



**CONTRACT AUDIT REPORT INTO THE SUPPLY, INSTALLATION,
USER TRAINING AND COMMISSIONING OF MEDICAL EQUIPMENT
FOR MT. WATI HC III UNDER UGIFT IN TEREKO DISTRICT LOCAL
GOVERNMENT**

CONTRACTOR: CGS GENERAL ENTERPRISES LTD

PROCUREMENT REFERENCE NUMBER: UGIFT MOH/SPLS/23-24/00001

APRIL 2025

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ACRONYMS

UgIFT	Uganda Intergovernmental Fiscal Transfer Program
FY	Financial Year
GCC	General Condition of Contract
PPDA	Public Procurement and Disposal of Public Assets
UGX	Uganda Shillings

EXECUTIVE SUMMARY

The Government of Uganda received a loan from the World Bank to fund the Uganda Intergovernmental Fiscal Transfer (UgIFT) Program for the upgrade of Health Centres in selected Sub-Counties in Uganda. Terego District Local Government was one of the beneficiaries in the FY 2023/2024.

On 15th December 2023, Terego District Local Government entered into a contract with CGS General Enterprises Ltd for the supply, delivery, installation, user training and commissioning of medical equipment for the newly constructed Mt. Wati HC III- Lot 1, at a cost of UGX 139,377,000 with an intended completion date of 15th May 2024.

In view of Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205 the Public Procurement and Disposal of Public Assets Authority conducted a contract audit into the supply of medical equipment for Mt. Wati HC III Lot 1 (UGIFT MOH/SPLS/23-24/00001) in Terego District Local Government with an overall objective of assessing the status of contract implementation with emphasis on verification that all parties to the contract complied with the requirements and standards set forth in the contract and the provisions of the PPDA laws and UGIFT guidelines.

The specific objectives of the contract audit were to assess:

1. The progress of the contract and
2. The effectiveness of time, quality and cost controls of the contract implemented.

Key findings of the Authority:

1. Non-installation of the medical equipment due to delayed completion of the construction works at Mt Wati Health Centre III. The Authority during site inspection on 6th December 2024 found that the construction works for Mt Wati Health Centre III had reached the level of plastering and the equipment that were supplied on 15th April 2024 could not be installed at that level. As a result, the warranty of one year offered by the supplier will expire on 15th April 2025 before the items are installed, thus the Entity will not benefit from the warranty.
2. The supplier CGS General Enterprises Ltd did not provide the required evidence of insurance coverage, as stipulated in GCC 25 of the signed contract, which required the supplies to be insured by 110% of the contract value. Failure to provide this evidence contravened the contractual requirements.
3. The supplier CGS General Enterprises Ltd did not provide the Manufacturer's Authorisation for all the medical equipment supplied as it was required in GCC 29.3 of the contract. The Entity risked to accept counterfeit or tampered goods.
4. Advancing 100% contract price to the supplier based on 30% Advance Guarantee. The Authority found that the Entity paid the supplier 100% of the contract price on 13th June 2024 of which only 30% of the contract price had been secured by an advance payment guarantee submitted by the provider CGS General Enterprises Ltd hence leaving 70% of the contract price that was paid unsecured. This exposed the Entity to the risk of financial loss in the event that the supplier fails to meet all the contractual obligations of installation, user training, and commissioning of medical equipment.

5. Unsafe storage of some of the medical equipment. The Authority found that some equipment was kept in an open room that was accessible by all people without any restrictions. This exposed the equipment to the risk of damage or theft.

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

1. The Accounting Officer should:
 - i) Task the Project Manager for the construction works at Mt. Wati Health Centre III to instruct the contractor to complete the remaining works before the end of FY 2024/2025 to enable the supplier of medical equipment, CGS General Enterprises Ltd, to install, train users and commission the medical equipment for use.
 - ii) Always ensure that a supplier provides evidence of the required insurance cover before any delivery of the supplies is made.
 - iii) Task the supplier, CGS General Enterprises Ltd, to provide the Manufacturer's Authorisation for all the delivered medical equipment before the contract is finalized and the supplies are installed.
 - iv) Put in place security measures to restrict access to medical equipment and also provide a lockable space with proper storage methods such as use of pallets to guard against damage and theft.
2. The Permanent Secretary of Ministry of Local Government should task the Accounting Officer to show cause why disciplinary action should not be taken against him for advancing a payment exceeding 30% of the contract price without obtaining a corresponding payment security and approval of the Secretary to the Treasury (PS/ST) in accordance with Regulation 43 (4) of the PPDA Regulation (Contracts) Regulations, 2023.

CHAPTER 1: INTRODUCTION

1.1. Background

The Government of Uganda received a loan from the World Bank to fund the Uganda Intergovernmental Fiscal Transfer (UGIFT) Program for the upgrade of Health Centres in selected Sub-Counties in Uganda. Terego District Local Government was one of the beneficiaries in the FY 2023/2024.

On 15th December 2023, Terego District Local Government entered into a contract with CGS General Enterprises Ltd for the supply, delivery, installation, user training and commissioning of medical equipment for the newly constructed Mt. Wati Health Centre III- Lot 1, at a cost of UGX 139,377,000 with an intended completion date of 15th May 2024.

In view of Section 8 (j) (ii) of the PPDA Act, Cap. 205 the Public Procurement and Disposal of Public Assets Authority (hereinafter referred to as “PPDA or the Authority”) conducted a contract audit into the supply of medical equipment for Mt. Wati Health Centre III-Lot 1 (Procurement Reference Number: UGIFT MOH/SPLS/23-24/00001) in Terego District Local Government. The overall objective was to assess the status of contract implementation with emphasis on verification that all parties to the contract complied with the requirements and standards set forth in the contract and the provisions of the PPDA laws and UGIFT guidelines.

Table 1 below shows the contract summary for the supply, delivery, installation, user training and commissioning of medical equipment for the newly constructed Mt. Wati HC III- Lot 1

Table 1: Contract Summary

Entity	Terego District Local Government
Procurement Reference Number	UGIFT MOH/SPLS/23-24/00001
Contract Title	Supply, delivery, installation, user training and commissioning of medical equipment for newly constructed Mt. Wati HC III- Lot 1
Name of Contractor	CGS General Enterprises Ltd
Type of Contract	Lump sum
Contract Price (UGX)	139,377,000
Contract Scope	Appendix 1
Contract Signing date	15 th December 2023
Contract Start date	15 th December 2023
Original Contract end date	15 th May 2024 (<i>5 Months after signing the contract</i>)
Revised completion date	After completion of the construction of Mt. Wati HC III
Warranty	12 months from the time of acceptance of delivery
Time elapsed to complete works	12 Months
Performance Security	Ref No. GU/047/HFB/2024 From Housing Finance Bank

	dated 21 st February 2024 worth UGX 13,937,700 with an expiry date: 30 th June 2024
Advance Payment Guarantee (30%)	Ref No. GU/046/HFB/2024 From Housing Finance Bank dated 21 st February 2024
Date of delivery	15 th April 2024
Project Manager	Not Appointed

1.2. Objective of the audit

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

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

1. The progress of the contract; and
2. The effectiveness of time, quality and cost controls of the contract implemented.

1.3. Scope of the audit exercise

The audit covered the contract implementation and management for the supply, delivery, installation, user training and commissioning of medical equipment for the newly constructed Mt. Wati Health Centre III.

1.4. Audit Methodology

The Authority adopted the following methodology:

- i) Review of documentation in the procurement action file;
- ii) Physical verification of the supplies;
- iii) Debriefing the Entity management on the preliminary findings;
- iv) Issuing a management letter to the Entity for its official management response; and
- v) Reporting on the audit findings and providing recommendations where applicable.

1.5. Limitation of Scope

The audit team found that the delivered supplies were sealed in the boxes in the district stores due to unfinished construction works at Mt. Wati Health Centre III. Therefore, the Authority could not conclusively give an opinion on whether the delivered supplies met the Entity's specifications and performance requirements as per the signed contract. The overall responsibility of the quality and performance of supplies lies with Terego District Local Government's management and the contractor, CGS General Enterprises Ltd.

1.6. Legal documents applicable

The applicable legal documents were:

- i) The Public Procurement and Disposal of Public Assets Act Cap 205;
- ii) The PPDA (Contracts) Regulations, 2023;
- iii) The bidding document issued to bidders;
- iv) The signed contract; and
- v) The circular on contract management and safeguard requirements under Uganda Intergovernmental Fiscal Transfer (UgIFT) program dated 16th March 2021.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1. PROGRESS OF THE CONTRACT

The Authority found that the medical equipment delivered on 15th April 2024 were not installed and the contractual obligations of user training and commissioning could not be undertaken because Mt. Wati Health Centre III was still under construction.

However, the Authority noted that the supplier, CGS General Enterprises Ltd, signed a commitment letter to install, conduct user training and commission the medical equipment after the completion of the construction works at Mt. Wati Health Centre III.

Figure 1 below shows the supplied equipment that were not installed as at 13th December 2024.

Figure 1: Equipment delivered by CGS General Enterprises Ltd



Implication

The warranty of one year offered by the supplier will expire before the items are installed, thus the Entity will not benefit from the warranty in the event that the equipment gets damaged or some components are found to be defective.

Management Response

- *The contractor for the construction of Mt. Wati HC III has been tasked to complete the works as soon as possible.*
- *The equipment supplied is safe and kept in the District Stores.*

Recommendations

The Accounting Officer should:

1. Task the Project Manager for the construction works at Mt. Wati Health Centre III to instruct the contractor to complete the remaining works before the end of FY 2024/2025 to enable the supplier of medical equipment, CGS General Enterprises Ltd, to install, train users and commission the medical equipment for use.
2. Ensure that the supplied medical equipment is protected from theft and any damages by strengthening security and proper storage methods such as use of pallets to avoid damages.

2.2. EFFECTIVENESS OF TIME, QUALITY AND COST CONTROLS

2.2.1 Delay in submission of the 10% Performance Security

The Authority found that the supplier CGS General Enterprises Ltd failed to submit the required 10% Performance Security within 21 calendar days, contrary to GCC 19.1 of the signed contract. Whereas the contract was signed on 15th December 2023, the Performance Security was submitted on 21st February 2024, which was 68 calendar days after contract signing. This was a fundamental breach of the contract in accordance with GCC 68(f) of the General Conditions of Contract.

Implication

The breach of GCC 68(f) of the General Conditions of Contract could have led to termination of the contract.

Management Response

The Entity has taken note of the Authority's recommendation.

Recommendation

In future procurements, the Accounting Officer should where the contractor fails to furnish the Performance Security within the stipulated period, withhold the bid security, terminate the contract and award the contract to the bidder who is ranked second after the best evaluated bidder provided that the bid validity has not expired in accordance with Regulation 12 (2) and (3) of the PPDA (Contracts) Regulations, 2023.

2.2.2 Failure by the supplier, CGS General Enterprises Ltd to provide Insurance Cover

The Authority noted that the supplier did not provide evidence of insurance coverage, as was stipulated in GCC 25 of the signed contract, which mandated that supplies should be insured for 110% of the contract value.

Implication

Failure to provide insurance coverage exposed the Entity to the risk of financial loss in the event of damage, theft, or failure of the supplied medical equipment.

Management Response

The Entity has taken note of the Authority's recommendation for future implementation.

Recommendation

The Accounting Officer should always ensure that the supplier provides evidence of the required insurance cover before any supplies are delivered.

2.2.3 Failure by the supplier, CGS General Enterprises Ltd to provide the Manufacturer's Authorisation

The Authority found that the supplier CGS General Enterprises Ltd did not provide the Manufacturer's Authorisation for the delivered supplies. This means that the warranty of one year offered by the supplier cannot be considered in case a product fails to meet certain standards or experiences defects.

Implications

- Lack of a Manufacturer's Authorisation could lead to issues with warranty claims, authenticity of goods, or non-compliance with the terms of the contract.
- The Entity risked to accept counterfeit or tampered goods.

Management Response

The Manufacturer's Authorisation was contained in the bid submitted by the supplier that remained with the lead district Bulambuli District Local Government, and a copy is available for verification.

Authority's comment

The Manufacturer's Authorisation from Guangzhou Bio-Medical Instruments Co. Ltd was specifically for only 11 supplies out of the 63 items that were supplied, vide Appendix 2.

Recommendation

The Accounting Officer should task the supplier, CGS General Enterprises Ltd, to provide the Manufacturer's Authorisation for all the delivered medical equipment before the contract is finalized and the supplies are installed.

2.2.4 Delay to pay the 30% advance to the Supplier

The Authority noted that the supplier CGS General Enterprises Ltd submitted the Advance Payment Guarantee on 21st February 2024, and follow-up requests for the advance payment were made on 24th April 2024 and 20th May 2024 respectively. However, the Entity paid the advance to the supplier on 13th June 2024 which was after delivery of the supplies on 15th April 2024.

Implications

- Delay to pay advance can strain the supplier's financial position and lead to potential delays in the completion of the contract.
- This also violated GCC 16.1 of the signed contract which stated that: *"The structure of payment shall be: 30% advance payment against advance payment bank guarantee and 70% upon full delivery, verification, acceptance, installation, testing and user training"*

Management Response

Whereas the contract provided for payment of advance of 30% of the contract price, the Entity considered payment for the supplies after delivery.

Authority's comment

Full payment for the supplies after delivery by the supplier was a violation of GCC 16.1 of the signed contract which stated that: *"The structure of payment shall be: 30% advance payment against advance payment bank guarantee and 70% upon full delivery, verification, acceptance, installation, testing and user training."*

Recommendation

The Accounting Officer should ensure that advance payments are made promptly within the stipulated time frame indicated under GCC 16.3 of the signed contract in order to maintain good supplier relations and ensure timely contract execution.

2.2.5 Advancing 100% contract price to the supplier based on 30% Advance Guarantee

The Authority found that the Entity paid the supplier the full contract amount of UGX 139,377,000 on 13th June 2024, based solely on delivery without completion of the installation, user training, and commissioning of medical equipment obligations under the contract.

Whereas the supplier CGS General Enterprises Ltd submitted the 30% Advance Payment Guarantee on 21st February 2024, the Entity advanced 100% of the contract price on 13th June 2024, leaving out 70% of the contract price not guaranteed/secured.

Implications

- Advancing the full contract amount to the supplier before completion of the contract exposed the Entity to the risk of financial loss in the event that the supplier fails to meet all the contractual obligations of installation, user training and commissioning of the medical equipment.
- The Entity contravened GCC 16.1 of the signed contract which stated that the structure of payments shall be: *"70% of the contract total price upon delivery, installation, user training and commissioning of the medical equipment."*

Management Response

The supplier wrote a commitment letter dated 24th April 2024 that the installation and user training will be done as soon as Mt. Wati Health Centre III construction works are complete and ready for use.

Recommendation

1. The Accounting Officer should:
 - i) Ensure that payments are made in accordance with the contractual performance milestones i.e., full payment should only be made once the contract is fully performed and all the conditions of contract met by the provider.
 - ii) Task the Contract Manager to monitor this contract to ensure that the supplier, CGS General Enterprises Ltd, installs, trains the users and commissions the medical equipment once the construction works at Mt. Wati Health Centre III are completed.

2. The Permanent Secretary of Ministry of Local Government should task the Accounting Officer to show cause why disciplinary action should not be taken against him for irregularly advancing funds that exceeded 30% of the contract price without obtaining a corresponding payment security and approval by the Secretary to the Treasury in accordance with Regulation 43 (4) of the PPDA (Contracts) Regulations, 2023.

2.2.6 Unsafe storage of some of the medical equipment

The Authority found that some equipment was kept in an open room that was accessed by all people without any restrictions. Figure 2 below shows some of the items stored in the Council Hall of the district.

Figure 2: Equipment that was kept in open room of the Council Hall



Implication

Equipment may be damaged or stolen since the Council Hall can be accessed by all people in absence of restrictions to access the hall.

Management response

The equipment that was stored in the open area has been relocated and safely kept in the newly constructed medical store.

Authority's comment

The Entity did not submit any pictorial evidence that the above equipment was stored in a safe and secure place.

Recommendation

The Accounting Officer should ensure that all the medical equipment that was delivered, is kept in a lockable space with restrictions on access and adequate security.

CHAPTER 3: AUDIT CONCLUSION

The Authority found that the medical equipment delivered on 15th April 2024 at Mt. Wati Health Centre III was not installed because the construction works were incomplete as at 13th December 2024 during site inspection by the audit team, and at the time of preparation of this audit report.

The Accounting Officer should task the Contract Manager to instruct the contractor of the construction works at Mt. Wati Health Centre III to expedite the completion of the works, so that the supplier, CGS General Enterprises Ltd can commence the installation, user training and commissioning of medical equipment for use.

Appendix 1: List of medical equipment supplied by CGS General Enterprises Ltd on 15th April 2024

MEDICAL EQUIPMENT DISTRIBUTION LIST FOR MT. WATI HC III-LOT 1

No	Equipment Name	Quantity
1	Autoclave, External Heated, 20 liters, to include sterilisation drum set 2 Large, 2 Medium, 2 Small	1
2	B.P.Machine aneroid wall mounted	2
3	Bowl Stand	1
4	Bowl, Kick	1
5	Centrifuge, (Electric)	1
6	Counting Chamber, Neubauer-Improved	2
7	Cupboard, Steel, Lockable	1
8	Drip Stand	3
9	ESR Stand	1
10	Examination Couch	2
11	Examination Light	2
12	Glucometer	1
13	Haemoglobin meter, sahli	2
14	Height Meter	1
15	Instrument Trolley	2
16	Microscope Binocular	2
17	Mid upper arm MUAC Tape	4
18	Otoscope	1
19	Patient Screen	5
20	Patient Trolley	1
21	Refrigerator (General)	1
22	Stethoscope	4
23	Stop watch	1
24	Stove, gas	1
25	Stretcher	2
26	Weighing Scale, Adult	2
27	Weighing Scale, Infant	2
28	Weighing Scale, Toddler	2
29	Wheel Chair	2
30	Laboratory Stool	3
31	Autoclave, External Heated, 20 liters	1
32	B.P.Machine aneroid wall mounted	1
33	B.P.Machine aneroid	2
34	Pulse Oximeter	2
35	Bed, Adult Patient with mattress	20
36	Bowl Stand	2
37	Cupboard, Instrument	1
38	Cupboard, Steel, Lockable	1
39	Delivery Bed	2

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40	Drip Stand withmovable castors	10
41	Examination Couch	2
42	Examination Light	2
43	Fetoscope	3
44	Height Meter	1
45	Instrument Trolley	2
46	Oxygen Therapy Apparatus	2
47	Patient Screen	3
48	Refrigerator	1
49	Resuscitator, Manual,Adult	6
50	Resuscitator, Manual, Infant	5
51	Glucometer	3
52	Stethoscope	4
53	Suction Apparatus, (Electric)	2
54	Penguin Sucker	3
55	Weighing Scale, Adult	2
56	Weighing Scale, Infant	2
57	Kangaroo Mother Care Chair	1
58	Nebulizer	1
59	Bag valve mask (Ambu Bag), Neonatal	15
60	Oxygen Concentrators	2
61	Radiant Infant Warmer	1
62	MVA Kit, Reusable	2
63	Baby Cots	3



Appendix 2: Copy of Manufacturer's Authorisation submitted by CGS General Enterprises Ltd

GUANGZHOU BIO-COMET MEDICAL INSTRUMENTS CO., LTD
ADD: ROOM NO.102, BUILDING B, NO.9 HUAXI ROAD, LIWAN DISTRICT, GUANGZHOU CHINA
For more info, please click: <https://biocometmedical1588.com/>



Manufacturer's Authorization

Date: 15th September 2023


Procurement Reference No.: MOH/SPLS/2023-2024/00001

To: Ministry Of Health,

WHEREAS GuangZhou Bio-Comet Medical Instruments Co., LTD, who are official manufacturers of medical equipment having factories at [No.102,building B, No.9 Huaxi Road, Liwan district, Guangzhou, China], do hereby authorise: CGS General Enterprises Ltd to submit a bid in relation to the Bidding Document indicated above, the purpose of which is to provide the following Supplies, manufactured by us **BP Machines, Bowl stands, ESR stand, cupboard instrument, Drip stands, height meters, Bowl Kick, Instrument sets, Glucometers, examination lights, otoscope,** and to subsequently negotiate and sign the Contract.

We hereby extend our full guarantee and warranty in accordance with Clause 29 of the General Conditions of Contract, with respect to the Supplies offered by the above firm in reply to the Invitation for Bids.

Signed:
Name: *Comet Chen*
In the capacity of *Comet Chen*

Authorized on behalf of
Guangzhou Bio-Comet Medical Instruments Co., Ltd
廣州生物科美醫療器械有限公司

Authorized Signatory



Duly authorized to sign the Manufacturer's Authorisation for and on behalf of GuangZhou Bio-Comet Medical Instruments Co., LTD

Dated 15th September 2023