



**CONTRACT AUDIT REPORT INTO THE CONSTRUCTION OF BUHEMBA SEED  
SECONDARY SCHOOL IN NAMAYINGO DISTRICT UNDER UGIFT PROGRAM**

**CONTRACTOR: KRANIMA ECO SOLUTIONS LTD**

**PROCUREMENT REF: MoES/UgIFT/WRKS/2020-2021/00005**

**JUNE 2025**

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## **ACRONYMS**

ESHS	-	Environmental, Social, Health and Safety
PPDA Act	-	Public Procurement and Disposal of Public Assets Act Cap 205
PPDA	-	Public Procurement and Disposal of Public Assets Authority
UGX	-	Uganda Shillings
UGIFT	-	Uganda Intergovernmental Fiscal Transfer Program
VAT	-	Value Added Tax

## EXECUTIVE SUMMARY

The Government of Uganda appropriated funds worth UGX. 3,208,683,415 to undertake the construction of Buhemba Seed Secondary School in Namayingo District. Funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT), the implementing ministry was the Ministry of Education and Sports.

On 19<sup>th</sup> October 2022, Namayingo District Local Government entered into a contract with Kranima Eco Solutions Ltd for the construction of Buhemba Seed Secondary School at a cost of UGX. 3,208,683,415 with the intended completion date on 28<sup>th</sup> May 2024 and a defects liability period of 12 months.

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

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

### Key Findings of the Authority

The Authority found the following:

1. **Execution of works beyond contract expiry without extension;** The Authority noted that although the contract expired on 31<sup>st</sup> January 2025, works continued without a formal extension for four months until completion on 31<sup>st</sup> May 2025. This contravened Regulation 52(3)(a)(vi) of the PPDA (Contracts) Regulations, 2023, which requires the contract manager to ensure that all contractual obligations are fulfilled before contract expiry. As a result, the Entity was exposed to a risk of having no contractual protection against potential contractor non-performance during this period;
2. **Delayed payment to the contractor despite completion of works;** Although Kranima Eco Solutions Ltd had completed 100% of the works by 30<sup>th</sup> May 2025, the contractor had only been paid UGX 2,310,737,381, representing 72% of the total contract sum of UGX 3,208,683,415, indicating delayed payments contrary to Regulation 52(3)(a)(iii) of the PPDA (Contracts) Regulations, 2023 that requires contract managers to ensure that the Entity fulfills all payment and other obligations according to contract terms. No justification was provided for the delay, thereby breaching contractual obligations and exposing the Entity to reputational and financial risks;
3. **Delayed completion of works;** The Authority noted that the Entity signed a contract with M/s Kranima Eco Solutions Ltd on 19<sup>th</sup> October 2022, with site handover on 29<sup>th</sup> November 2022 and an original completion period of 18 months ending 28<sup>th</sup> May 2024. Although two contract extensions were granted, extending the completion date to 31<sup>st</sup> January 2025, the works were only completed on 30<sup>th</sup> May 2025 resulting in a time overrun of 172%. The delay was attributed to inadequate supervision by the contract management team and the absence of the contractor’s personnel on site. These delays ultimately affected the timely delivery of education services to the intended beneficiaries.; and

4. **Failure to place safety warning signs;** The Authority observed that the contractor failed to install essential safety measures, such as warning tapes around hazardous areas like open pits contrary to Section 66 of the PPDA Act Cap 205. This posed significant risks to workers and visitors who may have been unaware of potential dangers, reflecting non-compliance with basic safety standards and endangering site safety.

### **Recommendations**

In light of the above findings arising from the contract audit exercise and in accordance with Section 10 of the PPDA Act, Cap 205 the Authority recommends the following measures: -

1. Contract managers should closely monitor ongoing contracts and, where an extension is necessary, promptly initiate and secure all required approvals to issue a change order before the contract expires, in accordance with Regulation 53(1)(d) of the PPDA (Contracts) Regulations, 2023;
2. The Contract Manager should ensure that the Entity meets all the payment and other obligations in accordance with the terms and conditions of a contract as per Regulation 52 (3) (a) (iii) of the PPDA (Contracts) Regulations, 2023;
3. Contract managers should ensure that contractors perform the contract in accordance with the timelines specified in the contract to guard against delayed completion of works in accordance with Regulation 52 (3) (a) (i) of the PPDA (Contracts) Regulations, 2023; and
4. In future projects, the Contract supervisors should ensure that contractors install appropriate safety signage and warning measures around construction sites from the onset, to safeguard workers and visitors and reinforce adherence to safety protocols throughout project execution in line with Section 66 of the PPDA Act Cap 205.

### **Audit Conclusion**

In conclusion, the Authority found that both the contractor and the Entity failed to fully meet their contractual obligations. The contractor did not complete the works within the agreed timeframe and failed to comply with Environmental, Social, and Health Standards (ESHS). Likewise, the Entity failed to fulfill its payment and supervisory duties, contributing to significant delays. As a result, by May 2025, the project had reached 100% physical progress but with a time overrun of 172%.

## CHAPTER 1: INTRODUCTION

### 1.1 Contract summary

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

**Table 1: Contract summary for construction of Buhemba Seed Secondary School**

Entity	Namayingo DLG	
Contract Title	Construction of Buhemba Seed Secondary School	
Reference Number	MOES/UgIFT/WRKS/20-21/0005	
Name of Contractor	Kranima Eco Solutions Ltd	
Contract Sum	UGX. 3,208,683,415	
Type of contract	Lumpsum	
Contract Scope	<b>Works Description</b>	<b>Amount (UGX)</b>
	Preliminaries	214,368,933
	Site levelling works	13,225,000
	Three 2-classroom blocks	456,819,210
	One 2-Unit Science Laboratory Block	290,408,145
	One Administration Block	172,394,770
	Three 2-Unit Teachers House	480,484,935
	Three 2-Unit Teachers Kitchen	119,802,330
	One 2-Stance Lined VIP Latrine at Administration Block	19,393,910
	Three Two-Stance Lined VIP Latrine Block for Teachers House	75,761,730
	One Five Stance Lined VIP Latrine Block for Boys	39,105,360
	One Five Stance Lined VIP Latrine Block for Girls	39,105,360
	External works	70,002,500
	One rain water harvest system with 5000 litres	6,535,600
	One ICT library Block	337,421,055
	One Multipurpose Hall	294,394,395
	One sports field	50,000,000
	<b>Sub Total 1</b>	<b>2,719,223,233</b>
	VAT 18%	489,460,182
	<b>TOTAL AMOUNT</b>	<b>3,208,683,415</b>
Contract Signing date	19 <sup>th</sup> October 2022	
Site hand over date	29 <sup>th</sup> November 2022	
Original contract completion date	28 <sup>th</sup> May 2024 (18 months)	

Defects Liability period	12 months
Contract Extension	From 28 <sup>th</sup> May 2024 to 31 <sup>st</sup> January 2025
Method of procurement	Open National Bidding
Amount Paid	UGX. 2,310,737,381
Contract manager	Mr. Kirya Godfrey -District Engineer
Clerk of works	Mr. Tambit Moses
Progress at site	Physical progress: 100% Financial: 72% Time: 172%

## 1.2 Laws applicable

The applicable laws and legal framework were:

1. The Public Procurement and Disposal of Public Assets Act Cap 205;
2. The Local Governments (PPDA) Regulations, 2006;
3. The Local Governments (PPDA) Guidelines, 2008;
4. The PPDA Regulations 2023
5. The bidding document issued to bidders;
6. The signed contract between Namayingo DLG and Kranima Eco Solutions Ltd; and
7. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16<sup>th</sup> March 2021.

## 1.3 Objectives

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

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

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

## 1.4 Scope of the Audit

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

## 1.5 Audit Methodology

The Authority adopted the following methodology:

- i. Review of documentation in the procurement action file;
- ii. Physical verification of the site;
- iii. Debriefing the Entity management on the preliminary findings;
- iv. Issuing a management letter to the Entity for official management response; and
- v. Reporting on findings of the audit and providing recommendations where applicable

## **1.6 Limitation of Scope**

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

## CHAPTER 2: FINDINGS AND RECOMMENDATIONS

### 2.1 ASSESSMENT OF THE PROGRESS OF WORKS

#### 2.1.1 Progress of works

The Authority reviewed the contract document, contract management records and conducted physical verification of the project to ascertain the time, physical and financial progress works as shown below.

##### i. Time progress

The Authority noted that the Entity signed a contract with Kranima Eco Solutions Ltd on 19<sup>th</sup> October 2022 with site handover on 29<sup>th</sup> November 2022 and a contract completion period of 18 months expiring on 28<sup>th</sup> May 2024. The contract was extended twice up to 31<sup>st</sup> January 2025. Table 2 below shows the time progress of the project.

**Table 2: Time Progress as at 30<sup>th</sup> May 2025**

<b>Contract Start Date</b>	19 <sup>th</sup> October 2022
<b>Original Contract End Date</b>	Initial original contract end date was on 28 <sup>th</sup> May 2024.
<b>Contract Extension No. 1</b>	4 months up to 31 <sup>st</sup> September 2025
<b>Contract Extension No. 2</b>	4 months up to 31 <sup>st</sup> January 2025
<b>Measurement Date for works</b>	30 <sup>th</sup> May 2025
<b>Contract Period (Months)</b>	18 months
<b>Time Lapse (Months)</b>	31 months
<b>Time Progress</b>	172%.

The contractor completed the works on 30<sup>th</sup> May 2025, taking 31 months instead of the planned 18 months, representing a time overrun of 172%, as shown in Table 2 above. Additionally, during the physical verification, the contractor and key personnel were not present on site.

##### ii. Physical progress

Table 3 below shows the physical progress of the project at 100% as at 30<sup>th</sup> May 2025 with the site complete awaiting commissioning on 12<sup>th</sup> June 2025.

**Table 3: Physical Progress as at 30<sup>th</sup> May 2025**

<b>Contract Amount</b>	3,208,683,415
<b>Measured / Valued works as at 30<sup>th</sup> May 2025</b>	3,208,683,415
<b>Physical Progress as per Engineer's measurements</b>	100%

##### iii. Financial progress

Table 4 below, shows the financial progress of the project that was determined by analysing the cumulative amount of money paid out to the contractor as visa vis the contract amount sum. The financial performance was 72% worth UGX. 2,310,737,381.

**Table 4: Financial Progress as at 30<sup>th</sup> May 2025**


<b>Contract Amount</b>	3,208,683,415
<b>Payments Made</b>	<ul style="list-style-type: none"> <li>▪ <b>IPC No. 1</b> dated 24<sup>th</sup> August 2023 -UGX. 475,864,066 - EFT Payment (No.8675107) dated 17<sup>th</sup> November 2023 -UGX. 324,661,876 and EFT Payment (No.9253450) dated 18<sup>th</sup> December 2023 -UGX. 122,650,346</li> <li>▪ <b>IPC No. 2</b> dated 19<sup>th</sup> January 2024 -UGX. 407,339,641 - EFT Payment (No.10439570) dated 12<sup>th</sup> February 2024 -UGX. 382,899,263</li> <li>▪ <b>IPC No. 3A</b> dated 5<sup>th</sup> April 2024 -UGX. 220,800,927 - EFT Payment (No.11547195) dated 15<sup>th</sup> April 2024 -UGX. 207,552,871</li> <li>▪ <b>IPC No. 3B</b> dated 14<sup>th</sup> May 2024 -UGX. 220,800,927 - EFT Payment (No.12187641) dated 17<sup>th</sup> May 2024 -UGX. 207,552,871</li> <li>▪ <b>IPC No. 4</b> dated 26<sup>th</sup> May 2024 -UGX. 442,087,172 - EFT Payment (No.13155242) dated 26<sup>th</sup> June 2024 -UGX. 415,561,942</li> </ul>
<b>Advance Payment</b>	543,844,648
<b>Total Payments as at review by the Authority</b>	UGX. 2,310,737,381
<b>Financial Progress</b>	72%

**Note:** The Authority noted that the contractor had been paid only UGX. 2,310,737,381 which was equivalent to 72% of the contract sum and was not equivalent to the works done at the time with physical progress of 100%. This could imply delayed payments to the contractor. The Entity did not give any reason for the delay.

**2.1.2 Physical verification pictures**

Table 5 below shows the actual status of works as at 30<sup>th</sup> May 2025:-

**Table 5: Status of works as at 30<sup>th</sup> May 2025**

 <p><i>Site hoarding</i></p>	 <p><i>Temporary pit latrine</i></p>
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*Project signage*



*Project signage*



*First aid box*



*Project signage*



*Project signages*



*Project signage*



*Front view*



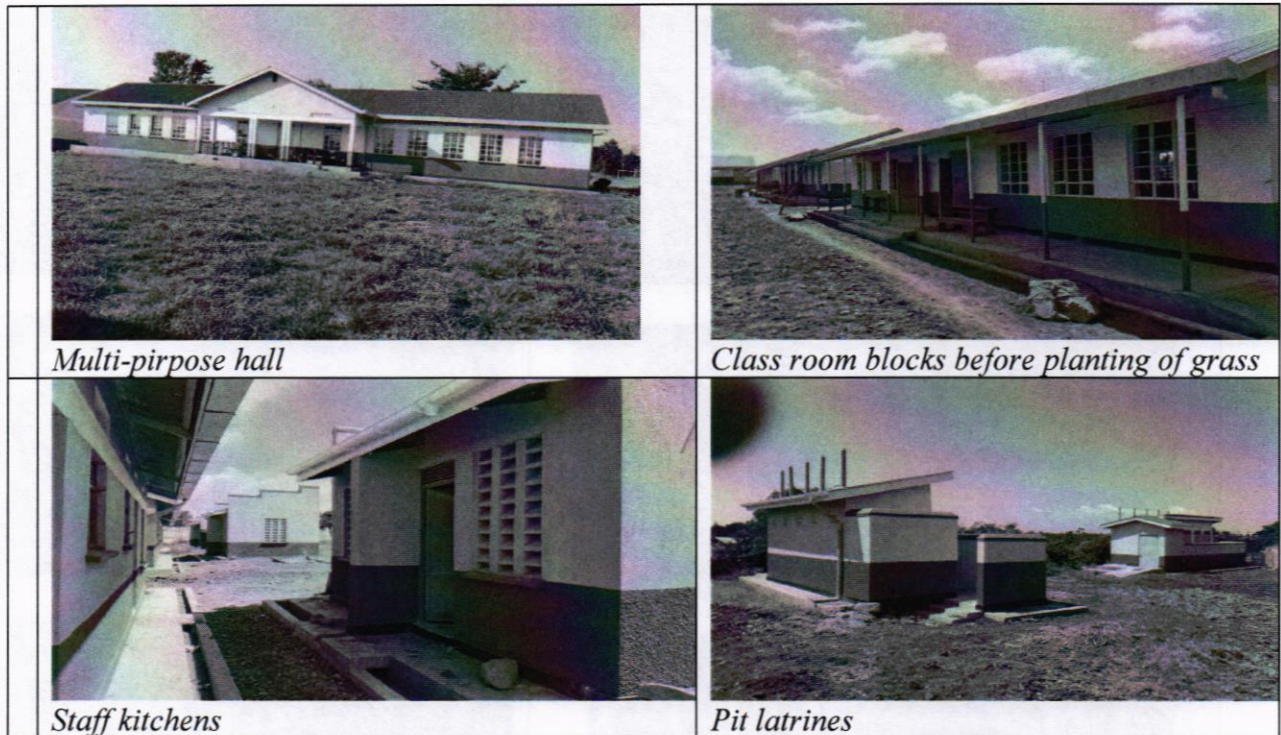
*Administration block*



*Science laboratory, library, and computer lab*



*Quadrangle with grass planted*



## 2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

### 2.2.1 Execution of works beyond contract expiry without contract extension

Regulation 52(3)(a)(vi) of the PPDA (Contracts) Regulations, 2023 requires the contract manager to ensure that all contractual obligations are fulfilled before the contract expiry. The Authority noted that although the contract expired on 31<sup>st</sup> January 2025, works continued without a formal extension for four months until completion on 31<sup>st</sup> May 2025.

#### **Implication**

This exposed the Entity to significant risk, as there was no contractual protection against potential contractor non-performance during the four-month period.

#### **Management response**

*We take note of the audit finding however, by the time of audit the contract had been extended twice from 9<sup>th</sup> May 2024 to 13<sup>th</sup> September 2024 and from 13<sup>th</sup> September to 31<sup>st</sup> January 2025.*

#### **Authority's comment**

The Authority acknowledges the Entity's response that the contract had been extended twice up to 31<sup>st</sup> January 2025. However, there was no further extension after this yet works continued on site up to 30<sup>th</sup> May 2025.

#### **Recommendation**

Contract managers should closely monitor ongoing contracts and, where an extension is necessary, promptly initiate and secure all required approvals to issue a change order before the contract expires, in accordance with Regulation 53(1)(d) of the PPDA (Contracts) Regulations, 2023.

### **2.2.2 Delayed payment to the contractor despite completion of works**

Regulation 52(3)(a)(iii) of the PPDA (Contracts) Regulations, 2023 requires the contract manager to ensure that the Entity fulfills all payment and other obligations in accordance with the contract terms.

The Authority noted that although Kranima Eco Solutions Ltd had achieved 100% physical progress by 30<sup>th</sup> May 2025, the contractor had only been paid UGX 2,310,737,381 representing 72% of the total contract sum of UGX 3,208,683,415. This indicates delays in payment. The Entity did not provide any justification for the delay.

#### **Implication**

Failure to meet payment obligations breaches contractual terms and exposes the Entity to reputational and financial risks.

#### **Management response**

*No response*

#### **Recommendation**

The Contract Manager should ensure that the Entity meets all the payment and other obligations in accordance with the terms and conditions of a contract as per Regulation 52 (3) (a) (iii) of the PPDA (Contracts) Regulations, 2023.

### **2.2.3 Delayed completion of works.**

The Authority observed that the Entity signed a contract with Kranima Eco Solutions Ltd on 19<sup>th</sup> October 2022, with site handover on 29<sup>th</sup> November 2022 and an original completion period of 18 months, ending on 28<sup>th</sup> May 2024. Although the contract was extended twice up to 31<sup>st</sup> January 2025, works were completed on 30<sup>th</sup> May 2025, indicating a time overrun of 172%. The project was significantly behind schedule. The delay was attributed to inadequate supervision and absence of contractor's personnel on site as observed during the physical verification exercise conducted by the Authority.

#### **Implication**

This caused delayed service delivery to the intended beneficiaries and compromises achievement of economy, efficiency and value for money contrary to Section 51 of the PPDA Act, Cap 205

#### **Management response**

*No response*

#### **Recommendation**

Contract managers should ensure that contractors perform the contract in accordance with the timelines specified in the contract in accordance with Regulation 52 (3) (a) (i) of the PPDA (Contracts) Regulations, 2023.

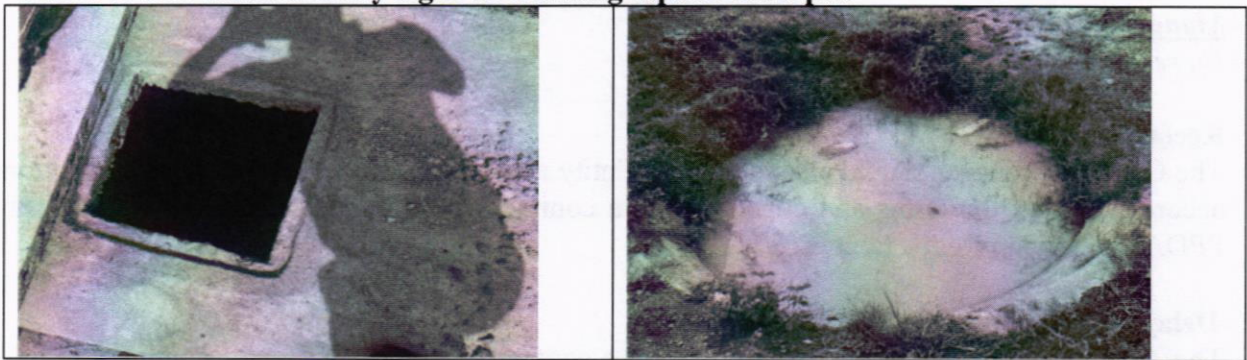
**2.3 ADHERENCE TO ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY (ESHS) REQUIREMENTS**

The Authority found that the Contractor failed to implement environmental mitigation measures contrary to the PS/ST Circular dated 26<sup>th</sup> May 2020 on contract management and safe guard requirements under UGIFT which required all Local Government Accounting Officers to take in to account Environmental, Social, Health and Safety concerns on all on-going and forthcoming projects under UGIFT programme in Health, Education, Water and Agriculture Sectors as detailed below:

**2.3.1 Failure to place safety warning signs**

The Authority found that the Contractor did not install safety measures such warning tape placed at dangerous spots such as pits as detailed in Table 7 below:

**Table 7: Site with no safety signs or warning tape around pits**



**Implication**

Failure to display safety signs endangers workers and visitors who may be unaware of hazards or safety protocols

**Management response**

*We take note of the recommendation by the auditor however the safety signs had been installed but during the time of audit they had been vandalized by students during protest*

**Recommendation**

In future projects, the Contract supervisors should ensure that contractors install appropriate safety signage and warning measures around construction sites from the onset, to safeguard workers and visitors and reinforce adherence to safety protocols throughout project execution in line with Section 66 of the PPDA Act Cap 205.

**CHAPTER 3: CONTRACT CLOSURE AND AUDIT CONCLUSION**

**3.1 Contract Closure and Handover**

As at 30<sup>th</sup> May 2025, the physical progress was at 100% against a time progress of 172%, implying that the contractor has failed to deliver the project within the stipulated time.

### **3.2 Audit conclusion**

The Authority found that both the contractor and the Entity failed to fully meet their respective contractual obligations. The contractor did not complete the works within the agreed timeframe and failed to comply with Environmental, Social, and Health Standards (ESHS) requirements. Similarly, the Entity did not fulfill its payment and supervisory responsibilities, which contributed to delays in project execution.