



**PUBLIC PROCUREMENT AND DISPOSAL  
OF PUBLIC ASSETS AUTHORITY**  
*"Procurement That Delivers"*

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

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

**UGANDA NATIONAL AIRLINES COMPANY LIMITED**

**APRIL 2023**

**Contents**

<b>LIST OF ACRONYMS .....</b>	<b>iii</b>
<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>CHAPTER 1: INTRODUCTION.....</b>	<b>3</b>
1.1 Structure of the Entity .....	3
1.2 Background .....	3
1.3 Main Audit Objectives .....	3
1.4 Audit Scope .....	4
1.5 Audit Methodology .....	5
<b>CHAPTER 2: AUDIT FINDINGS, IMPLICATIONS, AND RECOMMENDATIONS ..</b>	<b>6</b>
2.1 The following exceptions were noted in regard to the implementation of the accreditation that was granted to the Airline on 29 <sup>th</sup> September 2021 and amended on 6 <sup>th</sup> July 2022.	
2.1.1 Irregular Use of the direct procurement method.....	6
2.1.2 Use of less competitive procurement methods .....	9
2.2 Compliance with the PPDA Act, 2003 as amended and Regulations, 2014.....	10
2.2.1 Failure to implement 60% of the Procurement plan .....	10
2.2.2 Procurement conducted outside the procurement plan. ....	10
2.2.3 Incomplete files.....	11
2.2.4 Disposal of Assets.....	12
<b>CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY .....</b>	<b>14</b>
3.1 Overall Audit Conclusion .....	14
3.2 Entity's performance .....	14
3.3 Recommended Action Plan.....	16
Annex 1: Summary of case by case findings and rating.....	17
Annex 2: Transaction list and rating per case.....	19
Annex 3: Risk Rating Criteria .....	23
Annex 4: Physical verification Pictures.....	26

## LIST OF ACRONYMS

AO	Accounting Officer
CC	Contracts Committee
FY	Financial Year
HPDU	Head, Procurement and Disposal Unit
LPO	Local Purchase Order
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
RFP	Request for Proposals
RFQ	Request for Quotation
SBD	Standard Bidding Document
USD	United States Dollars
UNACL	Uganda National Airlines Company Limited
UGX	Uganda Shillings
PS/ST	Permanent Secretary/Secretary to the Treasury

## EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a procurement and disposal audit of your Entity that covered sixteen sampled procurement transactions under the Financial Year 2021/22, vide Annex A.

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of the Entity's procurement system, process and disposal process with the provisions of the PPDA Act, 2003 as amended and PPDA Regulations, 2014 and assess the level of procurement and disposal performance over the period under audit.

From the findings of the procurement audit exercise, the performance of Uganda National Airlines for the Financial Year 2021/22 was **Moderately Satisfactory** with an overall weighted average risk rating of **42.2%**. 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. Irregular use of the direct procurement method was noted in six procurements worth USD 38,389 conducted using this method for the period under review as none of the procurements fulfilled the requirements or rules for use of the direct procurement method.
2. Use of less competitive procurement methods in two procurements where the Authority noted that the Airline used the direct procurement method and did not heed to the guidance in the accreditation which required the use of request for quotation method. Use of less competitive methods may result in the Entity not achieving value for money.
3. The Entity failed to implement 60% worth UGX 199,188,361,091 of the planned procurements which may be an indicator of poor planning which is an impediment on service delivery.
4. Five procurement action files worth USD 102,802 were missing various procedural forms and documents such as bidding documents, evaluation reports, evidence of Contracts Committee approval of award decision, contract management records which was an indicator of poor records management which in turn affects the audit trail and contravenes the principles of accountability and transparency.

### **The Authority recommends that:**

1. The Head Procurement and Disposal Unit should ensure that the direct procurement method is used in accordance with the provisions stipulated in the accreditations granted and or Regulation 17 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2014.
2. The Accounting Officer should ensure that there is strict adherence to the provisions in the accreditation and ensure compliance with the basic principles of Public Procurement and Disposal in Part IV of the PPDA Act, 2003 as amended.
3. The Entity should aim at 100% procurement plan implementation rate in Financial Year 2022/2023.
4. The Head Procurement and Disposal Unit should ensure that procurement action files are complete with all documents in accordance with Section 31 (o) of the PPDA Act, 2003 as amended.

The Authority shall undertake a follow up exercise within a period of **six months** from the date of this letter, to ascertain the status of implementation of the recommendations and shall require an explanation from you where no action has been taken. You are

requested to submit to the Authority a status of implementation within **four months** from the date of this letter.

Uganda National Airlines Company Limited should implement the recommended action plan on **page 16**.

## CHAPTER 1: INTRODUCTION

### 1.1 Structure of the Entity

Section 26 (1) of the PPDA Act, 2003 as amended gives the Accounting Officer the overall responsibility for the successful execution of the procurement and disposal process in the Procuring and Disposing Entity. Section 26 (1) (a) and (c) of the PPDA Act, 2003 as amended 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, and a Contracts Committee. Adhoc Evaluation Committees were appointed for each procurement transaction.

The Accounting Officer of Uganda National Airlines Company Limited during the financial year under review was Ms. Jennifer Bamaturaki.

According to Section 31 (a) of the PPDA Act, 2003 as amended all procurement or disposal activities of the Procuring and Disposing Entity except adjudication and the award of contract are to be managed by the Procurement & Disposal Unit. The Procurement & Disposal Unit during the financial year under review was headed by Mr. Shaukie Kabogoza.

The PS/ST of Ministry of Finance, Planning & Economic Development approved the following members of the Contracts Committee who also acted during the period under review:

**Table 1. Membership of the Contracts Committee**

No	Name	Date of Appointment	Committee Position
1.	Mr. John Kasangaki	8 <sup>th</sup> September 2021	Chairperson
2.	Mr. Bisereko Kyomuhendo	8 <sup>th</sup> September 2021	Secretary
3.	Mr. Michael Etiang	8 <sup>th</sup> September 2021	Member
4.	Mr. Joseph Lukwago	8 <sup>th</sup> September 2021	Member
5.	Mr. Peter Tusiime	8 <sup>th</sup> September 2021	Member

### 1.2 Background

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a procurement and disposal audit of Uganda National Airlines Company Limited that covered a representative sample of sixteen procurement transactions under the Financial Year 2021/22, vide Annex A.

### 1.3 Main Audit Objectives

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of Uganda National Airlines Company Limited's procurement system, and processes with the provisions of the PPDA Act, 2003 as amended and PPDA Regulations, 2014 and assess the level of procurement and disposal performance over the audit period.

The specific objectives were to:

- i. Assess the level of compliance towards the implementation of the accreditation granted by the Authority.
- ii. Establish the level of compliance by the PDE with the general provisions of the PPDA Act, 2003 as amended and PPDA Regulations, 2014;
- iii. Establish the level of compliance with the PPDA Act, 2003 as amended, and PPDA Regulations, 2014 in the conduct of procurement and disposal activities; and
- iv. 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 sixteen (16) procurement transactions under the Financial Year 2021/22. The list of sampled transactions is contained in **Annex 2**.

### **1.5 Audit Methodology**

An entry meeting was held on **18<sup>th</sup> November 2022**. 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 **20<sup>th</sup> 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 **3<sup>rd</sup> March 2023** with a request to submit a management response by **13<sup>th</sup> March 2023**. The exit meeting was held on **28<sup>th</sup> March 2023** at the PPDA Head Office on Plot 39, Nakasero Road, PPDA-URF Towers.

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 The following exceptions were noted in regard to the implementation of the accreditation that was granted to the Airline on 29<sup>th</sup> September 2021 and amended on 6<sup>th</sup> July 2022.**

**2.1.1 Irregular Use of the direct procurement method**

The Authority noted that for all the procurements conducted using Direct Procurement Method for the period under review, none of the procurements fulfilled the requirements or rules for use of Direct Procurement Method specifically issuance of bidding documents to bidders, conducting evaluation exercises, and seeking Contracts Committee approvals of the procurement method, bidding documents, evaluation reports and award decisions as detailed in table 2 below:

*Table 2: Irregular use of direct procurement method*

No.	Subject of Procurement	Contract Value	Exception
1.	Recruitment training for Reduced Vertical Separation Minimum (RVSM)	USD 1,880	<p>The Entity irregularly used the direct procurement method instead of Request for Quotation to acquire services from SOFEMA Aviation Services without adequate justification in spite of the existence of other certified firms that could provide the same service.</p> <p>The Authority noted that the procurement process was initiated on 3<sup>rd</sup> February 2022 which was months before the amended accreditation had been approved by the Authority on 6<sup>th</sup> July 2022 which implied that the Airline was required to follow the 1<sup>st</sup> accreditation granted on 29<sup>th</sup> September 2021 specifically category item No.6 (Contracting for Maintenance Services) which provided for the use of Request for Quotation.</p> <p>Selection of a service provider not certified by EASA (European Union Aviation Safety Agency) using the direct procurement method.</p> <p>SOFEMA Aviation Services was selected with the justification that the Company was an approved service</p>

No.	Subject of Procurement	Contract Value	Exception
			<p>provider by EASA (European Union Aviation Safety Agency) however, an internet search conducted by the Authority indicated that SOFEMA Aviation Services was not part of the approved training organizations thus implying that the justification for the selection of the firm was inadequate and unfounded considering that the EASA (European Union Aviation Safety Agency) list had a number of service providers that were not considered.</p>
2.	Supply of brake position Unit (BPSU)/ test tool	USD 36,509	Whereas the direct procurement method was used to procure the brake position sensor from MHIRJ Aviation ULC, there was no evidence that the bidder was issued with a bidding document.
3.	Supply of in-flight consumables (Coffee) Under Framework Contract for a period of 18months		The process of using the direct procurement method was not followed. In addition, no bidder was issued with a bidding document and the bid submitted by Endiro Coffee only comprised of a Certificate of Incorporation, the Company's Memorandum and Articles of Association, Board Resolution and Particulars of the Directors.
4.	Supply of in-flight consumables (Snacks) from Psalms Food Industries		<p>The process of using the direct procurement method was not followed contrary to Regulation 17 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2014.</p> <p>Furthermore, no bidder was issued with a bidding document. It was noted that the document submitted only contained a Certificate of Incorporation, the Company's Memorandum and Articles of Association, Board Resolution and Particulars of the Directors.</p> <p>No evaluation was conducted which brought into question the role of the nominated Evaluation Committee Members/ Negotiation Committee in this procurement process.</p>
5.	Supply of inflight		The audit noted that there were no quotations on file from

No.	Subject of Procurement	Contract Value	Exception
	consumables (beer and spirits) under framework contract for a period of eighteen (18) months.		other shortlisted bidders other than Uganda Breweries Limited.
6.	Recruitment training for reduced vertical separation minimum (RVSM) worth USD 1,880		Failure to conduct evaluation. There was no evidence of an evaluation report on file yet there was evidence of approval of an Evaluation Committee by the Contracts Committee.
7.	Supply of in-flight consumables (beer and spirits) under framework contract for a period of eighteen (18) months by Uganda Breweries Ltd.		<p><b>Inadequate justification for use of Direct procurement method</b></p> <p>The Entity stated its justification for use of the direct procurement method as 'falling within the PPDA thresholds' yet direct method has no thresholds.</p> <p>Furthermore, there was no formal process for in-flight services detailing how they arrived at the specific providers and the contract amount/rates.</p>

### Implications

- Failure to issue bidding documents, conduct evaluation exercises and seeking approval from the Contracts Committee where Direct Procurement has been used puts the Entity at risk of failing to fully meet its intended objectives considering that the awarded bidders were not evaluated against set criteria thus resulting into ineffective implementation of the contract and/or unnecessary contract amendments.
- Failure to seek Contracts Committee approvals of award decisions could be an indicator of a weakness in the internal controls and usurping powers within of the Entity.

### Management response

*Management took note of the audit findings regarding direct procurements. Indeed, some of our justifications were lacking but going forward, use of direct procurement shall be exhaustively justified, and where this is not possible, we shall use suitable or appropriate competitive methods as per the accreditation granted to UNACL in July 2022.*

### Recommendation

The Head Procurement and Disposal Unit should ensure that Direct Procurement Method is used in accordance with the provisions stipulated in the accreditations granted and or Regulation 17 of the PPDA (Rules and Methods for Procurement of supplies, works and non-consultancy services) Regulations, 2014.

### 2.1.2 Use of less competitive procurement methods

In two (2) procurements, the Authority noted that the Airline did not heed to the guidance of the Authority granted in the accreditation dated 29<sup>th</sup> September 2021 and the modification that was granted on 6<sup>th</sup> July 2022 as tabulated below:

**Table 3: Procurements where uncompetitive methods were used**

No.	Subject of Procurement	Exception
1.	Supply of in-flight consumables (Coffee) under Framework Contract for a period of 18months	<p>No competition was noted despite the accreditation expressly requiring that in spite of the use of the direct procurement method, the Airline shall acquire the products through negotiations with manufacturers and authorized dealers / agents with products that match international standards and that the contracts to be signed are on the best and final offer but the Entity acted contrary.</p> <p>The Entity directly procured from Endiro without considering other companies, in addition, it was noted that the Contracts Committee had approved a number of suppliers to participate in the process however, there was no evidence to confirm that quotations were actually sought from the approved firms. The Authority found only one quotation from Endiro Coffee with whom they negotiated on price.</p>
2.	Supply of crew cabin and check in suitcases worth USD 41,120.00	The direct procurement method was used to acquire services from Ampersand Holdings Ltd yet the accreditation required the Airline to use Request for Quotation hence deterring fair competition.

#### **Implication**

Failure to use competitive bidding methods limits competition and may result in the Entity not achieving value for money.

#### **Management response**

- Management noted the audit findings. However, the accreditation granted on 6<sup>th</sup> July 2022 warrants the Entity to use Direct Method in the procurement of inflight supplies like coffee and tea bags and Endiro Coffee being a manufacture was engaged by the Authority and where this is not possible the Entity will use competitive processes.
- In addition, in the procurement for crew cabin suitcases, the Entity will use a more competitive bidding process.

### Recommendation

The Accounting Officer should ensure that there is strict adherence to the provisions in the accreditation and ensure compliance with the basic principles of Public Procurement and Disposal in Part IV of the PPDA Act, 2003 as amended.

## 2.2 Compliance with the PPDA Act,2003 as amended and Regulations, 2014

### 2.2.1 Failure to implement 60% of the Procurement plan

The Entity failed to implement 60% worth UGX 199,188,361,091 of the planned procurements as detailed in table 4 below:

**Table 4: Procurement Plan Implementation Rate**

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	330,479,050,627
Total procurement spend value inclusive of VAT (UGX)	131,290,689,536
Procurement plan implementation rate (%)	40%
Implementation variance (UGX)	199,188,361,091
Procurement plan implementation variance (%)	60%

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

- *The total procurement spend value is not inclusive of procurements whose contract values were stated as percentages of the net sales in the monthly reports submitted to the Authority, for example Provision of Cargo Sales Agency (GSSA) for INDIA*
- *For projects reported in USD, the values were converted to UGX using the corresponding month's exchange rate.*

### Implication

Failure to fully implement the procurement plan may be an indicator of poor planning which affects service delivery.

### Management response

*Management noted the audit finding, it is true the Entity couldn't exhaust its plan because of disruptions and uncertainty with various audits undertaken hence the non-commitment however, going forward management will consolidate the plan periodically to ensure that it achieves its mandate.*

### Recommendation

The Entity should aim at 100% procurement plan implementation rate in Financial Year 2022/2023.

### 2.2.2 Procurement conducted outside the procurement plan.

The Authority noted that completion of parking lot (Washing Bay Area) worth UGX 158,872,368 was conducted outside the procurement plan.

### Implication

Execution of procurements outside the approved procurement plan leads to diversion of funds which affects realization of the approved procurement plan targets hence affecting service delivery provision to the intended beneficiaries.

### Management response

- Management noted the audit finding. However, this is a phased procurement that was estimated at UGX 6,973,575,386/= comprising of the Equipment shade, Office block, Container block (1, 2 &3) Security room, Shelter and offices, Container Block 4, External works and Parking Lot and the parking lot being urgent, it was undertaken.
- Going forward management will periodically update the procurement plan and ensure that scheduled procurements to be undertaken are covered within that financial year.

### Recommendation

The Head Procurement and Disposal Unit should ensure that the procurement plan is updated in accordance with Section 58(5), (7) of the PPDA Act, 2003 as amended.

### 2.2.3 Incomplete files

The audit noted that the following procurements had incomplete files as detailed in Table 5 below:

*Table 5: Procurements with incomplete files*

No	Subject of Procurement	Contract Value	Missing records
1.	Supply of brake position Unit (BPSU)/ test tool (brake position sensor)	USD 36,509	<ul style="list-style-type: none"><li>• Bidding document</li><li>• Evaluation Report</li></ul>
2.	Completion of parking lot (washing bay area)	UGX 158,872,368	<ul style="list-style-type: none"><li>• Contract management records i.e. completion certificates and payment records.</li></ul>
3.	Supply of in-flight consumables (Coffee) Under Framework Contract For a period of 18months	No call-off order issued yet	<ul style="list-style-type: none"><li>• Evaluation report which brought to question the role of the nominated evaluation committee members in the procurement process.</li><li>• Evidence of Contracts Committee approval of award decision. It was noted that the Notice of Best Evaluated Bidder was displayed on 20<sup>th</sup> September without Contracts Committee approval. This implied that the Procurement and Disposal Unit usurped the</li></ul>

No	Subject of Procurement	Contract Value	Missing records
			powers of the Contracts Committee.
4.	Supply of in-flight consumables (snacks) from Psalms Food Industries	No call-off order issued yet	<ul style="list-style-type: none"> <li>Evidence of a procurement process that resulted into the shortlist and award of the suppliers for the in-flight consumables thus undermining the principles of transparency and accountability</li> </ul>
5.	Construction of security room and gates at GSE Shade by Phengobu Technologies Co. Ltd	UGX 95,404,239	<ul style="list-style-type: none"> <li>Completion certificates</li> </ul>

#### **Implication**

Incomplete files affect the audit trail and contravenes the principles of accountability and transparency.

#### **Management response**

*Management has taken note of the audit findings, going forward PDU will work closely with Project Managers and Finance on the submission of progress reports and payment records for filing.*

#### **Recommendations**

- The Head Procurement and Disposal Unit should ensure that procurement action files are complete with all documents in accordance with Section 31 (o) of the PPDA Act, 2003 as amended.
- The Accounting Officer should direct the Finance Department to always share copies of payments records with the Procurement and Disposal Unit in order for procurement action files to be closed off.

#### **2.2.4 Disposal of Assets**

The Authority conducted an assessment of the Disposal system of the Entity and established that the Entity since its inception had never conducted any disposal exercise.

In addition, the Entity had never conducted a Board of Survey to establish the status of its assets

#### **Implication**

Failure to dispose assets exposes them to vandalism, theft and loss of value due to further depreciation.

***Management response***

*Management noted the audit finding; however, the Entity is currently working on a disposal policy upon which if approved, the entity will embark on generating a disposal plan for implementation in the next financial year 2023-2024.*

**Recommendation**

The Accounting Officer should ensure that assets of the Entity are reviewed and disposed off following the methods recommended under the PPDA (Disposal of Public Assets) Regulations, 2014.

### 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 Uganda National Airlines Company Limited for the Financial Year 2021/2022 was **Moderately Satisfactory** with an overall weighted average risk of **42.2%** as detailed below;

#### 3.2 Entity's performance

The risk rating was weighted to determine the overall risk level of the Entity. The weighting was derived using the average weighted index as shown in Table 6 below:

**Table 6: Risk Rating**

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

**Table 7: Summary of performance of Uganda National Airlines Limited**

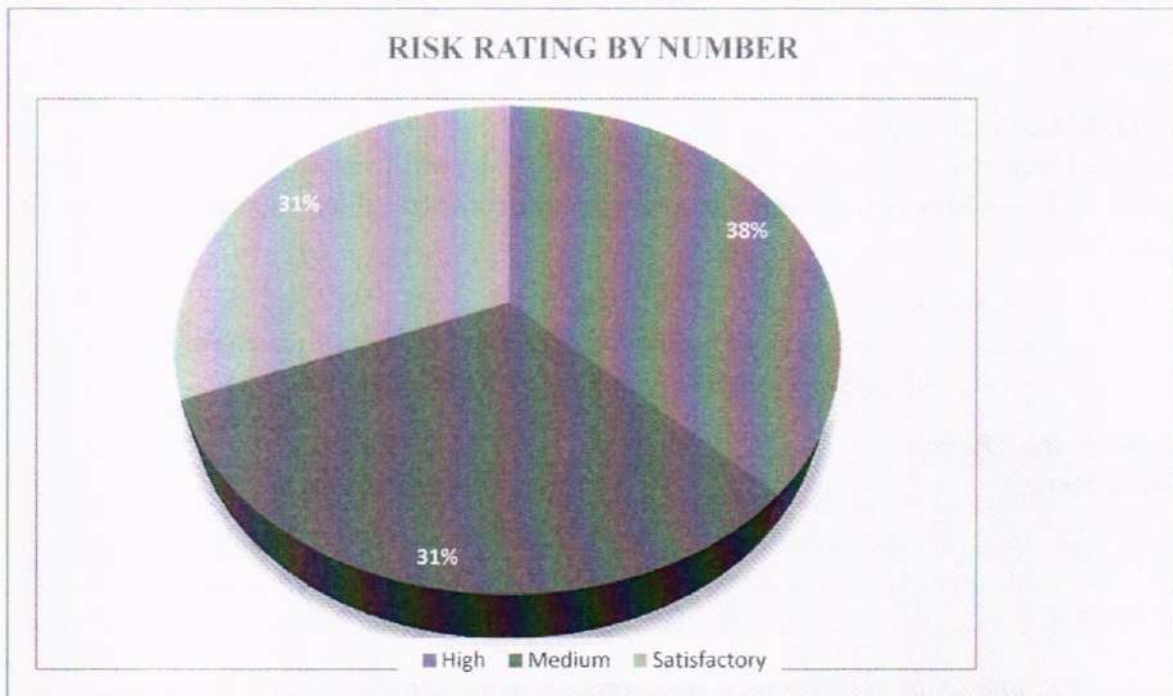
Risk Category	Number of sampled procurements	Value (USD)	Rating by No. %	Rating by Value%	Weights %	Total Weighted Score	
High	6	79,509	37.5	4.3	0.6	22.5	2.58
Medium	5	975,837	31.25	54	0.3	9.375	16.2
Low	0	0	0	0	0.1	0	0
Satisfactory	5	753,980	31.25	41.7	0	0	0
<b>Total</b>	<b>16</b>	<b>1,809,326</b>	<b>100</b>	<b>100</b>	<b>1</b>	<b>31.875</b>	<b>18.78</b>

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{31.875}{60} \times 100 = 53.125\%$$

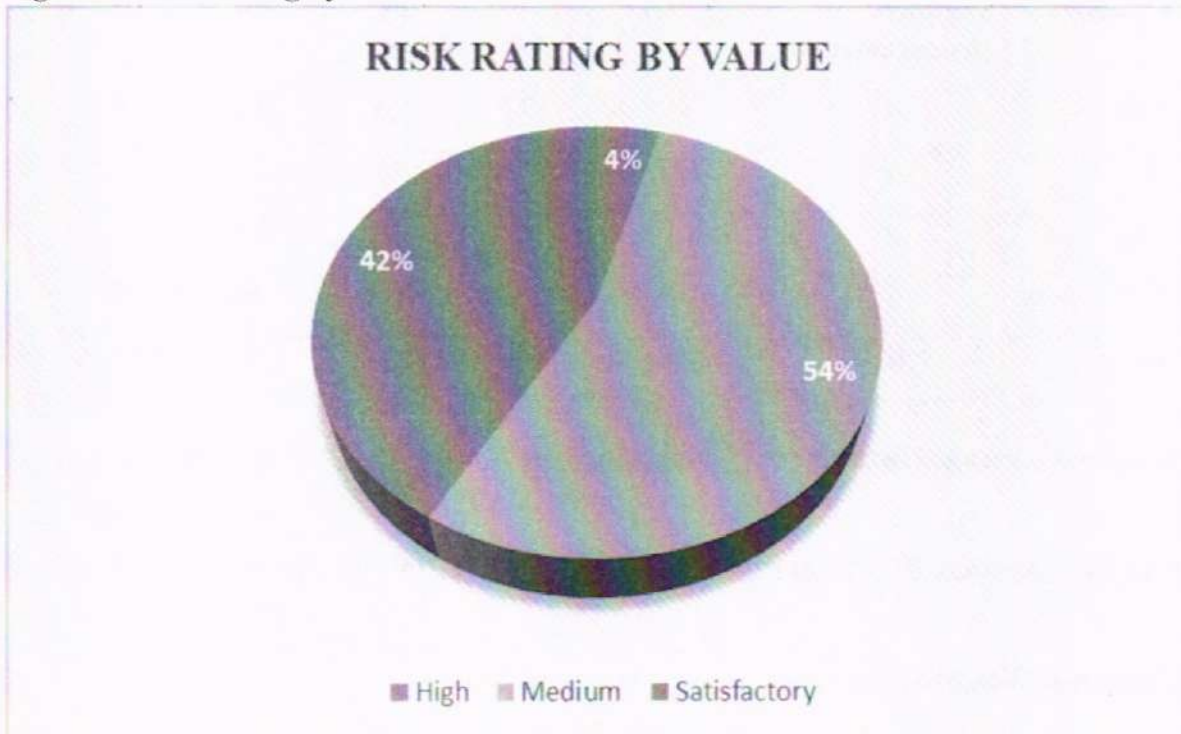
$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{18.78}{60} \times 100 = 31.3\%$$

$$\text{Combined Weighted Average} = \frac{53.125 + 31.3}{2} = 42.2\%$$

**Figure 1: Risk Rating by Number**



**Figure 2: Risk Rating by Value**



### 3.3 Recommended Action Plan

Uganda National Airlines Company Limited should implement the following recommendations within the timeframe given to improve its performance in Procurement and Disposal.

**Table 8 : Recommended Action Plan**

No.	Recommendation	Action Party	Target Date
1.	The Accounting Officer should ensure that there is strict adherence to the provisions in the accreditation and ensure compliance with the basic principles of Public Procurement and Disposal in Part IV of the PPDA Act, 2003 as amended.	Accounting Officer	Immediately
2.	The Entity should aim at 100% procurement plan implementation rate in Financial Year 2022/2023		
3.	The Accounting Officer should direct the Finance Department to always share copies of payments records with the Procurement and Disposal Unit in order for procurement action files to be closed off.		
4.	The Head Procurement and Disposal Unit should ensure that Direct Procurement Method is used in accordance with the provisions stipulated in the accreditations granted and or Regulation 17 of the PPDA (Rules and Methods for Procurement of supplies, works and non-consultancy services) Regulations, 2014.	Procurement and Disposal Unit	Immediately
5.	The Head Procurement and Disposal Unit should ensure that the procurement plan is updated in accordance with Section 58(5), (7) of the PPDA Act, 2003 as amended.		
6.	The Head Procurement and Disposal Unit should ensure that procurement action files are complete with all documents in accordance with Section 31 (o) of the PPDA Act, 2003 as amended.		

**Annex 1: Summary of case by case findings and rating**

NO	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
1.	Supply of inflight consumables(Coffee) under Framework Contract for a period of 18months <b>Provider:</b> M/s Endiro Coffee <b>Contract Value:</b> Per price schedule	<b>Missing Records</b> <ul style="list-style-type: none"> <li>No Evaluation report which brought to question the role of the nominated evaluation committee members in the procurement process.</li> <li>No evidence of Contracts Committee approval of award decision.</li> </ul>
2.	Supply of in-flight consumables(Snacks) <b>Provider:</b> Psalms Food Industries <b>Contract Value:</b> Per price schedule	<ul style="list-style-type: none"> <li>No evaluation was conducted.</li> </ul>
3.	Recruitment training for reduced vertical separation minimum(RVSM) <b>Provider:</b> M/s SOFEMA Aviation Services <b>Contract Value:</b> USD 1,880	<ul style="list-style-type: none"> <li>Irregular use of the direct procurement method instead of Request for Quotation</li> </ul>
4.	Supply of Brake Position Unit(BPSU)/test tool <b>Provider:</b> MHIRJ Aviation ULC <b>Contract Value:</b> USD 36,509	<ul style="list-style-type: none"> <li>Use of the direct procurement method without issuance of a bidding document to the bidder.</li> </ul> <b>Missing Documents</b> <ul style="list-style-type: none"> <li>No Bidding document</li> <li>No Evaluation Report</li> </ul>
5.	Supply of inflight consumables (beer and spirits) under framework contract for a period of eighteen (18) months <b>Provider:</b> M/s Uganda Breweries Ltd <b>Contract Value:</b> Per price schedule	<ul style="list-style-type: none"> <li>No quotations on file from other shortlisted bidders other than Uganda Breweries Limited.</li> <li>Inadequate justification for use of Direct procurement method</li> </ul>
6.	Purchase of Cabin Crew and Check in Suite Cases <b>Provider:</b> M/s Ampersand Holdings Ltd <b>Contract Value:</b> USD: 41,120	<ul style="list-style-type: none"> <li>Use of the direct procurement method instead of Request for Quotation as required by the accreditation</li> </ul>

**Medium Risk**

NO	Medium Risk Contract	Reason for Medium risk
1.	Procurement of Cargo Management System Software at a cost <b>Provider:</b> M/s Champ Cargo Systems S.A. <b>Contract Value:</b> USD: 278,520	<b>Missing Records</b> <ul style="list-style-type: none"> <li>The Contract Agreement had not been signed</li> <li>Contract Management records for example the number of people</li> </ul>

NO	Medium Risk Contract	Reason for Medium risk
		trained and certification acquired.
2.	Completion of Parking Lot (Washing Bay Area) at GSE Yard <b>Provider:</b> M/s 3MS Investments Ltd <b>Contract Value:</b> UGX 158,872,368	Inadequate Contract document/agreement.
3.	Construction of security room and gates at GSE shade <b>Provider:</b> M/s Phengobu Technologies <b>Contract Value:</b> UGX 95,404,239	<b>Missing Document</b> Completion certificates
4.	Supply of Uniforms for Cabin Crew, Engineers, Ground Handling, Security, Cockpit, Reservations and Ticketing <b>Provider:</b> Dream Uniforms L.L.C <b>Contract Value:</b> UGX 2,263,788,000	Inadequate Contract document/agreement
5.	Procurement of CRJ 900 Main and Nose Tires <b>Provider:</b> M/s Saformar Aviation(Pty)Ltd <b>Contract Value:</b> USD 40,716.35	Delayed Confirmation by the Accounting Officer

NO	SATISFACTORY CONTRACTS
1.	Business Class Lounge Services at Ndjili Airport Kinshasa <b>Provider:</b> M/s Le Meilleur Sarlu <b>Contract Value:</b> USD 35 per passport
2.	Provision of Ground Handling Services in Bombay, India <b>Provider:</b> M/s CelebiNAS Airport Services India Pvt. Ltd <b>Contract Value:</b> USD 1,900.00 PTA
3.	Procurement of an APU& Main Batteries for Replacement <b>Provider:</b> M/s D+C Airparts Battery in Europe GmbH <b>Contract Value:</b> USD 39,580
4.	Provision of ground handling services for Jeddah (Saudi Arabia) <b>Provider:</b> Saudi Ground Handling Services Company (SGS) <b>Contract Value:</b> SAR 7,800 per Turnaround Taxes Inclusive
5.	Procurement of A330-800 neo 8 main wheel Assemblies and 8 brake units from Honeywell. <b>Provider:</b> Saformar Aviation(Pty)Ltd <b>Contract Value:</b> USD 714,400

**Annex 2: Transaction list and rating per case**

**SAMPLE LIST FOR UGANDA NATIONAL AIRLINES COMPANY LIMITED PERFORMANCE AUDIT FY 2021-2022**

No.	Procurement Reference Number	Subject of procurement	Procurement Method	Provider	Category of Provider (Foreign/ National Resident)	Contract value (Currency and amount) UGX USD EXCHANGE RATE (3835.67)	Risk Rating
1.	UNACL/SUPL S/21-22/00181	Purchase of Cabin Crew and Check in Suite Cases	Direct Procurement	M/s Ampersand Holdings Ltd	Foreign	USD: 41,120	High
2.	UNACL/NCON S/21-22/00032	Procurement of Cargo Management System Software at a cost	Request for Quotations (RFQ)	M/s Champ Cargo Systems S.A.	Foreign	USD: 278,520	Medium
3.	UNACL/WRK S/21-22/00206	Completion of Parking Lot (Washing Bay Area) at GSE Yard	Request for Quotation	M/s 3MS Investments Ltd.	National	158,872,368/=	Medium
4.	UNACL/NCON S/21-22/00129	Business Class Lounge Services at Ndjili Airport Kinshasa	Direct Procurement	M/s Le Meilleur Sarlu	Foreign	USD 35 per passport	Satisfactory
5.	UNACL/WRK S/21-22/00191	Construction of security room and gates at GSE shade	Request for Quotations	M/s Phengobu Technologies Co.Ltd	National	UGX 95,404,239	Medium

No.	Procurement Reference Number	Subject of procurement	Procurement Method	Provider	Category of Provider (Foreign/National Resident)	Contract value (Currency and amount) UGX USD EXCHANGE RATE (3835.67)	Risk Rating
6.	UNACL/SUPL S/2022-2023/00031/03	Supply of inflight consumables(Coffee) under Framework Contract for a period of 18months	Direct Procurement	M/s Endiro Coffee	National	Per price schedule	High
7.	UNACL/SUPL S/2022-2023/00031/10	Supply of in-flight consumables(Snacks)	Direct Procurement method	Psalms Food Industries	National	Per price schedule	High
8.	UNACL/NCON S/21-22/00225	Recruitment training for reduced vertical separation minimum(RVSM)	Direct Procurement method	M/s SOFEMA Aviation Services	Foreign	USD 1,880	High
9.	UNACL/SUPL S/21-22/00286	Supply of Brake Position Unit(BPSU)/test tool	Direct Procurement method	MHIRJ Aviation ULC	Foreign	USD 36,509	High
10.	UNACL/SUPL S/22-23/00031/01	Supply of inflight consumables(beer and spirits) under framework contract for a period of	Direct Procurement method	M/s Uganda Breweries Ltd	National	Per price schedule	High

No.	Procurement Reference Number	Subject of procurement	Procurement Method	Provider	Category of Provider (Foreign/National Resident)	Contract value (Currency and amount) UGX USD EXCHANGE RATE (3835.67)	Risk Rating
		eighteen(18) months					
11.	UNACL/SUPL S/21-22/00040	Supply of Uniforms for Cabin Crew, Engineers, Ground Handling, Security, Cockpit, Reservations and Ticketing	Restricted International bidding	Dream Uniforms L.L.C	Foreign	2,263,788,000	Medium
12.	UNACL/NCON S/21-22/00276	Provision of Ground Handling Services in Bombay, India	Request for Quotation	M/s CelebiNAS Airport Services India Pvt. Ltd	Foreign	USD 1,900.00 PTA	Satisfactory
13.	UNACL/2020-2021/00072	Procurement of CRJ 900 Main and Nose Tires	Direct Procurement	M/s Saformar Aviation(Pty)Ltd	Foreign	USD 40,716.35	Medium
14.	UNACL/SUPL S/21-22/00292	Procurement of an APU& Main Batteries for Replacement	Direct Procurement	M/s D+C Airparts Battery in Europe GmbH	Foreign	USD 39,580	Satisfactory
15.	UNACL/NCON	Provision of ground handling services for	Direct	Saudi Ground Handling	Foreign	SAR 7,800 per Turnaround	Satisfactory

No.	Procurement Reference Number	Subject of procurement	Procurement Method	Provider	Category of Provider (Foreign/National Resident)	Contract value (Currency and amount) UGX USD EXCHANGE RATE (3835.67)	Risk Rating
	S/21-22/00277	Jeddah (Saudi Arabia)	Procurement	Services Company (SGS)		Taxes Inclusive	
16.	UNACL/SUPL S/2020-2021/00287	Procurement of A330-800 neo 8 main wheel Assemblies and 8 brake units from Honeywell.	Direct Procurement	Saformar Aviation(Pty)Ltd	Foreign	USD 714,400	Satisfactory

**Annex 3: Risk Rating Criteria**

RISK	DESCRIPTION	AREA	IMPLICATION
<p><b>HIGH</b></p> <p>Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry 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, social inclusion, environment, health and safety.  Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.	

RISK	DESCRIPTION	AREA	IMPLICATION
<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.

**SATISFACTORY**

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 4: Physical verification Pictures**

<b>Case 5</b>	<b>UGX: 95,404,239</b>
<b>Contract:</b> Construction of security room and gates at GSE shade	
<b>Provider:</b> M/s Phengobu Technologies Co.Ltd	
<b>Status of Works:</b> The Security Room and Gate had been completed and was fully functional.	



<b>Case 3</b>	<b>UGX: 158,872,368/=</b>
<b>Contract:</b> Completion of Parking Lot (Washing Bay Area) at GSE Yard	
<b>Provider:</b> M/s 3MS Investments Ltd.	
<b>Status of Works:</b> The Parking Lot was complete and fully functional at the time of physical verification	

