



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

**CONTRACT AUDIT REPORT INTO THE CONSTRUCTION OF MORUITA SEED
SECONDARY SCHOOL IN NAKAPIRIPIT DISTRICT LOCAL GOVERNMENT
UNDER UGIFT PROGRAM**

CONTRACTOR: SANITATION AFRICA LIMITED

PROCUREMENT REF: MOES/UGIFT/WRKS/2021-22/0003

MAY 2025

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ACRONYMS

BOQs	-	Bills of Quantities
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. 3,188,749,400 to undertake the construction of Moruita Seed Secondary School in Nakapiripirit District Local Government. 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 23rd September 2022, Nakapiripirit District Local Government entered into a contract with Sanitation Africa Limited for the construction of Moruita Seed Secondary School at a cost of UGX. 3,188,749,400 with the intended completion date on 30th April 2024 and a defects liability period of six 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. **Failure to provide accountability.** The Contractor quoted UGX 13,000,000 for insurance of works, plant and equipment. However, there was no accountability provided by the contractor for this money occasioning a financial loss of UGX 13,000,000 on the Entity. This was contrary to clauses A1, A2, A3 and A4 in the preliminaries of the BOQs;
2. **Failure to extend the Clerk of Works’ contract.** The Clerk of Works’ contract expired together with the works contract on 30th April 2024. However, whereas, the works contract was extended to December 2024, there was no extension of the Clerk of Works’ contract which may lead to poor quality of the works due to absence of day-to-day technical supervision of the project. This was 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;
3. **Failure to submit a Performance Security.** The contractor (Sanitation Africa Limited) did not furnish the Entity with a Performance Security equivalent to 10% of the contract price (318,874,940) contrary to GCC 46.1 of the Special Conditions of Contract. This exposes the Entity to potential risks such as substandard work or the contractor abandoning the project, without any financial safeguard;
4. **Failure by the contractor to quote for items that are pertinent to the project.** The contractor failed to quote for critical items that were explicitly provided for in the Bills of Quantities and were essential to the success of the project. These included workplace HIV sensitization and provision of condoms and other relevant materials, testing of construction

materials, and hoarding of the site. As a result, these components were not implemented, which compromised the overall quality of the works. Despite their importance, no effort was made by the Entity to address or rectify this omission during project execution;

5. **Lack of required signatures on payment certificates.** The Authority noted that although the payment certificates contained provisions for signatures from both the District Environment Officer and the Gender Officer, these officials did not sign any of the certificates. Despite this, payments were still processed, yet the project involved crosscutting issues such as environmental and gender issues that required their input. This may result in the neglect of crosscutting issues, posing risks to the environment as well as the health, safety, and welfare of workers and nearby communities;
6. Project defects were noted during physical verification including; cracks on the wall and ceiling of the ICT block, trees were not planted and the ramps for the classroom block were too steep to serve the intended purpose. Failure to execute works as per agreed contractual terms inhibits attainment of value for money and exposes Government to the risk of financial loss due to none or unsatisfactory performance of a contract.

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. The Accounting Officer should: -
 - i. Task the contract management team to show cause why disciplinary action should not be taken against them for failing to enforce the Performance Security clause in the contract in line with Regulation 4 of the PPDA (Contracts) Regulations 2023;
 - ii. 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;
 - iii. In future, task the contract management team to scrutinise contract documents to ensure completeness and avoid omissions. Additionally, efforts should be made to strengthen contract management at the site to guarantee that materials used are of appropriate quality. The contract management team should also explore alternative means of providing adequate site security to facilitate smooth and timely project execution;
 - iv. Desist from authorizing any payment certificates that lack approval from all mandatory signatories, including the District Environmental Officer and the Gender Officer, in compliance with Circular No. 3 of 2019 regarding the implementation of projects under the Uganda Intergovernmental Fiscal Transfer Program for Results, as issued by the Authority on 24th July 2019; and

- v. Task the Contract Management team to issue a snag list to the contractor so that the above defects are rectified in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023.
2. The Contractor should provide proof of insurance cover policy for works, plant and equipment worth UGX. 13,000,000 and failure to do so, the Accounting Officer should withhold that payment.

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 Moruita Seed Secondary School

Contract Title	Construction of Moruita Seed Secondary School
Reference Number	MOES/UGITF/WRKS/2021-22/0003, LOT 21
Contract Sum	3,188,749,400
Contract Scope	3. Preliminaries-UGX.58,150,000 4. Three 2-classroom blocks-UGX. 502,354,500 5. One 2-Unit Science Laboratory Block-UGX. 300,419,000 6. One Administration Block-UGX.176,567,000 7. Three 2-Unit Teachers House-UGX.476,286,000 8. Three 2-Unit Teachers Kitchen-UGX. 124,977,000 9. One 2-Stance Lined VIP Latrine at Administration Block-UGX. 23,323,500 10. Three Two-Stance Lined VIP Latrine Block for Teachers House-UGX. 86,121,000 11. One Five Stance Lined VIP Latrine Block for Boys-UGX.42,710,000 12. One Five Stance Lined VIP Latrine Block for Girls-UGX. 42,674,500 13. External works -UGX. 46,095,000 14. Site levelling works-UGX. 63,676,000 15. One rain water harvest system with 5000 litres-UGX. 4,563,000 16. One ICT library Block-UGX. 411,995,500 17. One Multipurpose Hall-UGX. 292,418,000 18. One Sports field-UGX. 50,000,000
Contract Signing date	23 rd September 2022
Site hand over date	10 th October 2022
Original contract completion date	30 th April 2024
Defects Liability period	6 months
Contract Extensions	30 th December 2024
Name of Contractor	Sanitation Africa Limited
Method of procurement	Open National Bidding
Type of Contract	Lumpsum
Amount Paid	Record of payments missing on file.
Progress at site	Physical progress: 81% Financial: 81% Time: 144%

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 Nakapiripirit DLG and Sanitation Africa 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 Nakapiripirit District Local Government (the Entity) and Sanitation Africa Limited (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; and
- 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 Moruita 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

The time, financial and physical progress are detailed below:

i. Time Progress

The time progress as at 18th December 2024 is shown in the Table 2 below:

Table 2: Time Progress as at 18th December 2024

Start Date	10 th October 2022
End Date	30 th April 2024
Measurement Date	18 th December 2024
Contract Period (Months)	18
Time Lapse (Months)	26
Time Progress	144%

ii. Financial Progress

The project's financial progress was assessed by comparing the total payments made to date against the overall contract value. The details of the Financial Progress are shown in Table 3 below:

Table 3: Financial Progress as at 18th December 2024

Contract Amount (UGX)		3,188,749,400
Payments made so far		
Advance	165,945,385	
Payment cert 2	210,434,185	
Payment cert 3	370,638,000	
Payment cert 4	298,443,956	
Payment cert 5	286,740,000	
Payment cert 6	223,020,000	
Payment cert 7	263,376,000	
Payment cert 8	319,980,600	
Payment cert 9	454,217,400	
Total		2,592,795,526
% Financial Progress		81

iii. Physical Progress

The details of the physical progress as at 18th December 2024 are shown in Table 4 below:

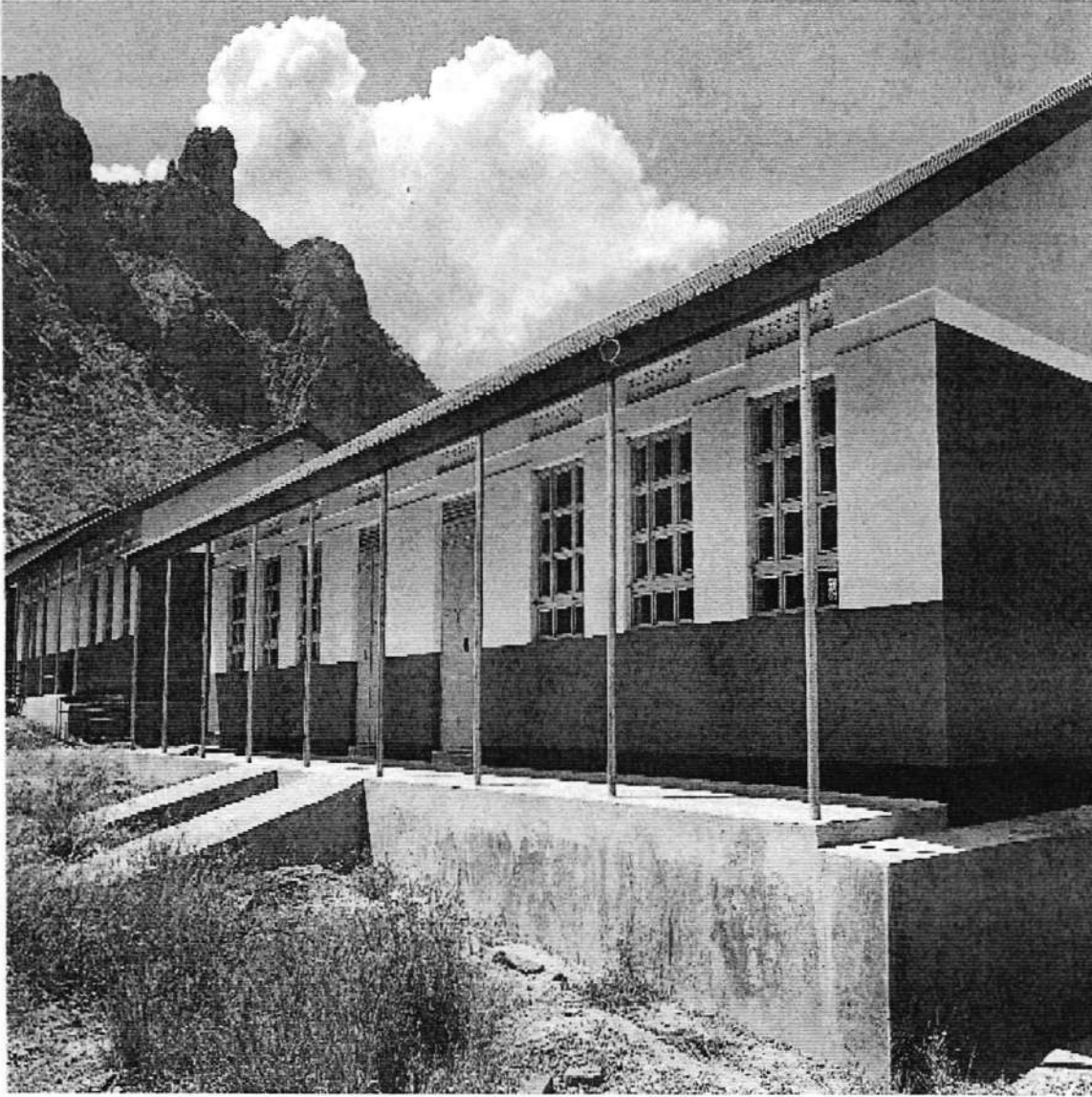
Table 4: Physical Progress as at 9th December 2024

Contract Amount	3,188,749,400
Valued works as at August 2024	2,592,795,526
Physical Progress	81%

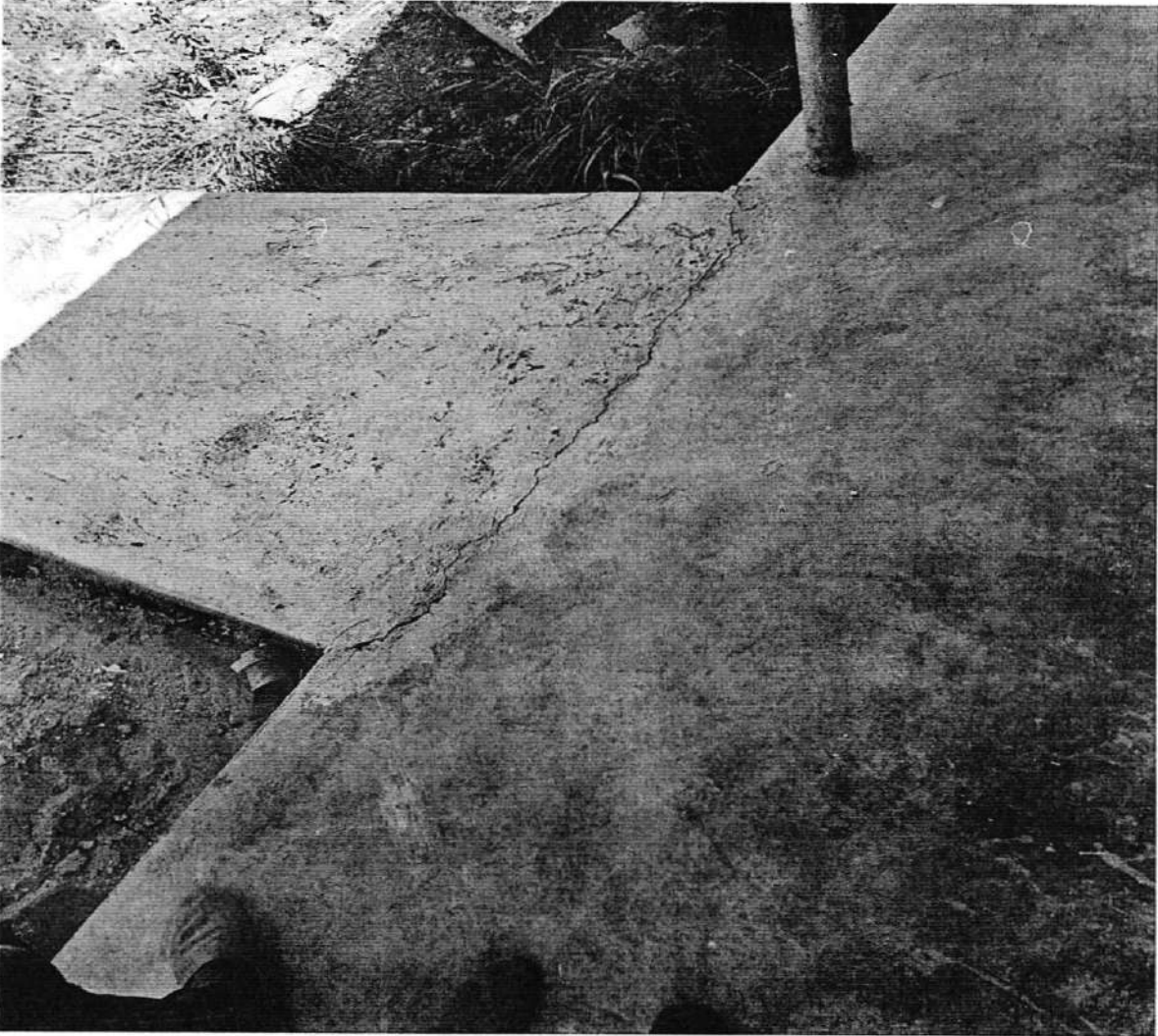
iv. Physical verification pictures

Physical verification of the project was carried out by the Authority on 18th December, 2024 and the actual progress of the works is shown in table 5 below. -

Table 5 shows the status of works as at 18th December 2024

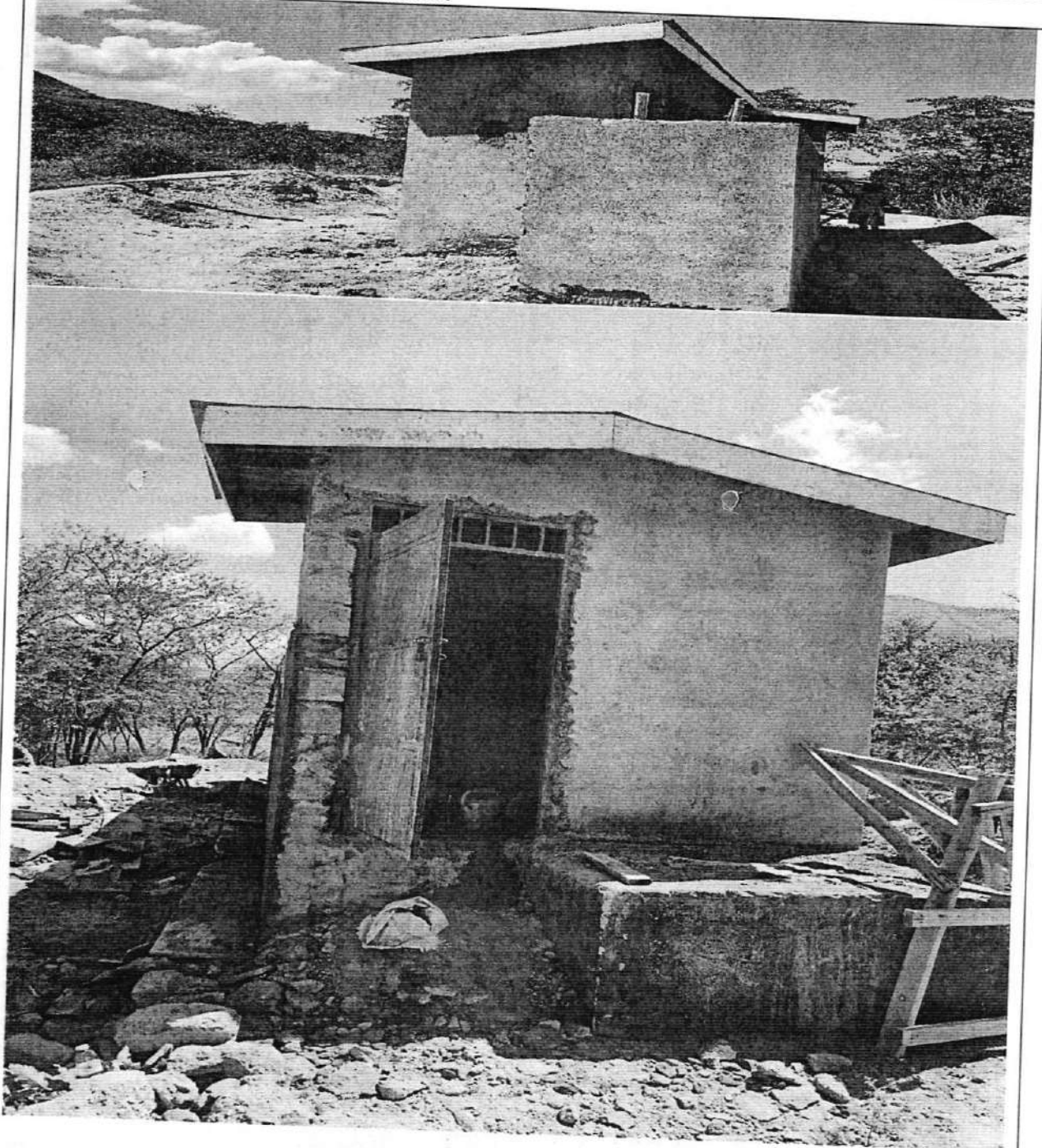
No.	Subject of Procurement
1	3 two classroom blocks at finishing stage
	
<p>Observation: Ramps for the classroom blocks were too steep</p>	

3 Multipurpose hall at finishing stage



Observation
Crack was noted on the ramp

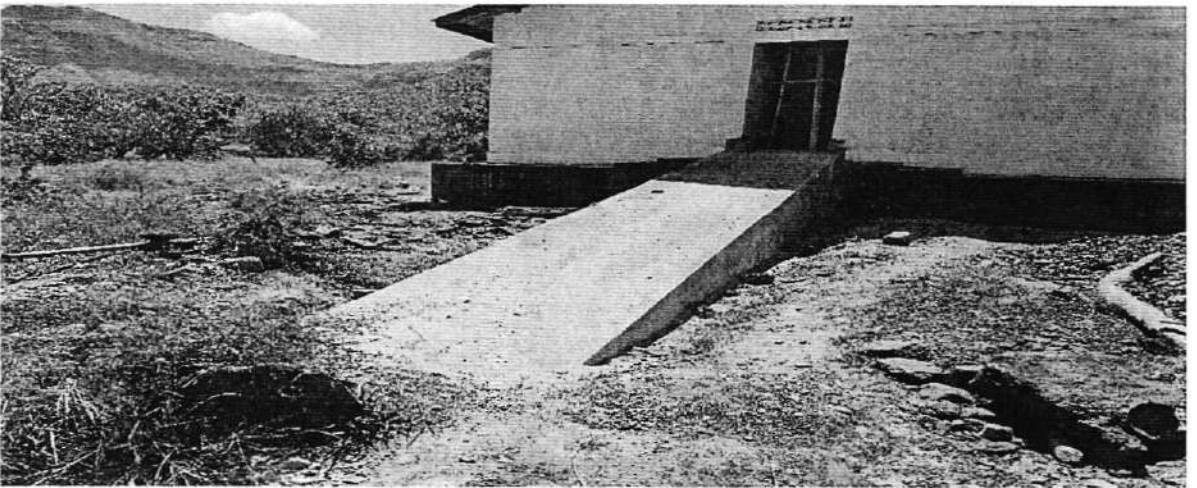
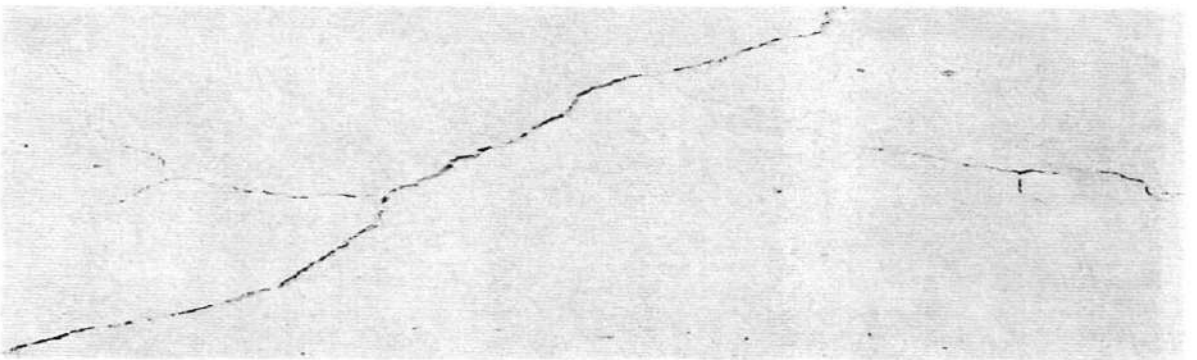
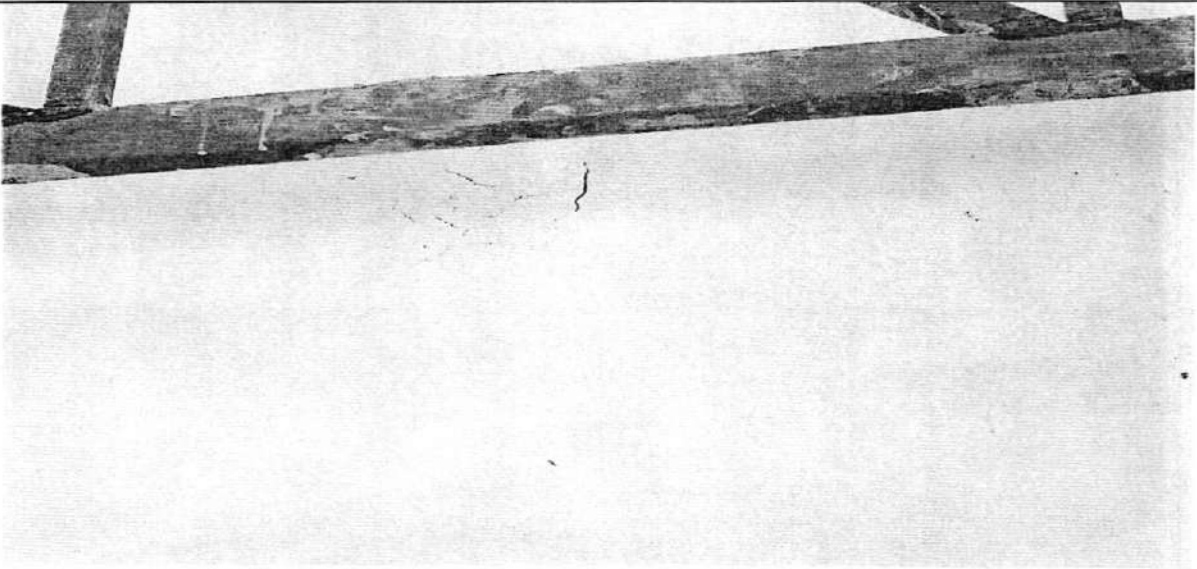
Boys and Girls pit latrines at finishes



Observation

The size of each stance was too small with a width of only 75cm

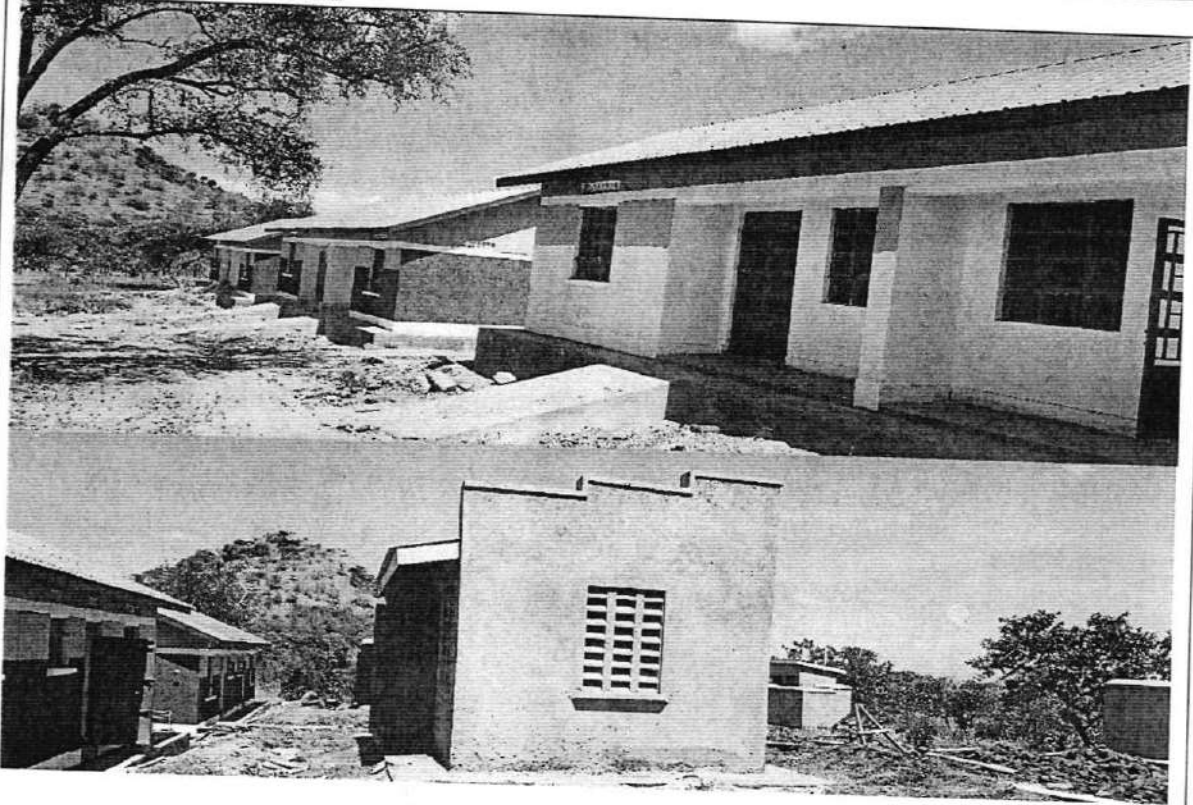
ICT block and Science lab



Observations

- Cracks on the wall and ceiling
- Ramp of the structure is high and needs guard rails.

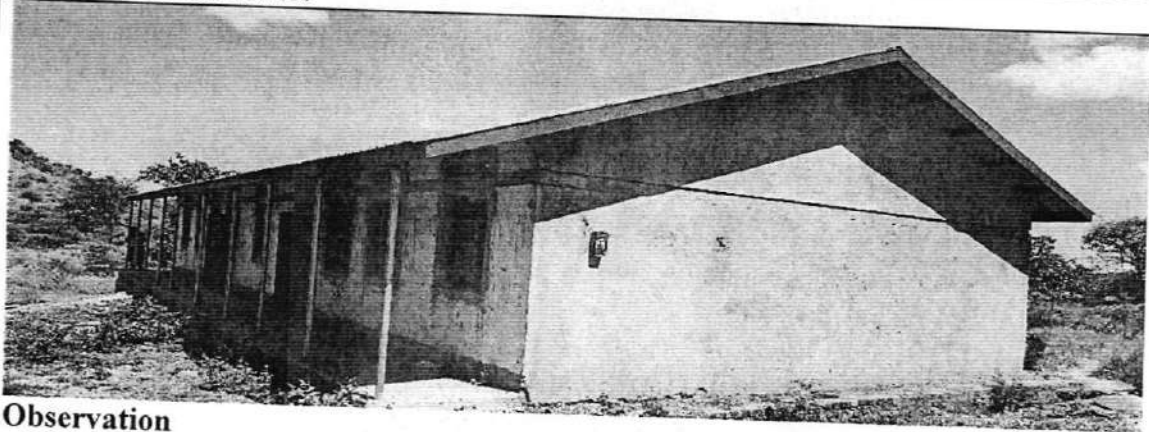
Staff house and kitchen



Observation

The staff houses and kitchen were at finishing stage

Administration block



Observation

The Administration block was at finishes

Implication

Failure to execute works as per agreed contractual terms inhibits attainment of value for money and exposes Government to the risk of financial loss due to none or unsatisfactory performance of a contract.

Management Response

This has been noted for action. An instruction has been issued to make the good the issues noted.

Recommendation

The Accounting Officer should task the Contract Management team to issue a snag list to the contractor so that the above defects are rectified in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Failure to provide accountability

The Contractor quoted UGX 13,000,000 for insurance of the works, plant and equipment. However, there was no accountability provided by the contractor for this money. This was contrary to clauses A1, A2, A3 and A4 in the preliminaries of the BOQs.

Implication

This could lead to a financial loss of UGX 13,000,000.

Management Response

An instruction has been issued to the contractor to provide evidence of the insurance cover meant for works.

Recommendation

The Contractor should provide proof of insurance cover policy for works, plant and equipment worth UGX. 13,000,000 and failure to do so, the Accounting Officer should withhold that payment.

2.2.2 Failure to submit performance securities

The contractor (Sanitation Africa Limited) did not furnish the Entity with a Performance Security equivalent to 10% of the contract price (318,874,940) contrary to GCC 46.1 of the Special Conditions of Contract.

Implication

The absence of a Performance Security exposes the Entity to potential risks such as substandard work or the contractor abandoning the project, without any financial safeguard.

Management Response

Provision of Performance Security is a challenge, since the bank needs UGX 318,000,000.

Authority's comment

The Authority considers the Entity's response inadequate. The requirement for a Performance Security was a clear contractual obligation intended to protect the Entity from financial and operational risks. Furthermore, the contractor's financial capacity, including their ability to meet such obligations, was evaluated and deemed sufficient during the bidding process.

Recommendation

The Accounting Officer should task the contract management team to show cause why disciplinary action should not be taken against them for failing to enforce the Performance Security clause in the contract in line with Regulation 4 of the PPDA (Contracts) Regulations 2023

2.2.3 Failure to extend the Clerk of Works appointment

The Clerk of Works' contract expired together with the works contract on 30th April 2024. However, whereas, the works contract was extended to December 2024, there was no extension of the Clerk of Works' contract. This was 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

This may lead to poor quality of the works due to absence of day-to-day technical supervision of the project.

Management Response

This shall be done when the central government sends money for works. At the moment there is no money.

Recommendation

The Authority noted the Entity's response and recommends that the Accounting Officer 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;

2.2.4 Weak contract management

The contract management team raised the same issues in several progress reports of failure by the contractor to furnish a Performance Security and failure to avail an environmentalist and social worker on site yet they were required to be available during the duration of the contract. However, whereas, the contractor did not comply no action was taken to enforce compliance. Furthermore, the contractor required security to safeguard the materials on site but this issue was not resolved by the Entity on time which led to delays. This is indicative of a weak contract management system contrary to Regulation 52 (1) (b) of the PPDA (Contracts) Regulations 2023.

Implication

Weak contract management could affect the quality of the works and inhibit achievement of value for money.

Management Responses

*Management has provided UPDF Officers on the site to provide security.
An instruction has been issued to the contractor to provide key personnel.*

Recommendation

The Authority noted the Entity's response and recommends that the Accounting Officer should strengthen contract management of the project through enforcing clauses in the contracts like liquidated damages, issuing warning letters and in case of persistent breach invoke the contract termination clause and appraising poor performers in accordance with Regulation 52 (1) (b) of the PPDA Contracts Regulations 2023.

2.2.5 Failure by the contractor to quote for items that are pertinent to the project

The contractor failed to quote for critical items that were explicitly provided for in the Bills of Materials and were essential to the success of the project. These included workplace HIV sensitization and provision of condoms and other relevant materials, testing of construction materials, and hoarding of the site. As a result, these components were not implemented, which compromised the overall quality of the works. Despite their importance, no effort was made by the Entity to address or rectify this omission during project execution.

Implications

- Failure to hoard the site, caused insecurity at the site which consequently delayed the works.
- Failure to provide for material testing could compromise the quality of the works.
- Failure to allow for HIV sensitization and provision of condoms could lead to infections thus compromising the health of the workers and the.

Management Response

The Entity will correct this in future.

Recommendation

The Accounting Officer should, in future, task the contract management team to scrutinise contract documents to ensure completeness and avoid omissions. Additionally, efforts should be made to strengthen contract management at the site to guarantee that materials used are of appropriate quality.

2.2.6 Lack of required signatures on payment certificates

The Authority noted that although the payment certificates contained provisions for signatures from both the District Environment Officer and the Gender Officer, these officials did not sign any of the certificates. Despite this, payments were still processed, yet the project involved crosscutting issues such as environmental and gender issues that required their input. This was noted in all the nine payment certificates issued to the contractor.

Implication

Failure to involve the District Environment Officer and Gender Officer in the certification process may result in the neglect of crosscutting issues, posing risks to the environment as well as the health, safety, and welfare of workers and nearby communities.

Management Response

The Entity will correct this in the future.

Recommendation

The Accounting Officer should desist from authorizing any payment certificates that lack approval from all mandatory signatories, including the District Environmental Officer and the Gender Officer, in compliance with Circular No. 3 of 2019 regarding the implementation of projects under the Uganda Intergovernmental Fiscal Transfer Program for Results, as issued by the Authority on 24th July 2019.

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

2.3.1 Failure to adhere to ESHS requirements in the contract

The Authority noted that the contractor had submitted a detailed Environment, Social, Health, and Safety management strategies and implementation plan, outlining the contractor's commitment and proposed measures to safeguard the environment, protect workers' and the local community's health and safety, and promote HIV awareness. However, the following observations were made:

- i. Trees had not yet been planted around the compound;
- ii. 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;
- iii. 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;
- iv. Hoarding of the site had not been done;
- v. No record of employment of staff. The Authority noted that the casual laborers on site did not have formal employment contracts with the contractor;
- vi. First aid kit had not been fully equipped;
- vii. There were no properly labelled (Gender sensitive pit latrines) for the workers; and
- viii. The workers did not have access to safe drinking water.

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.

Management Response

The Entity has noted this and shall improve in future.

Recommendations

- The Accounting Officer should task the contract management team to put keen emphasis on ESHS requirements and ensure that the 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 3: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

As at 18th December 2024, the physical progress was at 81% against a time progress of 144%, implying that the contractor has failed to deliver the project within the stipulated time.

3.2 Audit conclusion

The time progress stood at 144%, while physical and financial progress were only at 81%. Key components such as furniture installation, construction of the football pitch, and site hoarding had not yet been completed. In addition, there were notable shortcomings in compliance with environmental, social, health, and safety standards, including the absence of planted trees, lack of personal protective equipment (PPE) for workers, an unequipped first aid kit, and no documentation of staff employment, among other issues.