 1.7 bidders responding to the invitation to bid of which on average only one was responsive as detailed in the table below:

**Table 2: Procurements with low bidder participation**

Sn.	Subject of procurement	Amount (UGX)	Procurement Method	No. of invited bidders	No. of bids received	No. Responsive bids
1	Construction of 3 stance VIP latrine at Rwibaale Taxi Park in Butunduzi Town Council	13,710,420	Selective Bidding	3	2	1
2	Construction of multi-purpose hall at Kyenjojo District headquarters phase 1	207,147,038	Open Domestic Bidding	Open to all bidders	2	1
3	Supply of 75,000 tea plantlets to selected farmers in Bugati sub-county	30,000,000	Selective Bidding	3	1	1
<b>Total/ Average</b>		<b>250,857,458</b>			<b>1.7</b>	<b>1</b>

#### Implication

This is a red flag for lost trust by bidders in the procurement processes of the Entity which may lead to costly procurements and deter achievement of value for money.

#### Management Response

- Case 1, all providers were invited.
- Case 2, the project was procured under open domestic bidding and was advertised in the New Vision of 20<sup>th</sup> February 2020. Three bidders bought and only two submitted their bids.
- Case 3, the project was procured under selective domestic bidding and was advertised to all licensed tea nursery operators.

#### Recommendation

The Accounting Officer should investigate the reasons for the low bidder participation in the Entity's procurement processes and put in place a mechanism of promoting competition in accordance with Section 46 of the PPDA Act, 2003.

### 2.1.3 Transparency and Accountability

The Authority observed that Kyenjojo District Local Government undermined the transparency and accountability mechanisms embedded within the procurement and disposal processes. As a result, a number of oversights were noted that include: -

**i. Usurping powers of the Accounting Officer**

In the following nine procurements worth UGX 711,008,992, different officers undertook the role of confirmation of funding without evidence of delegated authority from the Chief Administrative Officer contrary to Section 39 of the PPDA Act 2003.

**Table 3: Officers confirming funding without delegated authority.**

<b>Sn.</b>	<b>Subject of procurement</b>	<b>Amount (UGX)</b>	<b>Personnel</b>
1	Drilling and installation of 11 deep boreholes with hand pumps under Rural Water Conditional Development grant (RWCDG)	262,220,567	Katusiime Harriet (DCAO)
2	Construction of a two classroom block with office and store at Nyakatoma Primary School	66,247,411	Katusiime Harriet (DCAO)
3	Construction of 3 stance VIP latrine at Rwibaale Taxi Park in Butunduzi Town Council	13,710,420	Lubega Christopher (Town clerk - Butunduzi Town Council)
4	Construction of 5 stance VIP latrine at Kyenjojo General Hospital	31,211,897	Katusiime Harriet (DCAO)
5	Construction of multi-purpose hall at Kyenjojo District headquarters phase 1	207,147,038	Katusiime Harriet (DCAO)
6	Renovation of Kyenjojo Town Council administration block.	14,500,000	Godfrey Kiza (Town Clerk)
7	Supply of fish fingerings	19,998,000	Katusiime Harriet (DCAO)
8	Completion of Katooke Sub-County Community Hall	48,379,233	Christine Tahaise Annet (SAS)
9	Completion of an information centre Phase I at Karusozi Sub-County	47,594,426	Christine Tahaise Annet (SAS)
<b>Total</b>		<b>711,008,992</b>	

**Implication**

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

**Management Response**

The DCAO was assigned to perform some duties on behalf of the Accounting Officer.

**Note**

The Authority unable to access documents evidencing official delegation of the functions of the Accounting Officer.

### Recommendation

The Accounting Officer should delegate, in writing, a procurement and disposal function in accordance with Regulation 29 of the LG (PPDA) Regulation 2006.

### ii. Lack of transparency within the procurement processes

The Authority observed that some procurement procedures in Kyenjojo District Local Government were non-transparent. The transparency mechanisms embedded within the procurement and disposal processes were ignored and as a result, several oversights were noted as detailed in the table below:

**Table 4: Procurements with transparency oversights noted.**

No	Issue	Specific procurements affected	Amount (UGX)
1.	Individualized bid invitation notices	Renovation of Kyenjojo Town Council administration block <i>Whereas seven providers were invited as per the shortlist dated 6<sup>th</sup> January 2020, the corresponding bid notices were individualized and there was no proof that each of these received the invitation.</i>	14,500,000
		Supply of fish fingerings <i>Whereas four (4) providers were invited as per the shortlist dated 6<sup>th</sup> January 2020, the corresponding bid notices were individualized and there was no proof that each of these received the invitation.</i>	19,998,000
		Completion of Katooke Sub-County Community Hall <i>Whereas thirty-four (34) providers were invited as per the shortlist dated 28<sup>th</sup> February 2020, the corresponding bid notices were individualized and there was no proof that each of these received the invitation.</i>	48,379,233
2.	Failure to prepare progress reports	Restoration of Kisonko - Mirambi GFS in Mirambi Sub-County	129,966,937
		Force Account Mechanism	485,455,750

### Implication

Lack of transparency is an indicator of suspicious activity.

### Management Response

Seven prequalified bidders for construction of buildings were invited and emails sent to them. However, the individualized invitations query has been noted.

### **Recommendation**

All procurement and disposal transactions should be conducted in a manner that promotes transparency, accountability, and fairness in accordance with Section 45 of the PPDA Act, 2003.

### **iii. Payment of VAT to unregistered bidders.**

The Authority established that in the procurement for construction of 3 stance VIP latrine at Rwibaale Taxi Park in Butunduzi Town Council worth UGX 13,710,420, the Entity effected payment of VAT worth UGX 2,091,420 to Koma Ltd which was not qualified to receive VAT (not registered) thus incurring a financial loss of the same:

### **Implication**

Payment of VAT to non VAT registered companies caused a **financial loss to the Entity worth UGX 2,091,420** since these providers will not remit the VAT to URA.

### **Management Response**

Anomaly noted.

### **Recommendations**

- The Accounting Officer should **recover UGX 2,091,420** from Koma Ltd incurred as a result of paying VAT yet the firm was not registered for the same.
- Payment of VAT should only be made to VAT registered persons otherwise financial losses will occur. Un-registered bidders should only be paid VAT exclusive amounts.

### **iv. Unplanned procurements**

The Authority noted that the Entity had conducted the following two (2) procurements worth UGX 61,211,897 outside the procurement plan for the Financial Year under review. These procurements therefore lacked strategy which would include market survey and determining the appropriate procurement method and timing requirements:

- a) Construction of 5 stance VIP latrine at Kyenjojo General Hospital worth UGX 31,211,897
- b) Supply of 75,000 tea plantlets to selected farmers in Bugati sub-county worth UGX 30,000,000.

### **Implication**

Unplanned procurements lead to unplanned expenditures resulting in creation of domestic arrears.

### **Management Response**

Procurement planned for on page 4 of the procurement plan 2019/20 (Annex 14a)

### **Note**

The Authority reviewed the attached procurement plan and **Annex 14a** and found that the highlighted procurements were still not included on the procurement plan.

### **Recommendation**

The Head Procurement and Disposal Unit should ensure that all items are aggregated into the annual procurement plan of the Entity and where necessary the plan is updated to include emergency procurements in accordance with Section 58(4) of the PPDA Act, 2003..

#### 2.1.4 Contract Documents

The Authority reviewed the contract documents prepared for the sampled procurements and observed some anomalies as indicated in the table below;

**Table 5: Contract documents with anomalies noted**

No	Issue	Procurement in which the issue was observed	Amount (UGX)
1.	Failure to provide for nor obtain performance securities	Supply of 8 motorcycles <i>(Security not provided for)</i>	108,000,000
		Upgrading of Kigoyera Health Centre II to III in Kyembogo Sub-County <i>(10% security not obtained)</i>	647,767,418
		Drilling and installation of 11 deep boreholes with hand pumps under Rural Water Conditional Development grant (RWCDG) <i>(Security not provided for)</i>  <i>Between 28th February 2020 and 6th May 2020, the District Water Officer sent four emails to the contractor (on yonahtindyebwa@gmail.com) reminding the contractor to take up and fulfil their obligation to complete the drilling and installation of 11 boreholes in the District. By this time, the contract duration had already expired, subsequently, on 6th May 2020, the contract manager wrote to the Accounting Officer (CAO) about the failure by East Africa Boreholes Limited to complete the drilling of eleven (11) boreholes in Kyenjojo District.</i>	262,220,567
2.	Inconsistencies in conditions of contract	Renovation of Kyenjojo Town Council administration block  <i>Whereas the solicitation document under GCC 17.1 provided for a completion period of 7 weeks, the actual contract under GCC 1.1 (U) provided for a completion period of 12 weeks</i>	14,500,000
		Construction of multi-purpose hall at Kyenjojo District headquarters phase 1  <i>The bidding document under GCC 51.1 stated that advance payment shall not be applicable. However, the contract under GCC 51.1 provided for a 30% advance payment payable to the contractor within</i>	207,147,038

No	Issue	Procurement in which the issue was observed	Amount (UGX)
		<i>28days after submission of advance guarantee security.</i>	

### Implications

- This implies that the Entity does not have a mechanism in place to guard itself against non-performing contractors who may abandon or fail to perform the contracts in accordance with the specified terms.
- The inconsistencies in contract conditions also point to a lack of checks and balances by the Contracts Committee.

### Management Response

For case 1, there was no advance provided. So the Entity did not request for the performance security.

For case 2, the anomaly has been noted.

### Recommendations

- The Procurement and Disposal Unit should ensure that performance securities are furnished before contracts are signed in accordance with Regulation 102 of the Local Government (PPDA) Regulations, 2006.
- The Contracts Committee should carry out its oversight function in accordance with Regulation 48 of the PPDA Local Government Regulations, 2006 to ensure that quality solicitation documents are prepared and issued to bidders.

## 2.2 OVERVIEW ON THE LEVEL OF ACHIEVEMENT OF VALUE FOR MONEY IN CONTRACT EXECUTION

### 2.2.1 UGIFT Project - Mparo Seed School worth UGX 2,050,045,030

- Stalled works:** The works had stalled at about 50% completion, according to the last progress report on file.
- Unsecured works:** On 24<sup>th</sup> May 2019, Buildline Contractors (U) Ltd submitted a 10% performance security No: CRDB/RUBAGA/TF/24.03/05/2019 from Centenary Bank, worth UGX 205,004,503 which expired on 24<sup>th</sup> May 2020. There was no evidence that Buildline Contractors (U) Ltd extended their performance guarantee. At the time of the Audit (February 2021), the contractor was not on site and there was no performance security.
- Failure to extend a contract:** Whereas the contract signed on 28<sup>th</sup> March 2019 with Buildline Contractors (U) Ltd was for 12 calendar months ending 27<sup>th</sup> February 2020, there was no contract extension by the Entity despite the contractor having requested for this on 13<sup>th</sup> February 2020. The Entity only extended the contract on 16<sup>th</sup> March 2020 after it had expired and there was no addendum passed to this effect. At the time of the contract expiry, only 50% of the works had been completed.
- Failure to extend advance payment guarantee to allow full recovery:** The Bank Guarantee REF: CRDB/RUBAGA/TF/24.04/05/2019 dated 24<sup>th</sup> May 2019 expired on 24<sup>th</sup> November

2019 before full recovery of the advance payment. By the time of the contract expiry on 27<sup>th</sup> February 2020, the Entity had only recovered UGX 205,004,503 and thus UGX 205,004,503 was unsecured and was prone to non – recovery. However, by 12<sup>th</sup> June 2020, the Entity made full recovery of the advance payment.

- e) **Payment for works not done:** the contractor was paid UGX 54,000,000 for hoarding off the premises as per the bills of quantities under the section for preliminaries page 9 item C but as per the physical verification on 25<sup>th</sup> February 2021, this was not done.

### **2.2.2 UGIFT Project - Upgrading of Kigoyera Health Centre II to III in Kyembogo Sub-County worth UGX 647,767,418**

- a) **Failure to recover advance payment worth UGX 143,804,366:** The Entity made an advance payment of UGX 194,330,225.4 (30% of the contract value) on 12<sup>th</sup> June 2020 which was secured by an Advance payment guarantee Ref: 613/2020 from Bank of Africa Uganda Ltd with an expiry date of 28<sup>th</sup> April 2021. However by 26<sup>th</sup> November 2020 only UGX 50,525,859 (26%) had been recovered. At the said date, physical progress was at 75% and only 38.8% had been paid.
- b) **Delayed payment of the contractor:** Whereas the contractor had completed 75% of the works by 26<sup>th</sup> November 2020, only 38.8% of the contract value had been paid to him as at the time of the audit on 25<sup>th</sup> February 2021.

#### **Management Response**

- i. Case 1 (a): There was no response from the Entity.
- ii. Case 1 (b): There was no response from the Entity.
- iii. Case 1 (c): Funds were returned to the Ministry of Finance at the end of FY 2019/20, and they were returned to the Entity in March 2021.
- iv. Case 1 (d): The Entity did not have funds to pay the contractor to make full recovery.
- v. Case 1 (e): There was no response from the Entity.
- vi. Case 2 (a): The contractor has been paid one certificate so recovery will be made on the subsequent payments. Since funds were returned to the consolidated fund at the end of the financial year.
- vii. Case 2 (b): Funds were returned to the consolidated fund at the end of the Financial Year 2019/20. The Entity received funds back in March 2021. The payment process is ongoing.

#### **Recommendations**

- The Accounting Officer should hold the District Engineer, contract supervisor and Internal Auditor liable for the laxity in the system, negligence of duty and poor contract management.
- Considering that the performance security expired on 24<sup>th</sup> May 2020 and only 50% of works have so far been certified as done, the Accounting Officer should request Buildline Contractors (U) Ltd to submit an updated performance security.
- For the future and for all works projects, the Accounting Officer should ensure full recovery of the advance payment prior to expiry of the advance payment guarantee.
- The District Engineer and contract supervisor should fast track the project to ensure works is completed and handed over within the stipulated contract period.

- For the future and for all works projects, the Accounting Officer and Chief Finance Officer should not approve payment without proper measurement sheets from the contract supervisor.

### 2.2.3 Underpayment of contractors due to improper calculation of WHT Payable

The Entity in effecting payments applies the following procedure

- Deduct the retention amount (5%) off the invoice/ contract value; Then
- Subject WHT to the residual balance after retention; and
- Pay the balance of residual amount net of WHT

**Table 7: This results into underpayment of contractors as in the table below:**

Sn	Subject of procurement	Contractor	Payment Reference	WHT Remitted (UGX)	Would be remitted WHT (UGX)	Underpayment to contractor (UGX)
1	Completion of Katooke Sub - County Community Hall	Nyamaka Contractors Ltd	Interim certificate No.1 dated 7th May 2020 and certificate No.2 dated 16th June 2020	2,757,616	2,336,963	420,653
2	Completion of Rwenjaza social hall and construction of a slaughter slab at Kifuuka in Butunjo Sub-County	Nyamaka Contractors Ltd	Interim certificate No.1 dated 14th January 2020	1,590,301	1,347,713	242,588
3	Fencing of Kyenjojo District Headquarters' land phase V	Daystar12 & Co. Ltd	Interim certificate No.1 dated 14th January 2020	1,697,971	1,438,958	259,013
4	Supply of 8 motorcycles	Simba Automotives Limited	Interim certificate No.1 & 2	6,480,000	5,491,525	988,475
5	Upgrading of Kigoyera Health Centre II to III in Kyembogo Sub-County	Haso Engineering Co. Ltd	Interim certificate No.1 dated 15th May 2020 and certificate No.2	16,022,042	13,578,002	2,444,040
6	Completion of an information centre Phase I at Karusozi Sub-County	Eba Business Solutions & Finance Co. Ltd	Interim certificate No.1 dated 8th June 2020	2,712,882	2,299,053	413,829

Sn	Subject of procurement	Contractor	Payment Reference	WHT Remitted (UGX)	Would be remitted WHT (UGX)	Underpayment to contractor (UGX)
7	Completion of kitchen building works at Kyenjojo General Hospital	Robust Enterprises (U) Ltd	Interim certificate No.1 dated 8th June 2020	884,158	749,286	134,872
8	Mparo Seed School	Buildline Contractors (U) Ltd	Interim certificate No.2, 3, 4, 5 & 6 dated 27th August 2019, 19th March 2020, 27th April 2020, 12th June 2020 and 20th June 2020	93,303,336	79,069,777	14,233,559
Total	<b>2,975,282,501</b>			<b>125,448,306</b>	<b>106,311,277</b>	<b>19,137,029</b>

### Management Response

Anomaly noted. It will be corrected in the subsequent procurements.

### Recommendation

Proper calculation of the amount payable to contractors would be;

- v. Deduct the retention amount (5%) off the invoice/ contract value; Then
- vi. Calculate the residual balance after retention net of VAT i.e. a VAT exclusive amount; and
- vii. Subject WHT to the VAT Exclusive residual balance after retention; Then
- viii. Pay the VAT Exclusive residual balance after retention less WHT but with an addition of the VAT component

#### 2.2.4 Payments undertaken without measurement sheets despite the contract being of an admeasurement type:

The contract supervisors did not explicitly measure works against the BOQs before payment was effected in the following seven (7) procurements worth UGX 2,851,697,666. The certificates presented block figures without thorough measurements of work.

- a) Renovation of Kyenjojo Town Council administration block worth UGX 14,500,000
- b) Completion of Katooke Sub-County Community Hall worth UGX 48,379,233
- c) Completion of Rwenjaza social hall and construction of a slaughter slab at Kifuuka in Butunjo Sub-County worth UGX 27,900,022
- d) Upgrading of Kigoyera Health Centre II to III in Kyembogo Sub-County worth UGX 647,767,418
- e) Completion of an information centre Phase I at Karusozi Sub-County worth UGX 47,594,426
- f) Completion of kitchen building works at Kyenjojo General Hospital worth UGX 15,511,537
- g) Mparo Seed School worth UGX 2,050,045,030

### Implication

The entity runs a risk of payment for works not undertaken.

**Management Response**

Anomaly noted.

**Recommendation**

For all works projects, the Accounting Officer and Chief Finance Officer should not approve payment without proper measurement sheets from the contract supervisor.

**2.2.5 Contingence fees (5%) worth UGX 1,952,350 paid without proof of occurrence of events necessitating its payment.**

The Authority found that Entity paid UGX 1,952,350 (5% of contract sum) in the procurement for completion of Katooke Sub-County Community Hall worth UGX 48,379,233 as payment of contingency fees to the contractor without proof of occurrence of events necessitating its payment.

*In his final progress report dated 16<sup>th</sup> June 2020 on the contract implementation, the Asst. Engineering Officer – Michael Mujinya stated that an instruction was given to the contractor to re-paint stained walls, hack off of peeled plaster, plaster, re-plaster and paint which was done using the contingency fees, however, there was no evidence to support this as it was a variation in scope (contract variation) which ought to have been formerly approved by the Contracts Committee*

**Implication**

The Entity may not achieve value for money for all the public funds spent.

**Management Response**

The project manager gave instructions to the contractor to hack off the defective plaster and repaint the wall.

**Recommendation**

The Accounting Officer should endeavor to spend public funds in a cost effective manner in accordance with principles of public procurement enshrined in Section 43 of the PPDA Act, 2003.

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

### 3.1. Performance of the Entity

Of the twenty (20) sampled procurements, 25% are high risk, 35% are medium risk, 25% are low risk and 15% are satisfactory. The weaknesses identified during the course of the audit especially in the high-risk areas require management's immediate action. The Entity should improve on its record management and consider capacity building of all User Departments.

### 3.2. Action Plan

Action party	Recommended action	Target date
Accounting Officer	<ul style="list-style-type: none"> <li>• The Accounting Officer should ensure that the procurement action files are complete with all documents in accordance with Section 31 (o) of the PPDA Act 2003.</li> <li>• The Accounting Officer should investigate the reasons for the low bidder participation in the Entity's procurement processes and put in place a mechanism of promoting competition in accordance with Section 46 of the PPDA Act, 2003.</li> <li>• The Accounting Officer should delegate, in writing, a procurement and disposal function in accordance with Regulation 29 of the LG (PPDA) Regulation 2006.</li> </ul>	October 2021
Procurement and Disposal Unit	<ul style="list-style-type: none"> <li>• The Head Procurement and Disposal Unit should ensure that all items are aggregated into the annual procurement plan of the Entity and where necessary the plan is updated to include emergency procurements in accordance with Section 58(4) of the PPDA Act, 2003.</li> <li>• The Procurement and Disposal Unit should ensure that performance securities are furnished before contracts are signed in accordance with Regulation 102 of the Local Government (PPDA) Regulations, 2006.</li> </ul>	October 2021
Contracts Committee	The Contracts Committee should carry out its oversight function in accordance with Regulation 48 of the PPDA Local Government Regulations, 2006 to ensure that quality solicitation documents are prepared and issued to bidders.	October 2021
User Departments	<ul style="list-style-type: none"> <li>• Proper calculation of the amount payable to contractors would be;               <ol style="list-style-type: none"> <li>i. Deducts the retention amount (5%) off the invoice/ contract value; Then</li> <li>ii. Calculate the residual balance after retention net of VAT i.e. a VAT exclusive amount; and</li> <li>iii. Subject WHT to the VAT Exclusive residual balance after retention; Then</li> <li>iv. Pay the VAT Exclusive residual balance after retention less WHT but with an addition of the VAT component</li> </ol> </li> </ul>	October 2021

<b>Action party</b>	<b>Recommended action</b>	<b>Target date</b>
	<ul style="list-style-type: none"> <li>• For all works projects, the Accounting Officer and Chief Finance Officer should not approve payment without proper measurement sheets from the contract supervisor</li> </ul>	

**ANNEXES**

**Annex A: Sample List**

<b>Sn.</b>	<b>Procurement Reference No.</b>	<b>Subject of Procurement</b>	<b>Procurement Method</b>	<b>Provider</b>	<b>Contract Value (UGX)</b>	<b>Risk rating</b>
1	Kyen530/Wrks/2019-20/00001	Drilling & installation of 11 deep boreholes with hand pumps	Open Domestic Bidding	East Africa Boreholes Ltd	262,220,567	Medium risk
2	Kyen530/Wrks/2019-20/00002	Construction of 2 classroom block at Nyakatoma Primary School in Butunduzi Sub-County	Open Domestic Bidding	Khrishini Enterprises Ltd	66,247,411	Medium risk
3	Kyen530/Supls/2019-20/00001	Supply of 8 motorcycles	Open Domestic Bidding	Simba Automotive Ltd	108,000,000	Low risk
4	Kyen530/Wrks/2019-20/00002	Completion of social hall at Rwenjaza and construction of a slaughter slub at Kifuka market in Bufunjo Sub-County	Selective Bidding	Nyamaka Contractors Ltd	27,990,022	Low risk
5	Kyen530/Wrks/2019-20/00008	Construction of 3 stance VIP latrine at Rwibaale Taxi Park in Butunduzi Town Council	Selective Bidding	Koma Limited	13,710,420	High risk
6	Kyen530/Wrks/2019-20/00012	Construction of kitchen at Kyenjojo General Hospital	Selective Bidding	Robust Enterprises Ltd	15,511,537	Low risk
7	Kyen530/Wrks/2019-20/00014	Fencing of Kyenjojo District Headquarters land phase V	Selective Bidding	Daystar (12) & Co. Ltd	29,994,835	Low risk

<b>Sn.</b>	<b>Procurement Reference No.</b>	<b>Subject of Procurement</b>	<b>Procurement Method</b>	<b>Provider</b>	<b>Contract Value (UGX)</b>	<b>Risk rating</b>
8	Kyen530/Supls/2019-20/00005	Supply of 75,000 tea plantlets to selected farmers in Bugaki Sub-County	Selective Bidding	Sam Magezi	30,000,000	High risk
9	Kyen530/Supls/2019-20/0000	Supply of road unit consumables for works department	Direct procurement	Victoria Equipment services Ltd	16,987,200	Satisfactory
10	Kyen530/Wrks/2019-20/00016	Construction of multi-purpose hall at Kyenjojo District Headuaters phase I	Open Domestic Bidding	Mulumba & Co Building Construction Ltd	207,147,038	Medium risk
11	Kyen530/Wrks/2019-20/00019	Completion of Katooke Sub-County community hall	Selective Bidding	Nyamaka Contractors Ltd	48,379,233	High risk
12	Kyen530/Wrks/2019-20/00020	Completion of an information centre Phase I at Karusozi Sub-County	Selective Bidding	Eba Business Solutions & Finance Co. Ltd	47,594,426	Medium risk
13	Kyen530/Wrks/2019-20/00023	Construction of 5 stance VIP latrine at Kyenjojo General Hospital	Selective Bidding	Code Contractors Ltd	31,211,897	Medium risk
14	Kyen530/Wrks/2019-20/00015	Renovation of Kyenjojo Town Council administration block	Selective Bidding	Kad Contractors Ltd	14,500,000	Medium risk

<b>Sn.</b>	<b>Procurement Reference No.</b>	<b>Subject of Procurement</b>	<b>Procurement Method</b>	<b>Provider</b>	<b>Contract Value (UGX)</b>	<b>Risk rating</b>
15	Kyen530/Supls/2019-20/00005	Supply of fish fingerings	Selective Bidding	Siriwano Co. Ltd	19,998,000	Medium risk
16	MoH-Ugift/Wrks/2019-20/00010	Upgrading of Kigoyera Health Centre II to III in Kyembogo Sub-County	Open Domestic Bidding	Haso Engineering Co. Ltd	647,767,418	High risk
17	MoES-Ugift/Wrks/2018-19/00119	Construction of Mparo Seed Secondary School in Kyembogo Sub-County	Open Domestic Bidding	Buildline Contractors Ltd	2,050,045,030	High risk
18	Kyen530/Wrks/2019-20/00026	Completion of marternity ward at Kigoyera HCIII in Kigoyera Sub-County	Selective Bidding	Siriwano Co. Ltd	28,097,263	Low risk
19	Kyen530/Wrks/2019-20/00012	Periodic maintenance of Kifuka - Nkunumu - Karukujenge (13.4Km)	Force Account	District Engineer	53,600,000	Satisfactory
20	Kyen530/Wrks/2019-20/00012	Spot improvement of Butiti - Ruhoko - Nyantungo (8km) Road	Force Account	District Engineer	48,000,000	Satisfactory
<b>Total</b>					<b>3,767,002,297</b>	

**Annex B: Findings and rating on the individual contracts reviewed.**

**B1. HIGH RISK RATED CONTRACTS**

Sn.	High Risk Contracts	Reasons for High Risk Rating
1	<p><b>Reference:</b> Kyen530/Wrks/2019-20/00019</p> <p><b>Project:</b> Completion of Katooke Sub-County Community Hall</p> <p><b>Scope of works:</b></p> <ul style="list-style-type: none"> <li>• Tiling</li> <li>• Construction of a platform</li> <li>• Fixation of water gutters</li> <li>• Connected 5000Ltr water tank</li> <li>• 10 No. 6-Seater benches</li> <li>• 3 wooden working office tables with 3 drawers</li> <li>• 3 wooden cushioned office chairs</li> <li>• Curtains with rails and rods</li> <li>• White painted ceiling boards</li> <li>• 20 trees planted</li> <li>• Paspalm grass</li> </ul> <p><b>Contractor:</b> Nyamaka Contractors Ltd (TIN: 1013303054)</p> <p><b>Value:</b> UGX 48,379,233 (VAT Incl.)</p>	<p>a) <b>Confirmation of availability of funds without delegated authority;</b> Christine Tahaise Annet – SAS confirmed availability of funds on 20<sup>th</sup> January 2020 but there was no proof of delegated authority by the CAO.</p> <p>b) <b>Individualized bid invitation notices;</b> whereas thirty four (34) providers were invited as per the shortlist dated 28<sup>th</sup> February 2020, the corresponding bid notices were individualized and there was no proof that each of these received the invitation as only three (3) providers were issued with a solicitation document and returned a bid.</p> <p>c) <b>Payments undertaken without measurement sheets despite the contract being of an admeasurement type:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work.</p> <p>d) <b>Contingence fees (5%) worth UGX 1,952,350 paid without proof of occurrence of events necessitating its payment.</b> In his final progress report dated 16<sup>th</sup> June 2020 on the contract implementation, the Asst. Engineering Officer – Michael Mujinya stated that an instruction was given to the contractor to re-paint stained walls, hack off of peeled plaster, plaster, re-plaster and paint which was done using the contingency fees, however, there was no evidence to support this as it was a variation in scope (contract variation) which ought to have been formerly approved by the Contracts Committee. As such a <b>financial loss</b> incurred worth <b>UGX 1,952,350</b></p> <p>e) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment of interim certificate No.1 dated 7<sup>th</sup> May 2020 and certificate No.2 dated 16<sup>th</sup> June 2020 worth UGX 45,960,271 (after retention) whereas UGX 2,757,616 was remitted as WHT, the correct amount should have been UGX 2,336,963. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 420,653.</p>
2	<p><b>Reference:</b> MoH-Ugift/Wrks/2019-20/00010</p> <p><b>Project:</b> Upgrading of Kigoyera Health Centre II to III in Kyembogo Sub-County</p>	<p>a) <b>Unsecured works:</b> Whereas a 10% performance security was required as per GCC 52.1, this was not provided for verification as such the works were unsecured.</p> <p>b) <b>Failure to recover advance payment worth UGX 143,804,366:</b> The Entity made an advance payment of UGX 194,330,225.4 (30% of the contract value) on 12<sup>th</sup> June 2020 which was secured by an Advance payment guarantee Ref: 613/2020 from Bank of Africa Uganda Ltd</p>

Sn.	High Risk Contracts	Reasons for High Risk Rating
	<p><b>Scope of works:</b></p> <ul style="list-style-type: none"> <li>• Maternity block/ General ward</li> <li>• Twin staff house</li> <li>• 4 stance lined VIP latrine with shower</li> <li>• Placenta pit</li> <li>• Medical waste pit</li> <li>• OPD renovations</li> <li>• General works/ landscaping</li> </ul> <p><b>Contractor:</b> Haso Engineering Co. Ltd  <b>Value:</b> UGX 647,767,418 (VAT Incl.)</p>	<p>with an expiry date of 28<sup>th</sup> April 2021. However by 26<sup>th</sup> November 2020 only UGX 50,525,859 (26%) had been recovered. At the said date, physical progress was at 75% and only 38.8% had been paid.</p> <p>c) <b>Payments undertaken without measurement sheets contrary to SCC 42:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work and subsequently, the following were noticed:</p> <p>d) <b>Delayed payment of the contractor;</b> Whereas the contractor had completed 75% of the works by 26<sup>th</sup> November 2020, only 38.8% of the contract value had been paid to him as at the time of the audit on 25<sup>th</sup> February 2021.</p> <p>e) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment against interim certificate No.1 dated 15<sup>th</sup> May 2020 and certificate No.2 worth UGX 267,034,033 whereas UGX 16,022,042 was remitted as WHT, the correct amount should have been UGX 13,578,002. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 2,444,040.</p>
3	<p><b>Reference:</b> MoES-Ugift/Wrks/2018-19/00119  <b>Project:</b> Mparo Seed School  <b>Scope of works:</b></p> <ul style="list-style-type: none"> <li>• 3 Classroom blocks</li> <li>• 1 Science laboratory block</li> <li>• 1 Administration block</li> <li>• 3 – 2 Unit teacher’s house</li> <li>• 3 – 2 Unit teacher’s kitchen</li> <li>• 1 - 2 stance lined VIP latrine block – Admin block</li> <li>• 3 - 2 stance lined VIP latrine block – Teacher’s house</li> <li>• 5 stance lined VIP latrine block – Boys</li> </ul>	<p>a) <b>Unsecured works:</b> On 24<sup>th</sup> May 2019, Buildline Contractors (U) Ltd submitted a 10% performance security No: CRDB/RUBAGA/TF/24.03/05/2019 from Centenary Bank, worth UGX 205,004,503 which expired on 24<sup>th</sup> May 2020. There was no evidence that Buildline Contractors (U) Ltd extended their performance guarantee. At the time of the Audit (February 2021), the contractor was not on site and there was no performance security.</p> <p>b) <b>Failure to extend a contract.</b> Whereas the contract signed on 28<sup>th</sup> March 2019 with Buildline Contractors (U) Ltd was for 12 calendar months ending 27<sup>th</sup> February 2020, there was no contract extension by the Entity despite the contractor having requested for this on 13<sup>th</sup> February 2020. The Entity only extended the contract on 16<sup>th</sup> March 2020 after it had expired and there was no addendum passed to this effect. At the time of the contract expiry, only 50% of the works had been completed.</p> <p>c) <b>Failure to extend advance payment guarantee to allow full recovery.</b> The Bank Guarantee REF: CRDB/RUBAGA/TF/24.04/05/2019 dated 24<sup>th</sup> May 2019 expired on 24<sup>th</sup> November 2019 before full recovery of the advance payment. By the time of the contract expiry on 27<sup>th</sup> February 2020, the Entity had only recovered UGX 205,004,503 and thus UGX 205,004,503</p>

Sn.	High Risk Contracts	Reasons for High Risk Rating
	<ul style="list-style-type: none"> <li>• 5 stance lined VIP latrine block – Girls</li> <li>• External works</li> <li>• 2 Rain water harvest systems with 5000L tanks</li> <li>• ICT Library</li> <li>• Multi-purpose hall</li> <li>• Play ground</li> </ul> <p><b>Contractor:</b> Buildline Contractors (U) Ltd</p> <p><b>Value:</b> UGX 2,050,045,030 (VAT Incl.)</p>	<p>was unsecured and was prone to non – recovery. However by 12<sup>th</sup> June 2020, the Entity made full recovery of the advance payment.</p> <p>d) <b>Payments undertaken without measurement sheets contrary to SCC 42:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work.</p> <p>e) Payment for works not done; the contractor was paid UGX 54,000,000 for hoarding off the premises as per the bills of quantities under the section for preliminaries page 9 item C but as per the physical verification on 25<sup>th</sup> February 2021, this was not done.</p> <p>f) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment of interim certificate No.2, 3, 4, 5 &amp; 6 dated 27<sup>th</sup> August 2019, 19<sup>th</sup> March 2020, 27<sup>th</sup> April 2020, 12<sup>th</sup> June 2020 and 20<sup>th</sup> June 2020 retrospectively worth UGX 1,555,038,939, whereas UGX 93,303,336 was remitted as WHT, the correct amount should have been UGX 79,069,777. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 14,232,560.</p>
4	<p>Kyen530/Wrks/2019-2020/0008</p> <p>Construction of 3 stance VIP latrine at Rwibaale Taxi Park in Butunduzi Town Council</p> <p>Koma Limited</p> <p>UGX 13,710,420</p>	<p>a) <b>Confirmation of funding without evidence of delegated authority:</b> Confirmation of funding was done by Mr. Lubega Christopher the Town clerk of Butunduzi Town Council without evidence of delegated authority by the Accounting Officer. The confirmation of funding is a mandate for only the Accounting Officer according to the PPDA Act 2003.</p> <p>b) <b>Low bid submission:</b> only two bids were received from Koma Limited and Ebo Business Solutions and Finanvce Company Limited.</p> <p>c) <b>Usurping the powers of the Accounting Officer;</b> The contract was signed by the DCAO instead of the Accounting Officer, that is, CAO, without evidence of delegated Authority by the Accounting Officer.</p> <p>d) <b>Financial loss:</b> Payment of VAT worth UGX 2,091,420 to Koma Ltd which is not registered for VAT by URA. Hence financial loss to the Entity. The sub total for works was UGX 11,619,000, VAT worth UGX 2,091,420 was added to the bid price which increased the contract sum to UGX 13,710,420.</p>
5	<p>kyen530/supls/2019-20/00005</p> <p>Supply of 75,000 tea plantlets to selected farmers in Bugati sub-county.</p>	<p>a) The procurement was not on the approval procurement plan.</p> <p>b) Low bid submission: one bid received from Sam Magezi on 18th/12/2019.</p> <p>c) No contract implementation plan</p> <p>d) No contract management records, that is, invoice and delivery.</p> <p>e) No payment records and vouchers.</p>

Sn.	High Risk Contracts	Reasons for High Risk Rating
	Sam Mwagezi (tin 1000842921)  Ugx 30,000,000	

## B2. MEDIUM RISK RATED CONTRACTS

Sn.	Medium Risk Contracts	Reasons for Medium Risk Rating
1	<p><b>Reference:</b> Kyen530/Wrks/2019-20/00015</p> <p><b>Project:</b> Renovation of Kyenjojo Town Council administration block.</p> <p><b>Scope of works:</b></p> <ul style="list-style-type: none"> <li>Repaint internal walls and ceiling with white, external walls with cream, roof with maroon and windows, doors and skirting with grey.</li> <li>Replace veranda ceiling boards, fascia boards, gutters, ventilators, entrance mosquito mesh</li> <li>Construct splash apron casted in concrete and finished with metallic float.</li> </ul> <p><b>Contractor:</b> Kad Contractors Ltd</p> <p><b>Value:</b> UGX 14,500,000 (VAT Excl.)</p>	<p>a) <b>Confirmation of availability of funds without delegated authority;</b> Godfrey Kiza – Town Clerk confirmed availability of funds on 17<sup>th</sup> October 2019 but there was no proof of delegated authority by the CAO.</p> <p>b) <b>Individualized bid invitation notices:</b> whereas seven providers were invited as per the shortlist dated 6<sup>th</sup> January 2020, the corresponding bid notices were individualized and there was no proof that each of these received the invitation as only one provider – Kad Contractors Ltd the BEB was issued with a solicitation document and returned a bid.</p> <p>c) <b>Differing contract terms;</b> whereas the solicitation document under GCC 17.1 provided for a completion period of 7 weeks, the actual contract under GCC 1.1 (U) provided for a completion period of 12 weeks.</p> <p>d) <b>Payments undertaken without measurement sheets despite the contract being of an admeasurement type:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work.</p>
2	<p><b>Reference:</b> Kyen530/Supls/2019-20/00005</p> <p><b>Project:</b> Supply of fish fingerings.</p> <p><b>Scope of works:</b></p> <ul style="list-style-type: none"> <li>12,000 Cat fish</li> <li>28,000 Nile Tilapia</li> </ul>	<p>a) <b>Confirmation of availability of funds without delegated authority;</b> Harriet Katusiime – DCAO confirmed availability of funds on 3<sup>rd</sup> December 2019 but there was no proof of delegated authority by the CAO.</p> <p>b) <b>Individualized bid invitation notices;</b> whereas four (4) providers were invited as per the shortlist dated 6<sup>th</sup> January 2020, the corresponding bid notices were individualized and there</p>

Sn.	Medium Risk Contracts	Reasons for Medium Risk Rating
	<b>Contractor:</b> Siriwano Co. Ltd <b>Value:</b> UGX 19,998,000 (VAT Excl.)	<p>was no proof that each of these received the invitation as only one provider – Siriwano Co. Ltd the BEB was issued with a solicitation document and returned a bid.</p>
3	<b>Reference:</b> Kyen530/Wrks/2019-20/00020 <b>Project:</b> Completion of an information centre Phase I at Karusozi Sub-County <b>Scope of works:</b> <ul style="list-style-type: none"> <li>• Excavation</li> <li>• Foundation/ Substructure</li> <li>• Walling &amp; Frame</li> </ul> <b>Contractor:</b> Eba Business Solutions & Finance Co. Ltd <b>Value:</b> UGX 47,594,426 (VAT Incl.)	<p>a) <b>Confirmation of availability of funds without delegated authority;</b> Christine Tahaise Annet – SAS confirmed availability of funds on 17<sup>th</sup> January 2020 but there was no proof of delegated authority by the CAO.</p> <p>b) <b>Payments undertaken without measurement sheets despite the contract being of an admeasurement type:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work.</p> <p>c) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment of interim certificate No.1 dated 8<sup>th</sup> June 2020 worth UGX 45,214,705 (after retention) whereas UGX 2,712,882 was remitted as WHT, the correct amount should have been UGX 2,299,053. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 413,830.</p>
4	Kyen530/Wrks/2019-2020/0001  Drilling and installation of 11 deep boreholes with hand pumps under Rural Water Conditional Development grant (RWCDG)  East Africa Boreholes Ltd  UGX 262,220,567	<p>a) Confirmation of funding without evidence of delegated authority; Ms. Katusiime Harriet</p> <p>b) <b>Failure to protect the works;</b> Between 28th February 2020 and 6th May 2020, the District Water Officer sent four emails to the contractor (on yonahtindyebwa@gmail.com) reminding the contractor to take up and fulfil their obligation to complete the drilling and installation of 11 boreholes in the District. By this time, the contract duration had already expired, subsequently, on 6th May 2020, the contract manager wrote to the Accounting Officer (CAO) about the failure by East Africa Boreholes Limited to complete the drilling of eleven (11) boreholes in Kyenjojo District.</p> <p>c) There was no contract implementation plan on the procurement action file.</p> <p>d) Delayed completion; the contractual time period expired on 30th April 2020 but works were completed on 18th June 2020, a delay of 49 days.</p>
5	Kyen530/Wrks/2019-2020/0002  Construction of a two classroom block with office and store at Nyakatoma Primary School	<p>a) Confirmation of funding without evidence of delegated authority; by Ms. Katusiime Harriet</p> <p>b) There was no contract implementation plan on the procurement action file.</p>

Sn.	Medium Risk Contracts	Reasons for Medium Risk Rating
	Krishni Enterprises Ltd UGX 66,247,411	
6	Kyen530/Wrks/2019-2020/00023 Construction of 5 stance VIP latrine at Kyenjojo General Hospital Code Contractors Ltd UGX 31,211,897	a) The procurement was not on the approval procurement plan. b) Confirmation of funding without evidence of delegated authority; by Ms. Katusiime Harriet c) There was no contract implementation plan on the procurement action file.
7	kyen/530/2019-20/0001 Construction of multi-purpose hall at Kyenjojo District headquarters phase 1 Mulumba & company building construction ltd UGX 207,147,038	a) <b>Confirmation of funding without delegated authority;</b> Confirmation of Authority. funding was done by Ms.Katusiime Harriet (DCAO) on 14th/02/2020 without evidence of delegated b) <b>Inconsistencies in conditions of contract;</b> GCC51.1 in the special conditions of contract (scc) of the bidding document stated that advance payment shall not be applicable. However GCC 51.1 of the contract stated that “ the advance payment will be equivalent to 30% and will be paid in the same currencies and proportions as the contract price. Further it stated that “ it will be paid to the contractor with 28days after submission of advance guarantee security.” c) <b>Low bid submission;</b> only 2 bids were received from Mulumba & Company Building Construction (207,250,993) and Daystar (12) & Company Ltd (208,147,038). d) There was no contract implementation plan.

### B3. LOW RISK RATED CONTRACTS

Sn.	Low Risk Contracts	Reasons for Low-Risk Rating
1	<b>Reference:</b> Kyen530/Wrks/2019-20/00009 <b>Project:</b> Completion of Rwenjaza social hall and construction of a	a) <b>Payments undertaken without measurement sheets despite the contract being of an admeasurement type:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work.

Sn.	Low Risk Contracts	Reasons for Low-Risk Rating
	slaughter slab at Kifuuka in Butunjo Sub-County. <b>Scope of works:</b> <b>Contractor:</b> Nyamaka Contractors Ltd <b>Value:</b> UGX 27,900,022 (VAT Incl.)	b) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment of interim certificate No.1 dated 14 <sup>th</sup> January 2020 worth UGX 26,505,021( <i>after retention</i> ) whereas UGX 1,590,301 was remitted as WHT, the correct amount should have been UGX 1,347,713. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 242,588.
2	<b>Reference:</b> Kyen530/Wrks/2019-20/00014 <b>Project:</b> Fencing of Kyenjojo District Headquarters' land phase V <b>Scope of works:</b> <b>Contractor:</b> Daystar12 & Co. Ltd <b>Value:</b> UGX 29,994,835 (VAT Incl.)	<b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment of interim certificate No.1 dated 14 <sup>th</sup> January 2020 worth UGX 28,299,510 ( <i>after retention</i> ) whereas UGX 1,697,971 was remitted as WHT, the correct amount should have been UGX 1,438,958. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 259,012.
3	<b>Reference:</b> Kyen530/Supls/2019-20/00001 <b>Project:</b> Supply of 8 motorcycles <b>Contractor:</b> Simba Automotives Limited <b>Value:</b> UGX 108,000,000 (VAT Incl.)	a) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment worth UGX 108,000,000 whereas UGX 6,480,000 was remitted as WHT, the correct amount should have been UGX 5,491,525. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 988,475.  b) <b>Failure to provide for a performance security.</b>
4	<b>Reference:</b> Kyen530/Wrks/2019-20/00020 <b>Project:</b> Completion of kitchen building works at Kyenjojo General Hospital <b>Scope of works:</b> <ul style="list-style-type: none"> <li>• Substructure</li> <li>• Roof</li> <li>• Walling &amp; Partitions</li> </ul>	a) <b>Payments undertaken without measurement sheets despite the contract being of an admeasurement type:</b> The contract supervisor did not explicitly measure works against the BOQs before payment was effected. The certificates presented block figures without thorough measurements of work.  b) <b>Underpayment of contractors due to improper calculation of WHT Payable.</b> In effecting payment of interim certificate No.1 dated 8 <sup>th</sup> June 2020 worth UGX 14,735,960 ( <i>after retention</i> ) whereas UGX 884,158 was remitted as WHT, the correct amount should have been UGX

Sn.	Low Risk Contracts	Reasons for Low-Risk Rating
	<ul style="list-style-type: none"> <li>• Internal finishings</li> </ul> <b>Contractor:</b> Robust Enterprises (U) Ltd <b>Value:</b> UGX 15,511,537 (VAT Incl.)	749,286. This was attributed to the fact that WHT was charged on a VAT inclusive figure and not the VAT exclusive figure. The contractor was thus underpaid by UGX 134,871.
5	Kyen530/Wrks/2019-2020/00026  Completion of maternity ward at Kigoyera Health Centre III in Kigoyera Sub County  Siriwano Company Limited  UGX 28,097,263	a) There was no contract implementation plan on the procurement action file. b) Outstanding payments of UGX 10,889,200.

**Annex C: Risk Rating Criteria**

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

RISK	DESCRIPTION	AREA	IMPLICATION
<b>MEDIUM</b>	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.	<b>Planning:</b> Lack of initiation of procurements and confirmation of funds.	This implies committing the Entity without funds thereby causing domestic arrears.
		<b>Bidding Process:</b> Deviations from standard procedures namely bidding periods, standard formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms and splitting procurement requirements.	This implies lack of efficiency, standardisation and avoiding competition.
		<b>Procurement Structures:</b> Lack of procurement structures	This implies lack of independence of functions and powers and interference in the procurement process.
		<b>Record Keeping:</b> Missing Contracts Committee records and incomplete contract management records.	This implies that one cannot ascertain the audit trail namely; whether the necessary approvals were obtained in a procurement process.
		<b>Contract and Contract Management:</b> Failure to appoint Contract Supervisors, failure to seek the Solicitor General's approval for contracts above UGX. 200 million and lack of notices of Best Evaluated Bidders.	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.
Failure by the Entity to incorporate in the solicitation document aspects of gender,			

<b>RISK</b>	<b>DESCRIPTION</b>	<b>AREA</b>	<b>IMPLICATION</b>
		social inclusion, environment, health and safety.  Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.	
<b>LOW</b>	Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or to ensure that the business matches current market best 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.	<b>Planning:</b> Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.
		<b>Bidding Process:</b> Not signing the Ethical Code of Conduct	This leads to failure to declare conflict of interest and lack of transparency.
<b>SATISFACTORY</b>	Relates to following laid down procurement procedures and guidelines and no significant deviation is identified during the conduct of the procurement process based on the records available at the time.		

**Annex D: Physical Verification**

<p><b>Reference:</b> Kyen530/Supls/2019-20/00001</p> <p><b>Project:</b> Supply of 8 motorcycles</p>
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**Contractor:** Simba Automotives Limited

**Value:** UGX 108,000,000 (VAT Incl.)



**Observations:**

- The motorcycles were all delivered, distributed, functional and in use

**Reference:** Kyen530/Wrks/2019-20/00019

**Project:** Completion of Katooke Sub-County Community Hall

**Scope of works:**

- Tiling
- Construction of a platform
- Fixation of water gutters
- Connected 5000Ltr water tank
- 10 No. 6-Seater benches
- 3 wooden working office tables with 3 drawers
- 3 wooden cushioned office chairs
- Curtains with rails and rods
- White painted ceiling boards
- 20 trees planted
- Paspalm grass

**Contractor:** Nyamaka Contractors Ltd

**Value:** UGX 48,379,233 (VAT Incl.)



**Observations:**



- Twin staff house
- 4 stance lined VIP latrine with shower
- Placenta pit
- Medical waste pit
- OPD renovations
- General works/ landscaping

**Contractor:** Haso Engineering Co. Ltd

**Value:** UGX 647,767,418 (VAT Incl.)





**Observations:**

The works had stalled at about 75% completion as the contractor had only been paid 38.8% of the contract value.

**Reference:** MoES-Ugift/Wrks/2018-19/00119

**Project:** Mparo Seed School

**Scope of works:**

- 3 Classroom blocks
- 1 Science laboratory block
- 1 Administration block
- 3 – 2 Unit teacher’s house
- 3 – 2 Unit teacher’s kitchen
- 1 - 2 stance lined VIP latrine block – Admin block
- 3 - 2 stance lined VIP latrine block – Teacher’s house
- 5 stance lined VIP latrine block – Boys

- 5 stance lined VIP latrine block – Girls
- External works
- 2 Rain water harvest systems with 5000L tanks
- ICT Library
- Multi-purpose hall
- Play ground

**Contractor:** Buildline Contractors (U) Ltd

**Value:** UGX 2,050,045,030 (VAT Incl.)





**Observations:**

- The works had stalled at about 85% completion
- Payment for works not done; the contractor was paid UGX 54,000,000 for hoarding off the premises as per the bills of quantities under the section for preliminaries page 9 item C but as per the physical verification on 25<sup>th</sup> February 2021, this was not done
- Ground clearance had not been done

Kyen530/wrks/2019-20/00012

Spot improvement of Butiti-Ruhoko-Nyantungo (8km) road

Force account

UGX 48,000,000



**Observations:**

- The road had been improved and was motorable and in use by the public