



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

"Procurement That Delivers"

**COMPLIANCE AUDIT REPORT FOR MBARARA DISTRICT LOCAL
GOVERNMENT FOR THE FINANCIAL YEAR 2022/2023**

APRIL 2024

Contents

Contents	2
EXECUTIVE SUMMARY	1
1 CHAPTER ONE: INTRODUCTION	3
1.1 Structure of the Entity	3
1.2 Background	4
1.3 Objective of the compliance audit.....	4
1.4 Scope of the Compliance Audit	4
1.5 Methodology	5
1.6 Reporting.....	5
2 CHAPTER TWO: FINDINGS OF THE AUTHORITY.....	6
2.1 Procurement plan management.....	6
2.1.1 Non-implementation of planned procurement transactions.....	6
2.1.2 Missing records on procurement action files.....	7
2.2 Low bidder participation	7
2.3 Delays at contract signing	9
2.4 Anomalies in the management of performance security	10
2.5 Delayed completion of contracts.....	14
2.6 Failure to fully a pay provider.....	14
3 CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY ..	16
3.1 Overall Compliance Audit Conclusion	16
3.2 Entity's Performance.....	16
3.3 Recommended Action Plan.....	18
3.4 ANNEXES.....	19
3.5 Annex B: Findings and rating on the individual contracts reviewed	21

ACRONYMS

DLG	District Local Government
FY	Financial Year
Ltd	Limited
PDE	Procurement and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
UGIFT-AF	Uganda Intergovernmental Fiscal Transfers-Additional Financing
UGX	Uganda Shillings

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out a compliance audit on the procurement and disposal activities of Mbarara District Local Government that covered a representative sample of ten procurement transactions under the Financial Year 2022/23.

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

From the findings of the procurement and disposal compliance audit exercise, the performance of Mbarara District Local Government for the Financial Year 2022/23 was **satisfactory** with an overall weighted average risk rating of **18%**. The risk rating was weighted to determine the overall risk level of the Entity as detailed in Chapter 3 of the compliance audit report.

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

1. The Entity failed to implement scheduled procurement transactions resulting in the non-realization of planned works and services totaling UGX 1,916,171,764 within Mbarara District during the Financial Year 2022/23;
2. There was an average delay of 63 days identified at contract signing stage in four procurements worth UGX 239,602,050 contrary to Section 48 of the PPDA Act, 2003 which emphasizes the necessity for conducting procurement and disposal activities in a manner that prioritizes economy, efficiency and the achievement of value for money;
3. There was low bidder participation in 20% of the sampled procurements worth UGX 137,687,000 contrary to Section 46 of the PPDA Act, 2003 which requires all procurement and disposal processes to be conducted in a manner that maximizes competition to facilitate the achievement of value for money;
4. In four sampled procurements worth UGX 222,335,480, contractors submitted inadequate performance guarantees that did not cover the entire contract period. Furthermore, in four procurements valued at UGX 882,778,839, contractors neglected to renew their performance guarantees post-expiry. The failure to furnish comprehensive performance security covering the entire contract period leaves Mbarara District Local Government vulnerable to potential non-performance by the contractors, lacking adequate safeguards against contractual breaches; and
5. There was delayed completion of works in the Construction of a two-classroom block at Akarungu Primary School in Rubindi Sub County. This contravenes Regulation 52 of the PPDA (Contracts) Regulations, 2023, which requires contract supervisors to ensure that providers fulfill their contractual obligations in accordance with the stipulated terms and conditions.

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

1. The Accounting Officer should:
 - i. Aim at a 100% procurement plan implementation rate in the Financial Year 2023/2024. If amendments are made to the procurement plan, the Head, Procurement and Disposal Unit should update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003;

- ii. Ensure that the planned timelines are adhered to and that contracts are signed promptly once funds are available to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003;
 - iii. Submit M.M Development Company Ltd to the Authority for blacklisting for abandoning works for the Construction of a two-classroom block at Akarungu Primary School in Rubindi Sub County; and
 - iv. Organize a bidder conference to attract new bidders to the Entity and also establish why potential bidders do not want to conduct business with the Entity and in turn develop strategies to attract more potential bidders so as to maximize competition in accordance with Section 46 of the PPDA Act 2003.
2. The Head of Procurement and Disposal Unit should ensure that performance securities or guarantees are valid for the prescribed contractual period in accordance with Regulation 11 of the PPDA (Contracts) Regulations, 2023.
3. The contract supervisors should supervise providers to perform their contractual obligations following the terms and conditions specified in the contract in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023.

1 CHAPTER ONE: INTRODUCTION

1.1 Structure of the Entity

According to Section 26 of the PPDA Act, 2003, the overall responsibility for the successful execution of procurement, disposal and contract management in a Procuring and Disposing Entity (PDE) is the Accounting Officer.

According to Section 31 (a) of the PPDA Act, 2003, all procurement or disposal activities of the Procuring and Disposing Entity except adjudication and contract award are to be managed by the Procurement and Disposal Unit.

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

a. Contracts Committee

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

Table 1: Composition of Contracts Committee

S/N	Name	Committee position	Title
1.	Mr. Gabriel Ahimbisibwe	Chair Person	District Education Officer
2.	Mr. Cyril Tuhame	Member	Senior Information Technology Officer
3.	Mr. Allan Kagaba Rukira	Member	Principal Human Resource Officer
4.	Mrs. Agatha Nshabohurira	Member	Assistant District Health Officer
5.	Mr. Robert Tumwesigye	Member	District Production Officer

b. Procurement and Disposal Unit

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

Table 2: Composition of the Procurement and Disposal Unit

S/N	Name	Qualification	Position on PDU
1.	Mr. Robert Bagume	Bachelor of Business Administration -Procurement, Post Graduate Diploma in Procurement and Supply Chain Management	Senior Procurement Officer
2.	Mr. Anthony Muhanguzi	Bachelor's Degree in Commerce	Procurement Officer

c. User Departments

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

Table 3: User Departments

S/N	User Department	S/N	Lower Local Government
1.	Administration		(Sub counties and Town Councils)
2.	Statutory bodies	12.	Bukiro Sub county
3.	Production and marketing	13.	Bukiro Town Council
4.	Planning	14.	Rubaya Sub county
5.	Natural resources	15.	Kashare Sub county
6.	Water	16.	Bubaare Sub county
7.	Community-Based services	17.	Kagongi Sub county
8.	Works	18.	Rubindi Sub county
9.	Health	19.	Rwanyamahembe Town Council
10.	Education	20.	Bwizibwera-Rutooma Town Council
11.	Audit	21.	Rubindi-Ruhumba Town Council
12.	Trade and industry	22.	Nyabishirira Town Council

1.2 Background

The Public Procurement and Disposal of Public Assets Authority carried out a compliance audit of Mbarara District Local Government that covered a representative sample of 10 procurement transactions under the Financial Year 2022/23. The audit involved a review of procurement structures, procurement and asset disposal processes, as well as contract performance following the provisions of the Public Procurement and Disposal of Assets Act, 2003, and Local Governments (PPDA) Regulations, 2006.

1.3 Objective of the compliance audit

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

The specific objectives of the audit were to:

- i. Establish the level of compliance by the PDE with the general provisions of the PPDA Act and Regulations;
- ii. Establish the level of compliance with the PPDA Act, 2003 in the conduct of procurement and disposal activities; and
- iii. Assess the level of efficiency and effectiveness in contract implementation.

1.4 Scope of the Compliance Audit

PPDA carried out the compliance audit of the Mbarara District Local Government from 29th August 2023 to 31st August 2023. The exercise covered a sample of ten procurement transactions worth UGX 1,245,014,569 conducted during the FY 2022/2023, a review of procurement structures, and a review of the procurement plan performance. The list of sampled transactions is contained in **Annex1**.

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

No.	Procurement method	Population value (UGX)	No.	Sample value (UGX)	No.	Value (%)	No. (%)
1.	Open Domestic bidding	1,332,938,329	14	1,190,100,869	8	89	57
2.	Selective bidding	411,660,828	29	54,913,700	2	13	6
3.	Framework	511,341,580	85	0	0	N/A	N/A
4.	Direct	19,705,437	18	0	0	N/A	N/A
TOTAL		2,275,646,174	146	1,245,014,569	10	54.7	6.8

1.5 Methodology

Mbarara District Local Government was notified about the upcoming exercise on 24th August 2023. A sample of 10 procurement transactions was selected based on stratified random sampling using Contracts Committee minutes, the contracts register and monthly procurement and disposal reports.

Two Senior Performance Monitoring Officers conducted the exercise under the supervision of the Regional Manager Western Region. During the exercise, the team examined records and documents for each of the ten sampled procurement transactions. The team also reviewed the procurement plan for the Financial Year 2022/2023.

On completion of data collection, members of the team met with various stakeholders such as the Accounting Officer, Contracts Committee members, Procurement and Disposal Unit staff, and User Department representatives to discuss and get clarifications on some of the preliminary findings. A management letter was sent to the Entity on 20th November 2023 with a request to submit a management response by 10th December 2023. Before writing the report, the Regional Manager reviewed the working papers for completeness. The working papers contain detailed chronology of findings on each of the sampled transactions. The audit report presents the key findings and conclusions arising from the audit.

1.6 Reporting

Reporting is in a format that 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 detailed in **Annex 2**

2 CHAPTER TWO: FINDINGS OF THE AUTHORITY

LEVEL OF COMPLIANCE BY THE ENTITY WITH THE PROVISIONS OF THE PPDA ACT, 2003 AND LOCAL GOVERNMENTS (PPDA) REGULATIONS, 2006 WITH REGARD TO THE PERFORMANCE OF THE PROCUREMENT STRUCTURES AND CONDUCT OF PROCUREMENT PROCESSES

2.1 Procurement plan management

2.1.1 Non-implementation of planned procurement transactions

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

A review of the monthly reports submitted by the Entity revealed that Mbarara DLG implemented only 54.3% of its procurement plan for the financial year 2022/2023 as of 30th June 2023. The Entity did not implement 45.7% equivalent to UGX 1,916,171,764 of the planned procurements as detailed in Table 5 below:

Table 5: Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	4,191,817,938
Total procurement spend value inclusive of VAT (UGX)	2,275,646,174
Procurement plan implementation rate (%)	54.3%
Implementation variance (UGX)	1,916,171,764

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

Implications

- The performance of the Entity was not satisfactory since it was able to implement only 54.3% of its budget.
- Planned works and services worth UGX 1,916,171,764 (45.7%) were not delivered to the intended beneficiaries.

Management response

This Scenario was brought about by the following factors:

- i. Figures for sub counties and town councils for Road Fund were captured twice in the procurement plans of Works Department and Lower Local Government, thus double planning.
- ii. The Works Department, Sub Counties and Town Councils Procurement Plans for Road works include allowances for staff and related expenses.

This has been identified and in future such scenarios will not be repeated.

Authority's response

The Authority reviewed the Entity's approved procurement plan but did not find evidence to ascertain the double planning and inclusion of allowances.

Recommendation

The Entity should aim at 100% procurement plan implementation rate in the Financial Year 2023/2024. In the event that amendments are made to the procurement plan, the Head, Procurement and Disposal Unit should update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003.

2.2 Missing records on procurement action files

Section 31 (o) of the PPDA Act, 2003 requires that the Procurement and Disposal Unit maintains and archives all records of the procurement and disposal process. The audit revealed that in three procurement transactions worth UGX 233,335,030, various contract management records were missing from their respective procurement action files as detailed in Table 6 contrary to the above requirement:

Table 6: Missing records

S/N	Subject of procurement	Contract Amount (UGX)	Missing documents
1.	Construction of one block of one classroom with the principal's office and store (Phase 1) at Bwizibwera headquarters	63,700,000	Handover report.
2.	Construction of two classroom block at Omukigando Primary School in Rubaya Sub County	85,268,570	Handover report.
3.	Construction of two classroom block at Akarungu Primary School in Rubindi Sub County	84,366,460	Completion Certificate and Handoverreport.
TOTAL		233,335,030	

Implications

The lack of contract management records is a sign of laxity by the contract supervisors and casts doubt on whether contract management was effectively handled.

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

Management response

The documents in question were not on the procurement action file at the time of the audit but were on the files of the contract supervisor in the Works Department. They are now herewith attached for verification. See Annex A for copies of completion certificates and handover reports.

The handover report for the construction of a two-classroom block at Akarungu Primary School by M.M Development Company Ltd was not secured. The contractor did not complete the project

and therefore there was not any handover report. The contractor abandoned the site and did not yield to any of the several reminders by the contract supervisor.

Authority's response

The handover reports were not attached to the response provided as claimed by the Entity.

Recommendations

- The Accounting Officer should prevail over the concerned User Departments to avail the necessary records to the Procurement and Disposal Unit to enable the unit to close off the respective procurement action files and archive them in accordance with Section 31 (o) of the PPDA Act, 2003.
- M.M Development Company Ltd should be submitted to the Authority for blacklisting for abandoning works for the Construction of a two-classroom block at Akarungu Primary School in Rubindi Sub County.

2.3 Low bidder participation

Section 46 of the PPDA Act, 2003 requires all procurement and disposal processes to be conducted in a manner that maximizes competition to achieve value for money. The audit revealed low bidder participation in 20% of the sampled procurements worth UGX 137,687,000 as detailed in **Table 7** below:

Table 7: Level of participation

S/N	Subject of procurement	Procurement method	Contract amount (UGX)	Number bidders invited	Number of participating bidders
1	Construction of one block of one classroom with the Principal's office and store (Phase 1) at Bwizibwera Headquarters	Open Domestic bidding	63,700,000	Open to all	2
2	Channel lining on Rubindi-Buhweju Boarder Road (2.2kms)	Open Domestic bidding	73,987,000	Open to all	1
TOTAL			137,687,000		1.5

Implication

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

Management response

The procurements in question were advertised in the Newspaper of wider circulation i.e.; the Daily monitor and New Vision newspaper. The advert was inviting all competent firms to submit in their bids so as to maximize competition.

The causes of lower bidder turn up are beyond the control of the Procuring and Disposing Entity. However, the Accounting Officer is in the process of conducting an appraisal to ascertain why

providers do not want to do business with the Entity and develop strategies to maximize competition in the future.

Recommendation

The Authority noted the Entity's response and recommends that the Accounting Officer should conduct an appraisal to ascertain why providers do not want to do business with the Entity and in turn develop strategies to attract more potential bidders so as to maximize competition in accordance with Section 46 of the PPDA Act 2003.

2.4 Delays at contract signing

Section 48 of the PPDA Act, 2003 states that "All procurement and disposal shall be conducted in a manner which promotes economy, efficiency and value for money. Section 71 A of the PPDA Act 2003, requires procurement processes, and each stage of the procurement process to be completed within the period prescribed.

The Authority observed unnecessary delays at contract signing in four procurements worth UGX 239,602,050 as detailed in Table 8 below:

Table 8: Delays across the Procurement Process

S/N	Subject of procurement	Contract amount (UGX)	Stage of the procurement process
1	Construction of one block of one classroom with the principal's office and store (Phase I) at Bwizibwera headquarters	63,700,000	Delay in signing the contract The notice of the best-evaluated bidder expired on 7 th March 2023. However, the contract was signed on 27 th April 2023 after a delay of 50 days.
2	Construction of a two-classroom block at Amabaare Primary School in Kashare Sub County	84,648,480	Delay in signing the contract The notice of best-evaluated bidder expired on 5 th December 2022. However, the contract was signed on 9 th January 2023 (34 days later)
3	Supply of two desktop computers and two UPS Administration Department	5,985,000	Delay in signing the contract The notice of best-evaluated bidder expired on 14 th March 2023 and the contract was signed on 27 th April 2023, creating an unjustifiable delay of 46 days in signing the contract.
4	Construction of two classroom block at Omukigando Primary School in Rubaya Sub County	85,268,570	Delay in signing the contract The contract was awarded by Contracts Committee on 18 th November 2022, and the contractor accepted the award on 19 th January, 2023. However, the contract was signed on 22 nd February, 2023, 122 days after contract award.

S/N	Subject of procurement	Contract amount (UGX)	Stage of the procurement process
Total		239,602,050	

Implications

- Such delays could lead to low budget absorption due to non-payment by the end of the financial year.
- It may also imply delayed service delivery to the intended beneficiaries leading to ad-hoc procurements which tend to be costly.
- Such delays also create emergencies leading to the use of wrong procurement methods.

Management response

The delay in signing of the contract agreements was brought about by the delay in submission of performance, environmental and social safeguards securities. There was a clause in the award letters requesting bidders to provide performance and environmental securities before the contracts are signed.

Recommendations

1. The Accounting Officer should:
 - i. Ensure that the planned timelines are adhered to and that contracts are signed promptly once funds are available to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.
 - ii. Ensure that performance securities are submitted within 28 days from the date of contract signing.
2. The Heads of User Departments should initiate all procurements within the planned timelines to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.

2.5 Anomalies in the management of performance security

Regulation 102 (1) of the Local Governments (PPDA) Regulations, 2006 states that, “a performance security may be requested to protect against non-performance of a contract.”

Regulation 102 (3) of the Local Governments (PPDA) Regulations, 2006 states that, “a performance security shall be in a form and from an institution that is wholly acceptable to the Bank of Uganda and valid for a period prescribed in the bid documents.”

Regulation 102 (3) of the Local Governments (PPDA) Regulations, 2006 states that, “a performance security may cover warranty obligations if stated in the bid documents.”

The audit revealed anomalies in the management of securities in six procurements worth UGX 1,020,465,839 highlighted in Table 9 below:

No.	Contract	Query
1.	Construction of one block of one classroom with the principal’s office and store (Phase 1) at Bwizibwera	Submission of inadequate performance guarantee The performance guarantee and the environmental and social guarantee from Bank of Africa reference numbers 1158/2023 and 1157/2023 respectively

	headquarters worth UGX 63,700,000.	<p>submitted by Muma Construction Ltd were not covering the full contractual period contrary to GCC 61.1 in the bidding document that required the securities to be valid beyond the intended completion date.</p> <p>The intended contract completion date was 27th July 2023 (3 months from contract signing) However, the ES and performance security submitted were expiring on 15th June 2023.</p> <p><u>Management Response</u> This was just an oversight on the part of the contractor and her banker who issued the performance guarantee. However, the project was successfully implemented as per the contract.</p>
2.	Channel lining on Rubindi-Buhweju Boarder Road (2.2kms) worth UGX 73,987,000.	<p>No evidence of submission of securities There was no evidence that performance security was submitted and yet GCC 61.1 of the contract required the contractor to submit a performance security and ES performance security worth 8% and 2% of the contract price respectively.</p> <p><u>Management Response</u> The project was implemented to completion.</p>
3.	Construction of a two-classroom block at Amabaare Primary School in Kashare Sub County worth UGX 84,648,480.	<p>Submission of inadequate performance guarantee and Environmental and Social guarantee The performance guarantee and the environmental & social guarantee from UBA Reference Number CORP/PG/22/360-BG/2212293702 and CORP/ESPG/22/361-BG/2212293701 respectively submitted by Arthur Technical Services SMC Ltd were not covering the full contractual period contrary to GCC 61.4 in the bidding document that required the securities to be valid until a date 28 days beyond the intended completion date. The intended contract completion date was 9th April 2023 (3 months from contract signing) However, the environmental, social and performance security submitted were expiring on 30th March 2023.</p> <p><u>Management Response</u> This was just an oversight on the part of the contractor and her banker who issued the performance guarantee.</p>

		<p>However, the project was successfully implemented as per contract.</p> <p>Failure to extend performance guarantees on contract extension The contract completion date was extended from 9th April 2023 to 9th June 2023 but the performance guarantees were not extended yet they had expired on 30th March 2023 contrary to GCC 61.4 in the bidding document that required the securities to be valid until a date 28 days beyond the intended completion date.</p> <p><u>Management Response</u> This was an oversight on the part of the contract manager and Procurement and Disposal Unit to extend the performance guarantee after the extension of the contract. However, the project was successfully implemented as per the contract.</p>
4.	Construction of a new outpatient department block Phase 1 at Bwizibwera HC IV at Bwizibwera-Rutooma Town Council worth UGX 278,205,562.	<p>Failure to extend performance guarantees on contract extension The contract completion date was extended from 25th April 2023 to 26th June 2023 but the performance guarantees were not extended yet it expired on 18th May 2023 contrary to GCC 61.4 in the bidding document that required the securities to be valid until a date 28 days beyond the intended completion date.</p> <p><u>Management Response</u> This was an oversight on the part of the contract manager and Procurement and Disposal Unit to extend the performance guarantee after the extension of the contract. However, the project was successfully implemented as per the contract.</p>
5.	Drilling and installation of seven deep boreholes in Sub counties of Rubaya (2), Bubare (2), Kashare(2), and Rwanyamahembe(1) and in Mbarara District worth UGX 172,859,400.	<p>Failure to extend performance guarantees on contract extension The contract completion date was extended from 25th April 2023 to 20th June 2023 but the performance guarantee and environmental and social performance guarantee were expiring on 21st June 2023 contrary to GCC 61.4 in the bidding document that required the securities to be valid until a date 28 days beyond the intended completion date.</p> <p><u>Management Response</u> This was an oversight on the part of the contract manager and Procurement and Disposal Unit to extend</p>

		the performance guarantee after the extension of the contract. However, the project was successfully implemented as per the contract.
6.	Construction of Kigoro piped water system in Bukiro SubCounty worth UGX 347,065,397.	<p>Submission of inadequate performance security The contract completion date was 23rd April 2023 (4 months from contract signing). However, the performance security submitted expired on 5th May 2023 contrary to GCC 61.4 which required the security to be valid until a date 28 days beyond the intended completion date.</p> <p><u>Management Response</u> This was just an oversight on the part of the contractor and their banker who issued the performance guarantee. However, the project was successfully implemented as per contract.</p> <p>Failure to extend performance guarantee on contract extension The contract completion date was extended from 23th April 2023 to 20th June 2023 but the guarantees expired on 5th May 2023 contrary to GCC 61.4 in the bidding document that required the securities to be valid until a date 28 days beyond the intended completion date.</p>

Implications

3. Failure to provide performance security that covers the entire contract period removes the safeguard against non-performance by the contractor for the period.
4. Mbarara District Local Government was not protected against non-performance of the contract by the contractor.

Management response

The Procurement and Disposal Entity shall always make sure the Performance Guarantees are renewed before the expiry date to protect the entity against non-compliance.

Recommendations

- The Head Procurement and Disposal Unit should ensure that the performance and environmental and social securities are renewed before the expiry date to protect the Entity against non-compliance in accordance with Regulation 11 (3) (c) of the PPDA (Contracts) Regulations, 2023.
- The Head Procurement and Disposal Unit should ensure that securities or guarantees are valid for the prescribed period beyond the expected final transaction date of the contract or expected completion date in accordance with Regulation 11 of the PPDA (Contracts) Regulations, 2023.

2.6 Delayed completion of contract

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

In the construction of a two-classroom block at Akarungu Primary School in Rubindi Sub County worth UGX 84,366,460, the Authority noted the delayed completion of the project by the contractor, MM Development (U) Ltd. Whereas the contract was signed on 31st January 2023 for an initial period of three months ending 31st April 2023, the contractor failed to commence works within one month from the date of site handover despite receiving the commencement order on 6th February 2023. The contract implementation team at the district was forced to write warning letters on failure/delay to commence works dated 22nd February 2023 and 17th March 2023.

On 6th April 2023, the contractor requested for an extension of the contractual time period, which the Contracts Committee extended on 20th April 2023, from the initial contractual completion date of 31st April 2023 to 26th June 2023. According to the progress report dated 9th June 2023, works were at 89%.

The Authority notes that according to instruction No.4 from the contract manager dated 31st July 2023, works were still ongoing, a month after the extended contractual time period had expired on 26th June 2023.

Implication

Delayed completion of works hinders service delivery to the intended beneficiaries.

Management response

The contractor abandoned the project even after several reminders by the contract manager.

Recommendations

- The Accounting Officer should submit M.M Development Company Ltd to the Authority for blacklisting for abandoning the above stated works.
- The contract supervisors should supervise providers to perform their contractual obligations following the terms and conditions specified in the contract in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023.

2.7 Delayed payment of provider

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

Muma Construction Ltd was contracted by the Entity to construct a one block classroom with the principal's office and store (Phase 1) at Bwizibwera Headquarters worth UGX 63,700,000 and the 3-months project was completed on 27th July 2023. However, the Authority noted an outstanding balance of UGX 13,287,004 was not paid.

Implication

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

Management response

The funds were transferred to the Town Council Account at the end of June 2023 for the funds not to go back to the Treasury. However, the contractor's final payment of UGX 11,983,636 was made in October 2023 after the completion of works, vide the completion certificate prepared by the Civil engineer on 31st July 2023 and approved by the Accounting Officer on 26th September 2023.

Recommendation

Contract supervisors should ensure that the Entity meets all payment obligations following the terms and conditions of a contract in accordance with Regulation 119 (10) (a) (iii) of the Local Governments (PPDA) Regulations, 2006.

3 CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section presents graphically the compliance audit scores.

3.1 Overall Compliance Audit Conclusion

The performance of Mbarara District Local Government for the Financial Year 2022/23 was **Satisfactory** with an overall weighted average risk rating of **18%**.

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 detailed in Table 11 below:

Table 11: Risk Score

Risk Rating	No.	%No	Value (UGX)	%Value	Weights	Total Weighted Score	
						By No.	By Value
High	-	-	-	-	0.6	-	-
Medium	1	10	63,700,000	5.1	0.3	3	1.53
Low	8	80	1,132,385,869	91	0.1	8	9.1
Satisfactory	1	10	48,928,700	3.9	0	0	0
Total	10	100	1,245,014,569	100	1	11	10.63

$$\text{Performance by Number} = \frac{11 \times 100}{60} = 18.3\%$$

$$\text{Performance by Value} = \frac{10.63 \times 100}{60} = 17.7\%$$

$$\text{The average weighted risk rating} = \frac{18.3 + 17.7}{2} = 18\%$$

Since 18% falls within the 0% - 30% risk range, the performance of the Entity is rated **Satisfactory** as detailed in Table 12 below.

Table 12: Risk Rating

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

Figure 1: Risk Rating by Number

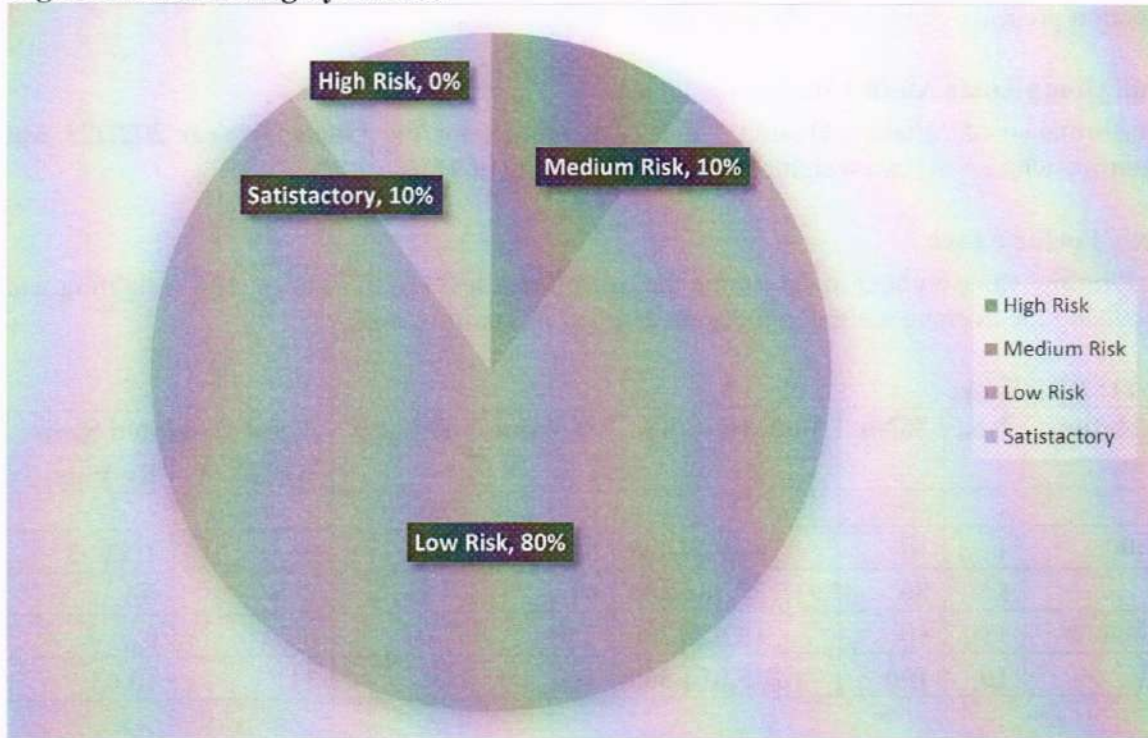
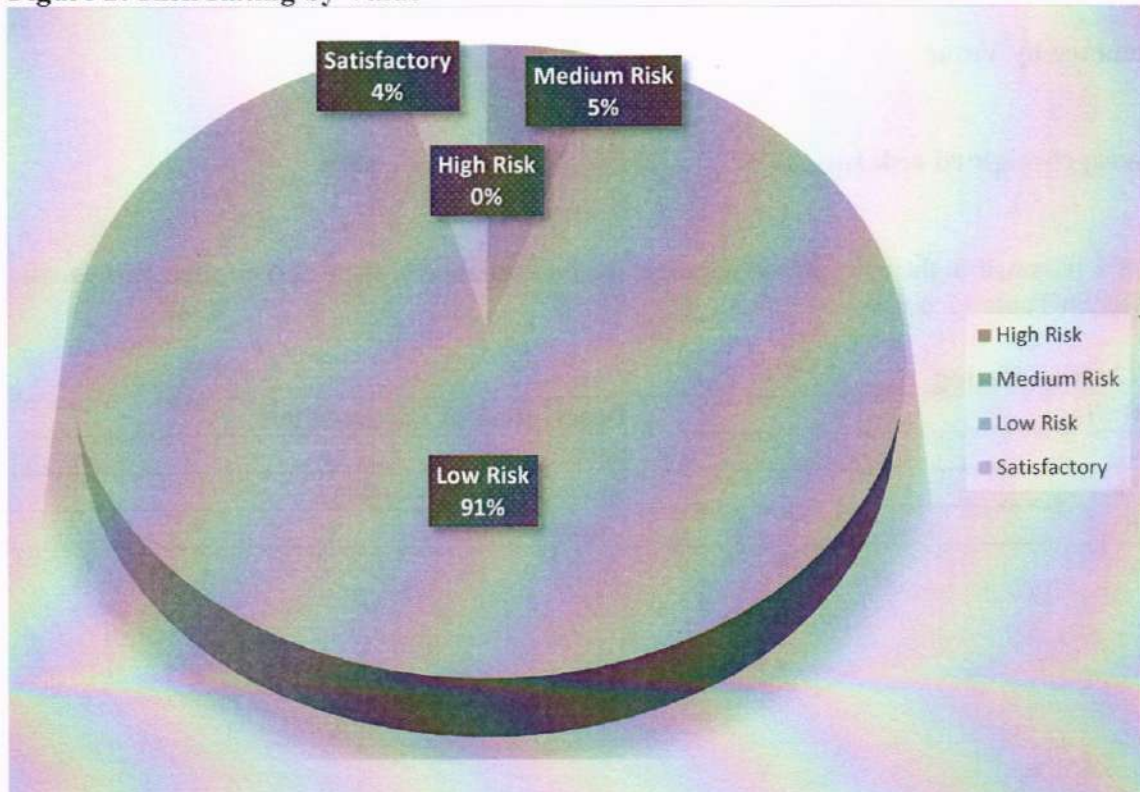


Figure 2: Risk Rating by Value



3.3 Recommended Action Plan

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

Table 13: Recommended Action Plan

No.	Recommended Action	Target Date
1.	<p>The Accounting Officer should:</p> <ul style="list-style-type: none"> i. Ensure that the planned timelines are adhered to and that contracts are signed promptly once funds are available to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003. ii. Submit M.M Development Company Ltd to the Authority for blacklisting for abandoning works for the Construction of a two-classroom block at Akarungu Primary School in Rubindi Sub County. iii. Ensure to conduct a supplier appraisal to ascertain why providers under open domestic bidding, do not want to do business with the Entity and develop strategies to maximize competition in accordance with Section 46 of the PPDA Act, 2003 	April 2024
2.	The Heads of User Departments should initiate all procurements within the planned timelines to promote efficiency in service delivery in accordance with Section 48 of the PPDA Act, 2003.	April 2024
3.	<p>The Head of Procurement and Disposal Unit should ensure that:</p> <ul style="list-style-type: none"> i. Performance and environmental and social securities are renewed before the expiry date to protect the Entity against non-compliance in accordance with Regulation 11 (3) (c) of the PPDA (Contracts) Regulations, 2023. ii. Securities or guarantees are valid for the prescribed period beyond the expected final transaction date of the contract or expected completion date in accordance with Regulation 11 of the PPDA (Contracts) Regulations, 2023. 	April 2024
4.	Contract Supervisors should ensure that providers perform their contractual obligations following the terms and conditions specified in the contract in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023.	April 2024

ANNEXES

Annex1: Sample list of Mbarara District Local Government for FY 2022-23

No.	Procurement Reference No.	Subject of Procurement	Method of Procurement	Provider	Amount	Risk rating
1.	MBAR892/W RKS/2022-23/00002	Construction of Kigoro piped water system in Bukiro Sub county	Open domestic bidding	Daikam Technologies Ltd	347,065,397	Low risk
2.	MBAR892/W RKS/2022-2023/00001	Drilling and installation of seven deep bore holes in Sub counties of Rubaya (2), Bubare (2), Kashare(2) and Rwanyamahembe(1) and in Mbarara district	Open domestic bidding	Mama Borewells Africa Ltd	172,859,400	Low risk
3.	MBAR892/W RKS/2022-2023/00004	Construction of a two classroom block at Omukigando Primary School in Rubaya Sub County	Open domestic bidding	Epic Fine Services & Contractors Limited	85,268,570	Low risk
4.	MBAR892/W RKS/2022-2023/00005	Construction of a two classroom block at Amabaare Primary School in Kashare Sub County	Open domestic bidding	Arthur Technical Services SMC Ltd	84,648,480	Low risk
5.	MBAR892/W RKS/2022-2023/00007	Construction of a new outpatient department block Phase 1 at Bwizibwera HC IV at Bwizibwera-Rutooma Town Council	Open domestic bidding	Multiple Enterprises & Services Co. Ltd	278,205,562	Low risk
6.	MBAR892/W RKS/2022-2023/00020	Channel lining on Rubindi-Buhweju road (2.2kms) up to 640metres	Open domestic bidding	MBB Links Limited	73,987,000	Low risk
7.	MBAR892/W RKS/2022-2023/00014	Construction of one block of one classroom with Principal's office and store (Phase 1) at Bwizibwera HQ	Open domestic bidding	Muma Construction Ltd	63,700,000	Medium risk

No.	Procurement Reference No.	Subject of Procurement	Method of Procurement	Provider	Amount	Risk rating
8.	MBAR892/W RKS/2022-2023/00006	Construction of a two classroom block at Akarungu PS in Rubindi Sub county	Open domestic bidding	MM Development U Ltd	84,366,460	Low risk
9.	MBAR892/W RKS/2022-2023/00016	Supply and installation of 10 lines of 900mm diameter concrete culverts on Rubindi-Buhweju border road	Selective bidding	Aber Engineers and Services Ltd	48,928,700	Satisfactory
10.	MBAR892/S UPPLS/2022-23/00016	Supply of two desktop computers and two UPS administration department	Selective bidding	Muntu Agencies Ltd	5,985,000	Low risk
					Total	1,245,014,569

Annex A: Findings and rating on the individual contracts reviewed

No.	MEDIUM-RISK CONTRACTS	REASONS FOR MEDIUM-RISK
1.	Construction of one block of one classroom with the principal's office and store (Phase 1) at Bwizibwera headquarters worth UGX63,700,000	<ul style="list-style-type: none"> • Low bid submission. • Submission of inadequate performance guarantee. • Delay in signing the contract. • No evidence of formal handover on site.

No.	LOW RISK CONTRACTS	REASONS FOR LOW RISK
1	Construction of a two-classroom block at Amabaare Primary School in Kashare Sub County worth UGX 84,648,480	<ul style="list-style-type: none"> • Submission of inadequate performance guarantee and Environmental and Social guarantee • Delay to sign contract
2	Construction of two classroom blocks at Akarungu Primary School in Rubindi Sub County worth UGX 84,366,460	<ul style="list-style-type: none"> • Delayed completion by the contractor. • No completion certificate. • NO handover report.
3	Construction of a new outpatient department block Phase 1 at Bwizibwera HC IV at Bwizibwera-Rutooma Town Council worth UGX 278,205,562	Failure to extend performance guarantee on contract extension
4	Drilling and installation of seven deep boreholes in Sub counties of Rubaya (2), Bubare (2), Kashare(2), and Rwanyamahembe(1) and in Mbarara District worth UGX 172,859,400	Failure to extend performance guarantee on contract extension
5	Supply and delivery of a refrigerator for the Production Department worth UGX 7,950,000	<ul style="list-style-type: none"> • Delayed delivery. • Delay to sign the contract.
6	Construction of Kigoro piped water system in Bukiro Sub County worth UGX 347,065,397	• Failure to extend performance guarantee on contract extension
7	Channel lining on Rubindi-Buhweju Boarder Road (2.2kms) worth UGX 73,987,000	<ul style="list-style-type: none"> • Low bid submission as only one bid was received from MBB Links Limited. • There was no evidence that performance security was submitted.
8	Construction of two classroom block at Omukigando Primary School in Rubaya Sub County worth UGX 85,268,570	<ul style="list-style-type: none"> • Unnecessary delay. • No evidence of formal handover on site.

No.	SATISFACTORY
1.	Supply and installation of 10 (ten) lines of 900mm diameter concrete culverts on Rubindi-Buhweju Boarder Road worth UGX 48,928,700.

Annex C: Risk Rating Criteria

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

RISK	DESCRIPTION	AREA	IMPLICATION
		Contract Management: Payment for shoddy work or work not delivered.	This implies financial loss since there has been no value for money for the funds spent and the services have not been received by the intended beneficiaries
MEDIUM	Procurements that were considered to have weaknesses, although less likely to lead to material financial loss or to risk damaging the regulatory system or the Entity's reputation, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls is put in place. Such procurements would normally be graded "medium" provided that there is sufficient evidence of "hands-on management control and oversight" at an appropriate level of seniority.	Planning: Lack of initiation of procurements and confirmation of funds.	This implies committing the Entity without funds thereby causing domestic arrears.
		Bidding Process: Deviations from standard procedures namely bidding periods, standard formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms, and splitting procurement requirements.	This implies a lack of efficiency, standardization, and avoiding competition.
		Procurement Structures: Lack of procurement structures	This implies a lack of independence of functions and powers and interference in the procurement process.
		Record Keeping: Missing Contracts Committee records and incomplete contract management records.	This implies that one cannot ascertain the inspection trail namely; whether the necessary approvals were obtained in a procurement process.
		Contract and Contract Management: Failure to appoint Contract Supervisors, failure to seek the Solicitor General's approval for contracts above UGX. 200 million	This leads to unjustified contract amendments and variations which lead to unjustified delayed contract completion and lack of value for money. Bidders are not given the right of appeal.

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