



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

"Regulating for Results"

**REPORT ON CONTRACT AUDIT FOR THE REHABILITATION OF 12.8
KM OF COMMUNITY ACCESS ROADS IN BUKANGA SUB-COUNTY,
LUUKA DISTRICT**

ENTITY: LUUKA DISTRICT LOCAL GOVERNMENT

SEPTEMBER 2026

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ACRONYMS

CARs	-	Community Access Roads
DLP	-	Defects Liability Period
GoU	-	Government of Uganda
PDU	-	Procuring and Disposing Unit
PPDA	-	Public Procurement and Disposal of Public Assets Authority
DLG	-	District Local Government
MoAIF	-	Ministry of Agriculture, Animal Industry and Fisheries
MoLG	-	Ministry of Local Government
NOSP	-	National Oilseed Project
IFAD	-	International Fund for Agricultural Development
OFID	-	Opec Fund for International Development
UGX	-	Uganda shillings

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EXECUTIVE SUMMARY

The Government of Uganda, through the Ministry of Agriculture, Animal Industry and Fisheries (MoAIF) together with the Ministry of Local Government (MoLG) signed a Memorandum of Understanding with the International Fund for Agriculture Development (IFAD) and the Opec Fund for International Development [OFID] to implement a 7 year (2021-2027) National Oil Seed Project (NOSP). Through the NOSP component for improvement of local-level public transport infrastructure Rehabilitation of Community Access Roads (CARs) in selected Districts and Sub-Counties including Luuka District.

The Public Procurement and Disposal of Public Assets Authority (PPDA or Authority) conducted a contract audit into the rehabilitation of 12.8 km of community access roads in Bukanga Sub-County, Luuka District implemented by the Luuka District Local Government at a total contract value of UGX 1,373,357,036 (VAT inclusive).

The objective of the contract audits was to assess the implementation of the contracts and determine whether the parties complied with the contractual requirements and the provisions of the PPDA Act, Cap. 205, the PPDA Regulations, 2023 and the applicable PPDA Guidelines, while evaluating whether the contracts were being implemented efficiently, effectively and in a manner that delivers value for money.

The following are the key findings:

- 1. Weak contract planning and contract management:** The audit identified weaknesses in contract administration including delayed payment of certified works by over 128 days, failure to incorporate the Solicitor General's advice into the executed contract regarding actual site possession date among others, retrospective preparation of the Contract Management Plan, and inadequate submission and filing of monthly progress reports which undermined effective contract planning, monitoring and oversight contrary to Regulations 6(f), 50(3) and 52(3)(g) of the PPDA (Contracts) Regulations, 2023.
- 2. Weak management of contractual obligations and safeguards:** The audit established delayed payment of the contractor's certified invoices beyond the contractual period of 45 days, inadequate maintenance of payment records, delayed submission of the performance security, failure to specify the deadline for furnishing the performance security in the bidding documents and inadequate validity of the performance security to cover the Defects Liability Period. These weaknesses exposed the Entity to contractual disputes, delayed project payments and the risk of inadequate protection against the contractor's non-performance contrary to Regulations 11(1) and 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023 and GCC 23.1 of the contract.
- 3. Partial implementation of Environmental, Social, Health and Safety (ESHS) obligations:** The audit noted inadequate traffic warning signs, silting around culverts, damage to sections of the road, unregulated roadside farming practices and poor survival of tree seedlings planted during environmental restoration. These weaknesses are likely to compromise road safety, environmental sustainability and the long-term functionality of the completed infrastructure.

Audit Conclusion

The rehabilitation of 12.8 km of community access roads in Bukanga Sub-County was substantially completed and handed over to the Entity at the time of the audit in April 2026. However, weaknesses were identified in contract planning, contract administration and management of contractual safeguards, delayed payment of certified works, inadequate contract management planning and reporting, non-compliance with the Solicitor General's advice on site possession date, and partial compliance with Environmental, Social, Health and Safety (ESHS) obligations. The Entity committed to implementing corrective actions, but further improvements are required to strengthen contract management, safeguard public resources and sustain the long-term benefits of the completed road infrastructure.

In light of the above, the Authority recommends the following:

1. The Accounting Officer Ministry of Local Government should facilitate timely contract closure by ensuring that all outstanding certified payments are processed and settled promptly to enable completion and close-out of the contract in accordance with Section 28 (1) of the PPDA Act Cap. 205;
2. The Accounting Officer Luuka District should in future contracts:
 - i. Strengthen coordination and follow-up with the Executing Agency (MOLG) to facilitate timely settlement of certified payments under externally funded projects and maintain complete payment records in accordance with Regulation 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023;
 - ii. Task Contractor Managers to prepare, maintain and properly file monthly contract progress reports throughout the contract implementation period to facilitate effective monitoring and decision-making in accordance with Regulation 52 (3) (g) of the PPDA (Contracts) Regulations, 2023;
 - iii. Establish a contract review process to confirm that all comments and conditions contained in the Solicitor General's advice are incorporated into contract documents before execution;
 - iv. Task Contractor Managers to prepare and submit the Contract Management Plan immediately after contract signing and share it with the Procurement and Disposal Unit to support timely monitoring throughout contract implementation in accordance with Regulation 50 (3) of the PPDA (Contracts) Regulations, 2023;
 - v. Mobilize human and financial resources to sensitize the adjacent communities on responsible land use that does not compromise the longevity of the new road works and carry out emergency repairs on the damaged section; and
 - vi. Incorporate the completed roads into the Entity's routine maintenance programme, prioritize repairs to damaged sections as resources become available, install additional traffic warning signs at identified high-risk locations and continue community sensitization to discourage activities that accelerate deterioration of the road infrastructure. Lessons from this project should also be incorporated into the design and budgeting of future road contracts to provide adequate traffic safety measures and sustainable environmental restoration.
3. The Head Procurement and Disposal Unit should specify the deadline for submission of performance security in bidding documents and task Contract Managers to verify that performance securities are received before commencement of contract execution and remain

valid throughout the contract period including the Defects Liability Period in accordance with Regulations 11 (1) of the PPDA (Contracts) Regulations, 2023.

CHAPTER 1: INTRODUCTION

1.1 Background

The Government of Uganda (GoU), through the Ministry of Agriculture, Animal Industry and Fisheries (MoAIF) in collaboration with the Ministry of Local Government (MoLG), is implementing the seven-year National Oil Seed Project (NOSP) from 2021 to 2027. The project is financed through loans from the International Fund for Agricultural Development (IFAD) and the OPEC Fund for International Development (OFID).

Specific Objective

The overall objective of the NOSP project is to promote inclusive rural transformation through the sustainable development of the oilseed sector, thereby improving the livelihoods and resilience of smallholder farmers engaged in oilseed production and marketing. To achieve this objective, the project comprises two mutually reinforcing components: (i) support for oilseed value chain development; and (ii) support for market linkage infrastructure through the rehabilitation of Community Access Roads (CARs) in selected districts and sub-counties. The rehabilitation of these roads is intended to improve market access and facilitate the commercialization of the oilseed sector. Bukanga Sub-County in Luuka District is among the project beneficiaries under rehabilitation of community access roads.

1.1.1 Scope of Audited Projects

This section details the contract summary information for the rehabilitation of 12.8 km of community access roads in Bukanga Sub-County, Luuka District. See Table 1 below for details:

Table 1: Contract Summary for Rehabilitation of 12.8 km of community access roads in Bukanga Sub-County

Executing Agency	Ministry of Local Government
Implementing Entity	Luuka District Local Government
Contractor	Gred [U] Limited
Proc. Reference No.	MoLG-NOSP/LUUKA/WORKS/2023-24/00032/LOT-41
Contract Signature Date	3 rd January 2025
Commencement date	8 th January 2025
Contract duration	8 months
Intended Completion date	20 th September, 2025
Contract value UGX	1,373,357,036 (VAT Inclusive)
Supervisor	Eng Twaha
Overall Progress as at 30th November 2025	100%
Time progress as at 30th November 2025	100%
Financial Progress as at 30th November 2025	78.15% - UGX 1,073,197,346
Scope of Works	1. Site preparation 2. Setting out and site clearing works 3. Earth works 4. Drainage works

	5. Graveling and completion works 6. Tree and grass planting 7. Borrow pit restoration 8. Preliminary and general items 9. Rainwater harvesting structures
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1.2 Overall Audit Objective

The overall objective of the assignment was to assess the attainment of value for money of the procurement under audit, its performance and establish the degree of compliance of Luuka District Local Government procurement and disposal system and processes with the provisions of the PPDA Act Cap. 205, PPDA Regulations 2023 and PPDA Guidelines.

The specific objectives were to:

- i. Assess whether the Entity's process of contracting and contract management was undertaken in compliance with the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 for the project under contract audit.
- ii. Determine whether the contractor for the project under assessment complied with the terms and conditions of the contract; and
- iii. Identify any instances of non-compliance, overpayment, underpayment or potential fraud.

1.3 Audit Methodology

The Authority adopted the following methodology during the contract audit:

- i. Audit planning and launch where resource and logistics mobilization, conducting an entry meeting and agreement of the audit timetable was performed;
- ii. Document review including review of contracts, progress reports, Interim Payment Certificates and other correspondences relating to contract management for the contracts;
- iii. Physical verification of the sites was conducted on 10th April 2026;
- iv. Debriefing the Entity's management on the preliminary findings from the audit;
- v. Issuing a management letter to the Entity for an official management response; and
- vi. Reporting on findings from the contract audit and providing recommendations.

1.4 Contract Audit Scope

The contract audit covered the rehabilitation of 12.8 km of community access roads in Bukanga Sub-County, Luuka District implemented by the Luuka District Local Government at a total contract value of UGX 1,373,357,036 (VAT inclusive).

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

The Authority noted the following exceptions pertaining to the contract audit into rehabilitation of 12.8 km of community access roads in Bukanga Sub-County, Luuka District implemented by the Luuka District Local Government.

2.1 Failure to adhere to payment obligations

Regulation 52 (3) (iii) of the PPDA (Contracts) Regulations 2023 requires the Contract Manager to ascertain that the Entity meets all the payment and other obligations in accordance with the terms and conditions of the contract. General Conditions of Contract (GCC) 23.1 provides that the employer shall pay the contractor the amount certified by the Project Manager within 45 days of the date of submission. The Authority noted that the last payment certificate dated 23rd December 2025 had not been paid 128 days after certification. In addition, there was no record to confirm payment contrary to Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023. The certificate details are summarized in Table 2 below:

Table 2: Delayed Payment

No	Date of IPC	IPC Amount Claim (UGX)	Certified Amount (UGX)	Certification Date	Date of Payment
01	13-5-2025	1,129,681,420	1,073,197,346	2-06-2025	No record
02	3-12-2025	147,135,711	147,135,711	23-12-2025	No paid
Contract Amount				UGX 1,373,357,036	
Payment to Dec 2025				UGX 1,073,197,346	
Percentage Payment				78.15%	
Percentage Unpaid				21.85%	

Implication

Delayed payment contravenes the Entity's and executing agency's contractual obligations and may attract interest payment in line with GCC 23.1.

Management Response

The Entity processed and submitted the payment certificate to the executing agency, the Ministry of Local Government (MoLG) in time. However, since this was an IFAD-funded project implemented through the MoLG, payment to the contractor depended on the release of funds by the executing agency and IFAD in accordance with the financing agreement.

Authority's Comment

The Accounting Officer should be proactive and follow-up with the executing agency, the Ministry of Local to effect payment of the outstanding certified amount of UGX 147,135,711.

Recommendation

The Accounting Officer should, in future contracts, strengthen coordination and follow-up with the Executing Agency to facilitate timely settlement of certified payments under externally funded projects and maintain complete payment records in accordance with Regulation 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023.

2.2 Inability to provide monthly reports by the Contract Manager

Regulation 52 (3) (g) of the PPDA (Contracts) Regulations, 2023 require Contract Managers to provide monthly progress reports. The Authority noted that the Contract Manager had not prepared any progress reports, save for the Technical Report dated 30th December 2025.

Implication

Inability to furnish progress reports denies the Accounting Officer and the Entity key information on the project execution.

Management Response

The Entity prepared all the monthly reports from January to May 2025 and are available for verification as Annex No.1. The Entity in future will ensure timely preparation and proper filing of progress reports.

Authority's Comment

The following progress reports were availed: Report of 5th February 2025 at 45% progress; Report of 13th March 2025 at 60% progress; Report of 17th April 2025 at 80% progress and Report of 15th May at 100% progress. The Entity ought to establish robust and easy to retrieve record system for ease of accessing records.

Recommendation

The Accounting Officer should, in future contracts, task Contractor Managers to prepare, maintain and properly file monthly contract progress reports throughout the contract implementation period to facilitate effective monitoring and decision-making in accordance with Regulation 52 (3) (g) of the PPDA (Contracts) Regulations, 2023.

2.3 Non-Adherence to the Solicitor General's Advice

Regulation 6 (f) of the PPDA (Contracts) Regulation, 2023 provides for the Attorney General to make necessary approval of the contract before signature.

The contract under audit was above the threshold of UGX 200,000,000 that requires the approval of the Attorney General. In the Solicitor General's advice dated 10th December 2024, the Accounting Officer was advised to make adjustments to the Special Condition of Contract (SCC) as follows; inserting SCC 7.1 to provide for authorization of the employer before any sub-contracting, under SCC 12.1 specify the actual date of site possession, and SCC 37.1 be amended to provide for disputes resolution by adjudication. However, the adjustments were not effected in the final contract document.

Implication

The non-adherence to the Solicitor General's advice renders the safeguard inherent in seeking the advice impotent and may result in litigation between the parties to the contract in case of disagreement in interpretations.

Management Response

The omission is regretted. SCC 12.7 did not incorporate the Solicitor General's advice requiring authorization of the employer before sub-contracting. Regarding SCC 12.1 on stating specific date for site possession, the Entity provided for the date of site possession as the 15th January 2025

stated in the Contract Implementation Plan attached as Annex 2. On SCC 37.1 which required amendment to provide for disputes resolution by adjudication, this was an oversight by the Entity and in future we shall ensure that the Solicitor General's advice is incorporated prior to contract signing.

Authority's Comment

The Entity should commit in future to abide by the Solicitor General's advice before entering any contract above the provided threshold. This will ensure clear interpretation of the contractual terms by parties to the contract.

Recommendation

The Accounting Officer should establish a contract review process to confirm that all comments and conditions contained in the Solicitor General's advice are incorporated into contract documents before execution.

2.4 Retrospective preparation of the Contract Management Plan

Regulation 50 (3) of the PPDA (Contracts) Regulations, 2023 provides that upon receipt of the contract, the Contract Manager shall prepare a Contract Management Plan (CMP) using Form 49 and forward a copy of the plan to the Procurement and Disposal Unit for purposes of monitoring.

The contract was signed on the 8th January 2025 while the Contract Management Plan was prepared on 20th September 2025, eight months and 12 days after contract signing. In addition, there was no evidence of monitoring by the Procurement and Disposal Unit (PDU). This renders the CMP retrospective.

Implication

The retrospective preparation of the CMP renders the plan ineffective in guiding the Contract Manager and the PDU during execution of the contract. This may result in missed targets and overall project delivery. Moreover, preparing the CMP retrospectively renders the plan a mere formality.

Management Response

The Entity regrets the anomaly; the advice is taken and in future the Contract Management Plans will be prepared soon after contract signing.

Recommendation

The Accounting Officer should, in future contracts, task Contractor Managers to prepare and submit the Contract Management Plan immediately after contract signing and share it with the Procurement and Disposal Unit to support timely monitoring throughout contract implementation in accordance with Regulation 50 (3) of the PPDA (Contracts) Regulations, 2023.

2.5 Delayed furnishing of the Performance Security

Regulation 11 (1) of the PPDA (Contracts) Regulations, 2023 provides that a bidding document shall state the requirements for a performance security. Furthermore, the Special Conditions of Contract 38.1 provided for the employer to be furnished with the performance security by the contractor not later than the date specified in the letter of acceptance and issued in the amount specified in the SCC, and shall be valid until a date 28 days from the date of issue of the defects liability period.

On 22nd May, 2025, the contractor furnished a performance security from Finance Trust Bank worth UGX 137,335,703 representing 10% of the contract value in accordance with SCC 37.1. The performance security was valid until 21st November, 2025.

The bid document and letter of acceptance did not specify the latest date for the provision of the performance security. Instead, this was specified in the Contract Management Plan, a document internal to the Entity, as the 20th February 2025. The performance security was furnished four months and fourteen days after contract signing. Furthermore, the security expired on the 21st November 2025 while the DLP ended on the 16th November 2025. The performance security ought to have covered the Entity up to 14th December 2025.

Implication

Failure to state the latest date for receipt of the performance security and furnishing the security when the contract is nearing substantial completion exposes the Entity and executing agency, (the MoLG) to the risk of non-performance by the contractor.

Management Response

The Entity acknowledges the omission of late provision of performance security contrary to GCC 38.1. The Entity has taken note of this anomaly and will in future ensure strict compliance with the relevant PPDA Regulation and provision in the contract.

Recommendations

The Head, Procurement and Disposal Unit should specify the deadline for submission of performance security in future bidding documents and task Contract Managers to verify that performance securities are received before commencement of contract execution and remain valid throughout the contract period including the Defects Liability Period in accordance with Regulations 11 (1) of the PPDA (Contracts) Regulations, 2023.

2.6 Partial adherence to ESHS on the project site

The adherence to the Code included submission of the Environmental and Social Management Plan (ESMP) that provides for Traffic Management Plan, Water Resource Protection Management Plan, obtaining permits for opening quarries or borrow pits, and the waste management plan. Other requirements included gender-based violence and sexual exploitation abuse and prevention and occupational health and safety on the site.

The contract registered substantial completion on 15th May 2025. The DLP ended on 16th November 2025 and the completed works were handed over to the Entity. The following exceptions were identified regarding ESHS Code requiring attention by the Entity and the executing agency:

1. Inadequate provision of warning sign posts: The contract was fixed with no flexibility on variations to provide for additional warning sign posts. The three sections of the roads under audit had shortfalls in terms of provision of warning sign posts at critical junctions and corners. These were along Kilingo-Lukhunu roads at Kigulamo Village; Budondo Mosque-Bitaga has winding sections without warning sign posts; and Kiguwa-Mbiko road at Kimanto Primary School.
2. Lack of maintenance: Various sections of the project had silting around culverts.

3. Damage to road section: At Isa-Masiya-Badagawa swamp section the encased culvert that was laid side by side with the old culvert had experienced severe flooding that had started washing away the gravel finishing, exposing the encased culverts.
4. Unregulated farming practices: At Isa-Masiya-Badagawa swamp section, the community was growing rice and maize right up to the mouth of the culverts contributing to silting.
5. Re-plant of Tree Seedlings: Tree seedlings planted along some sections of the project needed replacement as some had weathered.

Implication

- The failure to provide for adequate traffic warning sign risks exposed the road users to accidents that could result into claims for compensation.
- Failure to carry out routine maintenance of the roads by the Entity was likely to reduce the life span of the roads and result into missed utility by the project beneficiaries.
- The unregulated farming practices enhanced the challenge of silting resulting into floods and damage to the roads, negating the environmental safeguards that were incorporated in the contract. Relatedly, the poor survival rate of tree seedlings implied that vegetation removed during construction was not adequately compensated in order to restore the environment.

Management Response

At the time of the audit, the road works had been handed over to the Entity after the end of the DLP. The Entity has commenced the process of taking over responsibility for maintenance of the community access roads. There are plans to mobilize funds under the Uganda Road Fund to undertake emergency repairs on the damaged section at Isa-Masiya-Badagawa swamp. The District Community Development Officer will continue to liaise with local leaders to sensitize communities on proper land use practices. The replacement planting of the weathered tree seedlings is planned for the next season.

Recommendation

The Accounting Officer should:

- i. Mobilize human and financial resources to sensitize the adjacent communities on responsible land use that does not compromise the longevity of the new road works and carry out emergency repairs on the damaged section.
- ii. Incorporate the completed roads into the District's routine maintenance programme, prioritize repairs to damaged sections as resources become available, install additional traffic warning signs at identified high-risk locations and continue community sensitization to discourage activities that accelerate deterioration of the road infrastructure. Lessons from this project should also be incorporated into the design and budgeting of future road contracts to provide adequate traffic safety measures and sustainable environmental restoration.

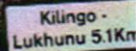
2.7 Overall Audit Conclusion

The rehabilitation of the 12.8 km of community access roads in Bukanga Sub-County was substantially completed and handed over to the Entity at the time of the audit. However, weaknesses were identified in contract administration and monitoring, including delayed payment of certified works, inadequate contract management planning and reporting, non-compliance with the Solicitor General's advice regarding site possession date among others, weak management of

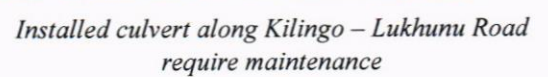
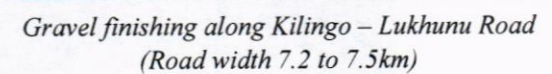
contractual safeguards relating to performance security, and partial compliance with Environmental, Social, Health and Safety (ESHS) obligations.

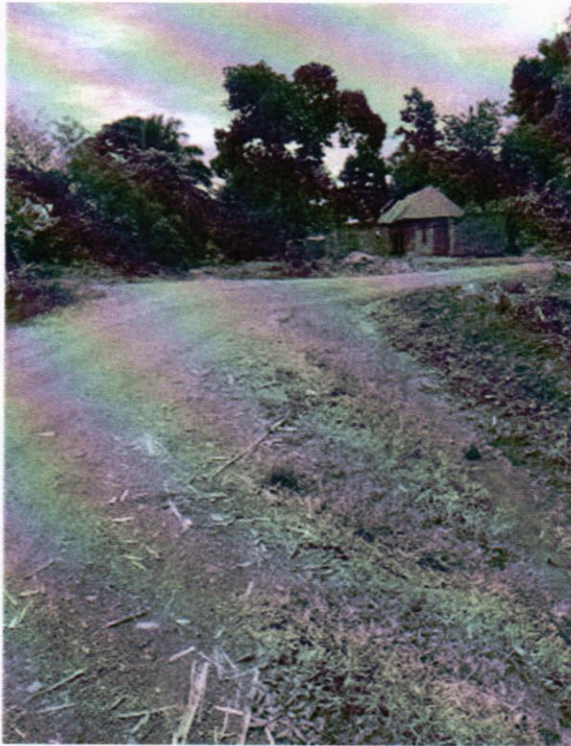
Although the Entity acknowledged most of the findings and committed to implementing corrective actions including strengthening contract management practices, undertaking routine maintenance, mobilizing resources for emergency repairs and environmental restoration, improvements are required in contract planning, administration, monitoring and post-construction maintenance to strengthen accountability, safeguard public resources and sustain the long-term benefits of the completed road infrastructure.

Annex 1: Physical verification photographs for the rehabilitation of 12.8 km of community access roads in Bukanga Sub-County, Luuka District taken on 10th April 2026

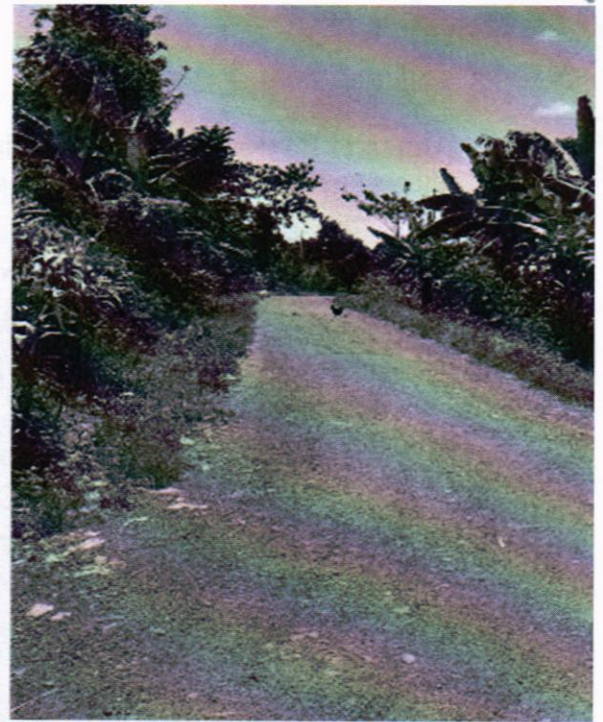


Entry sign post for Kilingo – Lukhunu Road (5.1km)





Junction along Kilingo – Lukhunu Road without warning sign post



Gravel finishing along Budondo Mosque – Bitaga Road



Entry point sign post at Budondo Mosque – Bitaga Road (3.4km)



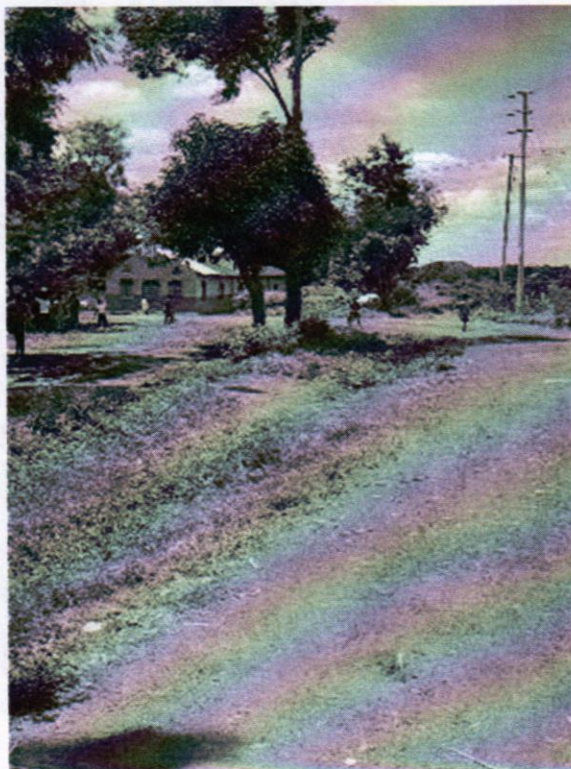
Entry sign point for Kiguwa – Mbiko Road



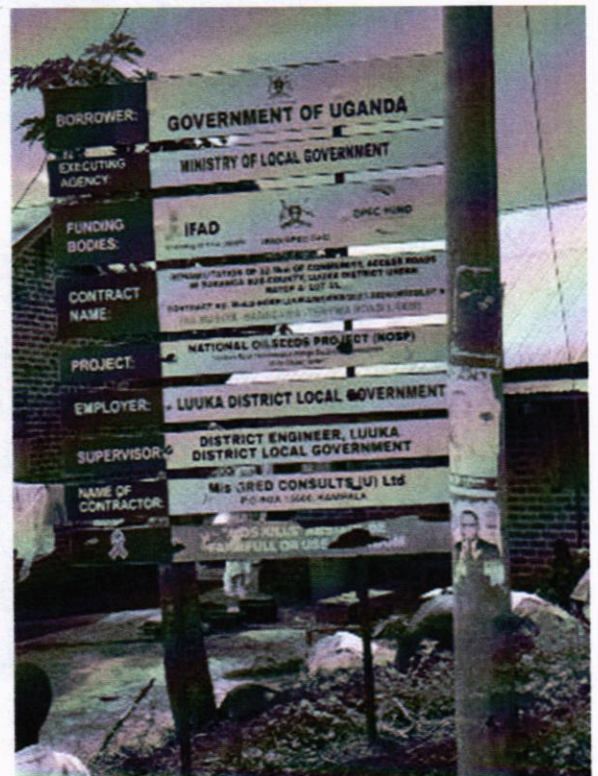
Warning sign post for Kimanto P/S along Kiguwa – Mbiko Road



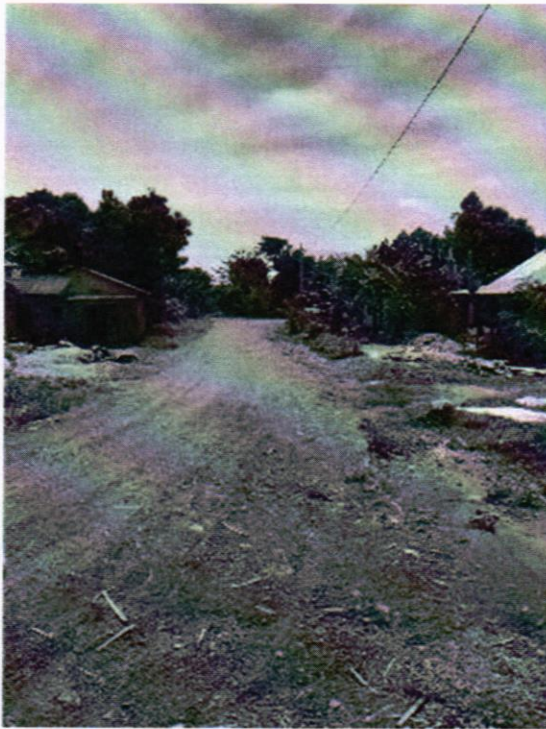
At Kimanto P/S, junction, sharp corner without warning sign post from one angle



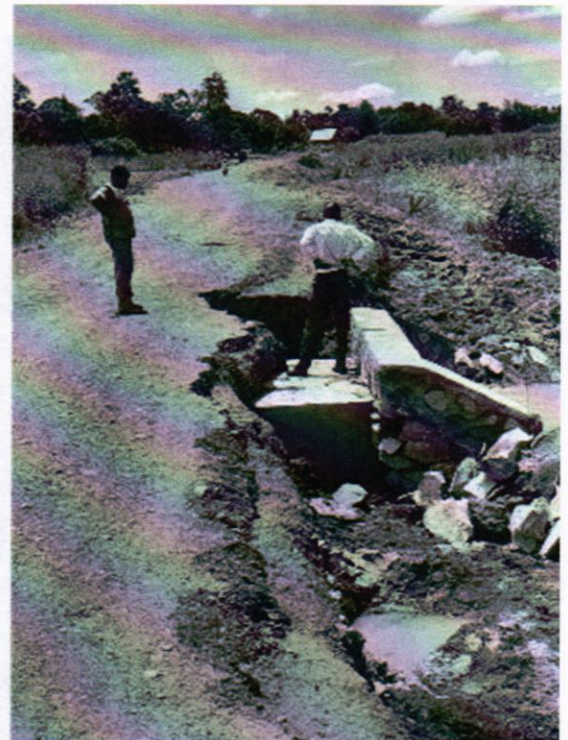
Another sharp corner at Kimanto P/S warning sign post is not visible from this elevation



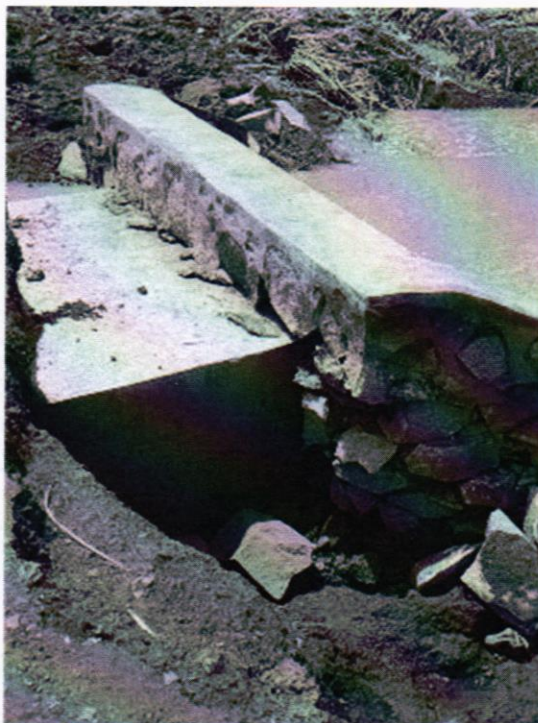
Entry sign post for Isa Masiya – Tenywa Road (1.4km)



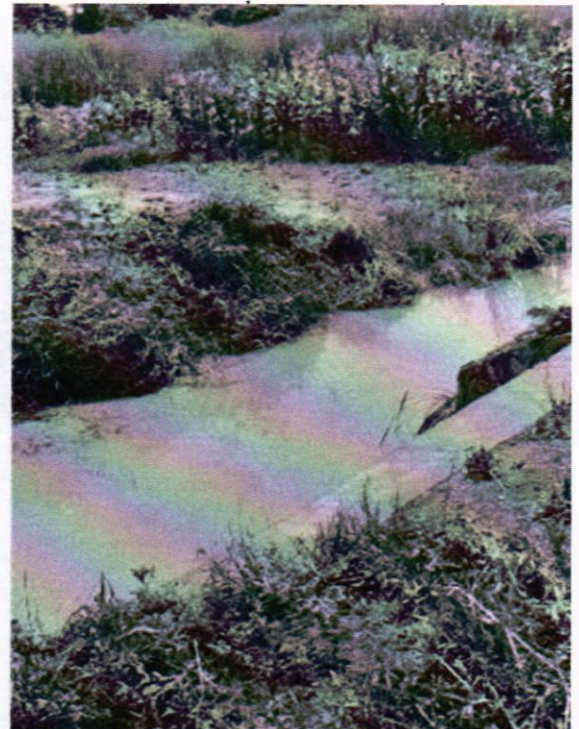
Gravel finishing along Isa Masiya – Tenywa Road



The damage towards Tenywa by overflowing rain



A closer look shows the Tenywa Bridge require redesign to install gabion



Farming at Tenywa Bridge too close to channel enhancing silting