



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

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

CONTRACTOR: NGUJJO INVESTMENTS LTD

PROCUREMENT REF: KAPC520/WRKS/21-22/00001

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 2,154,193,000 to undertake the construction of Teryet Seed Secondary School in Kapchorwa District. Funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT), the implementing ministry was the Ministry of Education and Sports.

On 6th November 2023, Kapchorwa District Local Government entered into a contract with Ngujjo Investments Ltd for the construction of Teryet Seed Secondary School Phase II at a cost of UGX 514,633,032 with the intended completion date on 28th June 2024 and a defects liability period of 12 months.

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

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

Key Findings of the Authority

The Authority found the following:

1. **No evidence of submission of 10% Performance Security.** The contractor failed to submit the 10% Performance Security within 21 days of contract signing as required under GCC 61.1 which left the Entity exposed to significant risks, including financial loss, poor-quality work, and limited options for redress if the contractor failed to deliver as agreed;
2. **Delayed progress of works.** The project awarded to Ngujjo Investments Ltd on 6th November 2023 suffered major delays, with completion occurring on 30th May 2025 nearly a year beyond the original deadline of 28th June 2024 (257% time overrun). A site visit in December 2024 revealed no contractor staff on-site, indicating poor supervision and weak contract management. These delays undermined timely service delivery and exposed the Entity to increased costs, inefficiencies, and loss of public value;
3. **Failure by the Contract Manager to Penalize Contractor for Non-Submission of Work Program Updates.** The Contract Manager did not enforce Clause GCC 36.3 of the contract which requires the contractor to submit work program updates every 28 days or face a penalty of UGX 200,000 per missed update. As a result, Ngujjo Investments Ltd failed to provide the required updates, hindering effective monitoring of progress on specific activities. This lapse contributed to time losses during project execution and reflects weak contract enforcement that undermines accountability;
4. **Execution of works beyond contractual period;** The Authority noted that the contract expired on 31st December 2024 yet works remained incomplete until 30th May 2025, indicating continued execution beyond the contractual period without formal extension

contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023. As a result, the contract became void, rendering its terms and conditions unenforceable and exposing the Entity to legal and financial risks; and

5. Failure by the contractor to submit a Workman's Compensation Policy

The contractor failed to submit a Workman's Compensation Policy as required under SCC (GCC) 18.1 of the contract. This exposed workers to health and safety risks without insurance cover and left the Entity vulnerable to legal liability and potential compensation claims in the event of workplace injuries.

Conclusion

Whereas the project was eventually completed at 100% physical progress by 30th May 2025, it suffered significant delays, with 257% of the scheduled contract time elapsed. Key contract management failures were noted, including absence of Performance Security, lack of timely program updates, execution of works beyond the contractual period without formal extension, and non-compliance with Environmental, Social, Health, and Safety (ESHS) safeguards. Both the contractor and the Entity fell short of fully meeting their obligations, underscoring the need for stricter enforcement of contractual provisions and improved supervision to ensure timely and compliant project delivery in future procurements.

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;
 - Require the Contract Management Team to justify as to why disciplinary action should not be taken against them for failure to effectively supervise and monitor the contract within the agreed timelines, in accordance with Regulation 52(1)(b) of the PPDA (Contracts) Regulations, 2023; and
 - Ensure full enforcement of contractual provisions related to the deployment and presence of key personnel. Clauses on staff availability should be explicitly monitored, and penalties applied in cases of non-compliance or unauthorized demobilization.
2. Contract Managers should;
 - Implement structured and routine site inspections, with each visit documented through dated photographic evidence and signed attendance registers. Where contractors fail to maintain adequate on-site supervision, appropriate contractual remedies should be applied, including payment withholdings, liquidated damages, or contract termination for persistent non-performance;
 - Ensure that contractors submit the required Performance Securities within the stipulated time frame in accordance with Regulation 12 (1) (a) of the PPDA (Contracts) Regulations 2023. In case of delays, the contractor should be held accountable for non-compliance, and corrective action should be taken to safeguard the entity against potential risks, such as financial loss or non-performance;

- Implement a monitoring schedule and enforce timely submission of program updates through reminders, warnings, and penalties to improve accountability and project delivery;
 - Monitor running contracts and in case need arises for contract extension, he should expedite the process and obtain all the necessary approvals before expiry of the contract in line with Regulation 53 (1) (d) of the PPDA (Contracts) Regulations 2023; and
 - Always task the contractor to submit the required documentation for insurance cover as per the terms and conditions of the signed contract, before undertaking any works in accordance with Regulation 52 (3) (a) (ii) of the PPDA (Contracts) Regulations, 2023.
3. The District Engineer should withhold UGX 200,000 (for each missing program update) from the payments to be made to the contractor, Ngujjo Investments Ltd for the executed works in accordance with GCC (SCC) 36.3 of the signed contract.

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 Teryet Seed Secondary School

Entity	Kapchorwa DLG	
Contract Title	Construction of Teryet Seed Secondary School Phase 2 Part II	
Reference Number	KAPC520/WRKS/21-22/00001	
Name of Contractor	Ngujjo Investments Ltd	
Contract Sum	UGX 514,633,032	
Type of contract	Lumpsum	
Contract Scope	Works Description	Amount (UGX)
	Preliminaries	17,850,000
	Site levelling works	1,074,000
	Three 2-classroom blocks	351,009,000
	One 2-Unit Science Laboratory Block	201,264,500
	One Administration Block	118,729,500
	Three 2-Unit Teachers House	326,002,500
	Three 2-Unit Teachers Kitchen	100,599,000
	One 2-Stance Lined VIP Latrine at Administration Block	17,095,000
	Three Two-Stance Lined VIP Latrine Block for Teachers House	53,544,000
	One Five Stance Lined VIP Latrine Block for Boys	25,565,000
	One Five Stance Lined VIP Latrine Block for Girls	27,551,000
	External works	14,422,500
	Water tank	4,705,000
	One ICT library Block	264,790,200
	One Multipurpose Hall	251,386,088
	One sports field	50,000,000
	Sub Total 1	1,825,587,288
	VAT 18%	328,605,711.84
	TOTAL AMOUNT	2,154,193,000
Contract Signing date	6 th November 2023	
Site hand over date	6 th November 2023	
Original contract completion date	28 th June 2024 (7 months)	
Defects Liability period	12 months	

Contract Extension	Nil
Method of procurement	Open National Bidding
Amount Paid	No payment records provided by the Entity
Contract manager	District Engineer- Mr. Owen Kweko Chebet
Progress at site	Physical progress: 100% Financial: 94% Time: 257%

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 Kapchorwa DLG and Ngujjo Investments Ltd; 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 Kapchorwa District Local Government (the Entity) and Ngujjo Investments Ltd (the Contractor).

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

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

1.4 Scope of the Audit

The audit covered the contract implementation and management of the construction of Teryet 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 conducted by auditors who did not possess professional expertise in engineering and building construction. As a result, the audit team was not in a position to conclusively assess the technical quality of the works executed. It is important to note that the

responsibility for ensuring the quality of works lies with the Entity's management and the contractor.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

2.1.1 Progress of works

By 30th May 2025, despite 257% of the scheduled project duration having elapsed, the project had reached 100% physical completion and was in the defects liability period.

i. Time Progress

As of 30th May 2025, the time progress was recorded at 257%, as presented in Table 2 below

Table 2: Time Progress as at 30th May 2025

Contract Start Date	6 th November 2023
Original Contract End Date	28 th June 2024
Contract Extension No. 1	Nil
Measurement Date for works	30 th May 2025
Contract Period (Months)	7 months
Time Lapse (Months)	18 months
Time Progress	257%

ii. Financial Progress

As of 30th May 2025, the project's financial progress was evaluated at 94%, as outlined in Table 3 below:

The financial progress of the project was determined by analysing the cumulative amount of money paid out to the contractor as at 30th May 2025, vis-à-vis the contract amount.

Table 3: Financial progress of the project as at 30th May 2025

Contract Amount	UGX 2,154,193,000		
Payments Made	EFT PAYMENT NUMBER	PAYMENT DATE	AMOUNT (UGX)
	42113552	7 th March 2022	241,047,733
	13287672	5 th July 2024	295,083,213
	43255191	11 th May 2022	268,141,248
	44424519	22 nd June 2022	154,236,418
	3668088	6 th February 2023	58,319,082
	5890007	15 th June 2023	217,977,021
	5090007	15 th June 2023	82,799,329
	6415569	27 th June 2023	221,463,304
	11917977	29 th April 2024	193,818,167
	13338240	11 th July 2024	295,083,213
		TOTAL	2,027,968,728
Total Payments as at review by the Authority	UGX. 2,027,968,728		
Financial	94%		

Progress	
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iii. Physical progress

By 30th May 2025, 257% of the scheduled time had passed, and the project was 100% complete as detailed in Table 4 below:

Table 4: Physical Progress as at 30th May 2025

Contract Amount	2,154,193,000
Percentage of works done as at 30th May 2025	2,027,968,728
Physical progress (%)	100%

iv. Physical verification pictures

Physical verification of the project was carried out by the Authority on 6th December 2024 and the actual progress of the works is shown in table 5 below;

Table 5: Status of works as at 30th May 2025

Administration block



Multi-purpose hall



ICT Laboratory and Library block



Classroom blocks

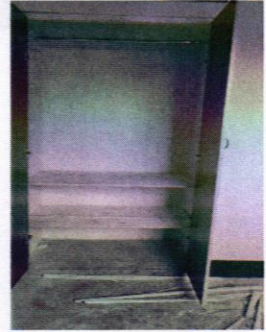
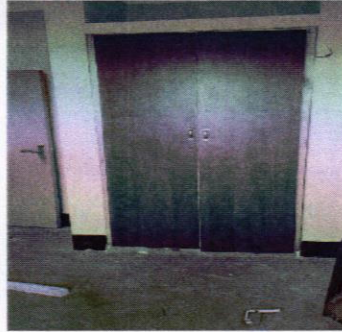


2 stance lined pit latrine

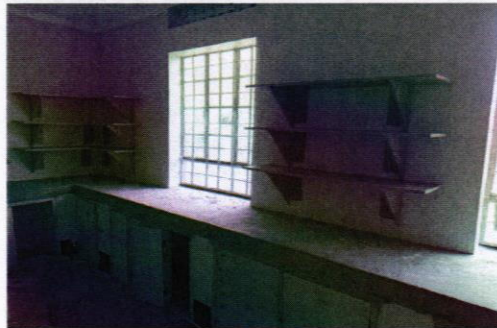
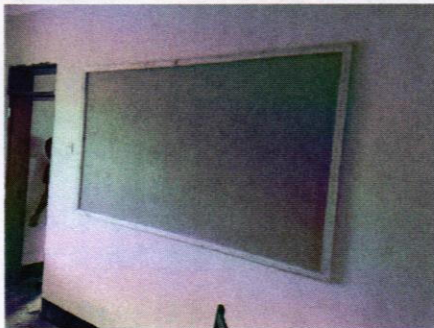
Water harvest tanks and science laboratory



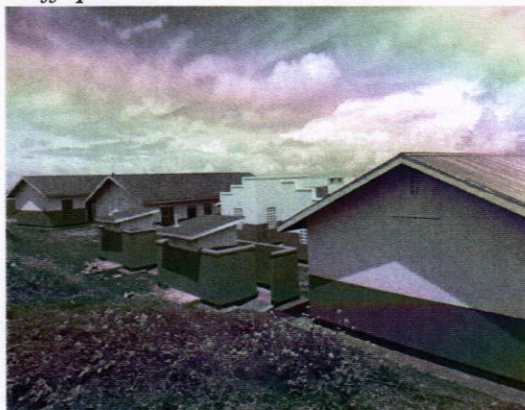
Fixtures and furniture-multipurpose hall, staff houses and science lab



Pin board



Staff quarters



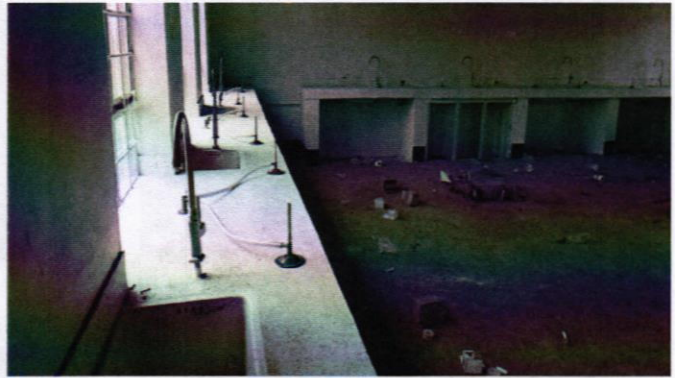
staff house



Multipurpose hall with furniture



Inside the Science laboratory



Staff houses



Staff kitchens



Interior – staff house



Grass planted



2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 No evidence of submission of 10% Performance Security

Clause GCC 46 of the General Conditions of the Contract required that, within 21 calendar days after signing the contract, the successful bidder must provide the Procuring and Disposing Entity (PDE) with a Performance Security and an Environmental and Social (ES) Performance Security in the amounts specified in the Special Conditions of the Contract.

According to GCC 61.1 of the Special Conditions of the Contract, the contractor was required to submit a Performance Security equivalent to 10% of the contract price. However, despite the contract being signed on 6th November 2023, there was no evidence to confirm that the required Performance Security had been submitted thereby raising concerns about the project's financial safeguards and the contractor's commitment to fulfilling contractual obligations.

Implication

Without a Performance Security, the Entity is exposed to unprotected defective works, delays, and non-performance of contractual obligations by the contractor.

Management response

The Entity has taken note of the observation of the Authority on seeking for Performance Security from Contractors in time and also pledges to comply in future procurements.

Recommendation

Contract managers should ensure that contractors submit the required Performance Securities within the stipulated time frame in accordance with Regulation 12 (1) (a) of the PPDA (Contracts) Regulations 2023. In case of delays, the contractor should be held accountable for non-compliance, and corrective action should be taken to safeguard the entity against potential risks, such as financial loss or non-performance.

2.2.2 Delayed progress of works

The Authority observed that the works under the contract signed with Ngujjo Investments Ltd on 6th November 2023 faced significant delays. Although the project was expected to be completed within seven months, by 28th June 2024, it was only fully completed by 30th May 2025, well beyond the agreed timeline, with 257% of the contract period having passed. During a site visit in December 2024, no key contractor personnel or workers were found on-site, raising serious concerns about the level of supervision and the contractor's commitment to timely and efficient project delivery.

Implication

The absence of key personnel on site led to significant project delays, risking extended timelines, increased costs, and potential budget overruns.

Management response

The Entity intensified monitoring and followed up with the contractor and Rain water gutters have been installed, grass planted and landscaping done and the Project manager pledges not to allow any contractor demobilize in the future without authorization.

Recommendations

The Authority takes note of the Entity's efforts to follow up with the contractor and acknowledges the completion of outstanding works, However, to strengthen future contract execution and avoid similar delays, the following actions are recommended:

- The Accounting Officer should require the Contract Management Team to justify as to why disciplinary action should not be taken against them for failure to effectively supervise and monitor the contract within the agreed timelines, in accordance with Regulation 52(1)(b) of the PPDA (Contracts) Regulations, 2023.
- The Accounting Officer should ensure full enforcement of contractual provisions related to the deployment and presence of key personnel. Clauses on staff availability should be explicitly monitored, and penalties applied in cases of non-compliance or unauthorized demobilization.
- The Contract Manager should implement structured and routine site inspections, with each visit documented through dated photographic evidence and signed attendance registers. Where contractors fail to maintain adequate on-site supervision, appropriate contractual remedies should be applied, including payment withholdings, liquidated damages, or contract termination for persistent non-performance.

2.2.3 Failure by the Contract Manager to penalize the contractor for failure to submit work program updates

The Authority found that the Contract Manager did not penalize the contractor, Ngujjo Investments Ltd, for failure to prepare and submit work program updates contrary to GCC 36.3 of the signed contract which stated that: *The period between Program updates is 28 days. The amount to be withheld for late submission of an updated program is UGX 200,000.*

Implication

Without work program updates, the Contract Manager could not measure/monitor the actual progress achieved on each activity and this contributed to time losses during contract execution.

Management response

The Entity has taken note of the concern raised by the Authority and pledges to enforce the clause in the future procurements.

Recommendations

- The District Engineer should withhold UGX 200,000 (for each missing program update) from the payments to be made to the contractor, Ngujjo Investments Ltd for the executed works in accordance with GCC (SCC) 36.3 of the signed contract.
- Going forward, Contract Managers should implement a monitoring schedule and enforce timely submission of program updates through reminders, warnings, and penalties to improve accountability and project delivery.

2.2.4 Execution of works beyond contractual period

The Authority noted that the contract expired on 31st December 2024, yet works remained incomplete until 30th May 2025, indicating continued execution beyond the contractual period without formal extension contrary to Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations 2023.

Implication

The contract was void and the terms and conditions no longer enforceable.

Management response

The Entity made an extension to the Contract up to 31st December, 2024.

Authority's comment

The Authority acknowledges the Entity's response that the contract had been extended once up to 31st December 2024. However, there were no further extensions after this yet works continued on site up to 30th May 2025.

Recommendation

In subsequent procurements, the Contract Manager should monitor running contracts and in case need arises for contract extension, he should expedite the process and obtain all the necessary approvals before expiry of the contract in line with Regulation 53 (1) (d) of the PPDA (Contracts) Regulations 2023.

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

2.3.1 Failure by the contractor to submit a Workman's Compensation Policy

The Authority found that the contractor, Ngujjo Investments Limited, did not submit a Workman's Compensation Policy contrary to SCC (GCC) 18.1 of the signed contract which stated that: "*The contractor shall provide insurance cover for workers (Workman's Compensation Policy).*"

Implication

Without a Workman's Compensation Policy, there is a risk that injured workers may not get medical care and compensation for a portion of the income they lose while they are unable to return to work. It may also result into lawsuits by injured workers while on duty.

Management Response

The Entity has taken note of the concern raised by the Authority on submission of Workman's Compensation Policy and pledges to enforce the clause in the future.

Recommendation

The Contract Manager should in future procurements always task the contractor to submit the required documentation for insurance cover as per the terms and conditions of the signed contract, before undertaking any works in accordance with Regulation 52 (3) (a) (ii) of the PPDA (Contracts) Regulations, 2023.

CHAPTER 3: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

As of 30th May 2025, the physical progress of the project had reached 100% and were in the defects liability period, while the time elapsed stood at 257% of the originally scheduled period, indicating substantial delays in project execution despite eventual completion.

3.2 Audit conclusion

The Authority concluded that while the project was eventually completed at 100% physical progress by 30th May 2025, it suffered significant delays, with 257% of the scheduled contract time elapsed. Key contract management failures were noted, including absence of performance security, lack of timely program updates, execution of works beyond the contractual period without formal extension, and non-compliance with Environmental, Social, Health, and Safety (ESHS) safeguards. Both the contractor and the Entity fell short of fully meeting their obligations, underscoring the need for stricter enforcement of contractual provisions and improved supervision to ensure timely and compliant project delivery in future procurements.