



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

**PROCUREMENT AND DISPOSAL COMPLIANCE INSPECTION
REPORT OF ISINGIRO DISTRICT LOCAL GOVERNMENT FOR THE
FINANCIAL YEAR 2021/22**

ISINGIRO DISTRICT LOCAL GOVERNMENT

OCTOBER 2022

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ACRONYMS

PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
USMID	Uganda Support to Municipal Infrastructure Development
UGX	Uganda Shillings
URA	Uganda Revenue Authority
WHT	With Holding Tax

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out a compliance inspection on the procurement and disposal activities of Isingiro District Local Government that covered a representative sample of ten (10) procurement transactions under Financial Year 2021/2022.

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

From the findings of the procurement compliance inspection exercise, the performance of Isingiro District Local Government for the Financial Year 2021/22 was **satisfactory** with an overall weighted average risk rating of **34%** as per rating in table 8 in the report.

Despite the Entity's satisfactory performance, the following key exceptions were noted:

1. The Entity failed to implement 52% of the procurements in the approved procurement plan worth UGX 8,424,011,880. This implies that the Entity failed to deliver planned services worth UGX 8,424,011,880 to intended beneficiaries in the Financial Year under review.
2. There was low bidder participation in three (3) procurements worth UGX 758,162,676 under the open bidding procurement method where the Entity received on average 2 bids instead of 3 bids per procurement contrary to Section 43 (c) of the PPDA Act, 2003 as amended.
3. Failure by the Internal Audit Department to review the Entity's procurement procedures. A review of the internal audit reports revealed that the Entity's Internal Audit function had not audited the procurement procedures in the financial year under review.
4. Failure to issue certificates of Environmental and Social Management Compliance before issuance of a project handover certificate in four of the sampled procurements worth UGX 1,536,384,024. This, therefore, casts doubt on whether the implemented works were compliant with the agreed Environmental Social Management Plan (ESMP) even though substantial completion certificates and project handover certificates had been issued.
5. Expiry of performance guarantees before completion of works in two procurements worth UGX 520,020,100. The performance guarantees submitted by the contractors expired before the completion of work hence increasing the risk of non-performance of the contract by the contractors.
6. The Authority noted delays across the procurement process in three procurements worth UGX 992,921,747 contrary to Section 48 of the PPDA Act, 2003 as amended which states that all procurement and disposal shall be carried out in a manner that promotes efficiency.

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

1. The Accounting Officer should ensure that procurement processes are handled promptly to promote economy and efficiency in accordance with Section 48 of the PPDA Act, 2003 as amended.
2. The Accounting Officer should conduct a supplier appraisal to ascertain why providers, under Open domestic bidding, do not want to do business with the Entity and come up with strategies

to increase the level of competition in accordance with Section 46 of the PPDA Act, 2003 as amended.

3. The Head of the Internal Audit Department of the Procuring and Disposing Entity should ensure that procurement and disposal procedures and payments of the Entity are audited regularly in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.
4. The Accounting Officer should ensure that going forward, the District Natural Resources Officer and District Community Development Officer issue a certificate of compliance to certify that the implemented works were compliant with the agreed Environmental Social Management Plan (ESMP) before issuance of a project handover certificate.
5. The Accounting Officer should ensure that contract supervisors enforce the requirement of submission of adequate performance security as specified in the contracts in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006.
6. The Accounting Officer should ensure that procurement processes are handled promptly to promote economy and efficiency in accordance with Section 48 of the PPDA Act, 2003 as amended.

CHAPTER 1: INTRODUCTION

1.1. Background

The Public Procurement and Disposal of Public Assets Authority carried out a compliance inspection on the procurement and disposal activities of Isingiro District Local Government that covered a representative sample of ten (10) procurement transactions under Financial Year 2021/2022. The compliance inspection involved a review of procurement structures, procurement and asset disposal processes, as well as contract performance following the provisions of the Public Procurement and Disposal of Assets Act, 2003 as amended and Local Government (PPDA) Regulations, 2006.

1.2. Overall Objective

The overall objective of the compliance inspection was to assess and establish the degree of compliance of Isingiro District Local Government procurement system, process and disposal process with the provisions of the PPDA Act, 2003 as amended and the Local Government (PPDA) Regulations, 2006, and assess the level of procurement performance over the period under review.

The specific objectives of the compliance inspection of Isingiro District Local Government were:

1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act, 2003 as amended and Local Government (PPDA) Regulations, 2006.;
2. To establish the level of compliance with the PPDA Act, 2003 as amended, and Local Government (PPDA) Regulations, 2006 in the conduct of procurement and disposal activities; and
3. To assess the level of efficiency and effectiveness in contract implementation.

1.3. Compliance Inspection Scope

PPDA carried out the procurement and disposal compliance inspection of Isingiro District Local Government which covered a sample of ten (10) procurement transactions worth **UGX 2,617,853,012** conducted during the FY 2021/2022, review of procurement structures and review of the procurement plan performance. The list of sampled transactions is contained in **Annex A**.

1.4. Compliance Inspection Methodology

The Compliance Inspection exercise examined records and documents for each sampled procurement transaction and/or disposal and obtained the relevant evidence to derive compliance inspection conclusions. This involved a review of the Entity's procurement/disposal planning, initiation, bidding, evaluation, contract placement, and processes. At the end of the document review, a physical verification was undertaken to ascertain the level of contractual delivery and fit for purpose.

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

A debriefing meeting to clear all pending issues that arose during the compliance inspection was held with the Entity management and staff on **8th August 2022** before the auditors could embark on the preparation of the management letter. The auditors prepared the management letter, which

was sent to the Entity on **5th September 2022** with a request to submit a management response by **12th September 2022**, which was submitted on **26th September 2022**.

On completion of data collection and before writing the report, the Regional Manager reviewed the working papers for completeness. The working papers contain detailed chronology of findings on each of the sampled transactions. The compliance inspection report presents the key findings and conclusions arising from the compliance inspection.

1.5. Reporting

Reporting is in a format which identifies the findings by exception, the level of risk and the recommendations. The procurements are rated in four categories according to the weakness identified namely: High risk, Medium risk, Low risk and Satisfactory. The definition of the risk rating is in **Annex B**.

CHAPTER 2: KEY FINDINGS AND RECOMMENDATIONS

2.1. To establish the level of compliance by the Entity with the general provisions of the PPDA Act, 2003 as amended as amended and Local Government (PPDA) Regulations, 2006.

2.1.1. Failure to fully implement the PPDA recommendations for Financial Year 2020/21 issued in February 2022

The compliance inspection noted that 75% of the previous audit recommendations were fully implemented leaving 25% not implemented as detailed in Table 1.

Table 1: Previous audit recommendations not fully implemented

No.	Recommended Action	Status of implementation	Management response
1.	The Procurement and Disposal Unit and the Accounting Office should ensure competition in accordance with Section 46 of the PPDA Act, 2003 as amended.	Partially implemented	<i>The audit recommendation was fully implemented by lotting most of our procurements so that they can fall within the open bidding threshold and also become attractive. The projects were advertised in a newspaper of national circulation as per reg. 36 of the LGPPDA, Reg. 2006 as a way of increasing competition and bidder turn up.</i>
2.	Internal Audit Department should develop measures that are geared towards improving the Entity's procurement and disposal function.	Not implemented	<i>As a way of improving the Entity's Procurement and Disposal function, the Internal Audit Department will be carrying out audit of the procurement action files at least every quarter.</i>
3.	The contract supervisor and the Head Finance should bring this to the attention of the contractor prior to paying retention or else the Evaluation Committee for the above procurement should refund the UGX 1,650,000 loss made in the construction of two classrooms with three seater desks at St. Mary's Katogo Primary	Not implemented	<i>The money will be recovered at the time of paying retention.</i>

No.	Recommended Action	Status of implementation	Management response
	School in Kabuyanda Sub County and Nyakayojo III Primary School in Kabingo Sub County.		

Implication

This implies that the Entity does not have a mechanism in place to ensure the full implementation of audit recommendations.

Recommendation

The Accounting Officer should ensure that all recommendations by the Authority are shared with all departments of the entity and institute a mechanism to ensure full implementation.

2.1.2. Failure by Internal Audit to audit the procurement procedures of the Entity

A review of the internal audit reports showed that the Entity's Internal Audit function had not audited the procurement procedures for the Entity in the financial year under review contrary to Regulation 28 of the Local Governments (PPDA) Regulations, 2006. The internal audit reports indicate that the Internal Auditor only audited payments as opposed to auditing procurement procedures as well. The Authority further noted that this is a recurring query from the previous audit.

Implication

Failure by the Internal Auditor to audit the procurement and disposal procedures may result in fraud going unnoticed at the earliest opportunity.

Management Response

It is true that by the time of the Compliance Inspection exercise, the Internal Audit Department had not conducted an audit of the procurement action files. The District Internal Auditor has to carry out an audit of the procurement action files and this will subsequently be done quarterly.

Recommendations

- The Accounting Officer should follow through with why the Head Internal Audit did not audit the PDU since this is a recurring query from the previous audit.
- Head of the Internal Audit Department of the Procuring and Disposing Entity should ensure that procurement and disposal procedures and payments of the Entity are audited regularly in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.

2.1.3. Procurement Plan implementation rate

i) Failure to implement 52% of the procurement plan

The Entity failed to implement 52% worth UGX 8,424,011,880 of the planned procurements as detailed in table 2 below:

Table 2: Procurement Plan Implementation Rate

Analysis of procurement spend	
Total procurement plan value inclusive of VAT (UGX)	16,297,052,464
Total procurement spend value inclusive of VAT (UGX)	7,873,040,584
Procurement plan implementation rate (%)	48
Implementation variance (UGX)	8,424,011,880

NB: This information is based on the Entity's procurement plan and quarterly procurement reports FY 2021/2022 submitted to the Authority.

The Authority noted that the variance in procurement plan implementation was greatly due to non-implementation of the following donor funded planned procurements estimated at UGX 5,026,856,246 as detailed below:

- i. Ruhimbo-Kamuri Road Low cost sealing 4.5km-Isingiro-Mbarara highway Isingiro Town council (Kamuri Ward) estimated at UGX 976,073,968
- ii. Construction of first class marrum 100m road Nyungu to Rwempaju (bridge) Rushasha Parish-Rushasha Sub County estimated at UGX 563,942,293
- iii. Low cost sealing 2.2km Road Salama-Rwengiri road connects to Kamuli-Kyarugazi Isingiro T/C (Kamuri Ward) estimated at UGX 477,181,940
- iv. Construction of recreational ground Isingiro District HQ 3.02ha estimated at UGX 1,198,709,312
- v. Construction of Resource centre Isingiro HQ 0.3ha estimated at UGX 405,81,2794
- vi. Construction of a Health staff houses at Kakamba, Rwanjogyera, Rwakakwenda, Nyamitsindo, and Kyabinunga HCIIIs estimated at UGX 592,930,741
- vii. Construction of daily market with at least fifty (50) lock ups fifty (50) stalls Kaharo Isingiro Town Council (Kamuri Ward) estimated at UGX 473,189,120.
- viii. Construction of First class murram Road 10.7km Rwekubo- Kyabishaho Road, Kyabishaho-Orucunga refugee settlement Isingiro Town Council (Kyabishaho Ward) estimated at UGX 339,016,078.

Implication

The Entity failed to deliver planned services worth UGX 8,424,011,880 to intended beneficiaries.

Management response

It is true that by the time of the Compliance Inspection exercise, donor projects (USMID), were not yet implemented because the consultant delayed submitting the designs. The designs were later submitted and the projects have been awarded. draft contract agreements were submitted to Solicitor General for perusal and approval.

Recommendations

The Authority notes the Entity's response and recommends as follows:

- The Accounting Officer should ensure that procurement processes are handled promptly to promote economy and efficiency in accordance with Section 48 of the PPDA Act, 2003 as amended.
- The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan and where needed with justification update the

procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003 as amended to ensure improved performance.

2.1.4. Records management

i) Inadequate and unsafe storage of procurement records

The Authority noted that the Entity's PDU had inadequate and unsafe storage for procurement records. At the time of the compliance inspection, some documents had been stored in sacks and placed on the floor since the shelves had been fully utilized as can be seen in the photographs below.



Picture taken on 10th August 2022 showing unsafe storage of procurement records

Implication

Procurement records are exposed to theft, loss and damage which undermines the principle of accountability.

Management Response

Management is already aware of this issue and space will be provided for storage of PDU documents. Disposal of records older than 7 years will be done in accordance with Section 41 of the PPDA Act, 2003 as amended. Management will also in future put in place a mechanism of digitalizing records to address storage issues.

Recommendations

- The Accounting Officer should create more space for the PDU to store older records.
- The Entity should dispose of records older than 7 years in accordance with Section 41 of the PPDA Act, 2003 as amended.
- The Entity should find mechanisms of digitalizing records in the long run to address storage issues.

2.2. To establish the level of compliance with the PPDA Act, 2003 as amended and Local Governments (PPDA) Regulations, 2006 in the conduct of procurement and disposal activities

2.2.1. Competitiveness of procurement processes

The audit noted the following irregularities in the competitiveness of procurement processes:

i) Low bidder participation

The compliance inspection noted that there was low bidder participation in three (3) sampled procurements under the Open bidding method. Table 3 shows that the Entity received an average of 2 instead of three (3) bids per procurement contrary to Section 43 (c) of the PPDA Act, 2003 as amended.

Table 3: Procurements with low bidder participation

No.	Subject of procurement	Amount (UGX)	Procurement Method	No. of bidding documents issued	No. of bids received
1	Fencing of District Headquarters Land at Ishozi with a mixture of chain link and barbed wire fencing including three gates of varying sizes and live fencing materials	137,948,372	Open domestic bidding	4	1
2	Construction of OPD Block, 2-stance lined latrine at Rwamwijuka Health Centre II in Kikagata Sub County	197,461,200	Open domestic bidding	3	2
3	Construction of office extension block at Isingiro District headquarters	422,753,104	Open domestic bidding	4	2
			AVERAGE BIDS RECEIVED		2

Implication

The Entity will miss out on the benefits of maximum competition leading to costly procurements and deterrence of achievement of value for money.

Management Response

As a way of increasing competition and bidder turn up, we lotted most of our procurements so that they can fall within the open bidding threshold, make business sense and as a result become

attractive. The projects were again advertised in a newspaper of national circulation as per Regulation 36 of the LG (PPDA) Regulations 2006.

Recommendation

The Authority notes the Entity's response and recommends that the Accounting Officer should conduct a supplier appraisal to ascertain why providers, under Open domestic bidding, do not want to do business with the Entity.

2.2.2. Environmental, Social, Health, and Safety (ESHS) Safeguards

Section 61A of the PPDA Act 2003 as amended states that a procuring and disposing entity shall for each procurement take into account environmental protection and social inclusion as may be prescribed. The compliance inspection noted the following exceptions in the implementation of ESHS as detailed below:

i) Failure by contractor to fully implement the Environment and Social Management Plan (ESMP)

This was in the construction of office extension block at Isingiro District headquarters worth UGX 422,753,104. During physical verification on 10th August 2022, the Authority found that the contractor (Kaleeta Construction Ltd) did not execute the activities worth UGX 11,035,000 quoted and paid for by the Entity contrary to the Environment and Social Management Plan as detailed in Table 4.

In spite of the District Engineer issuing the contractor the substantial completion certificate on 15th June 2022, these works had not been executed. The Authority further noted that at the time of the audit, the contract was under defects liability period expiring on 15th December 2022.

Table 4: Aspects of the Environment and Social Management Plan that were not implemented

No.	Mitigation measures	Expected output	Budget as per BOQs (UGX)	Status during physical verification
1.	Put in place a mechanism to handle the generated debris/wastes	Clean the site of surplus excavated materials, rubbish, unused materials, and plants	200,000	Surplus excavated materials, rubbish, and unused materials were on site by 10 th August 2022. 55 days after the completion certificate
2.	Put in place fire extinguishers	Install 5 units of fire extinguishers	1,170,000	There were no extinguishers in the building during verification on 10 th August 2022
3.	Put in place a roof water drainage	Install a Gutter to check on storm water flow	2,965,000	There were no gutters on the roofing at the time of the verification

No.	Mitigation measures	Expected output	Budget as per BOQs (UGX)	Status during physical verification
4.	Properly landscape the facility compound and re-vegetate it.	Re-vegetate the compound with paspalum and plant trees immediate at the site of the works	1,300,000	The compound was covered by building debris and was not yet re-vegetated with paspalum and trees, during verification
5.	Signage for project	Erect a sign board for the project	1,000,000	There was no project signage
6.	Construct walkways connectivity with old structures	Construct walkways accessing old and new structures	3,150,000	There were no clear walkways linking the new structure to the old during verification
7.	Hoard off-site	Site hoarded with 30 gauge iron sheets	750,000	There was no evidence that the site was hoarded during implementation as the site was open during verification
8.	Establish walkways	Walkways in place	500,000	There were no established walkways during the verification
	TOTAL		11,035,000	

Implication

Failure to fully implement the Environment and Social Management Plan (ESMP) worth UGX 11,035,000 will expose the Entity to a risk of financial loss on release of retention to the contractor.

Management Response

The (ESMPs) that were not implemented were ranked as minor and noted in the snag list. However, the payment was affected because the contractor submitted an advance payment guarantee of 49,600,000= in which all the unfinished works were covered.

Recommendation

The Authority notes the Entity's response however, although the contractor submitted a bank guarantee worth UGX 49,600,000 dated 21st June 2022, it expired on 21st September 2022 with no evidence submitted by the Entity to show the implementation of the above-stated ESMP to date (October 2022). The Authority, therefore, recommends that the Accounting Officer should follow up on the identified defects in the procurement for the construction of the office extension block at Isingiro District headquarters and ensure that they are rectified accordingly before releasing retention money to the contractor, Kaleeta Construction Ltd.

ii) Failure to issue certificates of Environmental and Social Management Compliance before issuance of a project handover certificate

The Authority noted that the District Natural Resources Officer and District Community Development Officer did not issue a certificate to certify that the implemented works were compliant with the agreed Environmental Social Management Plan (ESMP) even though substantial completion certificates as well as project handover certificates had been issued by the District Engineer and subsequent payments made to the contractor.

This casts doubt on whether the projects achieved the expected outputs in line with the ESMP. This was in four procurements worth UGX 1,536,384,024 as detailed below:

- i. Construction of 4 classrooms with furniture and teachers' office at Kabatangare Primary School in Nyakitunda S/C worth UGX 322,558,900.
- ii. Rehabilitation and extension of Nyakigyra GFS in Kabingo/Kagarama SC worth UGX 311,187,537
- iii. Construction of OPD Block, 2-stance lined latrine at Rwamwijuka Health Centre II in Kikagata Sub County worth UGX 197,461,200.
- iv. Construction of Kashumba pumped water supply and sanitation system phase in Rwakiriro Village in Kashumba S/C worth UGX 705,176,387.

Implications

Failure to issue certificates of Environmental and Social Management Compliance before making any payments to the contractor as well as before issuance of a project handover certificate casts doubts on whether the projects achieved the expected outputs in line with the ESMP.

Management Response

A compliance certificate for Environmental Social Management Plan (ESMP) would only be issued if all the raised recommendations had been satisfactorily implemented but by the time of inspection works were still ongoing and therefore a certificate could not be issued. It will be issued on satisfactory completion of the works before project handovers.

Recommendations

The Authority notes the Entity's response and maintains that the above-stated projects had been handed over with project handover certificates on file contrary to the Entity's response. The Authority therefore recommends as follows:

- The Accounting Officer should therefore ensure that going forward, the District Natural Resources Officer and District Community Development Officer issue a certificate of compliance to certify that the implemented works were compliant with the agreed Environmental Social Management Plan (ESMP) before issuance of a project handover certificate.
- The Heads of User departments should ensure that the appointed contract supervisors carry out their roles and responsibilities concerning contract management in accordance with Regulation 119 of the Local Government (PPDA) Regulations, 2006.

2.3. To establish the level of efficiency and effectiveness in contract implementation

2.3.1. Expiry of performance guarantee before completion of works

In two procurements worth UGX 520,020,100, the submitted performance guarantees expired prior to completion of works as detailed in Table 5:

Table 5: Procurements with inadequate performance securities and unsecured works

No.	Subject of Procurement	Exception noted
1.	Construction of 4 classrooms with furniture and head teacher's office at Kabatangare P/S worth UGX 322,558,900	Expiry of the performance guarantee before completion of works The performance guarantee issued on behalf of MM Development (U) Ltd expired on 3 rd April 2022, sixty-nine (69) calendar days before the completion of the works on 10 th June 2022.
2.	Construction of OPD Block, 2-stance lined latrine at Rwamwijuka Health Centre II in Kikagata Sub County worth UGX 197,461,200	Expiry of the performance guarantee before completion of works The performance guarantee (LG21347UG0108242) issued by Stanbic Bank on behalf of (Muhwezi Abert Construction Ltd) expired on 2nd May 2022, forty-five (45) calendar days before the completion of the works on 15 th June 2022.

Implication

By having expired performance guarantees before the completion of works, the Entity failed to safeguard itself in case of non-performance of the contract by the contractors.

Management response

Management acknowledges and regrets the anomaly, and pledges that in the future the contract supervisors enforce the requirement of submission of adequate performance security as specified in the contracts in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006.

Recommendation

The Authority notes the Entity's response and recommends that the Accounting Officer should ensure that contract supervisors enforce the requirement of submission of adequate performance security as specified in the contracts in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006.

2.3.2. Delays across the procurement process

Section 48 of the PPDA Act, 2003 as amended states that all procurement and disposal shall be carried out in a manner that promotes efficiency. The Authority however noted delays across the procurement process in three procurements worth UGX 992,921,747 as detailed in Table 6:

Table 6: Procurements with delays at different stages of the procurement process

No.	Subject of Procurement	Delay
1.	Construction of OPD Block, 2-stance lined latrine at Rwamwijuka Health Centre II in Kikagata Sub County worth UGX 197,461,200	<p>Delayed contract signature The contract agreement was signed on 26th November 2021, 1 month after the issuance of the award letter (offer) and 28 days after the contractor, Muhwezi Abert Construction Ltd, accepted the offer to implement the project.</p> <p>Delay to commence works after contract signing The contract between the Entity and contractor was signed on 26th November 2021, the contract start date was 20th December 2021, and the contract expiry/end date was 20th May 2022 (5 months). However, according to the completion certificate, works were completed on 15 June 2022, a delay of 25 <i>calendar days</i> from the initial completion period (after the contract expired). In addition, the Entity on 26th May 2022 extended the contract period for the project to 31st July 2022 to allow the contractor complete the project.</p>
2.	Supply and installation of 600mm concrete culverts on selected spots on the District road network and supply and installation of 600mm concrete culverts along Kamaaya-Kabarongo-Kikoba Road in Endiinsi Town Council worth UGX 90,284,160	<p>Delayed contract signature The contract agreement was signed on 3rd December 2021, 38 days after the issuance of the award letter dated 25th October 2021 (offer) and 22 days after the contractor, MF Friend Interlocking Tiles and Construction Co. Ltd, accepted the offer to implement the project on 11th November 2021.</p>
3.	Construction of Kashumba pumped water supply and sanitation system phase in Rwakiriro Village in Kashumba SC worth UGX 705,176,387	<p>Delayed contract signature The contract agreement was signed on 23rd December 2021, 58 days after the issuance of the award letter dated 25th October 2021 (offer) and 46 days after the contractor, Kaleeta Construction Ltd, accepted the offer to implement the project on 8th November 2021.</p> <p>Delayed completion The contract between the Entity and contractor was signed on 23rd December 2021, the contract commencement date was on 7th January 2022 and the contract expiry/end date was 7th June 2022 (5 months). However, according to the interim payment certificate No. 2, by 17th June 2022, that is, 10 days after the initial contract expiry, works worth only UGX 358,235,400 (84.7%) were completed and yet</p>

No.	Subject of Procurement	Delay
		<p>100% of the time had been utilized (initial contract timeframe).</p> <p>In addition, the Entity on 26th May 2022 extended the contract period for the project to 15th August 2022 to allow the contractor time to complete the project. During physical verification on 10th August 2022, works were still ongoing and workers were found on site 5 days to the expiry of the extended contract.</p>

Implication

There will be delays in service delivery to the intended beneficiaries.

Management Response

Management acknowledges the concern and pledges that in the future it will fast track contract signing and commencement of works by contractors.

Recommendation

The Accounting Officer should ensure that procurement processes are handled promptly to promote economy and efficiency in accordance with Section 48 of the PPDA Act, 2003 as amended.

2.3.2. Anomalies in payments

The Authority noted the following anomalies in payments as detailed below:

i) Deduction of 6% Withholding Tax (WHT) on an Exempted provider

Section 119 (5) (f) (i) and (ii) of the Income Tax Act (CAP 340) bars a government institution from withholding 6% on a gross payment of an Exempted supplier/provider. The Authority noted that in the procurement for rehabilitation and extension of Nyakigyra Gravitational Flow Scheme in Kabingo/Kagarama Sub County worth UGX 311,187,537, the Entity withheld 6% (being UGX 17,638,920) on the posting instruction worth UGX 293,982,000 to Block Technical Services in spite of the contractor submitting a WHT Exemption Certificate (EXMP-CERT-16610) for a period of 01/07/2021 to 30/06/2022.

Implication

This will greatly affect the contractor's cash flows and may negatively impact the ability of the contractor to deliver as required consequently discouraging potential bidders from engaging in business with the Entity.

Management response

It is true that the Entity subjected Block Technical Services to 6% withholding tax yet the contractor was exempted from paying withholding tax. We acknowledge and regret the anomaly. The contractor was notified on 2nd June 2022 and requested to claim the money from URA.

Recommendation

The Entity notes the Entity's response and recommends that going forward, the Accounting Officer should ensure that Withholding Tax is handled in accordance with Section 119 (1) (a) of the Income Tax Act CAP 340 and should caution the Finance department to ensure proper computations of payments.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This chapter will present graphically the scores per area assessed under different inspection questions.

3.1 Overall Compliance Inspection Conclusion

The performance of Isingiro District Local Government was **Satisfactory** with overall weighted average risk rating of **34%** as detailed below:

3.2 Entity's Performance

The risk rating was weighted to determine the overall risk level of the Entity. The weighting was derived using the average weighted index as shown in Table 7:

Table 7: Entity's performance

Risk Category	Number of sampled procurements	Value (UGX)	Rating by No. %	Rating by Value%	Weights %	Total Weighted Score	
High	-	-	-	-	0.6	-	-
Medium	5	1,959,137,128	50	74.8	0.3	15	22.4
Low	2	460,886,878	20	17.6	0.1	2	1.7
Satisfactory	3	197,829,006	30	7.5	0	0	0
Total	10	2,617,853,012	100	100	1	17	24

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{17}{60} \times 100 = 28.3\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{24}{60} \times 100 = 40\%$$

$$\text{Combined Weighted Average} = \frac{28.3 + 40}{2} = 34\%$$

Since 34% falls within the 21% - 50% risk range, the performance of the Entity is rated **Satisfactory** as detailed in Table 8.

Table 8: Risk rating

Risk Rating	Description of Performance
0-20%	Highly Satisfactory
21-50%	Satisfactory
51-80%	Unsatisfactory
81-100%	Highly Unsatisfactory

Figure 1: Risk Rating by Number

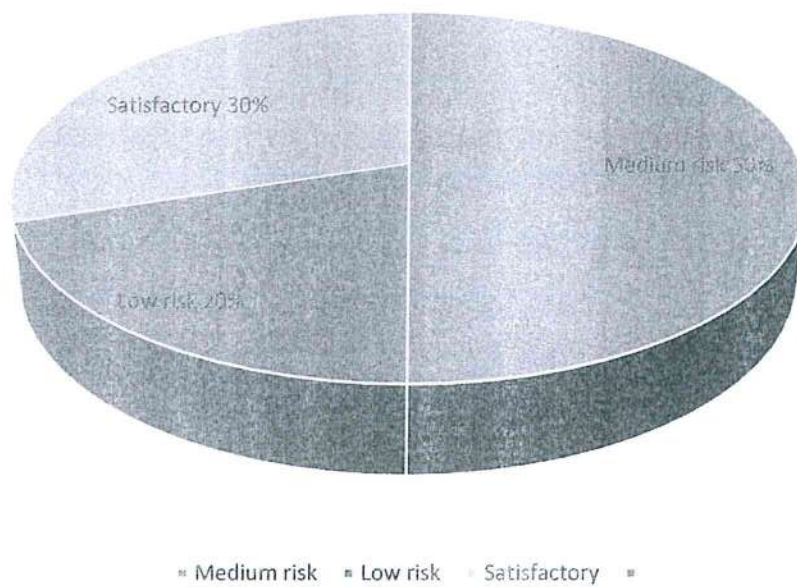
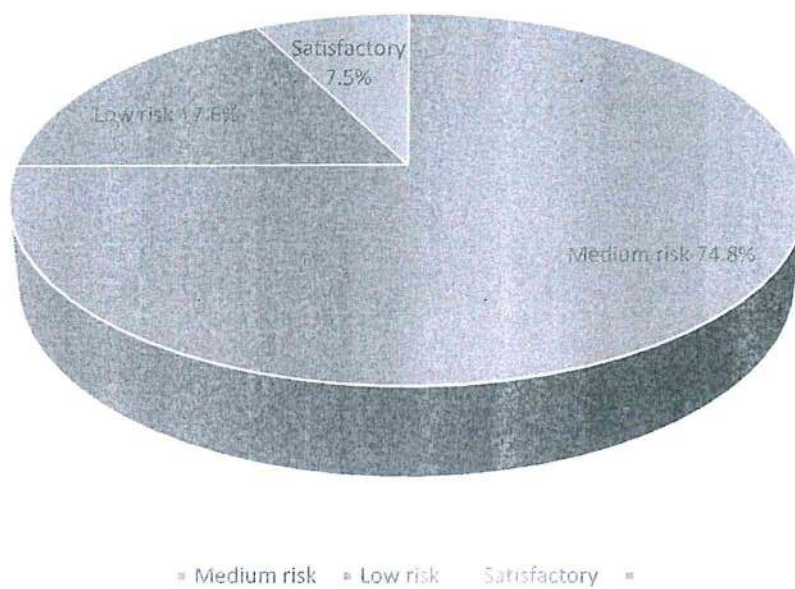


Figure 2: Risk Rating by Value



3.3 Recommended Action Plan

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

Table 9: Recommended Action plan

No.	Recommended Action	Target Date
1.	The Head of the Internal Audit Department of the Procuring and Disposing Entity should ensure that procurement and disposal procedures and payments of the Entity are audited regularly in accordance with Regulation 28 of the Local Governments (PPDA) Regulations, 2006.	December 2022
2.	The Accounting Officer should create more space for the PDU to store older records.	December 2022
3.	The Accounting Officer should follow up on the identified defects in the procurement for the construction of the office extension block at Isingiro District headquarters and ensure that they are rectified accordingly before the release of retention money to the contractor, Kaleeta Construction Ltd.	December 2022
4.	The Accounting Officer should ensure that going forward, the District Natural Resources Officer and District Community Development Officer issue a certificate of compliance to certify that the implemented works were compliant with the agreed Environmental Social Management Plan (ESMP) before issuance of a project handover certificate.	December 2022
5.	Contract supervisors enforce the requirement of submission of adequate performance security as specified in the contracts in accordance with Regulation 102 of the Local Governments (PPDA) Regulations, 2006	December 2022
6.	The Accounting Officer should ensure that Withholding Tax is handled in accordance with Section 119 (1) (a) of the Income Tax Act CAP 340 and should caution the Finance Department to ensure proper computations of payments.	December 2022

ANNEXES:

Annex A: ISINGIRO DISTRICT LOCAL GOVERNMENT SAMPLE LIST FY 2021/2022

No.	Reference number	Subject of procurement	Method of Procurement	Provider	Contract Amount (UGX)	Risk rating
1.	ISIN560/WRKS/21-22/00039	Fencing of District Headquarters Land at Ishozi with a mixture of chain link and barbed wire fencing including three gates of varying sizes and live fencing materials.	Open Domestic Bidding	Cob Technical Services Ltd	137,948,372	Low risk
2.	ISIN560/WRKS/21-22/00011/Lot 1	Construction of OPD Block, 2-stance lined latrine at Rwamwijuka Health Centre II in Kikagata Sub County	Open Domestic bidding	Muhwezi Abert Construction Ltd	197,461,200	Medium
3.	ISIN560/SUPLS/21-22/00007	Supply and installation of 600mm concrete culverts on selected spots on the District road network and supply and installation of 600mm concrete culverts along Kamaaya-Kabarongo-Kikoba Road in Endiinzi Town Council	Open Domestic bidding	MF Friend Interlocking and Tiles Construction Co. Ltd	90,284,160	Satisfactory
4.	ISIN560/WRKS/21-22/00021	Construction of office extension block at Isingiro District headquarters	Open Domestic bidding	Kaleeta Construction Ltd	422,753,104	Medium
5.	ISIN560/WRKS/21-22/00006/Lot 1	Construction of Kashumba pumped water supply and sanitation system phase in Rwakiriro Village in Kashumba S/C	Open Domestic bidding	Block Technical Services Limited	705,176,387	Medium
6.	ISIN560/WRKS/21-22/00003	Construction of 4 classrooms with furniture and Head teacher's	Open Domestic bidding	Kevin Co. U Ltd	322,938,506	Low risk

No.	Reference number	Subject of procurement	Method of Procurement	Provider	Contract Amount (UGX)	Risk rating
		office at Kaiho P/S in Kabuyanda T/C				
7.	ISIN60/WRKS/2021-22/00002	Construction of 4 classrooms with furniture and head teacher's office at Kabatangare P/S	Open Domestic bidding	MM Development (U) Ltd	322,558,900	Medium
8.	ISIN560/SVCS/2021-22/0001	Design of Kyabwemi-Rwentango and Kibeba-Rutete water supply and sanitation systems in Kabingo and Mbaare Sub Counties	Open Domestic bidding	Asense Services Ltd	67,614,000	Satisfactory
9.	ISIN560/WRKS/2021-22/00006/lot2	Rehabilitation and extension of Nyakigyra GFS in Kabingo/Kagarama S/C	Open Domestic bidding	Block Tech Services Ltd	311,187,537	Medium
10.	ISIN560/WRKS/2021-22/00025	Construction of Kamubeizi TC administration block	Open Domestic bidding	Katuma Construction Limited	39,930,846	Satisfactory
				TOTAL	2,617,853,012	

Annex B: Findings and ratings on the individual contracts reviewed

No.	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
1.	<p>Construction of OPD Block, 2-stance lined latrine at Rwamwijuka Health Centre II in Kikagata Sub County worth UGX 197,461,200</p> <p>Muhwezi Abert Construction Ltd</p> <p>Open Domestic Bidding</p>	<ul style="list-style-type: none"> • Failure to issue certificates of Environmental and Social Management Compliance before issuance of a project handover certificate • Expiry of performance guarantee before completion of works • Delays noted across the procurement process
2.	<p>Construction of office extension block at Isingiro District headquarters worth UGX 422,753,104</p> <p>Kaleeta Construction Ltd</p> <p>Open Domestic bidding</p>	<ul style="list-style-type: none"> • Low bidder participation Only 2 bids received • Failure by contractor to fully implement the Environment and Social Management Plan (ESMP) worth UGX 11,035,000
3.	<p>Construction of Kashumba pumped water supply and sanitation system phase in Rwakiriro Village in Kashumba S/C worth UGX 705,176,387</p> <p>Block Technical Services Limited</p> <p>Open Domestic bidding</p>	<ul style="list-style-type: none"> • Failure to issue certificate of Environmental and Social Management Compliance before issuance of a project handover certificate. • Delays across the procurement process
4.	<p>Construction of 4 classrooms with furniture and head teacher's office at Kabatangare P/S worth UGX 322,558,900</p> <p>MM Development (U) Ltd</p> <p>Open Domestic bidding</p>	<ul style="list-style-type: none"> • Failure to issue certificates of Environmental and Social Management Compliance before issuance of a project handover certificate • Expiry of performance guarantee before completion of works
5.	<p>Rehabilitation and extension of Nyakigyra GFS in Kabingo/Kagarama S/C worth UGX 311,187,537</p> <p>Block Tech Services Ltd</p> <p>Open Domestic Bidding</p>	<ul style="list-style-type: none"> • Deduction of 6% Withholding Tax (WHT) on an Exempted provider • Failure to issue certificates of Environmental and Social Management Compliance before issuance of a project handover certificate

No.	LOW RISK CONTRACTS	REASONS FOR LOW RISK
6.	<p>Fencing of District Headquarters Land at Ishozi with a mixture of chain link and barbed wire fencing including three gates of varying sizes and live fencing materials worth UGX 137,948,372</p> <p>Cob Technical Services Ltd</p> <p>Open Domestic bidding</p>	<ul style="list-style-type: none"> Low bidder participation Only 1 bid received
7.	<p>Construction of 4 classrooms with furniture and Head teacher's office at Kaiho P/S in Kabuyanda T/C worth UGX 322,938,506</p> <p>Kevin Co. U Ltd</p> <p>Open Domestic Bidding</p>	<ul style="list-style-type: none"> Low bidder participation

No.	SATISFACTORY CONTRACTS
8..	<p>Design of Kyabwemi-Rwentango and Kibeba-Rutete water supply and sanitation systems in Kabingo and Mbaare Sub Counties worth UGX 67,614,000</p> <p>Asense Services Ltd</p> <p>Open Domestic bidding</p>
9.	<p>Supply and installation of 600mm concrete culverts on selected spots on the District road network and supply and installation of 600mm concrete culverts along Kamaaya-Kabarongo-Kikoba Road in Endiinzi Town Council worth UGX 90,284,160</p> <p>MF Friend Interlocking Tiles and Construction Co. Ltd</p> <p>Open Domestic Bidding</p>
10.	<p>Construction of Kamubeizi TC administration block worth UGX 39,930,846</p> <p>Katuma Construction Limited</p> <p>Open Domestic bidding</p>

Annex C: Risk Rating Criteria

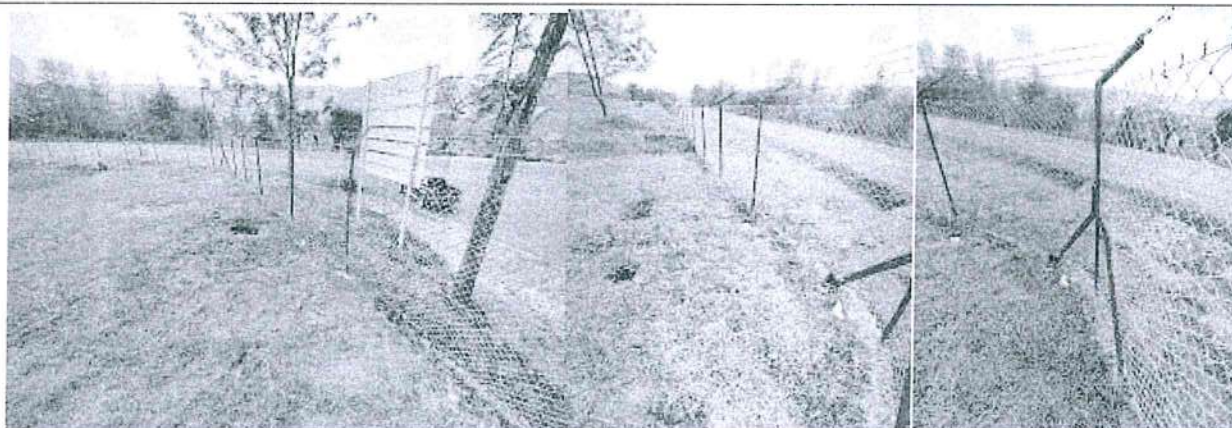
RISK	DESCRIPTION	AREA	IMPLICATION
HIGH	Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry risk for the regulatory system or the entity's reputation. Such cases warrant immediate attention by senior management. Significant deviations from established 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

RISK	DESCRIPTION	AREA	IMPLICATION
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 entity's reputation, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls is put in place. Such procurements would normally be graded "medium" provided that there is sufficient evidence of "hands on management control and oversight" at an appropriate level of seniority.	Planning: Lack of initiation of procurements and confirmation of funds.	This implies committing the Entity without funds thereby causing domestic arrears.
		Bidding Process: Deviations from standard procedures namely bidding periods, standard formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms and splitting procurement requirements.	This implies lack of efficiency, standardisation and avoiding competition.
		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.

RISK	DESCRIPTION	AREA	IMPLICATION
		<p>Failure by the Entity to incorporate in the solicitation document aspects of gender, social inclusion, environment, health and safety.</p> <p>Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.</p>	
LOW	Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or to ensure that the business matches current market best practice. Deviations from laid down detailed procedures would normally be graded "low" provided that there is sufficient evidence of management action to put in place and monitor compliance with detailed procedures.	Planning: Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.
		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.		

Annex D: Physical verification Pictures as at 10th August 2022

Case: ISIN560/WRKS/21-22/00039	Contract value (UGX): 137,948,372
Contract: Fencing of District Headquarters Land at Ishozi with a mixture of chain link and barbed wire fencing including three gates of varying sizes and live fencing materials.	
Provider: Cob Technical Services Ltd	Date of Contract Signature: 28 th April 2022 Actual Completion Date: 13 th June 2022
Status of Works: The works were completed	



Above: Various sections of the fence at the District Headquarters during physical verification on 10th August 2022.



Above: The main gate at Isingiro District Headquarters, the project signpost, and elevated view of the fence during physical verification on 10th August 2022.

Case: ISIN560/WRKS/21-22/00021	Contract value (UGX): 422,753,104
Contract: Construction of office extension block at Isingiro District headquarters	
Provider: Kaleeta Construction Ltd	Date of Contract Signature: 23 rd December 2021 Actual Completion Date: Final works on-going
Status of Works: Exceptions- a slight crack on the external ceiling, the missing door locks and material debris were observed on-site during verification on 10 th August 2022.	



Above: The front section of the office extension block at Isingiro District headquarters during physical verification on 10th August 2022.



Above: The side and rear sections of the office extension block at the District and workers on site during physical verification on 10th August 2022.



Above: Exceptions- a missing door lock and material debris were observed on-site during verification on 10th August 2022.

