



**CONTRACT AUDIT REPORT INTO THE CONSTRUCTION OF SIKUDA SEED
SECONDARY SCHOOL AND UPGRADE OF BUWUMBA HEALTH CENTRE II TO
HEALTH CENTRE III IN BUSIA DISTRICT LOCAL GOVERNMENT**

**CONTRACTOR FOR SIKUDA SEED SECONDARY SCHOOL: KRANIMA ECO
SOLUTIONS LIMITED
CONTRACTOR FOR BUWUMBA HEALTH CENTRE II: AFRO GENERAL
BUILDERS AND CARPENTRY UGANDA LIMITED**

JULY 2025

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ACRONYMS

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

EXECUTIVE SUMMARY

The Government of Uganda appropriated funds worth UGX. 3,198,700,615 and 637,463,096 to undertake the construction of Sikuda Seed Secondary School and upgrade of Buwumba Health Centre II to HC III respectively in Busia District.

On 9th May 2022, Busia District Local Government entered into a contract with Afro General Builders and Carpentry Uganda Limited for the Upgrade of Buwumba Health Centre II to HC III at UGX 637,463,096. Funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT), the implementing ministry was the Ministry of Health: -

On 14th October 2022, Busia District Local Government entered into a contract with Kranima Eco Solutions Limited for the construction of Sikuda Seed Secondary School at UGX. 3,198,700,615. 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.

Key Findings of the Authority

1. CONSTRUCTION OF SIKUDA SEED SECONDARY SCHOOL

The Authority found the following:

1. **Delayed completion.** The site was officially handed over to the contractor on 9th November 2022, with a planned completion date of 10th May 2024, that was subsequently extended to 10th September 2024 without any further extensions. However, as of 23rd January 2025 (Date of physical verification), 144% of the contract period had passed, yet the project remained incomplete. In particular, finishing works, drainage systems, and environmental mitigation measures were still pending. As of 16th June 2025, the date of management’s response, there was no evidence that the works had been completed, which is in breach of Regulation 52(3)(a)(vi) of the PPDA (Contracts) Regulations, 2023;

2. **Inadequate Measures to Safeguard Quality of Works in the Absence of a Clerk of Works**

The Clerk of Works’ appointment was extended on 2nd May 2023 for a period of six months, ending on 2nd November 2023. However, by 23rd January 2025, the contractor was still present on site, yet the Authority noted that the Entity had not implemented any alternative measures to safeguard the quality of works in the Clerk of Works’ absence, such as designating a technically competent district staff member to oversee and ensure quality standards 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. This undermines technical supervision and exposes the works to the risk of use of wrong work methods, materials, measurements and material deviations from contract requirements without backstopping;

3. **Payment before certification of deliverables.** Contrary to Regulation 14 (3) of the PPDA (Contracts) Regulations 2023 that requires payment under a lumpsum contract to be linked to specific deliverables, the Authority noted that the Interim payment certificate No. 2 worth UGX 487,937,382, was paid on 1st December 2023 before certification of the works by the contract management team on 22nd December 2023. Payment before receipt of deliverables could lead to financial loss; and
4. **Missing contract management records.** Contrary to Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023, that requires a contract manager to ensure that all contract management records are archived. The Authority noted that the Entity did not maintain records including extension of contractual completion period from 10th September 2024 to 10th November 2024 and evidence of appointment of a contract management team. This inhibits accountability of public funds.

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: -

The Accounting Officer should: -

- i. Strengthen contract management of this project by ensuring regular site meetings and in case of persistent breach of contract, appropriate action should be taken against the contractor such as caution letters and termination of the contract in accordance with Regulation 52 (1) (b) 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 desist from making payments before certification of deliverables by the contract management team in line with Regulation 14 (3) of the PPDA (Contracts) Regulations 2023; and
- iv. Prevail upon the contract management team to ensure that all contract management records are archived in line with Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023.

Audit conclusion

In conclusion, as of 16th June 2025, there was no evidence that the project had been completed. Physical inspections at the site revealed defects that require management's intervention to ensure they are addressed by the contractor including cracks in the bedroom of one of the staff houses, pavers on the staff houses were cracked and needed replacement and the steps on the staff houses had not been completed. Additionally, payment for the Seed School project was behind schedule, with only 76% of the contract amount disbursed despite the project being 98% physically complete. This delay in payment could potentially demotivate the contractor.

2. UPGRADE OF BUWUMBA HEALTH CENTRE II TO HEALTH CENTRE III IN BUSIA DISTRICT

The Authority found the following:

1. **Failure to retain correct fees as per the contractual terms.** The Authority observed that the Entity retained only 5% instead of 10% on payments made to the contractor under IPC 1 and IPC 2. This was contrary to clause 20, under the contract data details which stipulated that “The proportion of payment retention is 10% of each certificate”. By failing to retain UGX 26,145,601, the Entity lacked the necessary leverage to ensure that in the event of defects, they would be promptly addressed by the contractor;
2. **Excess Advance payment guarantee.** GCC 60.1 under the special conditions of contract stated that; “The Advance payment will be equivalent to 30% and will be paid in the same currencies and proportions as the contract price.” The Authority noted that the Entity made an advance payment worth UGX 457,936,278 equivalent to 72%, based on a corresponding advance payment guarantee. Excessive advance payment exposes the Entity to increased financial risk, including potential loss of public funds in the event of non-performance or breach of contract;
3. **Failure by the Contract Manager to consistently prepare monthly progress reports.** Regulation 52 (3) (g) requires a contract manager to submit monthly reports on the progress of the contract to the Accounting Officer and to the Procurement and Disposal Unit. The Authority found that only four reports had been prepared by the Contract Manager during the entire contract duration lasting over 31 months. This hinders effective monitoring and supervision of the contract;
4. **Failure to obtain Performance security and Environment and Social Performance Securities from the contractor.** The Authority observed that the contractor did not submit a Performance Security worth UGX 50,997,048 (8% of the contract price) and an Environment and Social Performance Security worth UGX 12,749,262 (2% of the contract price) contrary to GCC 61.1 of the special conditions of contract. Without obtaining performance securities, the Entity loses out on compensation that results from the contractors’ failure to honor their obligations under the contract;
5. **Failure by the contract manager to penalize the contractor for not submitting a program of works.** GCC 36.1 of the special conditions of contract required the contractor, Afro General Builders and Carpentry (U) Limited to submit a Program of Works within seven days of contract signature. GCC 36.3 of the special conditions of contract also stated that “the period between program updates is twenty-eight (28) days. The amount to be withheld for late submission of an updated program is UGX 200,000 (Two hundred Thousand), the Authority, however, noted that the contractor did not submit program updates thus hindering proper monitoring of the contract; and
6. **Gross delay in project implementation.** Construction was initially scheduled to begin on 16th June 2022 and end by 16th December 2022. However, by the first progress report on 12th May 2023, the contractor was already five months behind schedule, with the maternity ward construction only at ring beam level and the pit latrine excavation just completed. Although the contract’s original completion date was 16th December 2022, the most recent progress report dated 13th August 2024 showed the project at 97% completion. No subsequent reports were provided to determine if the project has been fully completed since then. Key to note is

that the contractor failed to deliver despite the contract being extended twice, i.e for 6 months (17th December 2022 to 17th June 2023) and for 3 months as requested by the contractor (24th August 2023 to 24th November 2023).

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. Ensure future compliance with Regulation 43 (3) of the PPDA (Contracts) Regulations, 2023, by strictly limiting advance payments to a maximum of 30% of the total contract value unless approval is obtained from the Secretary to the Treasury;
 - ii. Task the contract management team to always prepare and submit monthly reports on the progress of the project in accordance to with Regulation 52 (3) (g) of the PPDA (Contracts) Regulations, 2023;
 - iii. Task the contract manger to show cause why disciplinary action should not be taken against him for failing to enforce submission of Performance Security and Environment and Social Performance Security in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations 2023; and
 - iv. 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 Accounting Officer should, in future, ensure that Contract Manager enforces the provisions of the contract related to submission and regular updates of the Program of Works in line with Regulation 52 (1) (b) of the PPDA Contracts Regulations 2023.

Conclusion

In conclusion, as of 16th June 2025, Buwumba HC III had not yet been handed over. Physical inspection at the site revealed defects that require management's intervention to ensure they are addressed before handover including a cracked apron at the 4-stance pit-latrine, water logging around the pit-latrine due to poor drainage system and poor-quality glass installation for the door louvres evidenced by cracked glasses.

A. CONTRACT AUDIT INTO THE CONSTRUCTION OF SIKUDA SEED SECONDARY SCHOOL

CHAPTER 1: INTRODUCTION

1.1 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 Busia District Local Government (the Entity) and Kranima Eco Solutions 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.

1.2 Scope of the Audit

The audit covered the contract implementation and management of the Construction of Sikuda Seed Secondary School.

1.3 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

1.4 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.

1.5 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 Busia DLG and Kranima Eco Solutions Limited; and
7. 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

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

2.1.1 Contract summary

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

Table 1: Contract summary for Construction of Sikuda Seed Secondary School

Entity	Busia DLG	
Contract Title	Construction of Sikuda Seed Secondary School	
Reference Number	MOES/UGIFT/WRKS/2020-2021/0005-LOT 39	
Name of Contractor	Kranima Eco Solutions Limited	
Contract Sum	UGX 3,198,700,615	
Type of contract	Lumpsum	
Contract Scope	Works Description	Amount (UGX)
	Preliminaries	214,368,933
	Site levelling works	4,325,000
	Three 2-classroom blocks	456,819,210
	One 2-Unit Science Laboratory Block	290,408,145
	One Administration Block	172,834,770
	Three 2-Unit Teachers House	480,484,935
	Three 2-Unit Teachers Kitchen	119,802,330
	One 2-Stance Lined VIP Latrine at Administration Block	19,393,910
	Three Two-Stance Lined VIP Latrine Block for Teachers House	75,761,730
	One Five Stance Lined VIP Latrine Block for Boys	39,105,360
	One Five Stance Lined VIP Latrine Block for Girls	39,105,360
	External works	70,002,500
	Water tank	6,535,600
	One ICT library Block	377,121,055
	One Multipurpose Hall	294,394,395
	One sports field	50,000,000
	Sub Total 1	2,710,763,233
	VAT 18%	487,937,382
	TOTAL AMOUNT	3,198,700,615
Contract Signing date	14 October 2022	
Site hand over date	9 th November 2022	
Original contract	10 th May 2024	

completion date	
Defects Liability period	12 months
Method of procurement	Open National Bidding
Amount Paid	UGX. 2,534,834,699
Progress at site	Physical progress: 98% (defects period) Financial: 79 Time: 144%

2.1.2 Progress of works

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

i. Time progress

The time progress as at 16th June 2025 was 172% with 31 months elapsed compared to the planned 18-month duration. Further details can be found in Table 2 below:

Table 2: Time Progress as at 16th June 2025

Contract Start Date	9 th November 2022
Original Contract End Date	10 th May 2024
Measurement Date for works	16 th June 2025
Contract Period (Months)	18 months
Time Lapse (Months)	31 months
Time Progress	172%.

ii. Physical progress

The Authority conducted physical verification on 23rd January 2025 to ascertain the physical status of the project. Table 3 below shows the physical progress of the project at 98% as at 16th June 2025.

Table 3: Physical Progress as at 16th June 2025

Contract Amount	3,198,700,615
Latest progress report as at 16 th July 2024	98
No additional progress report was provided together with the management response on 16 th June 2025, so the status was maintained at 98	98

iii. Financial Progress

Table 4 below details the financial progress as at 16th June 2025. The cumulative payment made to the contractor was UGX. 2,433,723,231 against a contract sum of UGX. 3,198,700,615 thus a financial progress of 76%.

Table 4: Financial Progress as at 16th June 2025

Contract Amount (UGX)		3,198,700,615
Payments made so far		
Cert 1	487,937,382	
Cert 2	458,661,139	

Cert 3	751,423,568	
Cert 4	575,766,111	
Cert 5	159,935,031	
Total	2,433,723,231	
% Financial Progress		76%

iv. Physical verification of the project

Physical verification of the project was carried out by the Authority on 23rd January ,2025 to assess the progress and quality of works. At the time of physical verification, all the structures were complete and painted except for minor works including drainage works and environmental mitigation. The details are indicated in Table 5 below:

Table 5: shows the status of works as at 23rd January 2025

Staff houses



The Slabs for the storm water drainage were developing cracks and needed to be redone.

Two stance pit latrine (Administration block)



Hoarding was only partially done

ICT and Library



Environmental mitigation (planting trees) had not yet been done

Observations during physical verification

The Authority noted that all the structures were complete except for a few underlying issues indicated below:

- Hoarding was only partially done
- The pavers on the staff houses were cracked and needed replacement.
- Environmental mitigation (planting trees) had not yet been done

Implication

Failure to execute works in accordance with the agreed contractual terms undermines the attainment of value for money and exposes the Government to the risk of financial loss resulting from non-performance or substandard contract delivery.

Management Response

The concern raised is noted and care will be taken before the final installment of the retention is paid.

Recommendation

The Accounting Officer should ensure that the above defects are rectified within the defects liability period.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Delayed completion

The site was officially handed over to the contractor on 9th November 2022, with a planned completion date of 10th May 2024, that was subsequently extended to 10th September 2024 without any further extensions. However, as of 23rd January 2025 (Date of physical verification), 144% of the contract period had passed, yet the project remained incomplete. In particular, finishing works, drainage systems, and environmental mitigation measures were still pending and as at 16th June 2025, the physical progress was at 98% and the project had not yet been handed over, which is in breach of Regulation 52(3)(a)(vi) of the PPDA (Contracts) Regulations, 2023.

Implication

The Entity failed to enforce execution of the contract leading to delayed service delivery.

Management Response

- *Site meetings were carried out on monthly basis*
- *Warning letters to the contractor were also issued for the delayed kick off the project as evidence provided*

Authority's comment

The Authority acknowledges the Entity's explanation. However, the significant delay in project completion, even after 144% of the contract time had expired, highlights serious weaknesses in contract supervision. Despite holding site meetings and issuing warning letters, the Entity did not implement adequate enforcement actions. More decisive measures such as timely application of contract sanctions should have been taken to address the contractor's underperformance.

Recommendation

The Accounting Officer should strengthen contract management of this project by ensuring regular site meetings and in case of persistent breach of contract, appropriate action should be taken against the contractor such as caution letters and termination of the contract in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations 2023.

2.2.2 Inadequate Measures to Safeguard Quality of Works in the Absence of a Clerk of Works

The Clerk of Works' appointment was extended on 2nd May 2023 for a period of six months, ending on 2nd November 2023. However, by 23rd January 2025, the contractor was still present on site, yet the Authority noted that the Entity had not implemented any alternative measures to safeguard the quality of works in the Clerk of Works' absence, such as designating a technically competent district staff member to oversee and ensure quality standards 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 undermines technical supervision and exposes the works to the risk of use of wrong work methods, materials, measurements and material deviations from contract requirements without backstopping.

Management Response

The appointment of the Clerk of works was extended by minute of the District Executive Committee as there was no District Service commission to re-appoint the clerk of works. Evidence was provided.

Authority's comment

The Authority acknowledges the submission of the District Executive Committee minute recommending the extension of the Clerk of Works' appointment. However, no formal communication from the Accounting Officer was provided to confirm the extension.

Recommendation

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.

2.2.3 Execution of works against an expired contract

The Contractor on 30th August 2024, made a request for extension of contractual completion period from 10th September 2024 to 10th November 2024. However, there was no evidence that this request was granted. Despite this, the contractor continued working on site, and as of 16th June 2025, the date of management's response, there was still no evidence that the works had been completed.

Implication

Performing works on an expired contract may result into failure by either party to seek legal redress in case of breach of obligations since there could be no legally binding agreement.

Management Response

The contract extension of 10th September 2024 to 10th November 2024 was made as evidenced.

Authority's comment

Although the Entity claims that the contract extension was granted, the only documentation provided supports a previous three-month extension approved on 25th April 2024. No evidence was submitted to confirm approval of the contractor's subsequent request to extend the completion date from 10th September to 10th November 2024. Furthermore, as of 16th June 2025, the date of management's response, there was still no formal extension. As such, the contractor's continued execution of works beyond the approved contract period constituted performance under an expired contract.

Recommendation

The Accounting Officer should task the contract managers to always monitor contracts effectively and ensure that in case of any need for extension of the contract completion period, this is done in time in accordance with Regulation 53 (1) (d) of the PPDA (Contracts) Regulations 2023.

2.2.4 Payment before certification of deliverables

Contrary to regulation 14 (3) of the PPDA (Contracts) Regulations 2023 that requires payment under a lumpsum contract to be linked to specific deliverables, the Authority noted that the Interim payment certificate No. 2 worth UGX 487,937,382, was paid on 1st December 2023 before certification of the works by the contract management team on 22nd December 2023.

Implication

Payment before receipt of deliverables could lead to financial loss.

Management Response

Evidence of the said payment was given and not true that it was done before certification.

Authority's comment

The Authority takes note of the Entity's response; however, no supporting documentation was provided to refute the findings. Available evidence confirms that Interim Payment Certificate No. 2 was paid on 1st December 2023, prior to certification of the corresponding works by the contract management team on 22nd December 2023.

Recommendation

The Accounting Officer should in future desist from making payments before certification of deliverables by the contract management team in line with Regulation 14 (3) of the PPDA (Contracts) Regulations 2023.

2.2.5 Missing contract management records

Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023 requires a contract manager to ensure that all contract management records are archived. The Authority noted that the Entity did not maintain the following contract management records on file:

- Extension of contractual completion period from 10th September 2024 to 10th November 2024.
- Evidence of appointment of a contract management team

Implication

This indicates non transparency and failure by the Entity to account for public funds.

Management Response

Payment voucher of Certificate No.1 is provided.

Authority's comment

The Authority acknowledges the submission of the payment voucher for certificate No. 1, however, the other missing documents were not provided.

Recommendation

The Accounting Officer should prevail upon the contract management team to ensure that all contract management records are archived in line with Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023.

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

2.3.1 Failure to adhere to ESHS requirements in the contract

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**
- 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.

Implication

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 did not provide a response to this issue.

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 contractor 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 16th June 2025, the physical progress was at 98% and the project had not yet been handed over.

3.2 Audit conclusion

In conclusion, as of 16th June 2025, there was no evidence that the project had been completed. Physical inspections at the site revealed defects that require management's intervention to ensure they are addressed by the contractor including cracks in the bedroom of one of the staff houses, pavers on the staff houses were cracked and needed replacement and the steps on the staff houses had not been completed. Additionally, payment for the Seed School project was behind schedule, with only 76% of the contract amount disbursed despite the project being 98% physically complete. This delay in payment could potentially demotivate the contractor.

B. CONTRACT AUDIT INTO THE UPGRADE OF BUWUMBA HEALTH CENTRE II TO HEALTH CENTRE III IN BUSIA DISTRICT

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

2.1.1 Contract summary

The key information about the contract is summarized in Table 6 below: -

Table 6: Contract Summary

Entity	Busia District Local Government		
Contract Title	Upgrade of Buwumba Health Centre II to HC III Dabani Sub-County in Busia District		
Reference Number	MOH/UgIFT/BUSI507-WORKS/21-22/00013/LOT-6)		
Name of Contractor	Afro General Builders and Carpentry Uganda Limited		
Contract Sum	UGX 637,463,096		
Type of contract	Admeasurement		
Contract Scope	Works Description	Amount (UGX)	
	Preliminaries	11,750,000	
	Maternity ward	485,116,697	
	Improvement (Renovation/remodelling) of outpatient department	30,000,000	
	VIP 4 stance	39,277,031	
	Placenta Pit	15,995,000	
	Medical waste Pit	9,996,000	
	External works	6,000,000	
	Subtotal 1	598,134,728	
	Contingencies (2.5%)	14,953,368	
	Subtotal 2	613,088,096	
	VAT 18%	0	
	Local Government supervision	24,375,000	
	GRAND TOTAL	637,463,096	
Securities	Security	Amount in UGX	Status
	Performance Security (8% of the contract price)	50,997,048	Not submitted by contractor
	ES Performance Security (2% of the contract price)	12,749,262	Not submitted by contractor
	Appointed on 9th May 2022, the date of contract signing		
Contract Management Team	1.	District Health Officer	Contract Manager
	2.	District Engineer	Project Manager
Contract Signing date	9 th May 2022		

Site hand over date	14 th June 2022
Original contract start date	16 th June 2022
Original contract completion date	16 th December 2022
Defects Liability period	16 th June 2023 (6 months)
Contract Extension	17 th December 2022 to 17 th June 2023
Method of procurement	Open National Bidding
Amount Paid	UGX 618,228,079 (as per the payment vouchers submitted)
Progress at site	Physical progress: 95% Financial: 97% Time:583 %

2.1.2 Progress of works

The Time, Physical and Financial Progress is detailed in Table 6,7 and 8 below:

Time progress

The Authority observed that the Entity signed a contract with Afro General Builders and Carpentry Uganda Limited on 9th May 2022 with site handover on 14th June 2022 and a contract completion period of six months expiring on 16th December 2022. Details are provided in Table 7 below:

Table 7: Time Progress as at 16th June 2025

Contract Start Date	9 th May 2022
Original Contract End Date	16 th December 2022
Measurement Date for works	16 th June 2025
Contract Period (Months)	6
Time Lapse (Months)	35
Time Progress	583%

Physical progress

Table 8 below shows the physical progress of the project at 95% as at 16th June 2025.

Table 8: Physical Progress as at 16th June 2025

Contract Amount	UGX 637,463,096
Measured / Valued works as at 16th June 2025	UGX 602,607,040 (this value is based on the total value of the works done as per the three payment certificates submitted to the Entity)
Physical Progress	95%

Other pending works included, external works including site clearance and levelling, installation of gutters for the rain water harvest system, fixing of glass louvers in all the doors.

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 sum. The financial performance was 97% worth UGX 618,228,079.

Table 9: Financial Progress as at 16th June 2025

Contract Amount	637,463,096				
IPCs submitted	Date	IPC No.	IPC value of works done	IPC actual values	Date of payment
	11 th -05-2023	1	168,728,212	160,291,801	28 th June 2023
	30 th -08-2023	2	354,183,798	200,557,806	No evidence of payment
	23 rd -01-2024	3	79,695,030	71,725,527	28 th June 2023
		Total	602,607,040	432,575,134	
Payments Made	Date	IPC No.	IPC value	Actual payment	Date of payment
	11 th May 2023	1	168,728,212	160,291,801	28 th June 2023
	n/a	n/a	n/a	457,936,278	28 th June 2023
		Total		618,228,079	
Advance Payment	UGX 457,936,278				
Total value of IPCs submitted	UGX 602,607,040				
Total Payments as at review by the Authority	618,228,079				
Financial Progress	97%				

Note: The Authority noted that the contractor had been paid a total of UGX **618,228,079** which was equivalent to 97% of the contract sum and was not equivalent to the works done at the time with physical progress of 95%.

Table 10 below shows project pictures from the physical verification that was conducted by the Authority on 23rd January 2025 and the progress noted.

Table 10: Physical verification pictures as at 23rd January 2025

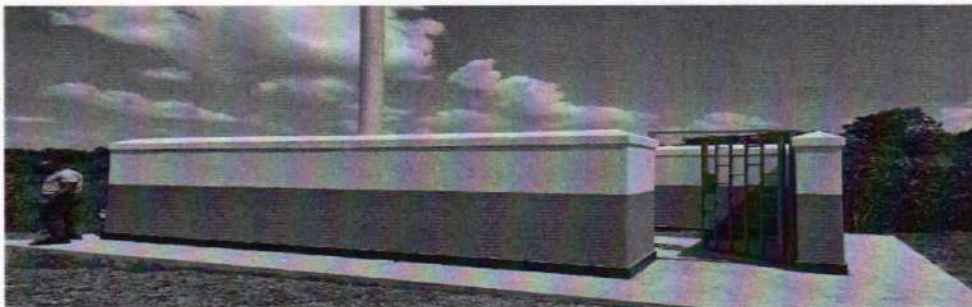
Maternity ward



VIP 4 stance pit latrine



Placenta Pit



2.2 EFFECTIVENESS OF TIME, QUALITY, AND COST CONTROLS

2.2.1 Payment Irregularities

The Authority observed that a total of UGX 618,228,079 had been made to the contractor against a total contract sum of UGX 637,463,096. However, the following irregularities were noted.

i. Irregular payment of supervision fees to the contractor

The Authority observed that Local Government supervision fees worth UGX 24,375,000 were paid to the contractor under IPC 2. However, there was no accountability provided for the payment.

Implication

There is a potential financial loss of UGX 24,375,000 incurred by the Entity.

Management Response

The Entity did not provide a response.

Recommendation

The Accounting Officer should require the contract management team to provide justification for the expenditure of UGX 24,375,000 allocated for supervision, or alternatively, initiate recovery of the amount from the team. Failure to take appropriate action may result in sanctions under Section 129(1)(h) of the PPDA Act, Cap 205.

ii. Failure to retain correct fees as per the contractual terms

The Authority observed that that the Entity retained only 5% instead of 10% on payments made to the contractor under IPC 1 and IPC 2. This is contrary to clause 20, under the contract data details which stipulated that “The proportion of payment retention is 10% of each certificate.” Table 11 indicates the total amount of money not retained

Table 11: Monies not retained when effecting payment

IPC No.	Date	Total value of works executed	Actual payment	Amount retained	Amount that should have been retained	Monies not retained
001	11 th -05-2023	168,728,212	160,291,801	8,436,411	16,872,812	8,436,411
002	30 th -08-2023	354,183,798	200,557,806	9,272,779	35,418,380	17,709,190
	Totals	522,912,010	360,849,607	17,709,190	52,291,192	26,145,601

Implication

By failing to retain UGX 26,145,601, the Entity lacked the necessary leverage to ensure that in the event of defects, they would be promptly addressed by the contractor.

Management Response

The Entity did not provide a response.

Recommendation

The Accounting Officer should ensure future compliance with Regulation 43 (3) of the PPDA (Contracts) Regulations, 2023, by strictly limiting advance payments to a maximum of 30% of the total contract value unless approval is obtained from the Secretary to the Treasury.

iii. Irregular advance payment of 72% of the contract value

GCC 60.1 under the special conditions of contract stated that; “The Advance payment will be equivalent to 30% and will be paid in the same currencies and proportions as the contract price.”

The Authority noted that the Entity made an advance payment worth UGX 457,936,278 equivalent to 72% of the contract price. This was also contrary to Regulation 43 (3) of the PPDA (Contracts) Regulations 2023 that prohibits advance payments beyond 30% of the contract price.

Implication

This excessive advance payment exposes the Entity to increased financial risk, including potential loss of public funds in the event of non-performance or breach of contract.

Management Response

The Entity did not provide a response.

Recommendation

The Accounting Officer should ensure future compliance with Regulation 43 (3) of the PPDA (Contracts) Regulations, 2023, by strictly limiting advance payments to a maximum of 30% of the total contract value unless approval is obtained from the Secretary to the Treasury.

2.2.2 Inadequate contract monitoring and supervision

The Entity had a Local Government supervision budget worth UGX 24,375,000 and the Accounting Officer appointed the District Health Officer on the same day of contract signing on 9th May 2022 to monitor and supervise the contract, however, gaps were observed in contract management and supervision occasioned by the following:

i. Failure by the Contract Manager to consistently prepare monthly progress reports

Regulation 52 (3) (g) requires a contract manager to submit monthly reports on the progress of the contract to the Accounting Officer and to the Procurement and Disposal Unit. The Authority found that only four reports had been prepared by the Contract Manager during the entire contract duration lasting over 31 months as indicated in table 12 below:

Table 12: List of progress reports submitted to the Entity

Report	Date	Physical progress indicated in the report
Progress report 1.	12 th May 2023	25%
Progress report 2. (30 th June 2023 to 30 th August 2024)	30 th August 2023.	56.7%
Progress report 3. (30 th August 2023 to 24 th January 2024)	8 th December 2023.	67.12%
Progress report 4	13 th August 2024	97%

Implication

This hindered effective monitoring and supervision of the contract and ultimately contributed to the delay in completion of the construction works by the contractor, Afro General Builders and Carpentry (U) Limited.

Management Response

The Entity did not provide a response.

Recommendations

The Accounting Officer should task the contract management team to always prepare and submit monthly reports on the progress of the project in accordance to with Regulation 52 (3) (g) of the PPDA (Contracts) Regulations, 2023.

ii. Failure by the contract manager to penalize the contractor for not submitting a program of works

GCC 36.1 of the special conditions of contract required the contractor, Afro General Builders and Carpentry (U) Limited to submit a Program of Works within seven days of contract signature. GCC 36.3 of the special conditions of contract also stated that “the period between program updates is twenty-eight (28) days. The amount to be withheld for late submission of an updated program is UGX 200,000 (Two hundred Thousand), the Authority, however, noted that the contractor did not submit program updates thus hindering proper monitoring of the contract.

Implication

Failure to obtain a program of works hinders proper monitoring of the actual works progress within a given time frame which contributes to delayed contractual implementation.

Management Response

The Entity did not provide a response.

Recommendation

The Accounting Officer should, in future, ensure that the Contract Manager enforces the provisions of the contract related to submission and regular updates of the Program of Works in line with Regulation 52 (1) (b) of the PPDA Contracts Regulations 2023.

2.2.3 Failure to obtain Performance security and Environment and Social Performance Securities from the contractor

The Authority observed that the contractor did not submit a Performance Security worth UGX 50,997,048 (8% of the contract price) and an Environment and Social Performance Security worth UGX 12,749,262 (2% of the contract price). This was contrary to GCC 61.1 under the special conditions of contract which stated that “A performance Security and the ES Performance Security shall be required and will be 8% and 2% respectively of the contract price.”

Implication

Without obtaining performance securities, the Entity loses out on compensation that results from the contractors’ failure to honor their obligations under the contract.

Management Response

The Entity did not provide a response.

Recommendation

The Accounting Officer should task the contract manger to show cause why disciplinary action should not be taken against him for failing to enforce submission of Performance Security and Environment and Social Performance Security in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations 2023.

2.2.4 Gross delay in project implementation

Construction was initially scheduled to begin on 16th June 2022 and finish by 16th December 2022. However, by the first progress report on 12th May 2023, the contractor was already five months behind schedule, with the maternity ward construction only at ring beam level and the pit latrine excavation just completed. Although the contract's original completion date was 16th December 2022, the most recent progress report dated 13th August 2024 showed the project at 97% completion. No subsequent reports were provided to determine if the project has been fully completed since then. Key to note is that the contractor failed to deliver despite the contract being extended twice, i.e. for 6 months (17th December 2022 to 17th June 2023) and for 3 months as requested by the contractor (24th August 2023 to 24th November 2023).

Implication

Delay in contract implementation 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 Entity did not provide a response.

Recommendations

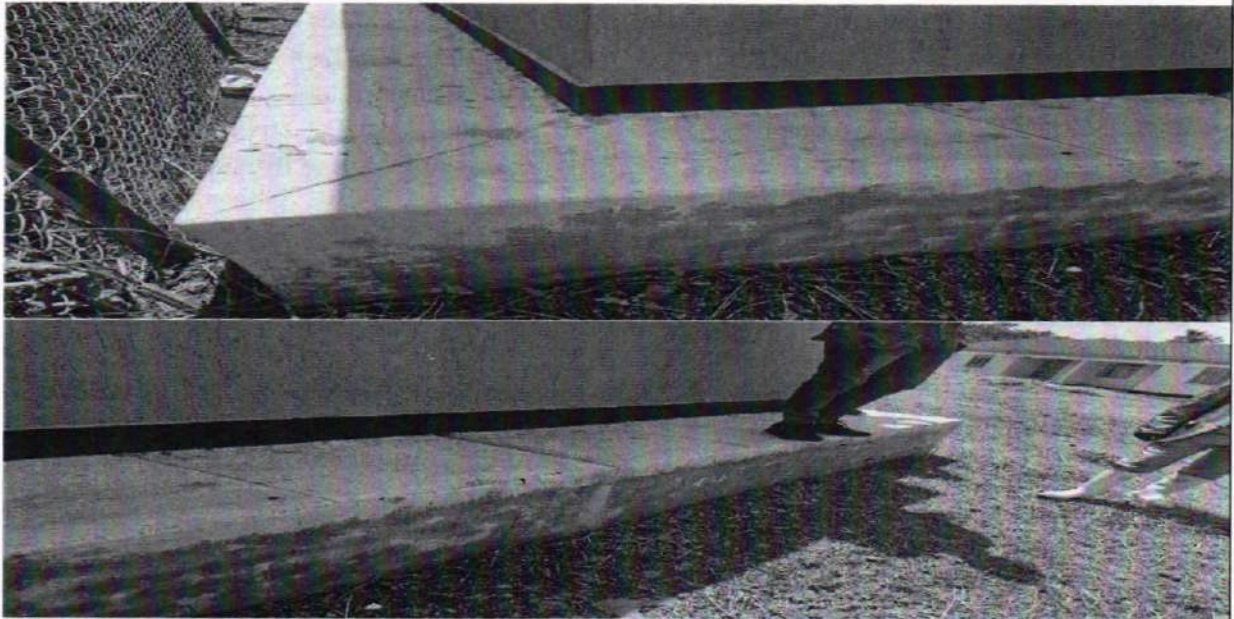
- The Accounting Officer should strengthen contracts management in the Entity and prevail over Contract Managers and Supervisors to execute their roles diligently in accordance with Regulation 52 (3) of PPDA (Contracts) Regulations, 2023.
- The Contract Manager or contract management team should recommend for termination where a contractor is not fulfilling their contractual obligation as per the contract agreement in accordance with Regulation 56 (1) of the PPDA (Contracts) Regulations, 2023.

2.2.5 Poor workmanship and installation

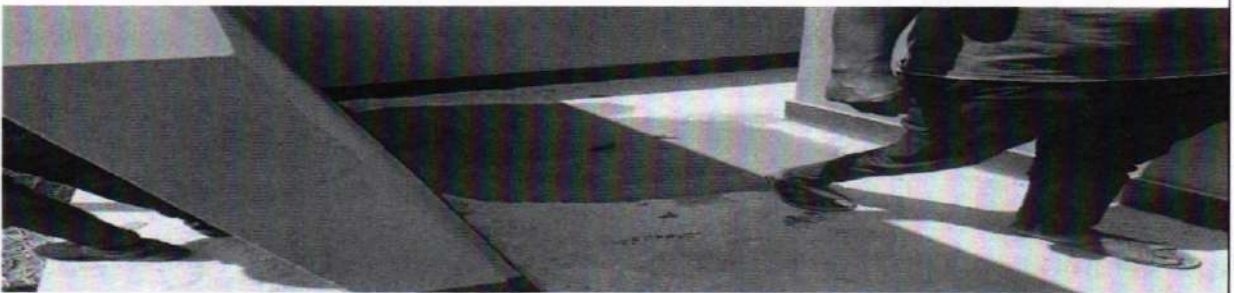
The Authority visited the site and found deficiencies in quality of some works yet the contract defects liability period had elapsed and the project was due for handover. The details are provided in Table 13 below:

Table 13: Quality of works at Buwumba Health Centre III

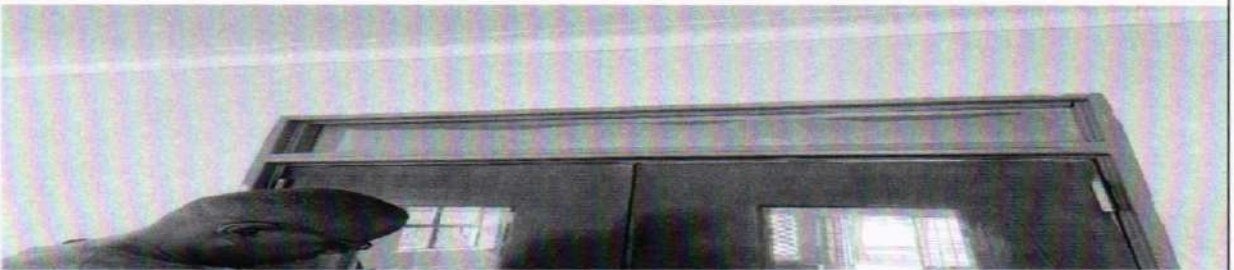
Pictorial evidence of low-quality works



Cracked apron at the 4-stance pit-latrine



Water logging around the pit-latrine due to poor drainage system



Poor quality glass installation for the door louvres evidenced by cracked glasses

Implication

Project defects effect the effectiveness and achievement of the project objectives and the Users may experience the full intended benefits of the project.

Management Response

The Entity did not provide a response.

Recommendation

The Accounting Officer should ensure that Contract Management teams closely oversee contractors to fulfill contract terms and conditions as outlined in Regulation 52 of the PPDA (Contracts) Regulations, 2023. All identified issues should be promptly addressed and a status provided to the Authority within three weeks of receipt 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 copies of environmental incident reports, re-vegetation and landscaping the site, maintain existing trees and plants, this was contrary to GCC 29 under the special conditions of contract within the contract.

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

The Entity did not provide a response.

Recommendation

The Contract Manager should always task the contractor to implement the ESMP to protect the environment; take all reasonable precautions to maintain the 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: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

As at 16th June 2025, the physical progress was at 99% and there was no evidence that the project had been handed over.

3.2 Audit conclusion

In conclusion, as of 16th June 2025, Buwumba HC III had not yet been handed over. Physical inspection at the site revealed defects that require management's intervention to ensure they are addressed before handover including a cracked apron at the 4-stance pit-latrine, water logging around the pit-latrine due to poor drainage system and poor-quality glass installation for the door louvres evidenced by cracked glasses.