



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

**PROCUREMENT AND DISPOSAL PERFORMANCE AUDIT REPORT FOR
FINANCIAL YEAR 2022/2023**

NATIONAL WATER AND SEWERAGE CORPORATION

AUGUST 2024

Table of Contents

EXECUTIVE SUMMARY iii

CHAPTER 1: INTRODUCTION..... 1

1.1 Structure of the Entity 1

1.2 Background..... 1

1.3 Main Audit Objectives 2

1.4 Audit Scope 2

1.5 Audit Methodology..... 2

CHAPTER 2: AUDIT FINDINGS 3

2.1 Compliance by the Procuring and Disposing Entity (PDE) with the general provisions of the PPDA Act Cap 205 and PPDA Regulations 2014 with regard to the performance of the procurement structures and conduct of procurement processes..... 3

2.1.1 Failure to implement 10% of the previous audit recommendations 3

2.1.2 Procurement plan implementation rate 3

2.2 Level of compliance with the PPDA Act Cap 205 in the conduct of procurement and disposal activities 5

2.2.1 Inadequacies in a solicitation document 5

2.3 Level of efficiency and effectiveness in contract implementation..... 7

2.3.1 Delayed signing of contracts..... 7

2.3.2 Delayed submission of Performance Securities 8

2.3.3 Delayed payment of providers 10

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY 11

3.1 Overall Performance Audit Conclusion..... 11

3.2 Entity’s Performance 11

3.3 Risk Computation 11

3.4 Chart Representation of Risk Rating..... 12

3.5 Recommended Action Plan 13

Annex 1: Case by case analysis..... 15

Annex 2: Sample list for National Water and Sewerage Corporation Performance Audit FY 2022/2023..... 18

Annex 3: Risk Rating Criteria 21

List of Tables

Table 1: Contracts Committee members	1
Table 2: Audit recommendations not fully implemented	3
Table 3: Procurement Plan Implementation Rate	3
Table 4: Recalculated Procurement Plan Implementation Rate	5
Table 5 showing inconsistencies in the issued solicitation document	5
Table 6 showing procurements with delayed contract signature	7
Table 7 showing delays in submission of Performance Security	8
Table 8: Action plan	13

List of Figures

Figure 1: Chart Representation of Risk Rating by Number.....	12
Figure 2: Chart Representation of Risk Rating by Value	12

Acronyms

AO	Accounting Officer
CC	Contracts Committee
EC	Evaluation Committee
FY	Financial Year
NWSC	National Water and Sewerage Corporation
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
SG	Solicitor General
UGX	Uganda Shillings

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out a performance audit of National Water and Sewerage Corporation (NWSC). The audit covered a representative sample of 20 procurement transactions under Financial Year 2022/2023.

The overall objective of the performance audit was to assess and establish the degree of compliance of National Water and Sewerage Corporation's procurement system and processes with the provisions of the PPDA Act, Cap 205 as amended and PPDA Regulations, 2014 and assess the level of procurement performance over the audit period.

From the findings of the procurement audit exercise, the performance of National Water and Sewerage Corporation for the Financial Year 2023/2023 was **Satisfactory** with an overall weighted average risk rating of **13.06%**. The risk rating was weighted to determine the overall risk level of the Entity as detailed in Chapter 3 of the audit report.

The following key positive matters were observed during the audit:

1. The Accounting Officer undertook his roles in a timely and professional manner in accordance with Section 28 of the PPDA Act Cap 205;
2. The Procurement and Disposal Unit diligently performs its functions and powers in accordance with Sections 33 and 34 of the PPDA Act Cap 205; and
3. The Entity was fully compliant on the Government Procurement Portal in accordance with Circular PAD/50/256/03 issued by Permanent Secretary / Secretary to the Treasury on implementation of the Government Procurement Portal.

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

1. The Entity failed to implement planned procurements worth UGX 1,947,242,920 hence denial-of-service delivery to the intended beneficiaries. Whereas the Entity indicated that full implementation of the plan was attributed to insufficient funds, the Authority noted that there was no effort made to update the procurement plan;
2. Incomplete reporting on procurement plan implementation where call-off orders worth UGX 69,438,162,992 were not included in the monthly report submissions to the Authority which denied the Authority the ability to review, assess and track the Entity's performance against the procurement plan;
3. Laxity in preparation of solicitation documents in three procurements worth UGX 508,081,981 where issued solicitation documents had contradicting clauses and incomplete evaluation criteria which could have inhibited bidders from participating in the procurement process;
4. Administrative delays by an average of 41 working days in signing of contracts after Solicitor General's clearance occasioned by internal processes within the Entity hence leading to delayed completion of the procurement process and subsequent service delivery;

5. Irregularities during contract management in three procurements worth UGX 2,524,137,134 evidenced by delayed submission of Performance Securities for high value contracts which delays commencement of contracts.

In light of the above exceptions, the Authority recommends that:

1. The Accounting Officer should:
 - i. Carry out periodic review of the Entity's procurement plan to ensure full implementation of planned activities in accordance with Section 60 (7) of the PPDA Act Cap 205 and update the procurement plan;
 - ii. Ensure elimination of delays in order to enable quicker service delivery to the intended beneficiaries in accordance with the principle of economy and efficiency in the public procurement process as enshrined in Section 51 of the PPDA Act Cap 205;
2. The Procurement and Disposal Unit should ensure;
 - i. When reporting during monthly report submission, call off order amounts are inclusive of the macro procurements reported; and
 - ii. Before issue of a solicitation document, that the evaluation criteria is clear and precise in order to receive bids from qualified bidders in accordance with Regulation 42 (b) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023;
3. The Contracts Committee should provide quality assurance of the solicitation document before authorization for issue to bidders in accordance with Section 31 (1) (a) (ii) of the PPDA Act Cap 205; and
4. Contract Managers should always prevail over providers to always submit Performance Securities in a timely manner in fulfilment of the terms and conditions of contract in accordance with Regulation 52 (3) (a) (ii) of the PPDA (Contracts) Regulations, 2023.

National Water and Sewerage Corporation should implement the recommended action plan on **pages 13 - 14.**

CHAPTER 1: INTRODUCTION

1.1 Structure of the Entity

National Water and Sewerage Corporation (NWSC) is a public utility company 100% owned by the Government of Uganda. The Corporation was established in 1972 under Decree No: 34. At its inception in 1972, the Corporation operated in three major towns of Kampala, Jinja and Entebbe. These laws were revised in 1995 by the NWSC Statute and later on the statute was incorporated in the Laws of Uganda as CAP 317 (Laws of Uganda 2000). The company was given more authority and autonomy and the mandate to operate and provide water and sewerage services in areas entrusted to it, on a sound commercial and viable basis. The primary aim of this was to revise the objectives, powers and structure of NWSC to enable the corporation operate and provide water & sewerage services in areas entrusted to it on a sound commercial and viable basis.

According to Section 28 of the PPDA Act Cap 205, the overall responsibility for the successful execution of procurement, disposal and contract management in a Procuring and Disposing Entity is the Accounting Officer. The Accounting Officer of National Water and Sewerage Corporation during the financial year under review was Dr. Eng. Silver Mugisha.

The Permanent Secretary/Secretary to Treasury of Ministry of Finance, Planning & Economic Development approved the following members of the Contracts Committee who also acted during the period under review as indicated in Table 1 below.

Table 1: Contracts Committee members

No	Name	Date of Appointment	Committee Position
1.	Mr. Jude Mwoga	1 st October 2021	Chairperson
2.	Ms. Zainab Mpakiraba	1 st October 2021	Secretary
3.	Mr. Willy Nuwamanya Basiima	1 st August 2022	Member
4.	Mr. Aloysius Kaijuka	1 st August 2022	Member
5.	Mr. Andrew Muhwezi	1 st October 2021	Member

According to Section 33 (a) of the PPDA Act Cap 205, all procurement or disposal activities of the Procuring and Disposing Entity except adjudication and the award of contract are to be managed by the Procurement & Disposal Unit. The Procurement & Disposal Unit during the financial year under review was headed by Ms. Nable A. Byaruhanga.

1.2 Background

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out a Procurement and Disposal performance audit of National Water and Sewerage Corporation. The audit covered a representative sample of 20 procurement transactions carried out during the Financial Year 2022/2023. 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 Public Assets Act Cap 205 and PPDA Regulations, 2014.

1.3 Main Audit Objectives

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of National Water and Sewerage Corporation procurement system and processes with the provisions of the PPDA Act Cap 205 and PPDA Regulations, 2014 and assess the level of procurement performance over the audit period.

The specific objectives were to:

- Establish the level of compliance by the Procuring and Disposing Entity (PDE) with the general provisions of the PPDA Act Cap 205 and PPDA Regulations 2014 with regard to the performance of the procurement structures and conduct of procurement processes;
- Establish the level of compliance of the entity's disposal process with the provisions of the PPDA Act Cap 205 and the PPDA Regulations, 2014; and
- Assess the level of efficiency and effectiveness in contract implementation including the application of Environmental, Social, Health, and Safety safeguards (ESHS) where applicable.

1.4 Audit Scope

The audit involved a review of the procurement process, disposal process, general compliance issues and contract implementation on a sample basis. The audit covered a representative sample of 20 procurement transactions under the Financial Year 2022/2023. The list of sampled transactions is contained in **Annex 2**.

1.5 Audit Methodology

The auditors examined records and documents for each sampled procurement transaction and obtained the relevant evidence to derive audit conclusions. This involved a review of the Entity's procurement/disposal planning, initiation, bidding, evaluation, contract placement and processes. Special attention was given to reporting mechanisms within the Entity and internal controls due to failure by the Entity to fully implement previous audit recommendations.

During the audit, the auditors held interactions with the staff from the Procurement and Disposal Unit (PDU) and User Departments that were necessary in obtaining crucial qualitative information about the internal control system and processes in place.

A debrief meeting to clear all pending issues that arose during the audit was held with the Entity management and staff on **23rd February 2023** before the auditors could embark on preparation of the management letter. The auditors prepared the management letter, which was sent to the Entity on **1st July 2024** with a request to submit a management response which was submitted on **4th July 2024**. The exit meeting was held on **4th July 2024** at PPDA Headquarters, PPDA – URF Towers, Plot 39, Nakasero Road and a deadline to submit information for verification and rejoinder on the management response given as **11th July 2024**, however, the Entity submitted the rejoinder on **12th July 2024**.

On completion of data collection and before writing the report, the audit manager reviewed the working papers for completeness. The working papers contain a detailed chronology of findings on each of the sampled transactions. The audit report presents the key findings, recommendations and conclusions arising from the performance audit.

CHAPTER 2: AUDIT FINDINGS

2.1 Compliance by the Procuring and Disposing Entity (PDE) with the general provisions of the PPDA Act Cap 205 and PPDA Regulations 2014 with regard to the performance of the procurement structures and conduct of procurement processes.

2.1.1 Failure to implement 10% of the previous audit recommendations

The Authority conducted a performance audit of the Entity for the Financial Year 2021/22 and a report was issued May 2023. Whereas ten recommendations were made, nine representing 90% were implemented and one recommendation representing 10% of the total recommendations was not implemented as indicated in Table 2 below:

Table 2: Audit recommendations not fully implemented

No.	Recommendation	Status of implementation
1.	The Accounting Officer should task the Legal Department of the Entity to ensure timely release of contract documents for signature and subsequent implementation since such delays affect performance	Not implemented

Implication

Failure to fully implement audit recommendations hinders improved performance of the procurement function.

Management response

Management is committed to implementing the Authority's recommendations and indeed we have tried our level best to ensure implementation. All recommendations were addressed either fully or partially.

Authority's comment

The Authority noted the Entity's response however cases of delayed contract signature were noted in the current audit.

Recommendation

The Authority therefore urges the Accounting Officer to implement the remaining recommendation by tasking Legal Department to ensure timely release of contract documents for signature to avoid delays in signing of contracts.

2.1.2 Procurement plan implementation rate

The Authority analysed information about the Entity's procurement plan, budget and utilization of funds and found that the Entity's procurement plan implementation rate was 83.74% while the variance was 16.26% worth UGX 94,422,460,440 as indicated in Table 3 below.

Table 3: Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	580,893,857,000

Analysis of procurement spend	
Total procurement spend value inclusive of VAT (UGX)	486,471,396,560
Procurement plan implementation rate (%)	83.74%
Implementation variance (UGX)	94,422,460,440

Implication

The Entity failed to deliver services worth UGX 94,422,460,440 to the intended beneficiaries.

Management Response

The procurement plan was revised and some corrections were done on the values that had been over stated for items No. 39, 40, 41, 42,43, 44, 45, 46 and 47 in the Procurement plan. The values had been presented with an excess of (000). These items include:

S/No	Cost Center	Subject of procurement	Estimated cost (000)	Right estimated cost (000)
39	MSK Administration	Repair & maintenance (mobile)	6,489,000	6,489
40	MSK Administration	Hire of transport & plant	141,855,000	141,855
41	MSK Administration	Tools & Light plant	2,520,000	2,520
42	MSK Administration	Uniforms & protective	8,450,000	8,450
43	MSK Administration	Office Supplies	12,589,000	12,589
44	MSK Administration	Furniture & Equipment	3,000,000	3,000
45	MSK Administration	Printing stationary &	12,978,000	12,978
46	MSK Administration	Acquisition of land titles	20,000,000	20,000
47	MSK Administration	4No. Rugged phones	10,000,000	10,000

- *With this correction, the implementation variance reduces to UGX 71,385,405,912. However, the commitments in call off orders had not been considered in computations by the Authority. Our commitments in call off orders during FY 2022/2023 was UGX 69,438,162,992. With this correction, the actual implementation variance is UGX 1,947,242,920.*

The details of these call off orders is as bellow:

- *Water meters: 4,662,000,000*
- *Security: 8,167,842,450*
- *Pipes and fittings: 20,851,552,233*
- *Aluminium sulphate: 11,114,542,300*
- *Soda ash: 2,818,000,000*
- *Calcium hypochlorite: 826,789,275*
- *Liquid chlorine gas: 2,265,027,300*
- *Polymers: 6,927,724,800*
- *Organic polymers: 437,031,000*

Authority's comment

The Authority verified the information submitted by the Entity and found there was a misrepresentation during the presentation of the procurement plan amount and mis reporting of the spend as this did not capture call off orders.

Table 4: Recalculated Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	557,856,802,472
Total procurement spend value inclusive of VAT (UGX)	555,909,559,552
Procurement plan implementation rate (%)	99.65%
Implementation variance (UGX)	1,947,242,920

Recommendations

- The Accounting Officer should carry out periodic review of the Entity's procurement plan to ensure accuracy and full implementation of planned activities in accordance with Section 60 (7) of the PPDA Act Cap 205.
- The Procurement and Disposal should ensure;
 - Figures are accurately computed when compiling the Entity's consolidated procurement plan; and
 - When reporting on a monthly basis, call off order amounts are inclusive of the macro procurements reported.

2.2 Level of compliance with the PPDA Act Cap 205 in the conduct of procurement and disposal activities

2.2.1 Inadequacies in a solicitation document

In the procurement for supply, construction and commissioning of an elevated 6M high Braith waite steel tank 100m³ for Mbuya under reservation scheme worth UGX 223,506,455, inconsistencies were observed in the issued solicitation document. Furthermore, in two procurements worth UGX 508,081,981, the Procurement and Disposal Unit issued a solicitation document with evaluation criteria that was ambiguous for a specialised procurement that required specific skill set for the staff of the provider. Details are indicated in Table 5 below.

Table 5 showing inconsistencies in the issued solicitation document

No	Procurement details	Exceptions	Management response
1.	NWSC-KW/WRKS/22-23/1368395 Supply, construction and commissioning of an elevated 6M high Braith waite steel tank 100m ³ for Mbuya under reservation scheme UGX 223,506,455	The bidding document under part 2: Section 6 statement of requirements; bills of quantities and terms of reference stated duration of assignment not to exceed 60 working days which was in contrast with GCC 22.1 that stated the intended completion date for the whole of the works shall be: 90 working days.	<i>The contradicting completion dates was an omission during contract preparation. Going forward, we are going to double quality assurance, so as to ensure</i>

No	Procurement details	Exceptions	Management response
			<i>accuracy.</i>
2.	NWSC-KW/WRKS/22-23/1368395 Supply, construction and commissioning of an elevated 6M high Braith waite steel tank 100m ³ for Mbuya under reservation scheme UGX 223,506,455	The evaluation criteria required the bidder to have five key personnel that is Project/Contract Manager, Site Engineer, Construction Superintendent, Plant/equipment Manager and Environmental Officer, however, the required level academic qualification and experience to participate on the project was not stated.	<i>The exclusion of the academic qualifications for key staff and the health and safety measures was an omission which we confirm shall not re-occur.</i>
3.	NWSC-HQ/WRKS/22-23/180378 Supply and installation of a bratih waite steel tank 100m ³ for Mitooma UGX 284,575,526		

Risk implication

There is a risk of bidders preparing non-responsive bids and there might be disagreements at the time of contracting due to contradicting requirements in the Special Conditions of Contract.

Management response

Management commits to re-enforce quality assurance desk in regard to reviewing of solicitation documents before they are submitted to the Contracts Committee for consideration and subsequent issuance of the same to bidders, so as to avoid omissions.

Recommendations

The Authority took note of management's response and recommends that;

- The Head Procurement and Disposal Unit when preparing a bidding document should ascertain that the statement of requirements is defined in a manner that leaves no doubt or assumption by bidder in accordance with Regulation 42 (a) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023;
- The Head Procurement and Disposal Unit should ensure before issuance of a solicitation document, the evaluation criteria is clear and precise in order to receive bids from qualified bidders in accordance with Regulation 42 (b) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023; and
- The Contracts Committee should provide quality assurance of the solicitation document before issuance to bidders in accordance with Section 31(1) (a) (ii) of the PPDA Act Cap 205.

2.3 Level of efficiency and effectiveness in contract implementation

The Authority observed irregularities during contracting and contract management of the following transactions worth UGX 7,193,750,565 detailed below:

2.3.1 Delayed signing of contracts

In four procurements worth UGX 2,172,699,684, the Authority noted delays in signature of contracts with the providers after clearance by the Solicitor General (SG) by an average of 41 days as indicated in Table 6 below.

Table 6 showing procurements with delayed contract signature

No	Procurement details	Solicitor General clearance	Contract signature date	Delay (working days)
1.	NWSC-HQ/SUPLS/22-23/180422 Supply of fittings for laying a parallel pumping main section at Gaba 3, 60M from the pump house to feed into the DN900 UGX 382,789,504	2 nd August 2023	28 th September 2023	41
2.	NWSC-KW/SUPLS/22-23/1368427 Supply of horizontal unglide pump complete with internal rotating element for high lift pump replacement with motor coupled and mounted on base Gaba 3 - WPD UGX 1,133,297,134	16 th August 2023	29 th September 2023	31
3.	NWSC-HQ/WRKS/22-23/180378 Supply and installation of a bratih waite steel tank 100m ³ for Mitooma UGX 284,575,526	2 nd January 2024	26 th February 2024	37
4.	NWSC-HQ/SUPLS/22-23/180514 Emergency supply and installation of a distribution transformer at Entebbe Water Works UGX 372,037,520	24 th August 2023	9 th November 2023	53

Implication

This results in lengthy procurement lead times and in turn results in delayed service delivery to the intended beneficiaries.

Management response

NWSC-HQ/SUPLS/22-23/180422: Supply of fittings for laying a parallel pumping main section at Gaba 3, 60M from the pump house to feed into the DN900 - Solicitor General's clearance was obtained before securing the Board's clearance. Board's clearance was obtained on September 8, 2023. We secured financial clearance on September 13, 2023 and the contract was signed on September 28, 2023 which is eleven working days and not 41 working days.

NWSC-KW/SUPLS/22-23/1368427: Supply of horizontal unglide pump complete with internal rotating element for high lift pump replacement with motor coupled and mounted on base for Gaba 3 WPD – Solicitor General's clearance was obtained before securing the Board's clearance. Board's clearance was obtained on September 8, 2023. We secured financial clearance on September 19, 2023 and the contract was signed on September 29, 2023 which is eight working days and not 31 working days.

NWSC-HQ/WRKS/22-23/180378: Supply and installation of a braith waite steel tank 100m3 for Mitooma – Solicitor General's clearance was obtained on January 5, 2024 and financial clearance was obtained on January 12, 2024 and the contract was signed on February 26, 2024. There was a delay of 26 working days and this was because the bidder's Power of Attorney was out of the country.

NWSC-HQ/SUPLS/22-23/180514: Emergency supply and installation of a distribution transformer at Entebbe Water Works- Solicitor General's clearance was obtained before securing the Board's clearance. Board's clearance was obtained on September 8, 2023 and financial clearance was secured on October 12, 2023 and the contract was signed on November 9, 2023 which is 19 working days.

Authority's comment

The Authority verified the information submitted and found the delay was as a result of an internal process not enshrined in the PPDA Law.

Recommendation

The Accounting Officer should expedite the internal approvals and ensure elimination of delays in order to enable quicker service delivery to the intended beneficiaries in accordance with the principle of economy and efficiency in the public procurement process enshrined in Section 51 of the PPDA Act Cap 205.

2.3.2 Delayed submission of Performance Securities

In three procurements worth UGX 2,524,137,134 the Authority discovered that providers submitted Performance Securities after the lapse of 21 working days prescribed by the Standard Bidding Documents (SBD) issued by the Authority as indicated in Table 7 below;

Table 7 showing delays in submission of Performance Security

No.	Procurement details	Date of contract signature	Performance Security submission date	Delays (calendar days)
1.	NWSC/SUPLS/22-23/180048 Supply of Polymers for Mbarara fort portal and Mityana under framework contract for a period of 18 months	27 th November 2023	8 th February 2023	54

No.	Procurement details	Date of contract signature	Performance Security submission date	Delays (calendar days)
	LOT 2 – Polymer for Mityana water works: Orient Business group Ltd: UGX 706,440,000			
2.	NWSC/SUPLS/22-23/180048 Supply of Polymers for Mbarara fort portal and Mityana under framework contract for a period of 18 months LOT 3 - Polymer for Fort Portal water works: Junaco T Ltd: UGX 684,400,000 / 5,900 per kg	2 nd February 2024	15 th May 2024	76
3.	NWSC-KW/SUPLS/22-23/1368427 Supply of horizontal unglide pump complete with internal rotating element for high lift pump replacement with motor coupled and mounted on base Gaba 3 - WPD UGX 1,133,297,134	29 th September 2023	21 st February 2024	102

Implication

This is an indicator of weaknesses in contract management and poses a risk on the provider's capability to perform the contract.

Management response

The audit finding is true. The Providers took some time before they could submit their Performance Securities citing stringent cash flows on their side, but as the entity, we kept pushing for the performance securities and they were all later submitted.

Recommendation

The Authority took note of the management response and recommends Contract Managers to prevail over providers to always submit Performance Securities in a timely manner in fulfilment of the terms and conditions of contract in accordance with Regulation 52 (3) (a) (ii) of the PPDA (Contracts) Regulations, 2023.

2.3.3 Delayed payment of providers

In all the sampled supplies procurements, GCC 16.3 of the signed contracts stated “*payment period shall be within 60 working days from the date of presentation of correct documentation,*” however, none of these procurements had been paid in full as indicated in table 8 below.

Table 8 showing outstanding payments

No.	Reference	Subject of Procurement	Supplier	Contract value (UGX)
1.	Nwsc-KW/Supls/22-23/1368065	Supply of double impellers for replacement in Muyenga pump 05 (1 st & 2 nd stage)	Oriental Business Group Ltd	597,931,931
2.	NWSC-HQ/SUPLS/23-24/180662	Emergency supply of a 750KVA generator set for Arua under Reservation Scheme	Delta industrial Equipment Limited	527,736,000
3.	NWSC-HQ/SUPLS/22-23/173313	Supply of chlorine powder under a framework contract for a period of 18 months	Pan Africa Chemicals Ltd	2,504,542,950
Total				3,630,210,881

Implications

- Failure to promptly pay providers affects service delivery since it affects their cash flow which leaves potential providers disgruntled and could further lead to legal litigations.
- Delays in payment could be an indicator that the Entity did not have sufficient funds to offset its contractual obligations hence creating domestic arrears.

Management Response

- *Payment for the emergency supply of a 750KVA generator set for Arua under Reservation Scheme has not been effected. We had a payment period of 60 working days and the supplier's Invoice was received on May 8, 2024 and shall be paid before the end of the 60 working days; and*
- *Payment for the supply of chlorine powder under a framework contract for a period of 18 months is still pending. This is the only outstanding payment.*

Authority's comment

The Authority took note of the Entity's response, however, no proof of effecting payment or payment documents were submitted for item No.1 and therefore maintained.

Recommendations

The Authority therefore recommends that the Accounting Officer should;

- Honor certified invoices/Interim Payment Certificates in time in accordance with Regulation 52 (3) (a) (iii) of the PPDA (Contracts) Regulations, 2023; and
- Not commit the Entity into signing contracts with providers before confirming availability of funds.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This Section presents the scores per area assessed under different audit risk computation.

3.1 Overall Performance Audit Conclusion

The performance of National Water and Sewerage Corporation for the performance audit of FY 2022/2023 was **satisfactory** with overall weighted average risk rating of **13.06%**.

The risk rating is as follows:

Risk Rating

Risk Rating (%)	Description of Performance
0 – 30	Satisfactory
31 – 70	Moderately Satisfactory
71 – 100	Unsatisfactory

3.2 Entity's Performance

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

3.3 Risk Computation

Risk category	No.	No. %	Value (UGX)	Value %	Weights	Total weighted Average	
						By No.	By Value
Medium	10	50	7,417,257,020	28.33	0.2	10.0	5.60
Satisfactory	10	50	18,765,091,939	71.67	0	0.0	0
Total	20	100	26,182,348,959	100	1.0	10.0	5.60

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score} \times 100}{60} = \frac{10.00 \times 100}{60} = 16.67\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score} \times 100}{60} = \frac{5.60 \times 100}{60} = 9.44\%$$

$$\text{Combined Weighted Average} = \frac{16.67 + 9.44}{2} = 13.06\%$$

3.4 Chart Representation of Risk Rating

Figure 1: Chart Representation of Risk Rating by Number

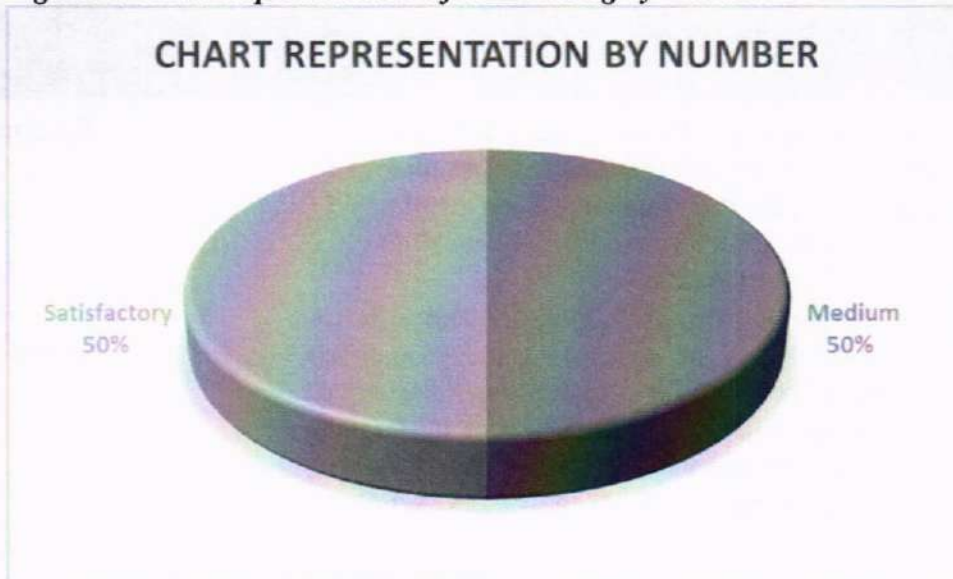
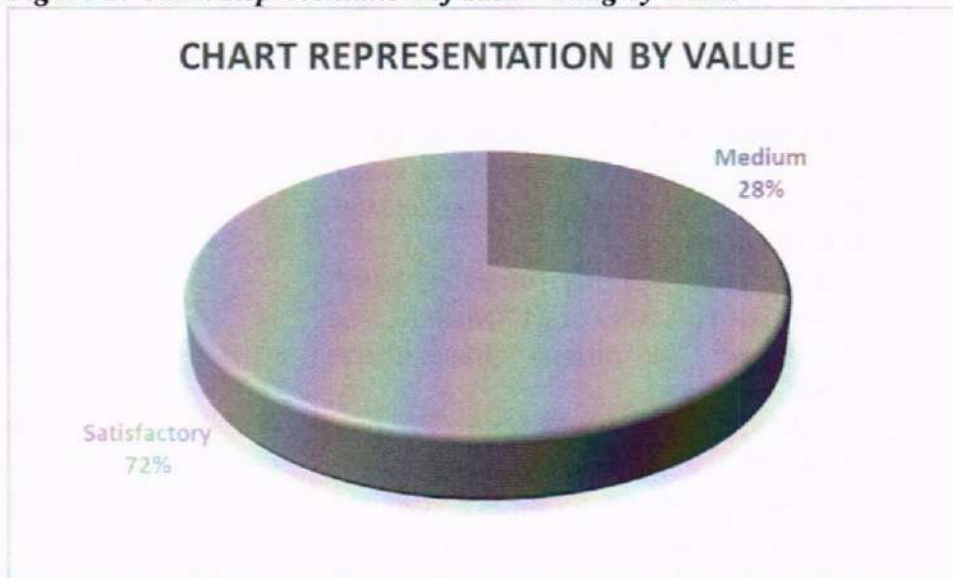


Figure 2: Chart Representation of Risk Rating by Value



National Water and Sewerage Corporation should implement the recommended action plan on **pages 13 - 14.**

3.5 Recommended Action Plan

National Water and Sewerage Corporation should implement the following recommendations within the timeframe given in order to improve its performance in Procurement and Disposal.

Table 9: Action plan

Origin	Recommended Action	Target date of implementation
Accounting Officer	<ul style="list-style-type: none"> • The Accounting Officer should carry out periodic review of the Entity's procurement plan to ensure full implementation of planned activities in accordance with Section 60 (7) of the PPDA Act Cap 205. • Accounting Officer should ensure elimination of these delays in order to enable quicker service delivery to the intended beneficiaries in accordance with the principle of economy and efficiency in the public procurement process enshrined in Section 51 of the PPDA Act Cap 205. 	<p>Continuous</p> <p>Immediate</p>
Contracts Committee	The Contracts Committee should provide quality assurance of the solicitation document before issue to bidders in accordance with Section 31 (1) (a) (ii) of the PPDA Act Cap 205.	Immediate
Procurement and Disposal Unit	<ul style="list-style-type: none"> • The Procurement and Disposal should ensure; <ul style="list-style-type: none"> ○ Figures are accurately computed when compiling the Entity's consolidated procurement plan; and ○ When reporting during monthly report submission, call off order amounts are inclusive of the macro procurements reported. • The Head Procurement and Disposal Unit should ensure before issue of a solicitation document the bidding document is precise and in a manner that leaves no doubt or assumption by a bidder in accordance with Regulations 42 (a) and (b) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023. 	<p>Continuous</p> <p>Immediate</p>
User Departments	Contract Managers should always prevail over providers to always submit Performance Securities	Continuous

Origin	Recommended Action	Target date of implementation
	in a timely manner in fulfilment of the terms and conditions of contract in accordance with Regulation 52 (3) (a) (ii) of the PPDA (Contracts) Regulations, 2023.	

Annex 1: Case by case analysis

MEDIUM RISK PROCUREMENTS

S/N	Procurement details	Reasons for medium risk
1.	NWSC-HQ/WRKS/22-23/180378 Supply and installation of a braith waite steel tank 100m ³ for Mitooma UGX 284,575,526	Bidding Issuance of a solicitation document with incomplete evaluation criteria which could result in the award of an incompetent bidder. Contracting Delayed contract signature which delays service delivery to the intended beneficiaries.
2.	NWSC-KW/WRKS/22-23/1368395 Supply, construction and commissioning of an elevated 6M high Braith waite steel tank 100m ³ for Mbuya under reservation scheme UGX 223,506,455	Bidding Issuance of a solicitation document with incomplete evaluation criteria which could result in the award of an incompetent bidder.
3.	NWSC-KW/SUPLS/22-23/1368427 Supply of horizontal unglide pump complete with internal rotating element for high lift pump replacement with motor coupled and mounted on base Gaba 3 - WPD UGX 1,133,297,134	Contracting Delayed contract signature which delays service delivery to the intended beneficiaries. Contract management Delayed submission of performance security by the providers.
4.	NWSC/SUPLS/22-23/180048 Supply of Polymers for Mbarara fort portal and Mityana under framework contract for a period of 18 months LOT 3 - Polymer for Fort Portal water works: Junaco T Ltd: UGX 684,400,000 / 5,900 per kg	Contract management Delayed submission of performance security by the providers.
5.	NWSC/SUPLS/22-23/180048 Supply of Polymers for Mbarara fort portal and Mityana under framework contract for a period of 18 months LOT 2 – Polymer for Mityana water works: Oriental Business group Ltd UGX 706,440,000	Contract management Delayed submission of performance security by the providers.

S/N	Procurement details	Reasons for medium risk
6.	NWSC-HQ/SUPLS/22-23/180422 Supply of fittings for laying a parallel pumping main section at Gaba 3, 60M from the pump house to feed into the DN900 UGX 382,789,504	Contracting Delayed contract signature which delays service delivery to the intended beneficiaries.
7.	NWSC-HQ/SUPLS/22-23/180514 Emergency supply and installation of a distribution transformer at Entebbe Water Works UGX 372,037,520	Contracting Delayed contract signature which delays service delivery to the intended beneficiaries.
8.	NWSC-HQ/SUPLS/22-23/173313 Supply of chlorine powder under a framework contract for a period of 18 months UGX 2,504,542,950	Contract management Delayed payment of providers
9.	Nwsc-KW/Supls/22-23/1368065 Supply of double impellers for replacement in Muyenga pump 05 (1 st & 2 nd stage) UGX 597,931,931	Contract management Delayed payment of providers
10.	NWSC- HQ/SUPLS/23-24/180662 Emergency supply of a 750KVA generator set for Arua under Reservation Scheme UGX 527,736,000	Contract management Delayed payment of providers

SATISFACTORY PROCUREMENTS

S/N	Procurement details	Amount (UGX)
11.	NWSC-HQ/SUPLS/21-22/172719 Supply of DN15MM (1/2') MULTI-JET) cold water meters under a framework contract for a period of 18 months	4,662,000,000
12.	NWSC-LI/WRK/22-23/902001 Construction works for the Lira water supply improvement project at Kachung treatment plant	2,588,604,421
13.	NWSC-HQ/SRVCS/23-24/180631 Consultancy Services for the "Kampala Water Lake Victoria Water and Sanitation (KW-LVWATSAN) Project Package 5b: Water Supply and Sanitation Improvement	Euros 299,870.00

S/N	Procurement details	Amount (UGX)
	Infrastructure in the Informal Settlements of Kampala -Accompanying Measures Component Phase II”	
14.	NWSC-HQ/SUPLS/21-22/172855/2 Purchase of land for reservoir construction at Kanyanya Hill for water supply improvement in Kampala	2,009,730,659
15.	NWSC- HQ/SRVCS/22-23/172808 Selection of consultants to undertake the feasibility study & pre-design for the development of water and sanitation infrastructure for the new Cities of Fort Portal, Hoima and Lira	1,099,823.50 (Euros)
16.	NWSC-KW/SUPLS/22-23/1368467 Supply of 400 M ³ /Hr at a head of 230M multistage pump sets complete with motor, VFD starter control panel and accessories for Lubowa water stabilization project	1,638,218,988
17.	NWSC- KW/WRKS/22-23/190039 Drilling, development, development and construction and testing of two production boreholes in Mubende under the EACOP Project	164,020,000
18.	NWSC- KW/SUPLS/22-23/1368579 Supply of booster pump sets for Nabbingo R&B, Makindye, Centenary Park and Bulooba - KW	609,364,421
19.	NWSC- MBD/WORKS/22-23/190060 Procurement for construction of the Kagoma borehole pump house in Mubende under EACOP	40,097,580
20.	NWSC-HQ/WRKS/22-23/180502 Drilling, construction and development of production boreholes in Nkandwa-Mubende (02) and Adjumani (01) under Reservation Scheme	Lot1: 161,494,800 Lot 2: 84,051,400

Annex 2: Sample list for National Water and Sewerage Corporation Performance Audit FY 2022/2023

No.	Reference	Subject of Procurement	Supplier	Contract value (UGX)
1.	NWSC-HQ/SUPLS/21-22/172719	Supply of DN15MM (1/2") MULTI-JET) cold water meters under a framework contract for a period of 18 months	Evotech Solutions Ltd – Ningbo Aime Manufacturer Co. Ltd (JV)	UGX 4,662,000,000
2.	NWSC-HQ/SUPLS/22-23/173313	Supply of chlorine powder under a framework contract for a period of 18 months	Pan Africa Chemicals Ltd	UGX 2,504,542,950
3.	NWSC-KW/SUPLS/22-23/1368427	Supply of horizontal UNGLINDA pump complete with internal rotating element for high lift pump replacement with motor coupled and mounted on base Gaba 3-WPD	Tesla Technical Services Ltd	UGX 1,133,297,134
4.	NWSC-LI/WRK/22-23/902001	Construction works for the Lira water supply improvement project at Kachung treatment plant	Updeal (U) Ltd	UGX 2,588,604,421
5.	NWSC-HQ/SUPLS/22-23/180514	Emergency supply and installation of a distribution transformer at Entebbe Water Works	Tetra Technical Services Ltd	UGX 372,037,520
6.	Nwsc-KW/Supls/22-23/1368065	Supply of double impellers for replacement in Muyenga pump 05 (1 st & 2 nd stage)	Oriental Business Group Ltd	UGX 597,931,931
7.	NWSC-HQ/SRVCS/23-24/180631	Consultancy Services for the “Kampala Water Lake Victoria Water and Sanitation (KW-LVWATSAN) Project Package 5b: Water Supply and Sanitation Improvement Infrastructure in the Informal Settlements of Kampala -Accompanying Measures Component Phase II”	Fichtner Water & Transportation GmbH	Euros 299,870.00

No.	Reference	Subject of Procurement	Supplier	Contract value (UGX)
8.	NWSC-HQ/SUPLS/21-22/172855/2	Purchase of land for reservoir construction at Kanyanya Hill for water supply improvement in Kampala	Mr. Chris Rugumayo Nyamutale	UGX 609,730,659
		Purchase of land for reservoir construction at Kanyanya Hill for water supply improvement in Kampala	Mr. Okello Henry Oryem	UGX 1,400,000,000
9.	NWSC- HQ/WRKS/22-23/180378	Supply and installation of a braithwaite steel tank 100M ³ for Mitooma under Reservation Scheme	M/s Oriental Business Group Ltd	284,575,526
10.	NWSC- HQ/SRVCS/22-23/172808	Selection of consultants to undertake the feasibility study & pre-design for the development of water and sanitation infrastructure for the new Cities of Fort Portal, Hoima and Lira	M/s Seureca (France) & Artelia (France) Consortium with Warner Consultants Ltd (Uganda) as Sub-Consultants	1,099,823.50 (Euros)
11.	NWSC-KW/SUPLS/22-23/1368467	Supply of 400 M ³ /Hr at a head of 230M multistage pump sets complete with motor, VFD starter control panel and accessories for Lubowa water stabilization project	M/s Zeta Engineering Services Ltd	1,638,218,988
12.	NWSC- KW/WRKS/22-23/190039	Drilling, development, development and construction and testing of two production boreholes in Mubende under the EACOP Project	M/s Dharani Boreholes Ltd	164,020,000
13.	NWSC- HQ/SUPLS/22-23/1368395	Supply, construction and commissioning of an elevated 6M high braith waite steel tank 100m ³ for Mbuya under Reservation Scheme	M/s Oriental Business Group Ltd	223,506,455
14.	NWSC-HQ/SUPLS/22-23/180422	Supply of fittings for laying a parallel pumping main section at Gaba 3, 60M from the pump house to feed into the	M/s Zeta Engineering Services Ltd	382,789,504

No.	Reference	Subject of Procurement	Supplier	Contract value (UGX)
		DN900MM.		
15.	NWSC- HQ/SUPLS/23-24/180662	Emergency supply of a 750KVA generator set for Arua under Reservation Scheme	M/s Delta industrial Equipment Limited	527,736,000
16.	NWSC- KW/SUPLS/22-23/1368579	Supply of booster pump sets for Nabbingo R&B, Makindye, Centenary Park and Bulooba - KW	M/s Tesla Technical Services Limited	609,364,421
17.	NWSC- MBD/WORKS/22-23/190060	Procurement for construction of the Kagoma borehole pump house in Mubende under EACOP	Ms. Kuboresha Ltd	40,097,580
18.	NWSC-HQ/WRKS/22-23/180502	Drilling, construction and development of production boreholes in Nkandwa-Mubende (02) and Adjumani (01) under Reservation Scheme	M/s Dharani Boreholes	Lot1: 161,494,800
19.	NWSC-HQ/SUPLS/22-23/180048	Supply of polymers for Mbarara, Mityana and Fort Portal under a framework contract for a period of 18 months	M/s. Junaco (T) Limited (1 st) M/s. Oriental Business Group Limited as the second (2 nd)	LOT 2: UGX 706,440,000 UGX 684,400,000
20.	NWSC-HQ/SUPLS/22-23/180047	Supply of polymers for Bushenyi, Masindi and Mpigi under a framework contract for a period of 18 Months	M/s. Oriental Business Group Limited (1 st) M/s. Junaco (T) Limited (2 nd)	Lot 1: UGX 728,480,000 UGX 684,400,000
	TOTAL			26,182,348,959

Annex 3: Risk Rating Criteria

RISK	DESCRIPTION	AREA	IMPLICATION
HIGH	Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry risk for the regulatory system or the entity's reputation. Such cases warrant immediate attention by senior management. 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 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 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 award to a responsive bidder.
		Record Keeping: Missing procurement files and missing key records on the files namely; solicitation document, submitted bids, evaluation report and contract.	This implies that one cannot ascertain the audit trail namely; whether there was competition and fairness in the procurement process.
		Fraud/forgery: Falsification of Documents	This implies lack of transparency and value for money.
		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 which, although less likely to lead to material financial loss or to risk damaging the regulatory system or the	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	This implies lack of efficiency.

RISK	DESCRIPTION	AREA	IMPLICATION
	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.	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.	standardisation and avoiding competition.
	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.	Procurement Structures: Lack of procurement structures	This implies 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 audit 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 and lack of notices of Best Evaluated Bidders.	This leads to unjustified contract amendment and variations which lead to unjustified delayed contract completion and lack of value for money. Bidders are not given the right of appeal.
		Failure by the Entity to incorporate in the solicitation document aspects of gender, social inclusion, environment, health and safety. Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.	
LOW	Procurements with weaknesses where resolution within the normal management framework is considered	Planning: Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.

RISK	DESCRIPTION	AREA	IMPLICATION
	desirable to improve efficiency or to ensure that the business matches current market best practice. Deviations from laid down detailed procedures would normally be graded "low" provided that there is sufficient evidence of management action to put in place and monitor compliance with detailed procedures.	Bidding Process: Not signing the Ethical Code of Conduct	This leads to failure to declare conflict of interest and lack of transparency.

SATISFACTORY

Relates to following laid down procurement procedures and guidelines and no significant deviation is identified during the conduct of the procurement process based on the records available at the time.