



PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY

**INVESTIGATION REPORT INTO THE ALLEGED ANOMALIES IN THE DISPOSAL
PROCESS OF OBSOLETE AND NONE USABLE ITEMS IN BUHWEJU DISTRICT
LOCAL GOVERNMENT**

ENTITY: BUHWEJU DISTRICT LOCAL GOVERNMENT

COMPLAINANT: WHISTLEBLOWER

JUNE 2018

TABLE OF CONTENTS

ACRONYMS..... 1

1.0 SUMMARY OF FACTS2

2.0 LAW APPLICABLE3

3.0 OBJECTIVE OF THE INVESTIGATION 3

4.0 METHODOLOGY 3

5.0 FINDINGS OF THE AUTHORITY..... 4

6.0 RECOMMENDATIONS..... 5

ACRONYMS

AO	-	Accounting Officer
Authority	-	Public Procurement and Disposal of Public Assets Authority
PPDA Act	-	Public Procurement and Disposal of Public Assets Act No. 1 of 2003
PPDA	-	Public Procurement and Disposal of Public Assets Authority

1.0 SUMMARY OF FACTS

1. On 27th May 2015, Ministry of Health permitted Buhweju District Local Government to board off four (4) motorcycles with the following Registration Numbers; UG 0938 M, UG 3344M, UG 2951 M and UG 3099M.
2. On 28th May 2015, the Director General, Uganda AIDS Commission Secretariat authorized Buhweju District Local Government to board off vehicle Number UAA 510E and motorcycle Number UAC 737U.
3. On 10th October 2016, the Accounting Officer received a board of survey report from the Board of Survey Committee for the Financial Year 2015/16 recommending boarding off obsolete items.
4. On 7th October 2016, the Chief Mechanical Engineer submitted to the Entity a report recommending disposal of six (06) vehicles and five (5) motorcycles and other assets.
5. On 9th November 2016, the Buhweju District Local Government Council recommended, that Pick-up Registration Number LG0165-06 should be donated to Buhweju Technical Institute-Butare.
6. On 14th February 2017, the District Engineer initiated the disposal process of six (06) vehicles, five (5) motorcycles, used spare parts, scrapped metals, a safe, 15 tyres and a generator (Honda). The Accounting Officer (AO) made the approvals on the same day.
7. On 14th February 2017, the Contracts Committee awarded the tender for the provision of auctioning services to Western Associates Company Ltd at a contract price of UGX 1,000,000 and a commission of 8% of the gross sales proceeds.
8. On 21st February 2017, the AO communicated award to Western Associates Company Ltd and the offer was accepted on 23rd February 2017.
9. On 7th March 2017, the District signed an agreement with Western Associates Company Ltd for the provision of auctioning services at UGX 1,000,000 and a commission of 8% of the gross sales proceeds.
10. On 13th March 2017, Western Associates Company Ltd advertised the sale in the New Vision Newspaper indicating that the public auction shall take place on 29th March 2017 at the District Headquarters and bidders shall pay 60% at the fall of the hammer and 40% after 48 hours.
11. On 29th March 2017, Western Associations Company Ltd auctioned the following items:

Table 1: List of items auctioned

Number	Item	Description	Reserve Price	Actual Value (UGX)	Profit (UGX)
1.	UG0184R	Pick-Up	2,000,000	2,300,000	300,000
2.	UAA510E	Pick-Up	1,100,000	1,300,000	200,000

Number	Item	Description	Reserve Price	Actual Value (UGX)	Profit (UGX)
3.	UAA166N	Ambulance	1,200,000	1,300,000	100,000
4.	UAA208N	Ambulance	1,300,000	1,500,000	200,000
5.	UG0596R	Station wagon	2,400,000	3,000,000	600,000
6.	UAC737U	Motorcycle	150,000	200,000	50,000
7.	UG0938M	Motorcycle	100,000	140,000	40,000
8.	UG3344M	Motorcycle	120,000	140,000	20,000
9.	UG2951M	Motorcycle	150,000	160,000	10,000
10.	UG3099M	Motorcycle	150,000	160,000	10,000
11.	Tyres (15), Used Spare parts (4), Safe (2) Scrap metal (1)		Highest bidder	100,000	100,000
12.	Generator (1)		Highest bidder	100,000	100,000
Total				10,400,000	1,730,000

12. On 1st April 2017, Western Associates Company Ltd deposited UGX 10,400,000 in Stanbic Bank on Account Number 9030005698110 in the names of Buhweju District General Fund.
13. On 4th April 2017, Western Associates Company Ltd submitted a demand note to Buhweju District Local Government for the UGX 1,000,000 and 8% commission arising out of the grand sale of UGX 10,400,000.
14. On 8th January 2018, the Authority received a complaint from a whistleblower alleging irregularities in the sale of items by Western Associates Company Ltd.
15. On 1st February 2018, in accordance with Section 8 (c) of the PPDA Act, 2003, the Authority launched an investigation into the matter and requested for the procurement action file that was submitted on 5th March 2018.

2.0 LAW APPLICABLE

- i. The Public Procurement and Disposal of Public Assets Authority Act, 2003.
- ii. The Local Governments (Public Procurement and Disposal of Public Assets Authority) Regulations, 2006; and
- iii. The Public Procurement and Disposal of Public Assets Guidelines, 2008.

3.0 OBJECTIVE OF THE INVESTIGATION

The Authority conducted the investigation to establish whether the auctioneer, Western Associates Company Ltd, declared less money than what was raised from the auction.

4.0 METHODOLOGY

The Authority adopted the following methodology:

- 4.1 Review of the following documentation on the procurement process:

- Valuation report from the Chief Mechanical Engineer;
- Board of Survey report for Financial Year 2015/16;
- Auctioneer's contract document;
- Contracts Committee minutes;
- Invitation notice;
- Payment receipts; and
- All correspondences related to this matter.

4.2 The Authority held a meeting with the following persons:

Table 2: Officials met.

S/No	NAME	DESIGNATION	ENTITY
1.	Mr. Nathan Ahimbisibwe	Chief Accounting Officer	Buhweju DLG
2.	Mr. George Basasibwa	Ag. Senior Procurement Officer	Buhweju DLG
3.	Mr. Vincent Mutahunga	Internal Auditor	Buhweju DLG
4.	Mr. Julius Abaasa	Director/Attorney	Western Associates Company Ltd

5.0 FINDINGS OF THE AUTHORITY

5.1 Whether the auctioneer, Western Associates Company Ltd, declared less money than what was raised from the auction.

1. The complainant alleged that Western Associates Company Ltd declared less money than what was raised from the auction. The complainant further indicated that the items were sold at UGX 30,000,000 but the auctioneer only declared UGX 8,000,000.
2. There was no evidence that the District officials were represented at the time of auctioning although the Accounting Officer informed PPDA that a team comprising of the Assistant District Engineer and former Clerk to Council (now Town Clerk of Akajani Town Council) had been nominated to participate.
3. The Head Procurement and Disposal Unit then, did not have any records showing that the Entity was represented during the auctioning.
4. In its report dated 4th April 2018, Western Associates Company Ltd indicated that UGX 10,400,000 was collected out of the sale and funds were deposited on Stanbic Bank Account number 9030005698110 on 1st April 2017.
5. According to the Accounting Officer, Western Associates Company Ltd breached the terms and conditions of the contract and failed to remit 40% of the proceeds raised from the auction. He further indicated that Western Associates Company Ltd has never been paid due to failure to fulfill the contractual obligations.

6. Western Associates Company Ltd claimed that all bidders paid 100% of the monies upon the fall of the hammer.
7. On 30th April 2018, Western Associates Company Ltd informed PPDA that they were committed to paying the 40% balance arising out of the sale by 17th May 2018. The firm made payment of UGX 4,160,000 to Account No. 9030005698110 in the names of Buhweju District General Fund on 16th May 2018.
8. On 24th May 2018, the District confirmed to the Authority that Western Associates Company Ltd had remitted the 40% balance, an equivalent of UGX 4,160,000 and expressed their commitment to pay the auctioneering fees and commission.
9. The Authority notes that:
 - a. According to the terms of payment in the advertisement published in the New Vision newspaper of 13th March 2017, the highest bidders were supposed to pay 60% at the fall of the hammer and the remaining 40% within 48 hours.
 - b. The District and Western Associates Company Ltd did not give PPDA a report detailing the persons who attended the auctioning, the highest bidders at the fall of the hammer and their bid price of the highest bidder. However, PPDA was presented with twelve (12) receipts totaling to UGX 10,400,000 dated 29th March 2017, the day of the auctioning.
 - c. Whereas Western Associates Company Ltd claimed that all bidders had paid 100% at the fall of the hammer, there was no documentary evidence to that effect.
 - d. There was no evidence that the Contracts Committee approved the above term and condition on payment.
10. The Authority found that despite the delay in remitting the 40% of the auction sales, Western Associates Co. Ltd deposited UGX 4,160,000 to the District General Fund on 16th May 2018 and this was confirmed by the Accounting Officer on 24th May 2018.

6.0 RECOMENDATIONS

The Authority recommends that, in the future, the Accounting Officer should ensure that the District is represented when the Entity is conducting an auction/sale and proper documentation should be filed.

