



**CONTRACT AUDIT INTO THE CONSTRUCTION OF LAMIYO SEED
SECONDARY SCHOOL IN AGAGO DISTRICT LOCAL GOVERNMENT UNDER
UGIFT PROGRAM: PROCUREMENT REF: MOE/UGIFT/WRKS/2023/2024/00001
(LOT1)**

CONTRACTOR: NIPE CONSTRUCTION AND TECHNICAL SERVICES LIMITED

MAY 2025

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ACRONYMS

ESHS:	Environmental, Safety, Health and Social Safeguard
UgIFT:	Uganda Intergovernmental Fiscal Transfer
PPDA:	Public Procurement and Disposal of Public Assets
VAT:	Value Added Tax

EXECUTIVE SUMMARY

On 18th April 2024, Agago District Local Government entered into a contract with NIPE Construction and Technical Services Limited to construct Lamiyo Seed Secondary School at a cost of UGX. 2,276,087,916 VAT inclusive with an intended completion date of 30th October 2025.

In line with Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205 the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the construction of Lamiyo Seed Secondary School with an overall objective of assessing the status of contract implementation.

The following key exceptions were noted by the Authority:

1. There was slow progress of work as the Contractor had only achieved 15% physical progress in the project implementation, against 42%-time progress. This exposed the Entity to the risk of failure by the Contractor to complete the project within the contractual period of 18 months, and the likely hood of time overrun and cost escalation, thus affecting effective service delivery.
2. Failure by the Contract Manager to enforce submission of Performance Security and Environmental and Social Performance Security by the Contractor within 21 days after contract signing. The contract was signed on the 18th April 2024, and the securities were submitted on 21st May 2024. This was a violation of a contractual obligation by the Contractor and a weakness in contract management by the Entity, as no action was taken against the Contractor for the breach of a contractual condition.
3. There was noncompliance to the environmental and social safeguards in project implementation by the contractor contrary to the requirement of Regulation 37(2)(i) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy services) Regulations, 2023, notably:
 - No safety control measures were put in place like printed warning notices, no signboard and safety tapes to create awareness on environment, health and safety and the risks associated with the project implementation. This exposed the public and project staff; to social related risks, workplace accidents and injuries, in addition, there was no proper waste management mechanism, that exposed the site to uncontrolled environmental damage.
 - No gate, security personnel and incomplete temporary security fence around the site, which exposed the public and project staff; to social related risks, workplace accidents and unsecure work environment.
4. The project was being implemented without insurance policy cover provided by the contractor contrary to the requirements of Regulation 36(1)(b) of the PPDA (Contracts) Regulations, 2023. This left the project workers unprotected against workplace related personal injuries or accidents, together with the associated risks like death or disabilities.

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

1. The Accounting Officer should put in place necessary measures to ensure that the project is completed by 30th October 2025. In this regard, the Accounting Officer should:
 - i. In accordance with Regulation 11(5) of the PPDA (Contracts) Regulations, 2023 task the Contract Manager to ensure that the Contractor's Performance Securities submitted remain valid till the Contractor completes its contractual obligations. That is, 28 days after the practical completion date of 30th October, 2025.
 - ii. Promptly pay the contractor for the measured works approved by the Contract Manager, upon issuance of an interim payment certificate, in order to support the

- operational cashflow of the contractor, in accordance with the provisions of Regulation 49(3) of the PPDA (Contracts) Regulations, 2023.
- iii. Schedule monthly site meetings with the Contractor to evaluate progress of work, address identifiable weaknesses in the works implementation and follow-ups done swiftly by the Contract Manager on the actionable points to ensure that the project is completed by 30th October 2025.
 - iv. Task the Contractor to submit an insurance policy cover for the project workers covering the remaining contract implementation period, in accordance with the provisions of Regulation 36(1)(b) of the PPDA (Contracts) Regulations, 2023. The policy should be obtained from an insurance company registered with the Insurance Regulatory Authority of Uganda.
2. The Contract Manager should in accordance with Regulation 52 (3) (a) (i) of the PPDA (Contracts) Regulations, 2023 task the Contractor to:
- i. Install the project sign board printed with the necessary informative details about the project to create public awareness of the project.
 - ii. Secure the project site by installing a gate, deploy a full-time security guard and hoard the entire site.
 - iii. Provide personal protective gears to all workers and visitors on site, and install safety signs and warnings notices within the site.
 - iv. Provide clean water fit for human consumption for the workers and site visitors.
 - v. Immediately plant trees at appropriate locations around the site for proper management and growth, while the Contractor is still implementing the project site works.
 - vi. Have the project milestone for completed works measured and approved, so that the Contractor is paid promptly to allow the Contractor have stable operational cashflow and to achieve timely implementation of the project.
 - vii. Recover the advance payment from the Contractor on the issued certificates of payment.
 - viii. Prepare for the Contract Manager's approval an up-to-date program of work, that should have definite timelines for achieving the project milestones, for close monitoring of the project implementation.

CHAPTER 1: INTRODUCTION

1.1 Background

The Government of Uganda received a loan from the World Bank to fund the Uganda Intergovernmental Fiscal Transfer (UgIFT) Program for construction of seed secondary schools and expansion of existing ones in selected Sub-Counties in Uganda. Agago District Local Government was one of the beneficiaries in the FY2023/2024.

On 18th April 2024, Agago District Local Government entered into a contract with NIPE Construction and Technical Services Limited to construct Lamiyo Seed Secondary School at a cost of UGX 2,276,087,916 with an intended completion date of 30th October 2025.

In line with Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205 the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the construction of Lamiyo Seed Secondary School with an overall objective of assessing the status of contract implementation with emphasis on verification that all parties to the contract complied with the requirements and standards set forth in the contract and the provisions of the PPDA Law and UGIFT Guidelines.

Table 1 below shows the contract summary for the construction of Lamiyo Seed Secondary School, in Agago district.

Table 1: Contract summary

Entity:	Agago District Local Government		
Project Name	Construction of Lamiyo Seed Secondary School		
Contract Ref. No.	MoES/UGIFT/WRKS/2023/2024/00001 (Lot 1)		
Project contract price	UGX 2,276,087,916 (VAT exclusive)		
Contractor	NIPE Construction and Technical Services Limited P.O Box 26231 Kampala		
Project Funding	UGIFT		
Date contract signing	18 th April 2024		
Date of site handover	2 nd May 2024		
Contract start date	2 nd May 2024		
Date of practical Completion	30 th October 2025		
Contract duration	18 Calendar Months		
Contract Supervisor	District Engineer		
No.	Costed Scope of works.	Qty	Estimated cost (UGX)
1.	Preliminaries	1	98,400,000
2.	Site levelling works	1	40,100,000
3.	2 – Classroom block	3	479,323,650
4.	2 – Unit science laboratory block	1	260,014,000
5.	Administration block	1	179,239,000
6.	2 – Unit Teacher house	2	328,263,000
7.	2 – Unit Teacher kitchen	2	76,017,200
8.	2 – stance lined VIP latrine block – administration block	1	17,463,500
9.	2 – stance lined VIP latrine block – teachers' house	1	24,489,500
10.	5 – stance lined VIP latrine block – boys	1	38,107,100
11.	5 – stance lined VIP latrine block – girls	1	37,915,500

12.	External works	1	13,505,500
13.	Rain water harvest system with 5000L water tank	1	6,165,000
14.	ICT – Library block	1	366,409,000
15.	Multi-purpose hall	1	260,633,000
16.	Sports field	1	50,000,000
Status of contract implementation as per the progress report of 1st October 2024.			
a	Time progress of 42%		
b	Physical progress of 15%		
c	Financial progress of 30%		
Total (VAT exclusive)			2,276,044,950

Note: The Contract price computed by the Authority above of UGX.2,276,044,950 varies from that in the contract agreement of UGX. 2,276,087,916. This brings a difference in value of UGX.42,966.

1.2 Objective of the audit

The primary objective of the contract audit exercise was to assess the status and effectiveness of implementation of the contract.

The specific objectives for undertaking the contract audit were to assess:

1. The progress of works with regard to effectiveness of time, quality and cost controls of works undertaken; and
2. Adherence to Environmental, Safety, Health and Social Safeguard (ESHS) requirements.

1.3 Scope of the audit exercise

The audit covered the contract implementation and management for the construction of Lamiyo Seed Secondary School in Agago district.

1.4 Audit methodology

The Authority adopted the following methodology:

- i. Review of documentation on the procurement action file.
- ii. Physical verification of the project site.
- iii. Debrief of the Entity management on the preliminary findings.
- iv. Issuance of a management letter to the Entity for its official management response
- v. Reporting on the audit findings and providing actionable recommendations where applicable.

1.5 Limitation of scope

The contract audit was undertaken by Auditors who did not have professional competence in engineering and building construction hence could not give an opinion on the technical quality of the works undertaken. However, the overall responsibility of the quality of works lies with Agago District Local Government's management and the Contractor, NIPE Construction and Technical Services Limited.

1.6 Legal documents applicable

The applicable laws and legal framework were:

- i. The Public Procurement and Disposal of Public Assets Act, Cap. 205;
- ii. The Local Governments (PPDA) Regulations, 2006;
- iii. The Local Governments (PPDA) Guidelines, 2008;

- iv. The PPDA (Contracts) Regulations, 2023;
- v. The bidding document issued to bidders;
- vi. The signed contract between Agago District Local Government and NIPE Construction and Technical Services Limited, and
- vii. The Circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UgIFT) program dated 16th March 2021.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.0 PROGRESS OF THE WORKS



2.1 Time Control



The construction of Lamiyo Seed Secondary School commenced on 2nd May 2024 and is expected to be completed by 30th October 2025. However, the Authority noted gaps in the project implementation time lines as detailed below:



2.1.1 Slow progress of work

A review of the Progress Report dated 1st October 2024 by the Authority showed that the project had achieved a physical progress of 15% against a time progress of 42% and a financial progress of 30%, as indicated in Table 2 below.

Table 2: Physical progress of the project milestones

	Project milestone	Contract value	Progress achieved as per monitoring report dated 1 st October 2024	Physical progress of works as at the date of site visit on 20 th December 2024 together with the respective photos.
a	Preliminaries	98,400,000	75%	No photos, but was yet to be done.
b	Substructures		15%	Photos on site visit are shown below:
i.	Site levelling works	40,100,000		Site levelling works activity was yet to be done.
ii.	2 – Classroom block	479,323,650		 <p>The construction works of 2 – Classroom block was at slab level and the cast concrete being cured being cured.</p>
iii.	2 – Unit science laboratory block	260,014,000		 <p>The construction works of 2 – Unit science laboratory block was at slab level with polythene layed, and ready for casting concrete.</p>

	Project milestone	Contract value	Progress achieved as per monitoring report dated 1st October 2024	Physical progress of works as at the date of site visit on 20th December 2024 together with the respective photos.
iv.	Administration block	179,239,000		 <p>The construction works of Administration block was at slab level and the cast concrete being cured.</p>
v.	2 – Unit Teacher house	328,263,000		The Contractor had not commenced excavation and construction work of the houses.
vi.	2 – Unit Teacher kitchen	76,017,200		The Contractor had not commenced excavation and construction work of the kitchen units.
vii.	2 – stance lined VIP latrine block – administration block	17,463,500		The Contractor had not commenced excavation and construction work of the latrine.
viii.	2 – stance lined VIP latrine block – teachers’ house	24,489,500		The Contractor had not commenced excavation and construction work of the latrine.
ix.	5 – stance lined VIP latrine block – boys	38,107,100		The Contractor had not commenced excavation and construction work of the latrine.
x.	5 – stance lined VIP latrine block – girls	37,915,500		The Contractor had not commenced excavation and construction work of the latrine.
xi.	External works	13,505,500		The Contractor yet to undertake the external works, like planting trees, paspalum grass, etc
xii.	Rain water harvest system with 5000L water tank	6,165,000		The rain water harvest system with 5000L water tank will be installed upon completion of the construction work.
xiii.	ICT – Library block	366,409,000		 <p>The construction works of ICT –</p>

	Project milestone	Contract value	Progress achieved as per monitoring report dated 1st October 2024	Physical progress of works as at the date of site visit on 20th December 2024 together with the respective photos.
				Library block was at preparation for slab for casting concrete.
xiv.	Multi-purpose hall	260,633,000		 <p>The construction works of the multi-purpose hall was at slab level with concrete cast.</p>
c	Sports field	50,000,000		 <p>The site works on the sports field located opposite the site entrance, had not started and according to the Contractor's Site Engineer, it was due to missing measurement yet to be provided by the Entity.</p>
	Total	2,276,044,950		

Note: The Contract Manager's monitoring report dated 1st October 2024 did not state the percentage progress of work achieved on project milestones.

Implication

The slow rate of contract implementation by the Contractor reported at a physical progress 15% in the Entity's progress report of 1st October 2024, expose the project to the risk of not being completed within the contractual period of 18 months, that is by 30th October 2025, thereby negatively affecting the provision education services to the beneficiaries in the district.

Management response

The Accounting officer had a meeting with the contractor with agreed position for contract progress.

Authority's comments

The Authority noted the Entity's response on the above issue, however from the minutes of the meeting held on 29th January 2025 between the entity and the contractor, the Authority observed that:

- i. The Contractor was facing financial challenges, and as such had sought clearance from the Entity's Accounting Officer for a loan from Centenary Bank. This challenge may likely affect the Contractor's ability to complete the project within the planned completion period of 30th October 2025.
- ii. The District Education Officer expressed fear that the Contractor may not be able to complete the project by end of the June, 2025, although the practical completion of the contract is 30th October 2025.

Recommendations

The Accounting Officer should:

1. Task the Contract Manager to progressively measure and approve works satisfactorily executed by the contractor and ensure timely payments of the contractor for works done, upon issuance of an interim payment certificate. This will strengthen the cashflow of the contractor, so as to achieve the contract objectives as planned.
2. Hold monthly meetings with the Contractor's management team to evaluate progress of work, share solutions on gaps identified in the project implementation and follow-ups done swiftly by the Contract Manager on the actionable points.
3. Task the Contract Manager to task the Contractor to prepare monthly up-to-date of its program of work for ease of monitoring and assessment of the progress of works and to ensure that the contract is completed by 30th October 2025.

2.2 Quality Control

2.2.1 Contractor failed to submit Performance Securities within 21 days.

The Authority found that the contractor failed to submit 8% Performance Security and 2% Environmental and Social Performance Security within 21 days after contract signing as was required under SCC (GCC 61.1) of the signed contract. The contract was signed on the 18th April 2024 and the securities were received by then Entity on 21st May 2024. Notably, the Entity did not take any action against the Contractor for the above omission.

Implication

Failure by the Contractor to submit of Performance Security and ES Performance Security within 21 days after contract signing, was breach of the requirements of SCC (GCC 61.1) of the contractual obligation by the Contractor.

Management response

Accounting Officer wrote to the Contractor and the Performance Securities were provided.

Authority's comment.

The Entity's response was noted, however, the Authority noted that the Performance Security and ES Performance Security were submitted by the Contractor on 21st May 2024, 34 days after contract signing and this fell short of the requirement for the Contractor to submit the above securities within 21 days after signing a contract.

Recommendations

The Accounting Officer should task the Contract Manager to ensure that the Contractor's Performance Security remains valid till the Contractor completes its contractual obligations and thereafter released, in accordance with Regulation 11(5) of the PPDA (Contracts) Regulations, 2023.

2.3 Cost Control

2.3.1 Financial progress of the project

The Authority established that the financial progress of the project was at 30% as the Contractor had been paid only UGX 682,826,375 as advance out of the contract price of UGX. 2,276,087,916, as summarised in Table 3 below.

Table 3: Financial progress of the project

	Item	Amount (UGX)
1.	Contract value	2,276,087,916
2.	Advance payment (30%)	682,826,375
3.	Certified work (0%)	0
4.	Outstanding payment (70%)	1,593,261,541

Implication

Financial progress of 30% against physical progress of 15%, indicated that only advance payment had been paid to the contractor and no other payment made to the Contractor. This showed that no recovery of the advance payment had been achieved by the Entity from the Contractor.

Authority's comment.

No management response was provided on the above issue.

Recommendation

Considering that only 15% physical progress of works had been achieved in the project against a financial progress of 30%, the Contract Manager should accordingly:



1. Have the works done, measured, approved and the Contractor paid promptly, to allow for stable operational cashflow to implement the project successfully to completion.
2. Recover the advance payment made to the contractor worth UGX.682,826,375 based on the interim payment certificates issued by deducting 30% of the value of the works certified.

2.3.2 Failure to comply with the Preliminary and General Conditions of Contract

The Authority found under Bill 1: Preliminary and General Conditions, that the contractor had not adequately implemented the activities indicated in Table 4 below.

Table 4: Inadequacies in the preliminary and general conditions in the project

Activity not undertaken	Activity cost estimate in the BOQs (UGX)	Site visit photos to support the audit findings on 20th December 2024.
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Activity not undertaken	Activity cost estimate in the BOQs (UGX)	Site visit photos to support the audit findings on 20 th December 2024.
<p>Site security (Item O): The Authority found that the site had an unsecure hoarding/temporary security fence established. The hoarding done / temporary security fence established did not cover the entire site i.e., it was incomplete and unsecure, and the site was easily accessed by anyone.</p>	2,000,000	
<p>Security management (Item F). The Authority found that the site security is inadequate i.e.:</p> <ul style="list-style-type: none"> • There was no gate and gate house constructed at the site; and • There were no security personnel deployed to manage the security on the site and the entrance(s). There was only a safety sign board. 	4,000,000	

Implication

The above security lapse, makes the site unsecure for the Contractor’s staff and also expose the construction material and equipment to risk of loss/theft. Additionally, failure to secure that project site, and with the free entry of the members of the community, the site posed safety hazard to the communities round, specifically the risk associated with the uncovered pits excavated for the pit latrines around the site.

Management response

The contractor was advised during the meeting to employ a security guard to protect the site.

Authority’s comment

The Authority noted the Entity’s response; however, the Entity did not provide response on failure by the contractor to secure the site by fully hoarding it and the communication to the contractor to recruit a security guard.

Recommendation

The Accounting Officer should task the Contract Manager to ensure that the contractor:

1. Installs a gate and deploys a full-time security guard on site until completion of the project works; and
2. Secures the project site by hoarding the entire site as provided for in Items O and F under Bill 1: Preliminary and General Conditions.

2.4 Environment, Social, Health and Safety Safeguards (ESHS)

The Authority found that the environmental and safety requirements were not adequately addressed by the contractor as detailed below:

2.4.1 Failure to install a project sign board

The Authority found that the contractor did not install the project sign board for ease of identification of the site location and the activity being implemented, yet this item was costed at UGX 3,000,000 in the bills of quantities under Item Q of the Preliminaries.

Implication

Without a project sign board, it is difficult for stakeholders to identify the location of the site and also to create awareness of the project activity to the public.

Management response

In letter dated 31st January 2025, the Accounting Officer instructed the contractor to install the project sign board within two weeks.


Recommendation

The Contract Manager should in accordance with Regulation 52 (3) (a) (i) of the PPDA (Contracts) Regulations, 2023 follow up with the contractor to install the project sign board printed with the necessary informative details about the project to create public awareness of the project.

2.4.2 Failure to adhere to the environment, health and safety standards

The Authority found that the contractor did not comply with the environment, health and safety safeguards as was required in SCC (GCC) 29 of the signed contract. Table 5 below shows some of the areas of non-compliance:

Table 5: Poor ESHS management in the project

Description	Exceptions together with Audit photos to support the audit findings on 20 th December 2024.
Item I: Personnel Safety worth UGX 4,000,000	 <p>The Authority found that the project personnel had insufficient PPEs as can be seen in the photo above i.e., some staff lacked hand gloves, helmets, reflector jacket, among others.</p>
Water for the project personnel	The Authority found that the site lacked a safe source of drinking water. According to the Site Engineer, the water source on site dried up, therefore the contractor collects water from outside the site.
Item I: Environment Protection: plant selected trees around the site worth UGX 3,000,000	The Authority found that the Contractor had not planted trees on the site though costed for under Item I in the B.O.Qs.

Implications

- Insufficient provision of PPEs to the site staff and visitors, exposed them to work related accidents and injury;
- Lack of a clean water source within the project site, exposed the project staff to consumption of unsafe water; and
- Failure to plant trees early on site while the contractor is on site, exposes the tree to damage and low chances of growth if planted at the end of the project without proper maintenance.

Management response

The Contract Manager has written to contractor instructing him to provide PPEs to the construction staff and visitors who visit the site; and also, clean safe water for human consumption.

Recommendation

The Accounting Officer should in accordance with Regulation 52 (3) (a) (i) of the PPDA (Contracts) Regulations, 2023 direct the Contract Manager to task the Contractor to:

1. Provide personal protective gears to all workers on site, accordingly.
2. Secure clean drinking water source for the workers and site visitors, and install safety warnings on the site, and
3. Immediately plant trees at appropriate locations around the site for proper management and growth, while the Contractor is still implementing the project site works.

2.5 Lack of insurance policy for workers

The Authority found that SCC (GCC) 18.1 of the contract required the Contractor to provide minimum insurance cover for site workers on the project, but the contractor failed to do so.

Implication

Failure by the contractor to provide an insurance policy cover for the project staff on personal injury or death, exposed the workers to work place related accidents and the associated risks.

Management response

In the meeting held on the 29/1/2025 it was agreed that the contractor should provide insurance policy cover for its workers, during the contractual period.

Recommendation

The Accounting Officer should in accordance with the provisions of Regulation 36(1)(b) of the PPDA (Contracts) Regulations, 2023 task the contractor to submit an insurance policy cover for the project workers for the remaining periods of the project implementation works to completion as at 30th October 2025. The policy should be obtained from an insurance company registered with the Insurance Regulatory Authority of Uganda.

CHAPTER 3: AUDIT CONCLUSION

The Authority found that the physical works progress of 15% executed by the contractor, NIPE Construction and Technical Services Limited was not commensurate to the time progress of 42% and financial progress of 30%; yet works commenced on 2nd May 2024 and are expected to be completed by 30th October 2025.

Given that as at the date of this audit on 20th December 2024, about ten months were left for the Contractor to be complete the works and hand over the project to the Entity. Hence, with the above progress achieved, the project was still within the original contractual time lines, though it was behind schedule.

However, given that the UGIFT program is expected to be closed by the end of the FY 2024/2025 and only 15% of the physical works have been implemented against a time progress of 42% as at 1st October 2024, there is a risk that the project completion period of 30th October 2025 will be overrun.

Therefore, from the foregoing audit observations, the Accounting Officer should take urgent actions to have the project completed and put to its intended purpose by the end of the project period of 30th October 2025.