



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

**CONTRACT AUDIT REPORT INTO THE CONSTRUCTION OF KACHURU SEED
SECONDARY SCHOOL (BUTE619/WRKS/2021-2022/00003) AND UPGRADE OF
KACHURU HEALTH CENTRE II TO HEALTH CENTRE III
(MOES/UgIFT/WRKS/2020-2021/00097-LOT 2) IN BUTEBO DISTRICT**

BUTEBO DISTRICT LOCAL GOVERNMENT

JUNE 2025

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ACRONYMS

ESHS	Environment, Social, Health and Safety
FY	Financial Year
GCC	General Conditions of Contract
IPC	Interim Payment Certificate
PPDA	Public Procurement and Disposal of Public Assets Authority
PPDA Act	Public Procurement and Disposal of Public Assets Act
SCC	Special Conditions of Contract
UgIFT	Uganda Intergovernmental Fiscal Transfer
UGX	Ugandan Shillings

EXECUTIVE SUMMARY

The Government of Uganda appropriated funds worth UGX. 2,100,000,000 and 617,452,478 to undertake the construction of Kachuru Seed Secondary School and upgrade of Kachuru Health Centre II to Health Centre III respectively in Butebo District.

On 25th February 2021, Butebo District Local Government entered into a contract with Tona Uganda Limited for the upgrade of Kachuru Health Centre II to Health Centre III at UGX 617,452,478. Funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT), the implementing ministry was the Ministry of Health; and

On 20th December 2021, Butebo District Local Government entered into a contract with Gali Technical Services Limited for the Construction of Kachuru Seed Secondary School at UGX 2,100,000,000. 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.

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 two contracts 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.

A. CONSTRUCTION OF KACHURU SEED SECONDARY SCHOOL

Key findings and recommendations:

1. **Missing contract management records.** The Authority observed that the procurement action file did not have some of the contract management records that included the contract document, interim certificates & payment records and progress reports contrary to Regulation 52 (3) (vii) of the PPDA (Contracts) Regulations 2023. The absence of contract management records, compromises financial accountability, and increases the risk of mismanagement or misuse of public funds;
2. **Delayed completion of works.** The contractual completion date was 12th July 2023 with a contractual completion period of 18 months starting on 12th January 2022, however, by the time of physical verification on 12th December 2024, 194% of the time had elapsed but the works were incomplete and at 80% as per the Auditors opinion contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023. Failure by the contractor to complete works within the contractual period caused delays leading to delayed services to the intended beneficiaries contrary to Section 51 of the PPDA Act Cap 205;
3. **Over payment of the contractor.** The Financial progress as per the progress report dated 28th August 2024 was 98%. However, the physical progress on site could not justify the 98% financial progress contrary to Regulation 47 (1) of the PPDA (Contracts) Regulations 2023. Specifically, the final touches had not been completed for all the structures including the classroom blocks, pit latrines, multipurpose hall, science

laboratory and administration block, the staff houses were not roofed, football pitch unlevelled, furniture not delivered, plumbing and equipping of the science lab was not done, the rain water harvest system had not been installed, the drainage system hadn't been installed among others. All these remaining works could not be completed within the remaining amount of UGX 41,573,581;

4. **Delayed response to the contractor's request for price variation.** The contractor submitted a request for contract variation worth UGX 865,530,085 owing to the effects of COVID-19 that led to escalation of prices for materials and fuel. However, interviews with the Director of the company, indicated that this request has never been addressed. The contractor raised the same issue during the site meeting dated 31st January 2024 and stated that they won't be able to continue with the works without additional funds. The Authority however, noted that by 12th December 2024, the matter had not been addressed causing delayed execution of the works;
5. **Expired contract.** The initial contractual completion date was 12th July 2023, however, by the time of physical verification on 12th December 2024, 194% of the time had elapsed and there was no evidence that the contractual completion period was extended contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023. Failure to ensure renewal of the contractual completion period, indicates that there is no valid contract and thus the contractual provisions cannot be enforced;
6. **Failure to submit a revised program of works.** Whereas the works had delayed by 194% of the initial project period, there was no evidence that the contractor submitted a revised work program showing the general methods, resource mobilization arrangements, order, and timing for all the activities in the works and as such, the contract was being implemented without an updated works program which affected ongoing monitoring of the project contrary to Paragraph 36.3 of the General Conditions of Contract;
7. **Failure to appoint a Clerk of Works.** There was no evidence that the Entity appointed a Clerk of Works contrary to the Circular on contract management and safeguard requirements under the Intergovernmental Fiscal Transfer Program for Results issued by the Ministry of Finance Planning and Economic Development on 26th May 2020. Failure to undertake adequate technical supervision exposes the works to the risk of use of wrong work methods, materials, measurements and material deviations from contract requirements without backstopping as well delayed works;
8. **Failure to comply with key Environmental, Social, Health, and Safety Standards.** Contrary to the Social, Safety and Health Safeguards Implementation Guidelines issued to Local Governments by the Ministry of Gender, Labor and Social Development in October 2020. The Authority noted the following issues:
 - i. Trees had not yet been planted around the compound, yet the contract provided for 100 trees to be planted while works were ongoing;
 - ii. Storm water drainage had not yet been done;
 - iii. Failure to ensure that the site is registered by the Ministry of Gender, Labour and Social Development;
 - iv. Failure to institute a Grievance Redress Committee at the project level. There was no evidence that the Entity had instituted a functional Grievance Redress Committee at the site to handle any grievances or conflicts that may arise at the site. This was despite the fact that the casual labourers at the site had complaints regarding delayed payments from the contractor as noted in the progress report dated 31st January 2024;
 - v. Failure to provide PPE for the workers. The workers on site were not equipped with personal protective equipment such as helmets, reflector jackets and gumboots; and
 - vi. No record of employment of staff. The Authority noted that the casual laborers on site did not have formal employment contracts with the contractor.

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

1. The Accounting Officer should:
 - i) Ensure that the Contract Managers and the Finance Department always share copies of payments records with the Procurement and Disposal Unit in order for procurement action files to be closed off in accordance with Regulation 52 (3) a (vii) of the PPDA (Contracts) Regulations, 2023;
 - ii) Ensure that the Guidance issued by the Authority regarding the acquisition of a contractor for the remaining works dated 19th December 2024 is adhered to such that the works can proceed under a valid contract;
 - iii) Strengthen contacts management and prevail over the Contract Management Team to manage the obligations and duties of the Procuring and Disposing Entity specified in the contract; and make certain that the provider performs the contract in accordance with the terms and conditions specified in the contract in line with Regulation 52 of the PPDA (Contracts) Regulations, 2023;
 - iv) Task the District Engineer to show cause why disciplinary action should not be taken against him for recommending payments against a contract that has not been formally signed;
 - v) Always ensure that correspondences from the contractor are addressed in writing and in time in accordance with Regulation 59 of the PPDA Act Cap 205;
 - vi) In future ensure that works contracts are extended before expiry in line with Regulation 53 of the PPDA (Contracts) Regulations 2023;
 - vii) Ensure that the Guidance issued by the Authority regarding the acquisition of a contractor for the remaining works dated 19th December 2024 is adhered to such that the works can proceed under a valid contract;
2. The Contractor's Health, Safety and Environmental Coordinator together with the Community Development Officer should regularly assess the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by the contractor's personnel on site and recommend remedial actions to be undertaken by the contract in accordance with Section 66 of the PPDA Act, Cap 205; and
3. The Entity should explore alternative cost-effective supervision mechanisms to maintain oversight and safeguard the quality of works in the absence of the Clerk of Works such as appointing someone from within the District to conduct the supervision in line with the circular on contract management and safeguard requirements under the Intergovernmental Fiscal Transfer Program for Results issued by the Ministry of Finance Planning and Economic Development on 26th May 2020.

B. UPGRADING OF KACHURU HEALTH CENTRE II TO HEALTH CENTRE III

Key findings and recommendations:

1. **Unclear contractual terms.** The Authority noted that the contract was poorly drafted. There were deficiencies which included varying contractual completion dates; under the contract data sheet, the contract stated the completion date as three calendar months from the start date while under the special conditions of contract, (GCC 17.1) it stated the contractual completion date as six months after contract signing. The total contract price was also different in the contract, the first page of the contract had a contract sum of UGX 617,452,478 while the attached price schedule had a contract price of UGX 676,742,902;
2. **Failure by the Contract Management team to prepare a contract management plan.** The Authority found that the Contract Management team, led by the District Engineer did

not prepare a contract management plan for the construction project to clearly indicate intended desired milestones at the different stages of construction contrary to Regulation 50(3) of the PPDA (Contracts) Regulations, 2023. This hindered effective monitoring and supervision of the contract;

3. **Excess advance payment.** The Authority noted that UGX 250,000,000 advance payment which translated to 40.4% of the contract price was made to the contractor on 28th June 2021. This was contrary to Regulation 43 (3) of the PPDA (Contracts) Regulations 2023 which states that a Procuring and Disposing Entity shall not make an advance payment exceeding 30% of the contract price. This exposes the Entity to potential financial loss in case of failure by the contractor to execute the works as per contract terms and conditions;
4. **Gross delay in project implementation.** Whereas the project was scheduled to be completed on 19th September 2021 (6 months from site hand over date), at the time of physical verification on 12th December 2024, the physical progress of the project was still at 81% completion, compared to 650%-time progress and 70.3% financial progress contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023. This denies the intended beneficiaries the value they would have derived from the usage of the facilities within the building. It might also attract unnecessary costs from the contractor pertaining to price adjustments due to changes in product prices;
5. **Irregular engagement of the contractor based on an expired contract.** The contract was signed on 25th February 2021, for a six months duration, with an expected completion date of 19th September 2021. However, despite its expiration on that date, the Entity only informed the contractor, Tona Uganda Limited on 1st December 2021, that their contract had officially expired. This was contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023. This may cause legal disputes between the Entity and the Contractor and there exists no legally binding obligation between the two parties to the contract; and
6. **Substandard quality of works.** The Authority visited the site on 12th December 2024 and found deficiencies in quality of some works including; poorly installed electric sockets, cracking walls at the door, and poorly finished doors made of poor-quality timber contrary to Regulation 52 (3) (a) (iv) of the PPDA (Contracts) Regulations 2023. This inhibited achievement of value for money.

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

1. The Accounting Officer should:
 - i) Ensure that advance payments are made in accordance with Regulation 43 (3) of the PPDA (Contracts) Regulations 2023 and should not exceed the 30% threshold as per the Regulations; and
 - ii) Strengthen contracts management in the Entity and prevail over Contract Managers and Supervisors to execute their roles diligently in accordance with Regulation 52 (3) of PPDA (Contracts) Regulations, 2023;
2. The Project Manager should ensure that whenever contracts are extended, the corresponding contract implementation plans are revised to align with the new timelines, in compliance with Regulation 50(3) of the PPDA (Contracts) Regulations, 2023.
3. The Accounting Officer should ensure that contracts are renewed prior to their expiry. Similarly, the Head Procurement and Disposal Unit and the Contract Management Team should keep track of contract expiry timelines and initiate the process of contract renewal in time, in accordance with Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023.

4. The Head, Procurement and Disposal Unit should ensure that contract documents prepared are comprehensive and clear on key contract deliverable in the special conditions of contract such as contract start and end in accordance to Regulation 9 of the PPDA (Contracts) Regulations 2023.

A. CONSTRUCTION OF KACHURU SEED SECONDARY SCHOOL

CHAPTER 1: INTRODUCTION

1.1 Contract summary

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

Table 1: Contract Summary-Construction of Kachuru Seed Secondary school

Contract Title	Construction of Kachuru Seed Secondary School
Reference Number	BUTE619/WRKS/2021-2022/00003
Contract Sum	2,100,000,000
Contract Scope	<ol style="list-style-type: none">1. Preliminaries-UGX. 75,610,0002. Three 2-classroom blocks-UGX. 413,484,0003. One 2-Unit Science Laboratory Block-UGX. 224,339,0004. One Administration Block-UGX. 161,342,0005. Three 2-Unit Teachers House-UGX. 413,376,0006. Three 2-Unit Teachers Kitchen-UGX. 90,835,50007. One 2-Stance Lined VIP Latrine at Administration Block-UGX. 15,962,000.8. Three Two-Stance Lined VIP Latrine Block for Teachers House-UGX. 55,920,000.9. One Five Stance Lined VIP Latrine Block for Boys-UGX. 32,326,00010. One Five Stance Lined VIP Latrine Block for Girls-UGX. 30,909,00011. External works -UGX. 26,850,00012. One rain water harvest system with 5000 litres-UGX. 16,252,00013. One ICT library Block-UGX. 265,435,50014. One Multipurpose Hall-UGX. 227,359,00015. One Sports field-UGX. 50,000,000
Contract Signing date	20 th December 2021
Site hand over date	12 th January 2022
Original contract completion date	12 th July 2023 (18 Months)
Defects Liability period	18 months
Contract Extensions	No documentation provided
Name of Contractor	Gali Technical Services
Method of procurement	Open National Bidding
Type of Contract	Lumpsum
Amount Paid	2,058,426,419 as per the progress report of August 2024.
Contract supervisor of works	District Engineer-Engineer Kooli Sam
Progress at site	Physical progress: 80% as per the Auditors opinion. Financial: 98% Time: 194%

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 Butebo DLG and Gali Technical Services Limited; and
7. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16th March 2021.

1.3 Objectives

The overall objective of the contract audit was to assess the effectiveness of the contracting process and the status of contract implementation in regard to the obligations of Butebo District Local Government (the Entity) and Gali Technical Services.

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 Kachuru 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 PROGRESS OF THE WORKS

The Authority ascertained the physical, financial and time progress of the project as detailed below;

i. Time Progress

The time progress as at 26th May 2025 is shown in the Table 3 below:

Table 2: Kachuru Seed Secondary school time Progress as at 26th May 2025

Start Date	12 th January 2022
End Date	12 th July 2023
Measurement Date	26 th May 2025
Contract Period (Months)	18
Time Lapse (Months) as at 26th May 2025	40
Time Progress	222%

ii. Financial Progress

The financial progress of the project could not be reliably determined due to the fact that the Entity did not avail all the payment records to enable the Authority to analyse the cumulative amount of money paid out to the contractor visa vis the contract amount sum. However, the progress report dated August 2024 indicated the financial progress at 98% with narrative that the following payments had been made. The details of the Financial Progress are shown in Table 4 below:

Table 3: Financial Progress as at August 2024

Contract Amount (UGX)	2,100,000,000
Payments made so far	
2021/2022	586,292,353
2022/2023	345,407,042
2023/2024	1,126,727,024
Total amount paid	2,058,426,419
% Financial Progress	98

Note: The Authority based its findings in the table above from the progress report of August 2024 since no payment records were provided to the Authority for review and verification thus compromising the audit trail and the authenticity of the payments made against the certified deliverables.

iii. Physical Progress

The Authority conducted physical verification of the project on 12th December 2024 and noted that works were incomplete yet the contractor had very few workers on site. The Authority noted that the Multipurpose Hall, the three, two Classroom blocks, the ICT & Science Laboratories, Boys and girls pit latrines and Teachers pit latrines had been roofed, window and door frames fitted pending external finishes, painting, floor works, electrical and plumbing works while the Staff houses with their pit latrines and kitchens had not been roofed, window and door frames

had not been fitted, rain water harvesting installations had not been done, land scaping , tree planting and pitch (playground) levelling works and vegetation had not been done. Furthermore, furniture had not been supplied.

Note: Whereas the Engineers progress report dated 31st August 2024 indicated the physical progress of works at 98% the Auditors opinion is such that the works were at about 80% completion given the volume of the outstanding works.

Table 5 shows the physical progress of the project as per the Engineers progress report as at 31st August 2024 and the Auditors opinion on the same.



Table 4: Physical Progress

Contract Amount	2,100,000,000
Valued works as at 31st August 2024 (Engineers report)	2,058,426,419
Physical Progress	98%
Auditors Opinion as at 12th December 2024	80%

Physical verification pictures

Physical verification of the project was carried out by the Authority on 12th December ,2024 and the actual progress of the works is shown in table 5 below;

Table 5-Pictorial Kachuru Seed Secondary School

No.	Subject of Procurement
1	Multipurpose hall 
2.	Classroom block  Ramp was too steep

3



Floor not yet done

4

Library and computer lab





5

Boys and Girls pit latrines



Manhole left open which poses a significant risk to Health and Safety

6	<p>Staff houses</p>  <p>Staff houses were at roofing stage</p>
7	<p>Staff pit latrine</p> 

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Missing progress reports

The Authority observed that the procurement action file did not have most of the progress reports and all payment records contrary to Regulation 52 (3) (g) of the PPDA (Contracts) Regulations 2023. The missing progress reports are provided in Table 7 below:

Table 6: Missing progress reports

No	Description
1.	January 2022
2.	February 2022
3.	March 2022
4.	April 2022
5.	May 2022
6.	June 2022
7.	July 2022
8.	August 2022
9.	September 2022
10.	October 2022
11.	December 2022

12.	January 2023
13.	February 2023
14.	March 2023
15.	June 2023
16.	July 2023
17.	August 2023
18.	September 2023
19.	November 2023
20.	December 2023
21.	January 2024
22.	February 2024
23.	April 2024
24.	May 2024
25.	June 2024
26.	July 2024

Implication

The absence of contract management records, compromises financial accountability, and increases the risk of mismanagement or misuse of public funds.

Management response

These records are with the office of the Inspectorate of Government.

Authority’s response

The Authority found the Entity’s response unsatisfactory, as the Entity had ample time to submit the required documentation since the audit began in September 2024.

Recommendations

1. The Head Procurement and Disposal Unit should ensure that procurement action files are complete with all documents in accordance with Section 33 (o) of the PPDA Act Cap 205.
2. The Accounting Officer should ensure that the Contract Managers always share copies of progress reports with the Procurement and Disposal Unit in order for procurement action files to be closed off in accordance with Regulation 52 (3) a (vii) of the PPDA (Contracts) Regulations, 2023.

2.2.2 Delayed completion of works

The contractual completion date was 12th July 2023 with a contractual completion period of 18 months starting on 12th January 2022, however, by the time of physical verification on 12th December 2024, 194% of the time had elapsed but the works were incomplete and at 80% as per the Auditors opinion contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023.

Implication

Failure by the contractor to complete works within the contractual period caused delays leading to delayed services to the intended beneficiaries.

Management response

Using Guidance from the Authority, the Entity completed the process of sourcing for another provider.

Authority's comment

The Authority noted the Entity's response, however, the guidance was issued after the contract period had expired and the contractor had abandoned the site.

Recommendations:

The Accounting Officer should;

- i. Ensure that the Guidance issued by the Authority regarding the acquisition of a contractor for the remaining works dated 19th December 2024 is adhered to such that the works can proceed under a valid contract.
- ii. Strengthen contacts management and prevail over the Contract Management Team to manage the obligations and duties of the Procuring and Disposing Entity specified in the contract; and make certain that the provider performs the contract in accordance with the terms and conditions specified in the contract in line with Regulation 52 of the PPDA (Contracts) Regulations, 2023.

2.2.3 Overpayment of the contractor

The Financial progress as per the progress report dated 28th August 2024 was 98%. However, the physical progress on site could not justify the 98% financial progress contrary to Regulation 47 (1) of the PPDA (Contracts) Regulations 2023. Specifically, the final touches had not been completed for all the structures including the classroom blocks, pit latrines, multipurpose hall, science laboratory and administration block, the staff houses were not roofed, football pitch unlevelled, furniture not delivered, plumbing and equipping of the science lab was not done, the rain water harvest system had not been installed, the drainage system hadn't been installed among others. All these remaining works could not be completed within the remaining amount of UGX 41,573,581.

Implication

Payment of the contractor beyond the works done indicates a failure to achieve value for money, and poses a possible risk of financial loss to the Entity in the event of nonperformance by the Contractor. This could also be as a result of unethical and fraudulent tendencies with in the Entity.

Management response

There was a revision in prices of the contract and therefore this was not an over payment but the actual measured value. The unfinished works are being completed under the new contract.

Authority's comment

The Authority noted the Entity's response. However, the revised contract was dated on 25th February 2025 after the event.

Recommendation

The Accounting Officer should task the District Engineer to show cause why disciplinary action should not be taken against them for recommending payments against a contract that has not yet been signed.

2.2.4 Delayed response to the contractor's request for price variation

The contractor submitted a request for contract variation worth UGX 865,530,085 owing to the effects of Covid-19 that led to escalation of the prices for materials and fuel. However, interviews with the Director, indicated that this request has never been addressed. The contractor raised the same issue during the site meeting dated 31st January 2024 and stated that they won't be able to continue with the works without additional funds. The Authority however, noted that by December 2024, the matter had not been addressed causing delayed execution of the works.

Implication

- This led to delayed execution of the works and demotivated the contractor.
- The bid validity period expired necessitating the Entity to engage in costly retendering of the procurement.

Management Response

The entity operates on a fixed budget therefore when the contractor raised for price adjustment, there was no immediate response. However, consultation with the ministry of Education and Ministry of Finance who approved the price adjustments and provided the additional funds took some time hence the delay. But later funds were approved and works for the completion are ongoing.

Authority's comment

The Authority noted the Entity's response; however, the response was delayed and the contractor was not updated as to whether their concerns were being addressed from January 2024 until February 2025 when the new contract was signed.

Recommendation

The Accounting Officer should in future ensure that correspondences from the contractor are addressed in writing and in time in accordance with Regulation 59 of the PPDA Act Cap 205.

2.2.5 Expired Contract

The initial contractual completion date was 12th July 2023, however, by the time of physical verification on 12th December 2024, 194% of the time had elapsed and there was no evidence that the contractual completion period was extended contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023.

Implication

Failure to ensure renewal of the contractual completion period, indicates that there is no valid contract and thus the contractual provisions cannot be enforced.

Management Response

The contract period was renewed up to July 2024. And after that the contract between the entity and contractor expired and could not be renewed again because it was against the public procurement and disposal of public assets (contracts) Regulation (55) 2023.

Authority's comments

- The Authority acknowledged the Entity's response; however, the referenced Regulation 55 of the PPDA (Contracts) Regulations 2023 is applicable solely to the items listed under Schedule 3. Going forward, the Entity should utilize Regulation 53 (Change Orders to Contracts) of the same regulations when seeking extensions for works projects.
- The Authority further noted that the Entity had sought and was issued guidance by the Authority regarding extension of the contract and the AO should follow the Guidance.

Recommendations

- The Accounting Officer should in future ensure that works contracts are extended before expiry in line with Regulation 53 of the PPDA (Contracts) Regulations 2023.
- The Accounting Officer should ensure that the Guidance issued by the Authority regarding the acquisition of a contractor for the remaining works dated 19th December 2024 is adhered to such that the works can proceed under a valid contract.

2.2.6 Failure to submit a revised work programme

Whereas the works had delayed by 194% of the initial project period, there was no evidence that the contractor submitted a revised work program showing the general methods, resource mobilization arrangements, order, and timing for all the activities in the works and as such, the contract was being implemented without an updated works program which affected ongoing monitoring of the project contrary to Paragraph 36.3 of the General Conditions of Contract.

Implication

The absence of a detailed work program implies that planned weekly and monthly activities are not known. As a result, there is no mechanism to accurately track the progress of individual activities and understand how they contribute to the overall project timeline. This ultimately leads to loss of control over project time and costs.

Management Response

The detailed revised work program was submitted.

Authority's comment

The Authority noted the Entity's response, however, there was no documentary evidence provided.

Recommendation

The Project Manager should task the contractor to always submit monthly updates to the work program showing the actual progress achieved on each activity and the effect of the progress achieved on the timing of the remaining works in line with Paragraph 36.3 of the General Conditions of Contract.

2.2.7 Failure to appoint a Clerk of Works

There was no evidence that the Entity appointed a Clerk of Works contrary to the Circular on contract management and safeguard requirements under the Intergovernmental Fiscal Transfer Program for Results issued by the Ministry of Finance Planning and Economic Development on 26th May 2020.

Implication

Failure to undertake adequate technical supervision exposes the works to the risk of use of wrong work methods, materials, measurements and material deviations from contract requirements without backstopping as well delayed works.

Management Response

The Entity did not hire a clerk of works due to financial constraints.

Recommendation

The Authority noted the Entity's response and recommends that the Entity should explore alternative cost-effective supervision mechanisms to maintain oversight and safeguard the quality of works in the absence of the Clerk of Works such as appointing someone from within the District to conduct the supervision in line with the circular on contract management and safeguard requirements under the Intergovernmental Fiscal Transfer Program for Results issued by the Ministry of Finance Planning and Economic Development on 26th May 2020.

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

2.3.1 Failure to comply with key Environmental, Social, Health, and Safety Standards. Contrary to the Social, Safety and Health Safeguards Implementation Guidelines issued to Local Governments by the Ministry of Gender, Labor and Social Development in October 2020. The Authority noted the following issues:

- i. Trees had not yet been planted around the compound, yet the contract provided for 100 trees to be planted while works were ongoing;
- ii. Storm water drainage had not yet been done;
- iii. Failure to ensure that the site is registered by the Ministry of Gender, Labour and Social Development;
- iv. Failure to institute a Grievance Redress Committee at the project level. There was no evidence that the Entity had instituted a functional Grievance Redress Committee at the site to handle any grievances or conflicts that may arise at the site. This was despite the fact that the casual labourers at the site had complaints regarding delayed payments from the contractor as noted in the progress report dated 31st January 2024;
- v. Failure to provide PPE for the workers. The workers on site were not equipped with personal protective equipment such as helmets, reflector jackets and gumboots;
- vi. No record of employment of staff. The Authority noted that the casual laborers on site did not have formal employment contracts with the contractor.

Implications

- This puts the health and safety of the workers and the communities at risk.

- Inadequate safety practices can lead to rework, shutdowns, and the allocation of resources to address accidents or incidents that could have been prevented with proper safety measures.

Authority's response

The Entity did not respond to this query

Recommendations

- The Accounting Officer should task the contract management team to put keen emphasis on ESHS requirements and ensure that the new contractor complies with the provisions in the contract.
- The Contractor's Health, Safety and Environmental Coordinator together with the Community Development Officer should regularly assess the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by the contractor's personnel on site and recommend remedial actions to be undertaken by the contract in accordance with Section 66 of the PPDA Act, Cap 205.

CHAPTER THREE: CONCLUSION

As of 26th May 2025, the time progress of the project was at 222% and the physical progress was at 80%. The Authority noted that the Multipurpose Hall, the three, two Classroom blocks, the ICT & Science Laboratories, Boys and girls pit latrines and Teachers pit latrines had been roofed, window and door frames fitted pending external finishes, painting, floor works, electrical and plumbing works while the Staff houses with their pit latrines and kitchens had not been roofed, window and door frames had not been fitted, rain water harvesting installations had not been done, land scaping , tree planting and pitch (playground) levelling works and vegetation had not been done. Furthermore, furniture had not been supplied.

B. UPGRADE OF KACHURU HEALTH CENTRE II TO HEALTH CENTRE III

CHAPTER 1: INTRODUCTION

2.4 Contract summary

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

Entity	Butebo District Local Government	
Contract Title	Upgrade of Kachuru Health Centre II in Butebo District into Health Centre III	
Reference Number	MOES/UgIFT/WORKS/20-21/00097-LOT 2	
Name of Contractor	Tona Uganda Limited	
Contract Sum	UGX 617,452,478	
Unexplained variation between contract sum and scope of works.	UGX.59,290,424	
Type of contract	Admeasurement	
Contract Scope	Works Description	Amount (UGX)

	Preliminaries	37,500,000
	Maternity ward	404,225,271
	VIP 4 stance	31,289,484
	Placenta Pit	10,473,500
	Medical waste Pit	10,664,000
	External works	13,500,000
	OPD	25,000,000
	Subtotal 1	532,652,255
	Contingencies (2.5%)	13,316,306
	Subtotal 2	545,968,561
	VAT 18%	98,274,341
	Local Government supervision	35,500,000
	GRAND TOTAL	676,742,902
Contract Signing date	25 th February 2021	
Site hand over date	19 th March 2021(14 days after contract signing)	
Original contract completion date	19 th September 2021 (6 months months)	
Defects Liability period	19 th May 2022 (8 months)	
Contract completion	Pending completion at the time of audit by 12 th December 2024	
Contract Extension	1 st extension: 29 th December 2021 to 28 th February 2022 2 nd extension: 28 th February 2022 to 30 th June 2022	
Method of procurement	Open National Bidding	
Amount Paid	UGX 434,560,145 (as per the payment vouchers submitted)	
Contract manager	Mr Sam Kooli	
Progress at site	Physical progress: 81% Financial: 70.3% Time: 650%	

2.5 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 Butebo DLG and Tona Uganda Limited; and
7. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16th March 2021.

2.6 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 Butebo District Local Government (the Entity) and Tona Uganda Limited.

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.

2.7 Scope of the Audit

The audit covered the contract implementation and management of the Upgrade of Kachuru Health Centre II in Butebo District into Health Centre III

2.8 Audit Methodology

The Authority adopted the following methodology:

- vi. Review of documentation in the procurement action file;
- vii. Physical verification of the site;
- viii. Debriefing the Entity management on the preliminary findings;
- ix. Issuing a management letter to the Entity for official management response; and
- x. Reporting on findings of the audit and providing recommendations where applicable

2.9 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 PROGRESS OF THE WORKS

i. Time progress

The Authority noted that the Entity signed a contract with Tona Uganda Limited on 25th February 2021 with site handover on 19th March 2021 (14 days after contract signing) and a contract completion period of six months expiring on 19th September 2021. The Authority conducted physical verification of the project on 12th December 2024 to ascertain the time, physical and financial progress of the works as shown below in tables 8,9 and 10 respectively.

Table 7: Time Progress for Upgrade of Kachuru Health Centre II to Health Centre III as at 26th May 2025

Contract Start Date	19th March 2021
Original Contract End Date	19 th September 2021
Measurement Date for works	26 th May 2025
Contract Period (Months)	6
Time Lapse (Months)	44
Time Progress	733%

The project was behind schedule with 733% time spent as shown in Table 7 above yet works were incomplete.

ii. Physical progress

Table 8 below shows the physical progress of the project at 81% as at 12th December 2024.

Table 8: Physical Progress as 12th December 2024

Contract Amount	UGX 617,452,478
Measured / Valued works as at 12th December 2024	UGX 501,274,958 (this value is based on the total payment certificates submitted to the Entity)
Physical Progress	81%

Other pending works included, external works including site clearance and levelling, installation of gutters for the rain water harvest system.

iii. Financial progress

Table 9 below, shows the financial progress of the project that was determined by analysing the cumulative amount of money paid out to the contractor visa vis the contract amount. The financial performance was 70.3% worth UGX 434,560,145.

Table 9: Financial Progress as at 12th December 2024

Contract Amount	617,452,478			
Payments Made				
	Date	IPC No.	IPC value	Actual payment

	28 th June 2021	Advance payment	N/a	250,000,000
	14 th June 2021	1	107,425,842	112,779,834
	3 rd August 2021	2	68,191,295	71,780,311
	29 th June 2021	3	108,718,572	(No payment voucher)
	21 st September 2021	4	69,549,126	(No payment voucher)
	1 st December 2021	6	44,772,710	(No payment voucher)
	10 th May 2021	6	64,398,704	(No payment voucher)
	19 th June 2021	7	38,218,709	(No payment voucher)
		Total	501,274,958	434,560,145
Advance Payment	UGX 250,000,000			
Total value of IPCs submitted	UGX 501,274,958			
Total Payments as at review by the Authority	UGX 434,560,145			
Financial Progress	70.3%			

Table 10 below shows project pictures from the physical verification that was conducted by the Authority on 12th December 2024 and the progress noted.

Table 10: Physical verification pictures as at 12th December 2024

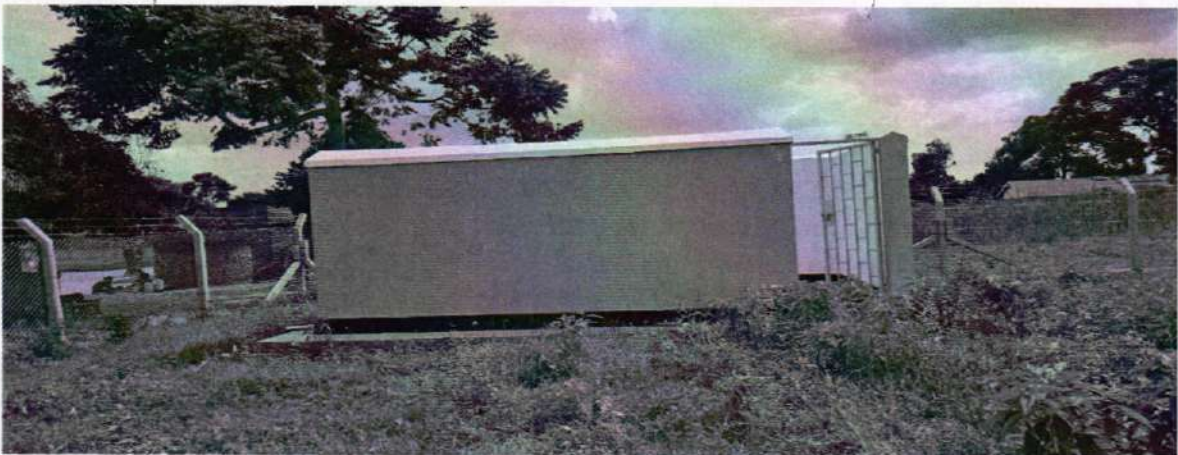
Maternity ward



**VIP 4 stance pit
latrine**



Placenta Pit



Medical waste pit



2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROL

2.2.1 Unclear contractual terms

The Authority noted that the contract was poorly drafted. There were deficiencies which included varying contractual completion dates; under the contract data sheet, the contract stated the completion date as three calendar months from the start date while under the special conditions of contract, (GCC 17.1) it stated the contractual completion date as six months after contract signing. The total contract price was also different in the contract, the first page of the contract had a contract sum of UGX 617,452,478 while the attached price schedule had a contract price of UGX 676,742,902.

Implication

Lack of clear information in the contract may result into unnecessary conflicts between the contractor and the Entity, which may ultimately lead to litigation.

Management response

This was a hybrid procurement where all documents were prepared at the Lead Local Government (Sironko District Local Government). However, the recommendation has been noted for improvement.

Authority's comment

The Authority found the Entity's response inadequate because the discrepancies were noted in the contract document. The Entity should have taken steps to revise and correct the contract documentation accordingly.

Recommendations

The Head, Procurement and Disposal Unit should ensure that contract documents prepared are comprehensive and clear on key contract deliverable in the special conditions of contract such as contract start and end in accordance to Regulation 9 of the PPDA (Contracts) Regulations 2023.

2.2.2 Failure by the Contract Management team to prepare a contract management plan

The Authority found that the Contract Management team, led by the District Engineer did not prepare a contract management plan for the construction project to clearly indicate intended desired milestones at the different stages of construction contrary to Regulation 50(3) of the PPDA (Contracts) Regulations, 2023.

Implication

This hindered effective monitoring and supervision of the contract.

Management response

Contract management plan was initially prepared and it expired during the Covid period. However, an updated plan was not prepared, going forward this will be prepared accordingly.

Recommendation

The Authority noted the Entity's response and recommends that the Head of the Contract Management Team should ensure that whenever contracts are extended, the corresponding contract implementation plans are revised to align with the new timelines, in compliance with Regulation 50(3) of the PPDA (Contracts) Regulations, 2023.

2.2.3 Excess advance payment

The Authority noted that UGX 250,000,000 advance payment which translated to 40.4% of the contract price was made to the contractor on 28th June 2021. This was contrary to Regulation 43 (3) of the PPDA (Contracts) Regulations 2023 which states that a Procuring and Disposing Entity shall not make an advance payment exceeding 30% of the contract price.

Implication

This exposes the Entity to potential financial loss in case of failure by the contractor to execute the works as per contract terms and conditions.

Management response

The advance payment was an oversight.

Recommendation

The Accounting Office should ensure that advance payments are made in accordance with Regulation 43 (3) of the PPDA (Contracts) Regulations 2023 and should not exceed the 30% threshold as per the Regulations.

2.2.4 Gross delay in project completion

Whereas the project was scheduled to be completed on 19th September 2021 (6 months from site hand over date), at the time of physical verification on 12th December 2024, the physical progress of the project was still at 81% completion, compared to 650%-time progress and 70.3% financial progress contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023. Pending works included external works such as site clearance and levelling, installation of gutters for the rain water harvest system and correction of defects.

Implication

Delay in contract completion denies the intended beneficiaries the value they would have derived from the usage of the facilities within the building. It might also attract unnecessary costs from the contractor pertaining to price adjustments due to changes in product prices.

Management response

The delay was attributed to the outbreak of Covid-19 and its effects thereafter which rendered the contractor's capacity low to execute works. However, the works are now practically complete.

Authority's comment

The Authority found the Entity's response unsatisfactory, as the contractor's contract period had been extended twice, first by two months (from 29th December 2021 to 28th February 2022) and then by four months (from 28th February 2022 to 30th June 2022), yet the construction works remained incomplete at the time of physical verification on 12th December 2024.

Recommendation

The Accounting Officer should;

- i. Strengthen contracts management in the Entity and prevail over Contract Managers and Supervisors to execute their roles diligently in accordance with Regulation 52 (3) of PPDA (Contracts) Regulations, 2023.

- ii. Task the Contract Management team to show cause why disciplinary action should not be taken against them for failure to effectively monitor the contract to completion in line with Regulation 52 (1) of the PPDA (Contracts) Regulations, 2023.

2.2.5 Irregular payment of supervision fees to the contractor

The Authority found that the Entity paid Local Government supervision fees worth UGX 35,500,000 to the contractor, Tona Uganda Limited. However, there was no justification for advancement of the monies to the contractor or any form of accountability.

Implication

There is a potential financial loss of UGX 35,500,000 incurred by the Entity.

Management response

The entity has not fully paid the contractor; therefore, recoveries can be done.

Recommendation

The Accounting Officer should task the contractor to submit accountability of this money or ensure recovery of UGX 35,500,000 which was irregularly advanced to the contractor as 'Local Government Supervision' fees.

2.2.6 Irregular engagement of the contractor based on an expired contract

The contract was signed on 25th February 2021, for a six months duration, with an expected completion date of 19th September 2021. However, despite its expiration on that date, the Entity only informed the contractor, Tona Uganda Limited on 1st December 2021, that their contract had officially expired. This was contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023.

Implication

Engagement of contractors based on expired contracts may cause legal disputes between the Entity and the Contractor and there exists no legally binding obligation between the two parties to the contract.

Management response

The contract was renewed and the revised period also expired hence becoming unrenewable. However, after assessing the costs associated with termination and sourcing of a new service provider which were more than the available funds to complete works, that option was not viable. Going forward, the entity will adopt the Authority's recommendations.

Authority's comment

The Authority noted the Entity's response, however, there was no documentary evidence provided.

Recommendation

The Accounting Officer should ensure that contracts are renewed prior to their expiry. Similarly, the Head Procurement and Disposal Unit and the Contract Management Team should keep track of contract expiry timelines and initiate the process of contract renewal in time, in accordance with Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023.

2.2.7 Substandard quality of works

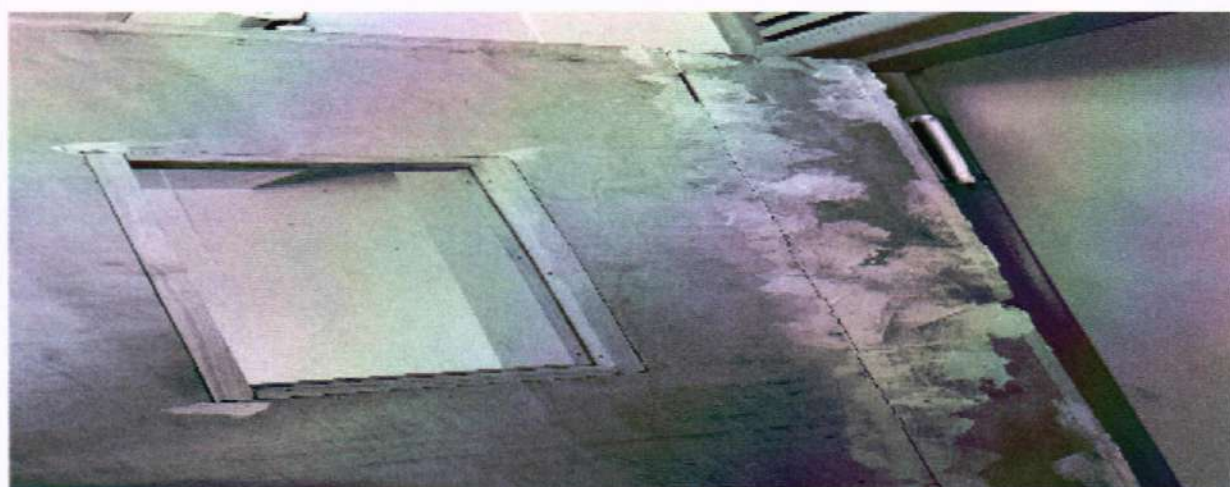
The Authority visited the site on 12th December 2024 and found deficiencies in quality of some works including; poorly installed electric sockets, cracking walls at the door, and poorly finished doors made of poor-quality timber contrary to Regulation 52 (3) (a) (iv) of the PPDA (Contracts) Regulations 2023 as shown in Table 12 below;

Table 11: Pictorial evidence-Kachuru Health Centre





Rainwater harvesting works not done e.g. fixing of gutter and pipes



Poorly finished doors made of poor-quality timber

Implication

This inhibited achievement of value for money and the intended beneficiaries may not get the desired effects of the project.

Management response

The contractor has addressed all the identified defects.

Authority's comment

The Authority noted the Entity's response, however, there was no evidence provided to prove that these corrections had been made.

Recommendation

The Accounting Officer should task the Contract Management team to ensure that the contractor is issued with a snag list of all the defects for their immediate correction in line with Regulation 52 (b) (1) of the PPDA Contracts Regulations 2023 and status report shared with the Authority within one month of this report.

2.3 ADHERENCE TO ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY (ESHS) REQUIREMENTS**2.3.1 Failure to have an Environment and Social Management plan**

The Authority found that the Contractor lacked an Environment and Social Management plan (ESMP) to guide the implementation of environmental and social requirements such as mitigation measures to be undertaken, maintenance of copies of environmental incident reports, re-vegetation and landscaping the site and maintaining existing trees and plants. This was contrary to Section 66 of the PPDA Act, Cap. 205

Implication

Failure to have an ESMP at the site puts the contractor at a risk of failure to consider and develop adequate measures and controls to minimize and mitigate the potential environment and social risks and impacts during project implementation.

Management response

Noted

Recommendation

The Contract Manager should always task the contractor to submit an ESMP for approval that will aid in implementation of measures to protect the environment, maintenance of health and safety of the contractor's personnel and visitors on site; and to put in place safety measures and protocols during execution of the works in accordance with Section 66 of the PPDA Act, Cap. 205.

CHAPTER 3: AUDIT CONCLUSION

Whereas the project was scheduled to be completed on 19th September 2021 (6 months from site hand over), as at 26th May 2025, the physical progress was at 81% completion compared to 733%-time progress and 70.3% financial progress. In light of the above, the Accounting Officer should implement the Authority's recommendations to ensure timely project completion.