PUBLIC PROCUREMENT AND DISPOSAL
OF PUBLIC ASSETS AUTHORITY
"Regulating for Results"

CONTRACT AUDIT REPORT INTO THE CONSTRUCTION OF ALITO SEED SECONDARY SCHOOL PHASE II IN KAPELEBYONG DISTRICT LOCAL GOVERMENT

CONTRACTOR: CAB (U) LTD

PROCUREMENT REF: KAPE853/WRKS/2024-2025/00001

JULY 2026

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ACRONYMS

ESHS	-	Environmental, Social, Health and Safety
PPDA	-	Public Procurement and Disposal of Public Assets Authority
UGX	-	Uganda Shillings
UGIFT	-	Uganda Intergovernmental Fiscal Transfer Program
VAT	-	Value Added Tax

EXECUTIVE SUMMARY

The Government of Uganda appropriated funds worth UGX 2,153,274,500 to undertake the construction of Alito Seed Secondary School in Kapelebyong District. Funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT), the implementing ministry was the Ministry of Education and Sports.

On 8th January 2025, Kapelebyong District Local Government entered into a contract with CAB (U) Ltd for the construction of Alito Seed Secondary School at UGX 2,153,274,500 with the intended completion date on 10th June 2025 and a defects liability period of 6 months.

In line with Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205, the Public Procurement and Disposal of Public Assets Authority (hereinafter "PPDA or the Authority") conducted a contract audit into the contract with an overall objective of assessing the status of contract implementation. The specific objectives of the contract audit were to assess the;

(i). Progress of works;
(ii). Effectiveness of time, quality & cost control of works undertaken; and
(iii). Adherence to Environmental, Social, Health and Safety (ESHS) safeguard requirements.

The following key exceptions were noted:

1. Regulation 44 (1) (b) of the PPDA (Contracts) Regulations 2023 requires an Entity to ensure that individual payments do not exceed the cost or value of the deliverable, period or work to which the payment relates. Payment certificate No. 5 dated 20th June 2025, indicated that the contractor had completed 100% of the contract scope. However, the physical verification conducted on 10th December 2025 indicated that various components had not yet been completed such as the sports field valued at UGX 50,000,000 had not yet been worked on and gates in the multipurpose hall had not yet been installed. Subsequently, the Authority obtained an updated status of the project as at 20th July 2026, that indicated that the outstanding works had been completed except for the cracks on the Administration block's splash apron. Reporting incomplete works as fully completed may amount to misrepresentation of contractual performance and could raise concerns of negligence, collusion, or fraudulent certification;

2. Article 119 (5) of the Constitution of the Republic of Uganda requires all Government contracts exceeding UGX 200,000,000 to be approved by the Solicitor General. However, the Authority noted that although approval was sought and granted with conditions, specifically requiring revision of certain contractual clauses, the Entity did not implement the required changes. In particular, guidance was provided to amend the arbitration clause to exclude arbitration and instead refer unresolved disputes to courts of law. Despite this, the Entity retained the arbitration provision in the contract. Failure to implement the Solicitor General's recommendations undermines the purpose of mandatory legal review and exposes the Entity to the risk of executing legally deficient contracts;

3. Regulation 9 (1) (a) of the PPDA (Contracts) Regulations, 2023 states that; *"a contract shall clearly identify the obligations of each party"*. However, the Authority noted contradictory

requirements in the contract. For example: GCC 22 of the special conditions of contract provided for a contract completion period of 12 calendar months, whereas, page three of the contract provided for six months from the date of issuance of the commencement order. Furthermore, GCC 58.1 of the Special Conditions of Contract provided for liquidated damages equivalent to 0.001% of the contract (UGX 21,532.745) per day, whereas page 3 of the contract provided for UGX 50,000 per day. This could lead to confusion and disputes during contract execution and makes enforceability of those clauses in the contract difficult;

4. Section 66 of the PPDA Act, Cap. 205 states that, *"A procuring and disposing entity shall for each procurement take into account environmental protection, social inclusion and stimulating innovation"*. However, the Authority noted that contrary to this requirement, there were no provisions in the BOQs for Environmental, Social, Health and Safety issues such a planting of trees, community sensitization, HIV awareness among others. This may result in environmental degradation and expose workers and the general public to health and safety risks.

Audit Conclusion
The Authority noted from the Certificate of Final Completion issued by the District Engineer on 20th June 2025 that the project had been completed, however, the audit revealed significant weaknesses in contract management, including misleading reporting on contractual progress, failure to implement conditions issued by the Solicitor General, conflicting provisions in the contract, failure to maintain contract management records, and omission of ESHS requirements in the Bills of Quantities. The following recommendations are aimed at enhancing accountability among the responsible officers, and strengthening the management of future infrastructure projects. Additionally visible cracks were noted on the Administration block's splash apron and no evidence was provided that these were rectified.

In light of the above findings, the Authority recommends the following measures: -

1. The Accounting Officer should: -
   i. Strengthen controls over the certification and payment process by ensuring that all payment certificates are supported by adequate verification of the actual progress of works before approval and payment. In addition, Management should require independent reviews of payment certificates by the Internal Auditor and periodic joint inspections by the Contract Management Team to confirm that reported progress accurately reflects the works executed. This will enhance accountability and prevent misrepresentation of contractual performance in line with Regulation 44 (1) (b) of the PPDA (Contracts) Regulations, 2023;

   ii. Ascertain that all Government contracts exceeding UGX 200,000,000 are fully compliant with the requirements of Article 119 (5) of the Constitution by obtaining and adhering to the Solicitor General's clearance before contract signing. Specifically, any conditions or revisions issued by the Solicitor General such as amendments to contractual clauses must be strictly implemented prior to execution of the contract;

iii. Task the Contracts Committee to always scrutinize and confirm that the special conditions of the contract proposed in respect of a contract are appropriate in line with Regulation 10 (d) of the PPDA (Contracts) Regulations 2023;

iv. Always engage and collaborate with the responsible Ministry whenever omissions or inadequacies relating to Environmental, Social, Health and Safety (ESHS) requirements are identified in Bills of Quantities prepared by the Ministry or its technical teams, to facilitate the review and incorporation of the necessary ESHS provisions before the procurement process is commenced. This will promote compliance with Section 66 of the PPDA Act, Cap. 205, as well as environmental protection, social inclusion, sustainable procurement outcomes, and value for money; and

v. Task the contract manager to explain why disciplinary action should not be taken against him for recommending full payment to the contractor yet the project had not been fully completed and splash apron for the administration block had developed major cracks.

CHAPTER ONE: INTRODUCTION

1.1 Contract summary

The key information about the contract is summarized in Table 1 below: -

Table 1: Contract summary for construction of Alito Seed Secondary School

Contract Title	Construction of Alito Seed Secondary School
Reference Number	KAPE/WRKS/2024-2025/00001
Contract Sum	2,153,274,500
Contract Scope	1. Preliminaries-UGX 6,300,000 2. Site levelling-UGX 14,604,000 3. 2-classroom blocks-UGX 322,365,000 2. Two 2-Unit Teachers House-UGX 740,998,000 3. Two 2-Unit Teachers Kitchen-UGX 182,710,000 4. Three Two-Stance Lined VIP Latrine Block UGX 123,428,000 5. One ICT library Block-UGX 408,522,000 6. One Multipurpose Hall-UGX 248,658,000 7. Five stance lined VIP pit latrine UGX 40,574,500 8. External works UGX 15,565,000 9. Sports field UGX 50,000,000
Contract Signing date	8th January 2025
Site hand over date	10th January 2025
Original contract completion date	10th June 2025
Defects Liability period	6 months
Retention	5% (107,663,725)
Name of Contractor	CAB (U) Ltd
Method of procurement	Open domestic bidding
Type of Contract	Admeasurement
Amount Paid	2,153,274,500.

1.2 Laws applicable

The applicable laws and legal framework were:

1. The Public Procurement and Disposal of Public Assets Act, Cap. 205;
2. The attendant PPDA Regulations;
3. The bidding document issued to bidders;
4. The signed contract between Kapelebyong DLG and CAB (U) Ltd; and
5. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16th March 2021.

1.3 Objectives

The overall objective of the contract audit was to assess the effectiveness of the contracting process and the status of contract implementation in regard to the obligations of Kapelebyong District Local Government (the Entity) and CAB (U) Ltd (the Contractor).

The specific objectives of the contract audit were to assess the:

i Progress of the works;

ii Effectiveness of cost and quality control of works undertaken; and

iii Adherence to Environmental, Social, Health and Safety (ESHS) requirements.

1.4 Scope of the Audit

The audit covered the contract implementation and management of the construction of Alito Seed Secondary School.

1.5 Limitation of Scope

The contract audit was undertaken by auditors who did not have professional competence in engineering and building construction. The audit team could not conclusively give an opinion on the technical quality of the works undertaken. The overall responsibility of the quality of works undertaken lies with the Entity management and the contractor.

1.6 Audit Process Timeline

On **24th November 2025**, the Entity was notified about the contract audit and the launch meeting was held on **8th December 2025**. Physical verification of the site was conducted on **11th December 2025** after which, a debrief meeting to discuss preliminary findings was held with the Entity's management and staff on **12th December 2025**. The Authority prepared the management letter, which was sent to the Entity on **26th May 2026**, requesting a management response by **29th May 2026**. The response was submitted on **15th June 2026**.

CHAPTER TWO: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

2.1.1 Time Progress

The Authority noted from the final completion certificate by the District Engineer that the project was substantially completed on 20th June 2025. Details are provided in Table 2 below:

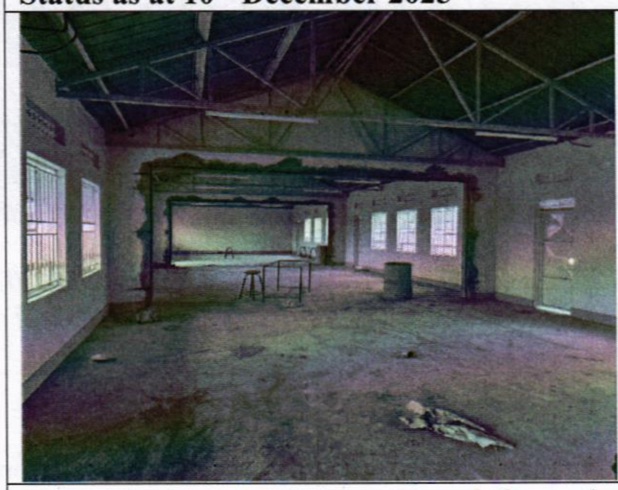
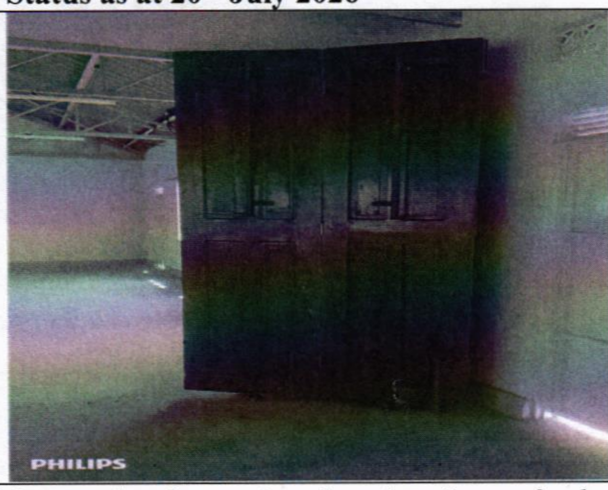
Table 2: Time Progress as of 20th June 2025

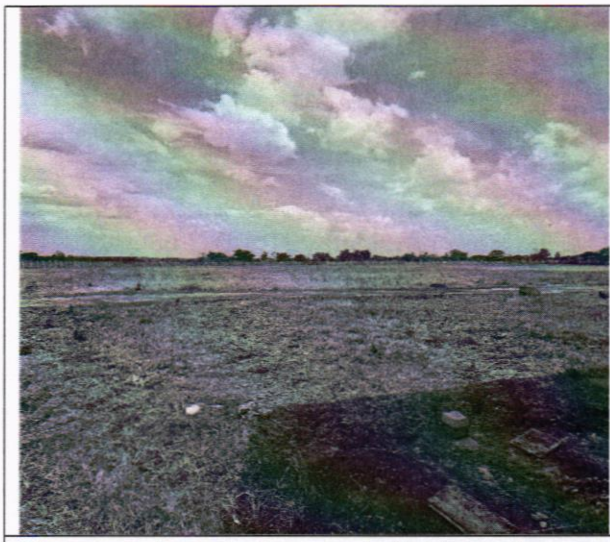
Start Date	10th January 2025
End Date	10th June 2025
Actual completion	20th June 2025
Time lapse at completion	100%

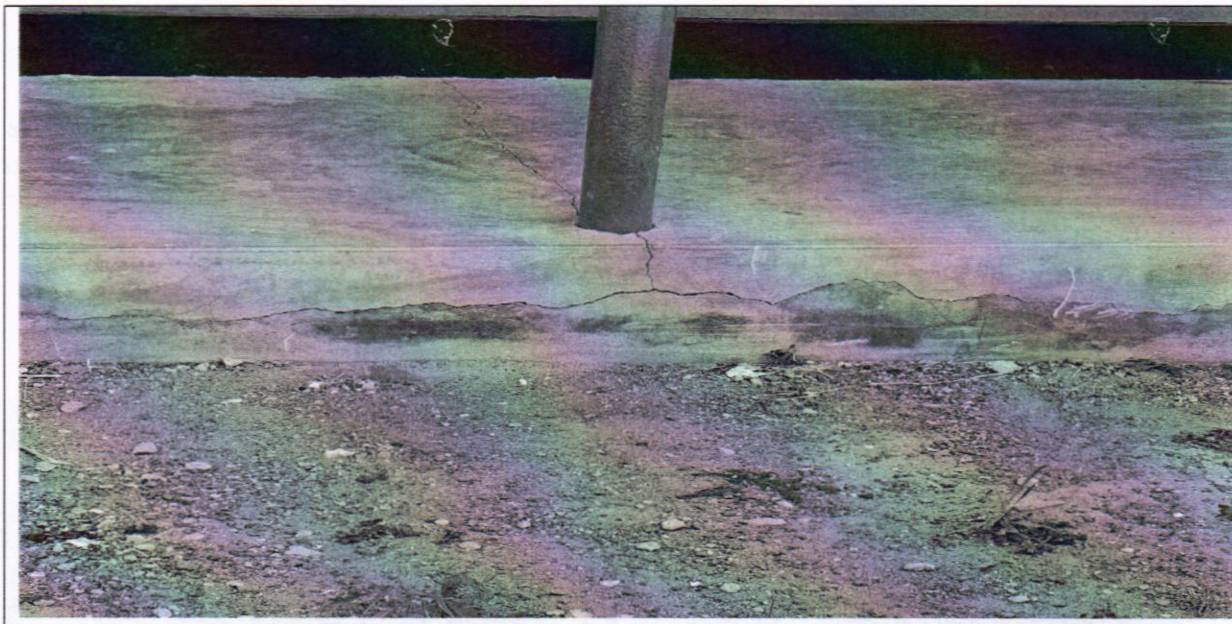
i. Misleading reporting on contractual progress

Regulation 44 (1) (b) of the PPDA (Contracts) Regulations 2023 requires an Entity to ensure that individual payments do not exceed the cost or value of the deliverable, period or work to which the payment relates. Payment certificate No. 5 dated 20th June 2025, indicated that the contractor had completed 100% of the contract scope. However, the physical verification conducted on 10th December 2025 indicated that various components had not yet been completed such as the sports field valued at UGX 50,000,000 had not yet been worked on and gates in the multipurpose hall had not yet been installed. Subsequently, the Authority obtained an updated status of the project as at 20th July 2026, that indicated that the outstanding works had been completed except for the cracks on the Administration block's splash apron. Details of the status as at 10th December 2025 and 20th July 2026 are provided in Table 4 below

Table 3: Status of works as at 10th December 2025 and 20th July 2026

Status as at 10th December 2025	**Status as at 20th July 2026**
	
Pictured above is the interior of the multi purpose hall as observed on 10th December 2025.	*Pictured above is the interior of the multipurpose hall as reported by the Entity on 20th July 2026*

	
Pictured above is the sports field as observed on 10th December 2025.	*Pictured above is the completed sports field as reported by the Entity on 20th July 2026*



Pictured above is the Administration block's splash apron as observed on 10th December 2025. The floor had developed visible cracks that posed a threat to its integrity. The defects had not been corrected as at 20th July 2026.

Implications

- Reporting incomplete works as fully completed may amount to misrepresentation of contractual performance and could raise concerns of negligence, collusion, or fraudulent certification.
- Cracks in the splash apron may compromise the durability of the project thus inhibiting achievement of value for money.

Management Response

Management acknowledged the concern raised by the Authority and noted that at the time of Audit, the said works were still ongoing being UGIFT funds, the funds were swept back to the treasury and finally sent back to the district. Management noted that the incomplete works have been adequately finished and the project was ready for commissioning. However, the accounting officer will take it up and engage Internal Auditor to conduct independent reviews of the certificates before payment is done in accordance with Regulation 27 (a) of the PPDA (PDEs) Regulations 2023 to avoid Reporting incomplete works.

Authority's comment

The Authority noted Management's response and the status update provided on 20th July 2026 that the gates in the multipurpose hall and the sports field had been completed, however, the cracks on the splash apron had not been addressed. Furthermore, whereas, the works were eventually completed, this does not address the issue of misleading reporting.

Recommendations

The Accounting Officer should:

i Strengthen controls over the certification and payment process by ensuring that all payment certificates are supported by adequate verification of the actual progress of works before approval and payment. In addition, Management should require independent reviews of payment certificates by the Internal Auditor and periodic joint inspections by the Contract Management Team to confirm that reported progress accurately reflects the works executed. This will enhance accountability and prevent misrepresentation of contractual performance in line with Regulation 44 (1) (b) of the PPDA (Contracts) Regulations, 2023.

ii Task the contract manager to explain why disciplinary action should not be taken against him for recommending full payment to the contractor yet the project had not been fully completed and splash apron for the administration block had developed major cracks.

2.1.2 Financial Progress

The project's financial progress was evaluated at 38%, as outlined in Table 3 below. The Authority was not provided with payment certificates Nos 1 and 3

Table 4: Financial progress of the project as of 24th April 2025

Contract Sum		**2,153,274,500**
Payments made	**Payment Certificates**	
Payment cert 1	Missing	
Payment cert 2	430,580,375	
Payment cert 3	Missing	
Payment cert 4	154,873,275	
Payment cert 5	239,604,630	
Total payments made		**825,058,280**
Financial progress		**38%**

i. Missing contract management records

Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023 requires a contract manager to keep and archive all contract management records. However, the Authority noted that the contract manager did not keep the progress reports and payment certificates No. 1 and 3 on file.

Implication

Failure to maintain complete contract management records undermines accountability and transparency and may hinder verification of contract performance and achievement of objectives.

Management Response

Management regretted the anomaly and pledged to avail the documents.

Authority's comment

Although the Entity indicated that the missing records had been availed to the audit team, no supporting documents were presented for verification. Consequently, the Authority was unable to validate Management's assertion.

Recommendation

The Accounting Officer should task the contract manager to show cause why disciplinary action should not be taken against him for failing to maintain payment records and progress reports in accordance with Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations, 2023.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Failure to follow Solicitor General recommendations on Arbitration

Article 119 (5) of the Constitution of the Republic of Uganda requires all Government contracts exceeding UGX 200,000,000 to be approved by the Solicitor General. However, the Authority noted that although approval was sought and granted with conditions, specifically requiring revision of certain contractual clauses, the Entity did not implement the required changes. In particular, guidance was provided to amend the arbitration clause to exclude arbitration and instead refer unresolved disputes to courts of law. Despite this, the Entity retained the arbitration provision in the contract.

Implication

Failure to implement the Solicitor General's recommendations undermines the purpose of mandatory legal review and exposes the Entity to the risk of executing legally deficient contracts.

Management Response

Management acknowledged that the contract was submitted to solicitor general for clearance and was cleared appropriately with amendments of some clauses as noted by the audit team. Failure to amend that clause was actually an oversight that management took note of.

Recommendation

The Accounting Officer should ascertain that all Government contracts exceeding UGX 200,000,000 are fully compliant with the requirements of Article 119 (5) of the Constitution by obtaining and adhering to the Solicitor General's clearance before contract signing. Specifically, any conditions or revisions issued by the Solicitor General such as amendments to contractual clauses must be strictly implemented prior to execution of the contract.

2.2.2 Conflicting provisions in the Contract

Regulation 9 (1) (a) of the PPDA (Contracts) Regulations, 2023 states that; *"a contract shall clearly identify the obligations of each party"*. However, the Authority noted contradictory requirements in the contract. For example: GCC 22 of the special conditions of contract provided for a contract completion period of 12 calendar months, whereas, page three of the contract provided for six months from the date of issuance of the commencement order. Furthermore, GCC 58.1 of the Special Conditions of Contract provided for liquidated damages equivalent to 0.001% of the contract (UGX 21,532.745) per day, whereas page 3 of the contract provided for UGX 50,000 per day.

Implication

This could lead to confusion and disputes during contract execution and makes enforceability of those clauses in the contract difficult.

Management Response

No response was provided by the Entity.

Recommendation

The Accounting Officer should task the Contracts Committee to always scrutinize and confirm that the special conditions of the contract proposed in respect of a contract are appropriate in line with Regulation 10 (d) of the PPDA (Contracts) Regulations 2023.

2.2.3 Exorbitant Performance Security requirements

Paragraph 2.0 (iv) of the PPDA Guideline 3/2024 (bid and performance securities) provided that; "Where Performance Security in form of a Bank Guarantee is required, it shall be expressed in the Special Conditions of Contract in the bidding document as a percentage of the contract price and shall not exceed 5% of the contract price". Contrary to this requirement, GCC 61.1 required a Performance Security of 10% (8% and 2% environmental) which was beyond the Cap of 5% provided for under the prevailing Guideline.

Implications

- This increases the cost of conducting business thus discouraging bidders from participating in future procurement processes.
- It also holds up much needed capital that would otherwise, have been invested into executing the project thus inhibiting timely execution of the project.

Management Response

Management acknowledged the a normally and stated that this a normally could have come as a result of lack of coordination between the UGIFT team and the district staff. Noted that most of the UGIFT projects are directed by the center and the documentation in most cases are prepared by the ministry officials with minimal input from the district team. However, as management they took note of the anomaly and pledged to pay much attention to analyze the documentation to avoid some of those anomalies.

Recommendation

The Accounting Officer should always engage and collaborate with the UGIFT Project Implementation Team whenever anomalies or non-compliant provisions are identified in bidding documents prepared under the UGIFT Programme, to facilitate the review and correction of such anomalies before the documents are issued or used in the procurement process. This will promote compliance with the PPDA Act, Regulations, and Guidelines, as well as competition and value for money in accordance with Section 49 of the PPDA Act, Cap. 205.

2.3 ADHERENCE TO THE ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY SAFEGUARD REQUIREMENTS

2.3.1 Failure to incorporate ESHS issues in the Bills of Quantities

Section 66 of the PPDA Act, Cap. 205 states that, *"A procuring and disposing entity shall for each procurement take into account environmental protection, social inclusion and stimulating innovation".* However, the Authority noted that contrary to this requirement, there were no provisions in the BOQs for Environmental, Social, Health and Safety issues such a planting of trees, community sensitization, HIV awareness among others.

Implication
This may result in environmental degradation and expose workers and the general public to health and safety risks, thereby increasing the Entity's potential liability.

Management Response
Management stated that the bidding document adequately provided for Environmental, Social, Health and Safety (ESHS) requirements under Section 4, including Environmental and Social Management Strategies, Implementation Plans, and the Code of Conduct, among other related provisions.

Authority's comment
The Authority noted the Entity's response. However, the concern relates to the Bills of Quantities (BOQs), which did not contain specific provisions for the implementation of ESHS requirements.

Recommendation
The Accounting Officer should always engage and collaborate with the responsible Ministry whenever omissions or inadequacies relating to Environmental, Social, Health and Safety (ESHS) requirements are identified in Bills of Quantities prepared by the Ministry or its technical teams, to facilitate the review and incorporation of the necessary ESHS provisions before the procurement process is commenced. This will promote compliance with Section 66 of the PPDA Act, Cap. 205, as well as environmental protection, social inclusion, sustainable procurement outcomes, and value for money.

CHAPTER THREE: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

Works were completed on 20th June 2025 as per the final completion certificate from the District Engineer.

3.2 Audit conclusion

The Authority noted from the Certificate of Final Completion issued by the District Engineer on 20th June 2025 that the project had been completed, however, the audit revealed significant weaknesses in contract management, including misleading reporting on contractual progress, failure to implement conditions issued by the Solicitor General, conflicting provisions in the contract, failure to maintain contract management records, and omission of ESHS requirements in the Bills of Quantities. The following recommendations are aimed at enhancing accountability among the responsible officers, and strengthening the management of future infrastructure projects. Additionally visible cracks were noted on the Administration block's splash apron and no evidence was provided that these were rectified.