



**CONTRACT AUDIT INTO FOR THE CONSTRUCTION OF LWASSO SEED
SECONDARY SCHOOL IN LWASSO SUB COUNTY MBALE DISTRICT UNDER
UGIFT PROGRAM**

CONTRACTOR: MKN PAGES COMPANY LTD

PROCUREMENT REF: MOES-UgIFT/WRKS/21-22/00005-Lot 40

JANUARY 2025

TABLE OF CONTENTS

List of Tables ii

EXECUTIVE SUMMARY iv

CHAPTER 1: INTRODUCTION 1

1.1 Contract summary1

1.2 Laws applicable2

1.3 Objectives2

1.4 Scope of the Audit.....2

1.5 Audit Methodology2

1.6 Limitation of Scope.....2

CHAPTER 2: FINDINGS AND RECOMMENDATIONS 3

2.1 ASSESSMENT OF THE PROGRESS OF WORKS3

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS.....8

2.3 ADHERENCE TO THE ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY SAFEGUARD REQUIREMENTS8

CHAPTER 3: CONTRACT CLOSURE AND AUDIT CONCLUSION 10

3.1 Contract Closure and Handover10

List of Tables

Table 1: Contract summary for Lwasso Construction Seed School 1
Table 2: Time Progress as at 27th August 2024 3
Table 3: Physical Progress as at 27th August 2024 3
Table 4: Financial Progress as at 27th August 2024..... 3
Table 5 shows the status of works as at 27th August 2024 4

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. 3,249,192,658 to undertake the construction of Lwasso Seed secondary school in Lwasso sub-county- Mbale 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 21st September 2022, Mbale District Local Government entered into a contract with MKN Pages Company Ltd for the construction of Lwasso Seed Secondary school at a cost of UGX. 3,249,192,668 with the intended completion date on 20th October 2024 and a defects liability period of 180 days.

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 that:

1. Delayed payment to the contractor. Whereas the progress of works at the time of the physical verification exercise by the Authority on 27th August 2024 indicated that 91.6% of the contract time had elapsed, works were 95% physical progress, and payments at 76.5% financial progress, the contractor had not been paid commensurately and no record of payment of all remaining works done by the contractor was availed to the Authority. Failure to pay contractors in time may result in to delayed works and abandonment of site.
2. The Seed Secondary School lacked land for the football pitch and as such, the pitch works that included a terraced football pitch worth UGX. 50,000,000 could not be implemented by the contractor. Lack of land for the football pitch would deny the students ground for co-curricular activities while at school and led to breach of contractual obligations on the Entity to avail land for the football pitch and the contractor who was paid UGX. 50,000,000 for terracing of the football pitch.
3. Failure to keep log of the site safety risks and welfare concerns of the contractor’s personnel on site by the contractor’s Coordinator in-charge of Environmental Social & Health Standards (ESHS) requirements such as record of evidence of site accidents & periodic grievance harm upon the contractor’s workers on site which led to lack of record of evidence of risks/accidents on site to facilitate immediate remedial/ mitigation measures by the contractor so as to ensure the safety of personnel on site contrary to Section 66 of the PPDA Act, Cap 205.
4. The facility was constructed at a location whose geographical location is on a mountainous terrain that is greatly affected by heavy rainfalls and floods. It was observed that despite the geographical terrain of the site, there was poor storm-water management and the structures required to be protected with stone pitching in some areas as well as constructing of retention

walls to protect the structures during floods which were not part of the original contract. The affected structures included the teachers' staff quarters, pit latrines and the classroom blocks area. If this not addressed, surface water runoff during heavy rainfalls that compromises the structural integrity of the structures and also affect the neighboring homesteads.

Audit Conclusion

In summary, the audit findings by the Authority indicate that the contractor and Entity have endeavored to fulfil their contractual obligations despite slight issues such as lack of land for the football pitch, provision for stone pitching and construction of retention walls and failure to have record or log of the site safety risks which are likely to affect the effective implementation of the contract.

Recommendations

In light of the above findings arising from the contract audit exercise and in accordance with Section 10 of the PPDA Act, Cap 205 the Authority recommends the following measures: -

The Accounting Officer should;

1. Ensure that the Contractor is paid in time in fulfilment of the contractual obligation by the Entity since works done were at 95% physical progress compared to 76.5% financial progress.
2. Engage with the Ministry of Education and Sports and plan for the acquisition of extra land that will accommodate the football pitch so that the football pitch is done to make the education facility a complete package for the learners and ensure that upon acquisition of such land, that the contractor meets its obligation in terracing the football pitch according to the contractual obligation for works worth UGX. 50,000,0000.
3. Always ensure that the District Environmental Officer, Community Development Officer together with the entire Contract Management Team prevail over the contractor to comply and enforce ESHS issues such as regularly assessing the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by personnel on site and recommend remedial actions to be undertaken by the contractor in accordance with Section 66 of the PPDA Act, Cap 205.
4. Engage the Ministry of Education and Sports to ensure that a thorough and costed analysis is done to cater for the elements of construction of drainage channels, stone pitching and construction of retention walls that are needed to protect the structures at the facility are provided for and funds obtained to enable these issues to be addressed.

CHAPTER 1: INTRODUCTION

1.1 Contract summary

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

Table 1: Contract summary for Lwasso Construction Seed School

Contract Title	Construction of Lwasso Seed School
Reference Number	Moes-UgIFT/WRKS/21-22/00005-Lot 40
Contract Scope	<ol style="list-style-type: none">1. Preliminaries-UGX.48,400,0002. Site levelling works -UGX. 10,896,0003. Three 2-classroom blocks-UGX. 515,691,9004. One 2-Unit Science Laboratory Block-UGX.308,281,0005. One Administration Block-UGX.186,713,3006. Three 2-Unit Teachers House-UGX. 531,397,8007. Three 2-Unit Teachers Kitchen-UGX. 129,261,1508. One 2-Stance Lined VIP Latrine at Administration Block-UGX.20,103,500.9. Three Two-Stance Lined VIP Latrine Block for Teachers House-UGX.76,314,00010. One Five Stance Lined VIP Latrine Block for Boys-UGX.40,024,00011. One Five Stance Lined VIP Latrine Block for Girls-UGX. 41,024,00012. External works -UGX. 112,270,00013. One rain water harvest system with 5000 litres-UGX. 5,325,00014. One ICT library Block-UGX. 401,512,00015. One Multipurpose Hall-UGX.276,209,45016. One sports field-UGX. 50,000,000
Contract Signing date	21 st September 2022
Contract Sum	3,249,192,658
Amount paid	2,485,632,384
Site hand over date	20 th October 2022
Original contract completion date	20 th October 2024
Defects Liability period	12 months
Contract Extensions	N/A
Name of Contractor	MKN Pages Company Ltd.
Method of procurement	Open National Bidding
Type of Contract	Lumpsum
Contract supervisor of works	Mr. Robert Nagimlo Wengira-District Engineer
Project Manager	Fredrick Mutsaka
Clerk of works	Ronald Namkallo

Progress at site	Physical progress: 95% Financial: 76.5% Time: 91.6%
------------------	---

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 bidding document issued to bidders;
5. The signed contract between Mbale District Local Government and MKN Pages Company Ltd and;
6. 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 Mbale District Local Government (the Entity) and MKN Pages Company 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 Lwasso 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
- v. Reporting on findings of the audit and providing recommendations where applicable

1.6 Limitation of Scope

The contract audit was undertaken by auditors who did not have professional competence in engineering and building construction. The audit team could not conclusively give an opinion on the technical quality of the works undertaken. The overall responsibility of the quality of works undertaken lies with the Entity management and the contractor.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

2.1.1 Progress of works.

At the time of the physical verification exercise by the Authority on 27th August 2024, 91.6% of the contract time had elapsed and the Authority could ascertain the physical and financial progress of works. The time progress as at 27th August 2024 is shown in the Tables 2,3, &4 below: -

Table 2: Time Progress as at 27th August 2024

Start Date	20 th October 2022
End Date	20 th October 2024
Measurement Date	27 th August 2024
Contract Period (Months)	24
Time Lapse (Months)	22 months and 1 day
Time Progress	91.6%

The contractor and the personnel were found on site and works were ongoing. Most structures had been roofed that included the classroom blocks, laboratory, Administration block, and teachers' staff houses. The football pitch works had not yet commenced due to lack of land for it. The physical progress of the project structures is shown in Table 3 below



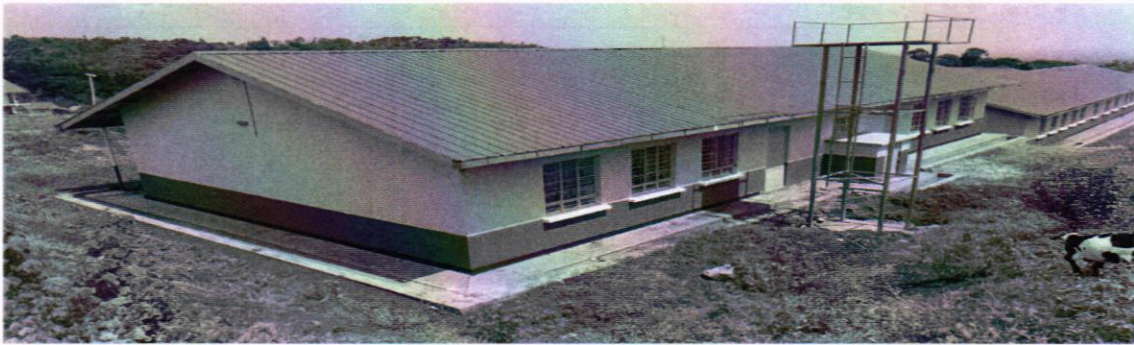
Table 3: Physical Progress as at 27th August 2024

Contract Amount	3,249,192,658
Valued works as at 27th August 2024	2,976,260,474
Physical Progress	91.6%

Table 4: Financial Progress as at 27th August 2024

Contract Amount	3,249,192,658
Payments Made	2,485,632,384
IPC 1	
Total Payments as at 27th August 2024	2,485,632,384
Financial Progress	76.5%

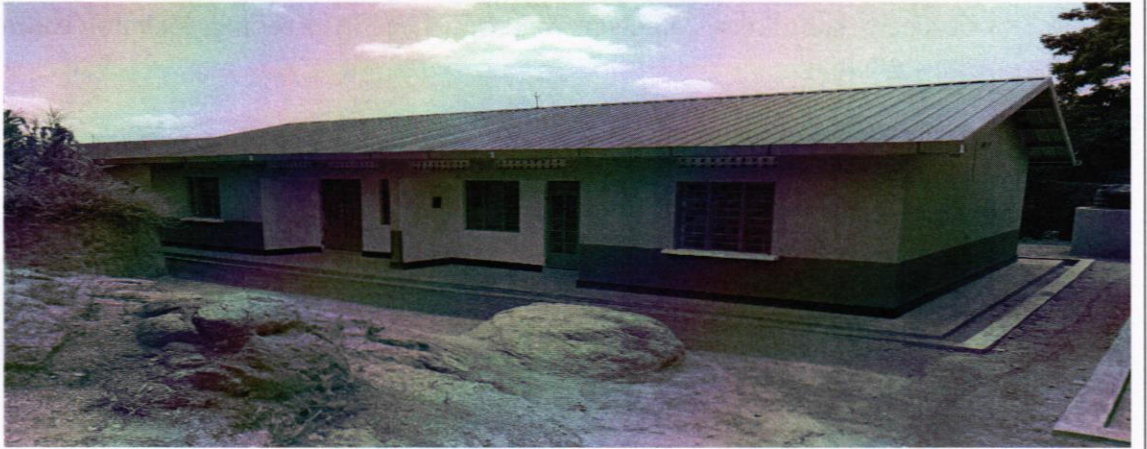
Table 5 shows the status of works as at 27th August 2024

No.	Subject of Procurement
1.	<p data-bbox="308 309 916 526">Subject: Construction of Lwasso Seed School Contractor: MKN Pages Ltd. Contract value: UGX. 3,249,192,658 Contract signing date: 21st September 2022 Contract Completion date: 30th October 2024 Defects liability period: 180 days</p>   <p data-bbox="308 1346 544 1375">Classroom Blocks</p> 

No. **Subject of Procurement**



Laboratory and Library Block



No.	Subject of Procurement
	  <p data-bbox="309 1223 1374 1294">Teachers' staff houses, kitchens & Latrine need landscaping, retention walling and stone pitching</p>  <p data-bbox="309 1646 592 1682">Administration Block</p> <p data-bbox="309 1720 491 1756">Observations</p> <ul data-bbox="357 1760 1444 1899" style="list-style-type: none"> • At the time of physical verification as at 27th August 2024., physical progress was at 95%, financial progress at 75.6%, and time progress at 91.6% with contract completion date on 30th October 2024. • Lack of storm water management system at the site.

Management Response

Management observed the Authority's observation and stated that the facility was completed and handover of the facility took place on 17th October 2024 from the original contract completion date and facility is being utilized.

Recommendation

The Authority acknowledged the Entity's response and noted that whereas the project was handed over, the football pitch works had not been done due to lack of land for that facility and Authority recommends that the Accounting Officer should;

The Accounting Officer should;

- i Ensure that the Contractor is paid in time in fulfilment of the contractual obligation by the Entity since works done were at 95% physical progress compared to 76.5% financial progress.
- ii Engage with the Ministry of Education and Sports and plan for the acquisition of extra land that will accommodate the football pitch so that the football pitch is done to make the education facility a complete package for the learners and ensure that upon acquisition of such land, that the contractor meets its obligation in terracing the football pitch according to the contractual obligation for works worth UGX. 50,000,0000.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Lack of available land for the football pit

The Authority observed that whereas the Entity and the contractor entered into the contract to among several items' setup a football pitch at the site, during the site visit by Authority, it was observed that there was no football pitch being set up and it was also noted that the contract manager in several site progress reports dated 19th April 2023, 22nd June 2023, and 17th June 2024, reported that the site could not accommodate the football pitch estimated at UGX. 50,000,000 and that there was a need to acquire more land to accommodate the football pitch which has not been done yet the contract reached its conclusion.

Implication

Failure to acquire land for the football pitch with in the area of the school may result in to the school not having a facility for physical education and extra curriculum which will affect service delivery to the intended beneficiaries.

Management response

Management noted the Authority's observation and stated that during the commissioning of the facility, a stakeholder pledged to avail land for the football pitch.

Authority's comment

The Authority acknowledged the Entity's responses however did not find it satisfactory as there was no documentary evidence of provision of land for the football pitch hence as a deterrent measure to ensure compliance, the query is maintained so that this is adhered to by the Entity.

Recommendation

The Accounting Officer should consider the option of planning for the purchase and acquisition of land for the football pitch so that the school has a facility for cocurricular activities and prevail on the contractor to meet its obligation in terracing the football pitch.

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

1.3.1 Non-adherence to Environmental, Social, Health, and Safety (ESHS) safeguards

The contractor did not adhere to the following ESHS contract provisions and standards. Notably, the Project Management team that included the Community Development Officer and the Labour Officer signed on the Interim Payment Certificate No. 1 without ensuring that the contractor met these requirements:

(i) Failure to keep documentation of the site safety risks and concerns by the contractor's personnel in charge of ESHS

The contractor had demonstrated the availability of a Health, Safety and Environmental Coordinator who was in charge of the contractor's ESHS strategy. However, during a site visit by the Authority, it was observed that there was no log of the ESHS risks, accident and incident logs, grievance etc.

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

Management acknowledged the Authority's observation and has directed the Community Development Officer in-charge labor affairs in future to assess the site ESHS risks from time to time and have the issues identified/ reported addressed promptly in liaison with the contractor's personnel in-charge.

Management shall going forward be committed to addressing the issues raised and/ or highlighted in the management letter for the financial year 2024/2025 to improve on procurement, financial, ESHS management, public accountability and service delivery.

Recommendation

The Contractor's Health, Safety and Environmental Coordinator together with the Community Development Officer should regularly assess the site ESHS risks by having regular site visits and promptly report any incidents of accidents or grievance harm incurred by the contractor's personnel on site and recommend remedial actions to be undertaken by the contract in accordance with Section 66 of the PPDA Act, Cap 205.

(ii) Delayed construction of storm water management system and stone pitching

The Authority noted during the site visit that the contractor had not established a storm water management system at the site to control rain fall waters and set up stone pitching near facilities such as the teachers' staff quarters and classroom blocks to control water flow during heavy rainfalls.

Implication

Delayed establishment of a storm water control management leads to exposure of the facilities at the site and the neighboring homesteads to the risk of floods which will cause damage to the structures since the facility is at a hilly location and the area is occasioned with heavy rainfalls.

Management response

Management acknowledged this anomaly and is committed to ensure upon availability of fund to establish a storm water management system at the facility.

Recommendation

The Accounting Officer should through the Ministry of Education and Sports ensure that a thorough and costed analysis is done to cater for the elements of construction of drainage channels, stone pitching and construction of retention walls that are needed to protect the structures at the facility are provided for and funds obtained to enable these issues to be addressed.

CHAPTER 3: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

The outputs of the contract have been completed as works as at the issuance of this report had been done and commissioning of the project took place on 17th October 2024 except that the facility lacked land for a football pitch. A lot more needs to be done to improve and storm water management at the facility.

3.2 Audit conclusion

In summary, the audit findings by the Authority indicate that the contractor and Entity have endeavored to fulfil their contractual obligations despite slight issues such as delay to work on the football pitch that lacked land, and non-provision in the BOQs for stone pitching, construction of drainage channels as well as retention walls around the affected staff houses, pit latrines and around the classroom blocks.