



**THE PUBLIC PROCUREMENT AND DISPOSAL OF  
PUBLIC ASSETS AUTHORITY**

**PROCUREMENT AND DISPOSAL AUDIT REPORT  
FOR THE FINANCIAL YEAR 2021/22**

**FORT PORTAL CITY**

**JANUARY 2023**

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## ACRONYMS

CC	Contracts Committee
FY	Financial Year
Ltd	Limited
NEC	National Enterprise Corporation
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
SUPLS	Supplies
SVRCS	Services
UPDF	Uganda Peoples' Defense Force
WRKS	Works

## EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the procurement and disposal audit of Fort Portal City that covered a representative sample of twenty (20) procurement transactions under the Financial Year 2021/22.

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of Fort Portal City's procurement system and processes with the provisions of the PPDA Act, 2003 as amended, and Local Governments (PPDA) Regulations, 2006 and assess the level of procurement performance over the audit period.

From the findings of the procurement audit exercise, the performance of Fort Portal City for the Financial Year 2021/22 was **satisfactory** with an overall weighted average risk rating of **27.4%**. The risk rating was weighted to determine the overall risk level of the Entity as detailed in Chapter 3 of the audit report.

### **Despite the satisfactory performance, the following key exceptions were noted:**

1. Fort Portal City failed to implement 79% of the Authority's previous audit recommendations for FY 2020-21.
2. Seven (7) procurement action files worth 2,823,081,056 were missing various procedural forms and documents, an indicator of poor records management.
3. Various assets belonging to Fort Portal City Council were neither engraved nor titled with a unique identification mark. Therefore, these were prone to theft.
4. Failure to dispose of obsolete assets that are recurrently recommended by the Board of Survey Report. Failure to dispose items may lead to vandalism of property or less value at the time of sale.
5. Signing two (2) contracts worth UGX 758,447,150, without Solicitor General's approval. This is an irregularity that might affect government in case of litigation.
6. Slow implementation of works in three (3) construction projects worth UGX 21,704,490,295. Delayed works affects service delivery.

### **The Authority recommends that:**

1. The Accounting Officer should ensure that all recommendations by the Authority are shared with all Departments of the Entity and institute a mechanism to ensure full implementation.
2. The Head Procurement and Disposal Unit should put in place a mechanism for ensuring that all procurement records are filed on the respective procurement action files in accordance with Regulation 46 of the Local Governments (PPDA) Regulations, 2006.
3. The Accounting Officer should engrave all assets of the City and also process land titles for all untitled land.
4. The Accounting Officer should, on annual basis, dispose of all obsolete assets identified by the Board of Survey following Regulation 122 of the Local Governments (PPDA) Regulations, 2006.
5. The Accounting Officer should desist from signing contracts that require Solicitor General approval before obtaining it in accordance with the Constitution (Exemption of Particular Contracts from Attorney General's Legal Advice) (Amendment) Instrument, 2014.
6. The contract supervisors should ensure that contractors fully mobilize the required equipment at the start of the project to enable the timely execution of the works.

Fort Portal City should implement the recommended action plan on **page 21**.

## CHAPTER 1: INTRODUCTION

### 1.1 Structure of the Entity

Section 26 (1) of the PPDA Act, 2003 gives the Accounting Officer the overall responsibility for the successful execution of the procurement and disposal process in the Procuring and Disposing Entity. Section 26 (1) (a) and (c) specifically gives the responsibility to the Accounting Officer to cause the establishment of a Procurement and Disposal Unit and Contracts Committee staffed at an appropriate level.

The Entity had a substantive Accounting Officer, a Procurement and Disposal Unit, and a Contracts Committee. Adhoc Evaluation Committees were appointed for each procurement transaction.

### 1.2 Background

The Public Procurement and Disposal of Public Assets Authority (PPDA) carried out the procurement and disposal audit of Fort Portal City that covered a representative sample of twenty (20) procurement transactions under the Financial Year 2021/22. The audit involved a review of the procurement structures, procurement, and asset disposal processes, as well as contract performance following the provisions of the Public Procurement and Disposal of Assets Act 2003 and Local Governments (PPDA) Regulations 2006.

### 1.3 Main Audit Objectives

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of Fort Portal City's procurement system and processes with the provisions of the PPDA Act, 2003 and Local Governments (PPDA) Regulations 2006 and assess the level of procurement performance over the audit period.

The specific objectives were to:

- i. Establish the level of compliance by the Entity with the general provisions of the PPDA Act 2003 and Regulations 2006;
- ii. Establish the level of compliance of procurement and disposal processes with the PPDA Act, 2003 and Regulations 2006; and
- iii. Assess the level of efficiency and effectiveness in contract implementation.

### 1.4 Audit Scope

The audit involved a review of the procurement process, disposal process, general compliance issues, and contract implementation on a sample basis. The audit covered a representative sample of twenty (20) procurement transactions under the Financial Year 2021/22. The list of sampled transactions is contained in **Annex B**. The distribution of the transaction population and sample are in Table 1 below:

**Table 1: Analysis of Population and Sample Selected for audit of FY 2021/22**

No	POPULATION			SAMPLE		PERCENTAGE	
	Procurement method	Value (UGX)	No	Value (UGX)	No	Value	No
1.	Open Bidding	24,890,210,997	27	24,392,354,906	15	98%	56%
2.	Selective Bidding	430,064,875	21	146,200,787	5	34%	24%
3.	Micro procurements	29,654,534	58	-	-	-	-
<b>TOTAL</b>		<b>25,349,930,406</b>	106	<b>24,538,555,693</b>	<b>20</b>	<b>97%</b>	<b>19%</b>

### 1.5 Audit Methodology

An entry meeting was held on **7<sup>th</sup> November 2022**. At the meeting, the objectives of the audit were discussed as well as the timelines, roles, and responsibilities. The Entity's management was requested to avail the required records in time for the audit, to which they agreed to give the necessary assistance to the auditors.

The auditors examined records and documents for each sampled procurement transaction and/or disposal and obtained the relevant evidence to derive audit conclusions. This involved a review of the Entity's procurement/disposal planning, initiation, bidding, evaluation, contract placement, and processes. At the end of the document review, a physical verification was undertaken to ascertain the level of contractual delivery and fit for purpose.

At the end of the field data collection, a debriefing meeting was held on **16<sup>th</sup> November 2022** with the Entity management and staff to clear all pending issues that arose during the audit before the auditors embarked on the preparation of the management letter. The management letter was sent to the Entity on **8<sup>th</sup> December 2022** with a request to submit a management response by **21<sup>st</sup> December 2022**. The exit meeting was held on **21<sup>st</sup> December 2022** at the PPDA Western Regional office premises in Mbarara.

On completion of data collection and before writing the report, the Regional Manager reviewed the working papers for completeness. The working papers contain a detailed chronology of findings on each of the sampled transactions. The audit report presents the key findings and conclusions arising from the audit.

## CHAPTER 2: AUDIT FINDINGS, IMPLICATIONS, AND RECOMMENDATIONS

### 2.1 To establish the level of compliance of the Entity with the general provisions under the PPDA Act, 2003, and Local Governments (PPDA) Regulations, 2006

The following areas of non-conformity were observed.

#### 2.1.1 Implementation of previous audit recommendations

The Authority noted that Fort Portal City failed to implement 79% of the Authority's previous audit recommendations contained in the procurement and disposal audit report for FY 2020/21 contrary to Regulation 14 (k) of the Local Governments (PPDA) Regulations 2006.

Several issues raised during the previous audit are still occurring in the Entity despite the Authority making recommendations to rectify them. These include:

- i. Micro-Procurements undertaken by lower Local Governments were not reported to the Procurement and Disposal Unit for onward submission to the Contracts Committee;
- ii. Providers were still not meeting all performance and delivery obligations;
- iii. Some defects were identified in the projects conducted;
- iv. Progress records were not being shared with the Procurement and Disposal Unit by the Finance Department to enable the Unit to close off procurement action files;
- v. Procurement files still have missing records;
- vi. The Evaluation Committees were not strictly adhering to the set evaluation criteria; and
- vii. Instances of delayed payment were still occurring.

#### **Implication**

Failure to implement PPDA recommendations may imply that little effort is made by the Accounting Officer to improve performance in the Entity's procurement function.

#### **Management Response**

The Accounting Officer communicated to the responsible departments on the issues raised.

#### **Recommendation**

The Accounting Officer should ensure that all recommendations made by PPDA are fully implemented to improve the performance of the Entity following Regulation 14 (k) of the Local Governments (PPDA) Regulations 2006.

#### 2.1.2 Records Management

The Authority observed that various procurement procedural forms and documents were missing from their respective procurement action files contrary to Regulation 46 (2) of the Local Governments (PPDA) Regulations, 2006. These cases include:

**Table 2: List of documents missing on procurement action files**

No	Subject of Procurement	Amount (UGX)	Missing records
1.	Rehabilitation of a four-classroom block at Kiguma Primary School	83,791,216	<ul style="list-style-type: none"> <li>• Contract Extension</li> </ul>
2.	Construction of a theatre at Kataraka Health Centre IV	473,447,150	<ul style="list-style-type: none"> <li>• Contracts Committee approvals</li> <li>• Contract manager appointment</li> <li>• Contract implementation plan</li> <li>• Invoice and measurement sheet</li> </ul>
3.	Renovation of a classroom block at Kahinju Primary School	58,295,508	<ul style="list-style-type: none"> <li>• Contract Extension</li> <li>• Progress report</li> <li>• Payment records</li> <li>• Handover and commissioning report</li> </ul>
4.	Construction of a 5-stance lined VIP Latrine with shower at Butebe Primary school	29,734,761	<ul style="list-style-type: none"> <li>• Contract document</li> <li>• Substantial completion certificate</li> <li>• Final Payment certificate</li> </ul>
5.	Construction of a maternity ward at Karambi Health Center	285,000,000	<ul style="list-style-type: none"> <li>• Contracts Committee approvals</li> <li>• Contract manager appointment</li> <li>• Contract implementation plan</li> <li>• Progress reports</li> <li>• Invoices and measurement sheets</li> <li>• Payment records</li> </ul>
6.	Consultancy services for supervision of civil works of cluster 7 – Fort Portal (USMID – AF)	1,845,262,421	<ul style="list-style-type: none"> <li>• Valid advance payment guarantee</li> <li>• Payment certificate 1</li> <li>• Contract management records</li> </ul>
7.	Supply of fuel, oils, and lubricants	47,550,000	<ul style="list-style-type: none"> <li>• Contracts Committee decision on the award</li> <li>• Fuel accountability (Evidence of delivery)</li> <li>• Payment records</li> </ul>
<b>Total</b>		<b>2,823,081,056</b>	

**Implications**

- The lack of records on the procurement process is a sign of laxity and lack of effective supervision of the Procurement and Disposal Unit.
- This casts doubt on whether the Entity was monitoring projects effectively and efficiently.

**Management Response**

All missing records are attached for verification.

**Authority's Comment:**

The Authority verified the records submitted during the exit meeting and noted that the above records were not submitted.

**Recommendations**

- The Head Procurement and Disposal Unit should put in place a mechanism for ensuring that all procurement records are submitted and stored following Regulation 46 of the Local Governments (PPDA) Regulations, 2006.
- The staff of the Procurement and Disposal Unit should properly archive all records of procurement transactions in their respective action files following Section 31 (o) of the PPDA Act 2003.

**2.1.3 Assets Management**

The audit revealed the following exceptions:

**a) Titling of land**

The Board of Survey report for the Financial Year 2021/2022 revealed that Fort Portal City Council owned various plots of land that have no titles. These include:

**Table 3: Untitled land**

S/N	Land Location	Issue observed
1.	Katale Kenjara Land	Untitled land
2.	Bukwali Burrow Pit	Untitled land
3.	Bukwali Cemetery	Untitled land
4.	Council Chambers	Untitled land
5.	Kiteere Garbage Disposal Site	Untitled land
6.	Kasusu Market	Untitled land
7.	Link Park Land	Untitled land
8.	Former East Division Headquarters	Untitled land

**Implication**

The Council's land is susceptible to grabbing and theft.

**Management Response**

No response was provided so the query was maintained.

**Recommendation**

The Accounting Officer should ensure that land titles are processed for all untitled Council land.

**b) Engraving of Fort Portal City Council's assets**

The Board of Survey report for the Financial Year 2021/2022 revealed that various movable assets belonging to Fort Portal City Council such as furniture, office, and ICT equipment were neither engraved nor labeled with a unique identification mark. Some of the unengraved assets are listed in the table below. These include:

**Table 4: Assets that require engraving**

S/N	Location	Asset Description	Quantity
1.	Deputy Town Clerk's Office	UPS	1
		Coat Hanger	1
		Executive High Back chair	1
		Sofa set	1
		Desktop Computer set	1
2.	Secretary Town Clerk's Office	Armed chairs	2
		Photo frames	2
		Kyocera photocopier	1
		Wooden office chairs	2
		Wooden table	1
		Flat Screen with an Antenna	1
		Metallic cupboard	1
		UPS	1
		Mouse	1
		D Link	1
3.	CBS Department	HP Laserjet 1102 printer	1
		Lenovo CBS Desktop	1
4.	Internal Audit	HP Prodesk (IFMS)	1
		Office tables	2
		Chairs	3
		Filing cabinets	4
5.	Planning Unit	HP LaserJet Pro MFP M125A	1
		Wooden chair	1
		Executive chairs	2
		Office chair	1
		Desktop, printer, and CPU	1
		Colored printer	1
		Machine for printing plans	1
		Side table	1
		Drawer	1
		Filing cabinet	1
		Photocopier	1

Furthermore, the Board of Survey report noted that the City lacked an asset movement register to track the movement of assets across departments/sectors.

#### **Implications**

- Assets of the City are prone to theft and pilferage since they cannot be identified.
- This implies that tracking and tracing unlabeled assets is problematic.

#### **Management Response**

A requisition has been raised and approved by the Accounting Officer for engraving the remaining furniture and office equipment.

### Recommendation

The Accounting Officer should ensure that all assets of the City are labeled to ease identification of obsolete ones to be subjected to disposal following Regulation 122 (6) of the Local Government (PPDA) Regulations, 2006.

#### c) Disposal of Fort Portal City Council's obsolete assets

The Authority noted according to the Board of Survey report for the Financial Year 2021/2022 no action was taken to dispose of obsolete assets recommended for boarding off in the previous report contrary to Regulation 122 of the Local Governments (PPDA) Regulations, 2006.

For example, the Authority noted that the Board of Survey report has on several occasions recommended obsolete vehicles to be disposed of but they have still been maintained within the Entity. These items include:

**Table 5: Motor Vehicles recommended for disposal**

S/N	Asset Description
1.	J-Fieng Lorry LG 0086-14
2.	Nissan Navara UG298Y
3.	Toyota Hilux LG 0085-14
4.	Tata Lorry Skip Loader UAJ 163X
5.	Yamaha DT Motorcycle LG 0087-14
6.	Honda XL Motor Cycle UG.0431R
7.	Jailing Motor Cycle with No Number plate
8.	Jiejeng Motorcycle UG 2785R
9.	Yamaha Motor Cycle UG 066E

Some of the obsolete vehicles are shown in the pictures below;



#### Implication

Failure to dispose of inhibits the achievement of value for money as funds are held up in assets and also lost through depreciation.

### Management Response

Fort Portal City Council is in the process of securing ownership from the respective Ministries that donated the vehicles to enable them to be disposed of this financial year.

### Recommendation

The Accounting Officer should conduct disposal of all the obsolete items identified by the Board of Survey following Regulation 122 of the Local Governments (PPDA) Regulations, 2006.

#### 2.1.4 Procurement plan management

A review of the quarterly reports submitted revealed that the Entity implemented 91.6% of its procurement plan for the financial year 2021/2022 as of 30<sup>th</sup> June 2020, as detailed in the table below:

**Table 6: Analysis of procurement plan performance**

Total procurement plan value inclusive VAT (UGX)	27,664,539,713
Total procurement spend value inclusive VAT (UGX)	25,349,930,406
Procurement Plan Implementation Rate	91.6%
Procurement Plan Implementation Variance (UGX)	2,314,609,307

This was a good performance and the Entity should keep it up.

#### 2.2 Level of compliance of procurement and disposal processes with the PPDA Act, 2003, and Local Government Regulations 2006

The audit revealed the following exceptions;

##### 2.2.1 Issuance of solicitation documents with inadequate requirements

The Authority reviewed the solicitation documents provided and observed that they were poorly drafted, with outdated and incomplete evaluation criteria contrary to Regulation 48 of the Local Governments (PPDA) Regulations, 2006. The following four (4) procurement transactions worth UGX 161,446,527 include:

**Table 7: Procurements with inadequate solicitation documents**

No	Subject of Procurement	Amount (UGX)	Findings
1.	Construction of a 5-stance lined VIP Latrine with shower at Haibaale Primary school	29,797,402	The bid validity period shall be 90 days. The exact date of bid validity expiry was not stated.
2.	Construction of a 5-stance lined VIP Latrine with shower at Karambi Primary school	26,588,625	The bid validity period shall be 90 days. The exact date of bid validity expiry was not stated
3.	Supply of an assorted theatre equipment	64,980,500	Failure to include a provision for the reservation scheme or evaluation criteria that determines compliance to the reservation scheme following
4.	Supply of an assorted medical equipment	40,080,000	

No	Subject of Procurement	Amount (UGX)	Findings
			Guideline PPDA Guideline 1/2018 issued on 15 <sup>th</sup> February 2018. The providers should have been asked to provide evidence of having manufacturing facilities in Uganda as well as National Drug Authority certification.
<b>Total</b>		<b>161,446,527</b>	

### **Implication**

There is a risk of bidders preparing non-responsive bids and it also leads to the procurement of items that do not meet the users' requirements.

### **Management Response**

Management has taken note.

### **Recommendations**

- The Contracts Committee should always scrutinize bidding documents for completeness, correctness, clarity, and accuracy before approval.
- The Head Procurement and Disposal Unit should prepare quality solicitation documents following Regulation 48 of the Local Governments (PPDA) Regulations, 2006.

#### **2.2.2 Irregular evaluation of submitted bids**

The audit revealed irregular evaluation of bids in the rehabilitation of a four-classroom block at Kiguma Primary School worth UGX 83,791,216 contrary to Regulation 48 (4) of the Local Governments (PPDA) Regulations, 2006. The Evaluation Committee waived the requirement for Social Security obligation payment making the City susceptible to working with non-compliant firms.

### **Implication**

Unfairness during evaluation leads to contract awards to non-compliant bids and compromises on the benefits of maximum competition.

### **Management Response**

The criteria required bidders to be tax compliant as well as show their social security. Since all bidders passed the tax compliance requirements, the social security requirement was waived.

### **Recommendation**

The Head, of the Procurement and Disposal Unit, should ensure that the Evaluation Committee members strictly adhere to the criteria set out in the solicitation document following Regulation 48 (4) of the Local Governments (PPDA) Regulations 2006.

#### **2.2.3 Securities**

The audit revealed the following findings:

#### **a) Bid Security**

The Authority observed that the Entity did not release bid securities promptly to the unsuccessful bidders upon expiry of the term of the security or entry into a contract with the successful bidder contrary to Regulation 50 (5) of the Local Governments (PPDA) Regulations, 2006.

According to the Procurement and Disposal Unit, concerned bidders were not writing seeking to collect their securities. The Auditors found this explanation wanting as Regulation 50 (7) of the Local Governments (PPDA) Regulations, 2006, requires the Entity to communicate the proposed date of release of bid securities to the concerned bidders which was not being done.

#### **Implication**

The Entity may not be protected from non-performing firms that may disappear once advanced funds.

#### **Management Response**

Management acknowledges the anomaly and promises to improve.

#### **Recommendation**

The Accounting Officer should ensure that all bid securities are promptly released to the unsuccessful bidders upon expiry of the term of the security or entry into a contract with the successful bidder following Regulation 50 (5) of the Local Governments (PPDA) Regulations, 2006.

#### **b) Performance Security**

To protect the Entity against non-performance of contracts, the special condition of the contract required the contractor to submit a performance security of 10% of the contract sum.

The audit revealed irregularities in the rehabilitation of a four-classroom block at Kiguma Primary School worth UGX 83,791,216, the contract required the contractor to submit their performance security within 21 calendar days of signing the contract which elapsed on 23<sup>rd</sup> November 2021. the performance security was submitted on 13<sup>th</sup> January 2021, 71 calendar days after signing the contract.

#### **Implication**

The Entity may not be protected from non-performing firms.

#### **Management Response**

Management acknowledges the anomaly and promises to improve.

#### **Recommendation**

The Accounting Officer should desist from signing contracts where performance securities are required before firms furnish the Entity with the required performance securities following Regulation 102 of the Local Governments (PPDA) Regulations, 2006.

#### **c) Expiry of advance payment security before recovery of funds**

The Authority noted that in April 2022, an advance payment worth UGX. 369,052,484 was paid to Continuum Engineering Ltd for consultancy services for the supervision of civil works of cluster 7 – Fort Portal (USMID-AF). The company had attached an advance payment security from Equity Bank dated 13<sup>th</sup> April 2022 valid until 30<sup>th</sup> September 2022.

By 30<sup>th</sup> September 2022, at the time the Advance Payment Guarantee expired, the Entity had only recovered 25% of the advance worth UGX. 92,263,122 while 75% of the advance payment had not been recovered. There is no evidence on file that the provider extended the Advance Payment Guarantee or provided a fresh guarantee.

**Implication**

This exposes the Entity to the risk of financial loss arising from non-performance of the contract as the Entity will not have a fall-back position since there are no valid performance guarantees.

**Management Response**

The project manager took note and wrote to the consultant to renew their advance payment security.

**Authority’s Comment:**

A copy of the renewed advance payment security was not submitted. The query was maintained.

**Recommendation**

The Contract supervisors for the above project should safeguard the Entity against non-performance of the contract by demanding that the contractor submit a valid and adequate advance payment security before proceeding with contract execution following Regulation 102 (1) of the Local Government (PPDA) Regulations, 2006.

**2.2.4 Contract Documents**

The Authority reviewed the contract documents prepared for the sampled procurements and observed some anomalies as indicated in the table below;

**Table 8: Anomalies noted in contract documents**

No.	Subject of procurement	Amount (UGX)	Issue
1.	Consultancy services for supervision of civil works of cluster 7 – Fort Portal (USMID-AF) worth.	1,845,262,421	<p><b>Ambiguous contract clauses;</b></p> <ul style="list-style-type: none"> <li>GCC8.1 indicated that the period within which services shall have commenced is the date of notification in writing by the City Council to commence the services. The Audit noted that the Solicitor General in her clearance of the contract advised the Entity to make the commencement date clear, however, this was not done.</li> <li>GCC 26.1 indicated that the period of validity of the Advance payment guarantee shall be: until 100% advance payment is repaid. This is very vague and misleading.</li> </ul>
2.	Construction of a maternity ward at Karambi Health Centre	285,000,000	Signing a contract without Solicitor General approval

3.	Construction of a theatre at Kataraka Health Centre IV	473,447,150	Signing a contract without Solicitor General approval
<b>Total</b>		<b>2,603,709,571</b>	

### Implication

The reduced contractual period can result in a compromise in the quality of work done.

### Management Response

Management takes note of the anomaly and attributes signing the contract without Solicitor General approval to its first time handling contracts engaging the UPDF/NEC Engineering brigade.

### Recommendations

- The Accounting Officer should desist from signing contracts that require Solicitor General approval before obtaining it in accordance with the Constitution (Exemption of Particular Contracts from Attorney General's Legal Advice) (Amendment) Instrument, 2014.
- The Contracts Committee should ensure that all approved contractual terms and conditions are realistic and do not compromise the quality of work.

## 2.3 To assess the level of efficiency and effectiveness during contract implementation

The audit revealed the following exceptions;

### 2.3.1 Delayed completion of contracts

The audit revealed that there was delayed completion of works in two (2) procurement transactions worth UGX 142,086,724 contrary to Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006. These cases include:

**Table 9: Delayed completion of contracts**

No	Subject of Procurement	Amount (UGX)	Findings
1.	Rehabilitation of a four-classroom block at Kiguma Primary School	83,791,216	The contractual completion date was 29 <sup>th</sup> March 2022 yet the actual completion date was on 13 <sup>th</sup> May 2022.
2.	Renovation of a classroom block at Kahinju Primary School	58,295,508	The contractual completion date was 2 <sup>nd</sup> January 2022 yet the actual completion date was on 30 <sup>th</sup> May 2022.
<b>Total</b>		<b>142,086,724</b>	

### Implication

This results in the commitment of more resources in terms of staff and time by the Entity to projects that ought to have been completed.

### Management Response

Delays were due to releases from the Ministry of Finance for the quarter.

**Authority's Comment:**

The entity provided no evidence to support its response. The query was maintained.

**Recommendation**

User Departments should ensure that the providers perform contracts following the terms and conditions specified in the contract following Regulation 119 (9) (b) of the Local Governments (PPDA) Regulations, 2006.

**2.3.2 Procured items not in use**

The audit revealed that five (5) buildings worth UGX 234,892,504 that were constructed in FY2021/2022 were not in use at the time of the audit despite the projects being completed. These include:

**Table 10: Procured items not in use**

No	Project Name	Amount (UGX)
1.	Construction of a 5-stance lined VIP Latrine with shower at Butebe Primary school	29,734,761
2.	Construction of a 5-stance lined VIP Latrine with shower at Haibaale Primary school	29,797,402
3.	Construction of a 5-stance lined VIP Latrine with shower at Karambi Primary school	26,588,625
4.	Rehabilitation of a four-classroom block at Kiguma Primary school	83,791,216
5.	Supply of an assorted theatre equipment	64,980,500
<b>Total</b>		<b>234,892,504</b>

**Implication**

Constructing buildings that are not in use is a sign that the buildings though procured were not needed and thus a waste of public funds.

**Management Response**

The latrines are now open for use. The assorted theatre equipment is not in use as the theatre is under construction.

**Recommendation**

The Accounting Officer should ensure that all constructed buildings are handed over to beneficiaries for use promptly.

**2.3.3 Delivery and acceptance of items that do not conform to the required specifications**

This was noted in the supply of theatre equipment by Crown Health Care worth UGX. 64,980,500 where the supplier was required to deliver among others item no. 8; Laryngoscope set, Macintosh 5 blades, and gowlands.

According to delivery note document number 25255 dated 22<sup>nd</sup> April 2022, page 3 of 4, the supplier delivered the Laryngoscope set, Ri- standard M. Tosh Set C handle-2-4 blades. This did not conform to the required set with 5 blades.

### Implication

This is an indicator of laxity in contract management and failure by the Internal Auditor to verify delivered items.

### Management Response

Management took note of the query.

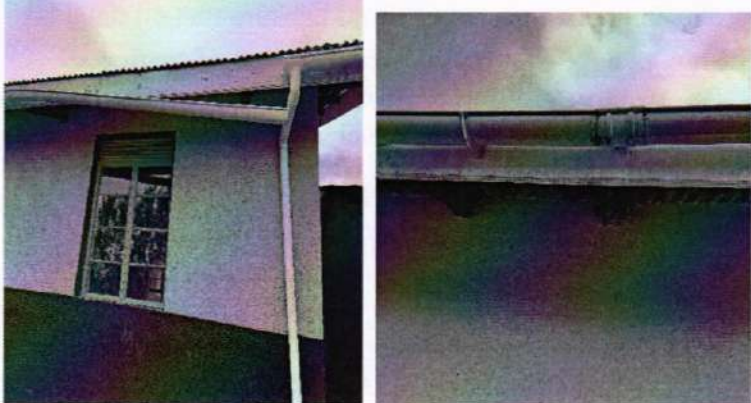
### Recommendations


- Crown Health Care should be tasked to deliver the actual set of five (5) blades as was specified or ask to refund the difference in price between the five (5) blades set and the 2-4 blades set.
- The Accounting Officer should ensure that the contract supervisors produce reports for each procurement implemented detailing the deliverables.

### 2.3.4 Unsatisfactory works

The Authority found unsatisfactory works in two (2) contracts worth UGX 142,086,724 as indicated in the table below:

**Table 11: Unsatisfactory works**

No.	Procurement subject	Amount (UGX)	Observation
1.	Rehabilitation of a four-classroom block at Kiguma Primary School	83,791,216	The fixed water gutters were disjointed and falling off as shown in the images below: 
2.	Renovation of a classroom block at Kahinju Primary School	58,295,508	The fixed water gutters were disjointed and falling off with poor floor finishes in the classroom. Site clearing after the construction was also not done as shown in the images below:

No.	Procurement subject	Amount (UGX)	Observation
			
<b>Total</b>		<b>142,086,724</b>	

#### Implication

Poor quality works deter effective service delivery and achievement of value for money.

#### Management Response

The projects are still under the defects liability period.

#### Recommendation




The contract supervisors should ensure that all defects are rectified.

#### 2.3.5 Slow progress in the implementation of projects

The Authority observed slow progress in the implementation of three (3) construction projects worth UGX 21,704,490,295. These include;

**Table 12: Slow implementation**

No.	Procurement subject	Observation
1.	Construction of road works in the cities/municipalities of Kasese (4.8), Hoima (4.3), and Fort portal (2.61km) and additional street lighting installation (17.3)	On 14 <sup>th</sup> April 2022, an eighteen (18) month contract worth UGX 20,946,043,145 with China Railway 18 Bureau Group Co. Ltd. A supervising consultant Continuum Engineering Ltd in association with Centre for Infrastructure Consulting Ltd was contracted at UGX 1,845,262,421 to supervise the works. However, by the end of October 2022, with 28% of the time elapsed, only 5% work had been implemented as shown in the pictures below;

No.	Procurement subject	Observation
		
2.	Construction of a maternity ward at Karambi Health Centre	<p>On 22<sup>nd</sup> June 2022, a six (6) month contract worth UGX 472,962,259 with UPDF/NEC Engineering Brigade. The UPDF/NEC Engineering Brigade was paid in full before work commenced. However, with five (5) months elapsed, no works have been undertaken with no materials or staff on site as shown in the pictures below;</p> 
3.	Construction of a theatre at Kataraka Health Centre IV	<p>On 22<sup>nd</sup> June 2022, a six (6) month contract worth UGX 472,962,259 with UPDF/NEC Engineering Brigade. UPDF/NEC Engineering Brigade However, with five (5) months elapsed, the site had only been excavated as shown in the pictures below;</p> 

The slow progress in the construction of the health facilities can be attributed to delays in the completion of design reviews whereas the slow progress in the road works can be attributed to the contractor's delay to mobilize.

### Implications

This has denied the intended beneficiaries timely use of the infrastructure, inconvenienced the surrounding business community, and may result in the escalation of project costs.

**Management Response**

The delays were due to heavy rains in October and November but the works have resumed.

**Authority's Comment:**

The entity provided no evidence to support its response. The query was maintained.

**Recommendations**

The contract supervisors should ensure that contractors fully mobilize the required equipment at the start of the project to enable the timely execution of the works.

### CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section graphically presents the scores per area assessed under the different audit questions

#### 3.1 Overall Audit Conclusion

The performance of Fort Portal City for the Financial Year 2021/22 was **satisfactory** with an overall weighted average risk rating of **27.4%**. The risk rating is as follows;

**Table 13: Risk Rating**

Risk Rating	Description of Performance
0-30%	Satisfactory
31-70%	Moderately Satisfactory
71-100%	Unsatisfactory

The risk rating was weighted to determine the overall risk level of the Entity. The weighting was derived using the average weighted index as shown below:

**Table 14: Summary of performance of Fort Portal City**

Risk category	No.	No. %	Value	Value %	Weights	Total weighted Average	
						By No.	By Value
High	5	25	965,514,374	3.9	0.6	15	2.3
Medium	-	-	-	-	0.3	-	-
Low	12	60	23,552,014,320	96	0.1	6	9.6
Satisfactory	3	15	21,026,999	0.1	0	-	-
<b>Total</b>	<b>20</b>	<b>100</b>	<b>24,538,555,693</b>	<b>100</b>	<b>1</b>	<b>21</b>	<b>11.9</b>

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{21}{60} \times 100 = 35\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{11.9}{60} \times 100 = 19.8\%$$

$$\text{Combined Weighted Average} = \frac{35 + 19.8}{2} = 27.4\%$$

Figure 1: Risk Rating by Number

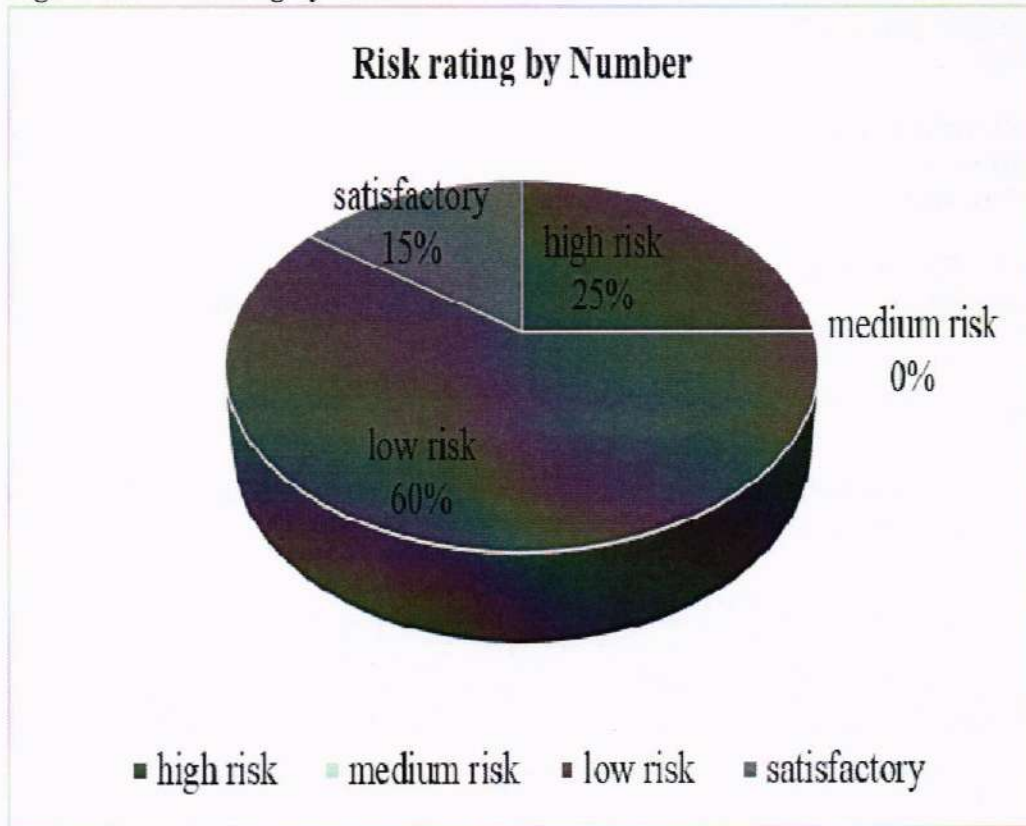
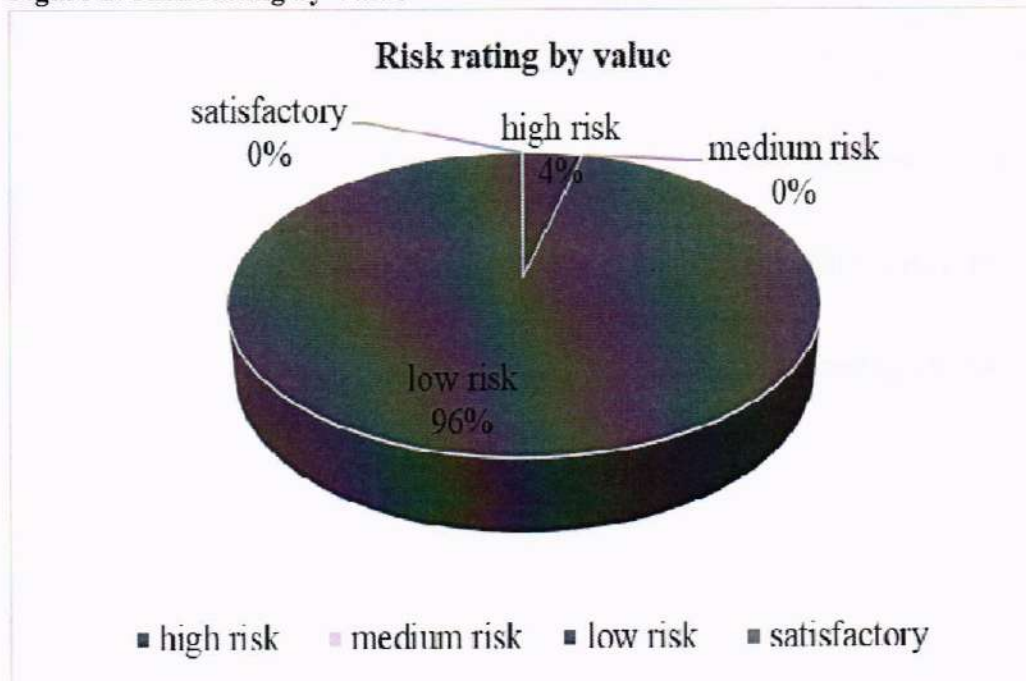


Figure 2: Risk Rating by Value



### 3.2 Recommended Action Plan

Fort Portal City should implement the following recommendations within the timeframe given to improve its performance in Procurement and Disposal.

**Table 15: Recommended Action Plan**

No.	Recommendation	Action Party	Action Date
1.	The Accounting Officer should ensure that all recommendations by the Authority are shared with all Departments of the Entity and institute a mechanism to ensure full implementation following Regulation 14 (k) of the Local Governments (PPDA) Regulations 2006.	Accounting Officer	June 2023
2.	The Accounting Officer should label/engrave all assets of the City and also process land titles for all untitled Council land.		
3.	The Accounting Officer should desist from signing contracts that require Solicitor General approval before obtaining it in accordance with the Constitution (Exemption of Particular Contracts from Attorney General's Legal Advice) (Amendment) Instrument, 2014.		
4.	The Accounting Officer should conduct disposal of all the obsolete items identified by the Board of Survey following Regulation 122 of the Local Governments (PPDA) Regulations, 2006.		
5.	The Head Procurement and Disposal Unit should put in place a mechanism of ensuring that all procurement records are submitted and stored on their respective action files.	Procurement and Disposal Unit	June 2023
6.	The contract supervisors should ensure that contractors fully mobilize the required equipment at the start of the project to enable the timely execution of the works	User departments	Immediately

**Annex A: High-risk rated individual contracts reviewed**

No	Subject of Procurement	Reasons for the high-risk rating
1.	Construction of a maternity ward at Karambi Health Centre	Signing a contract without Solicitor General approval
2.	Supply of an assorted theatre equipment	Acceptance of items that do not conform to the required specifications
3.	Rehabilitation of a four-classroom block at Kiguma Primary School	Unsatisfactory works
4.	Renovation of a classroom block at Kahinju P/S	Unsatisfactory works
5.	Construction of a theatre at Kataraka Health Centre IV	Signing a contract without Solicitor General approval

**Annex B: Transaction list and rating per case**

No	Subject of Procurement	Method of Procurement	Provider	Amount	Risk rating
1.	Supply of a double cabin pickup	Open Domestic Bidding	Cooper Motor Corporation Ltd	195,812,046	Low risk
2.	Supply of fuels, oils, and lubricants	Open Domestic Bidding	Byaruhanga Expedito General Enterprises Ltd	Framework	Satisfactory
3.	Construction of a maternity ward at Karambi Health Center	Open Bidding	UPDF/NEC Engineering Brigade	285,000,000	High risk
4.	Construction of road works in the cities/municipalities of Kasese (4.8), Hoima (4.3), and Fortportal (2.61km) and additional street lighting installation (17.3)	Open Domestic Bidding	China Railway 18 Bureau Group Co. Ltd	20,946,043,145	Low risk
5.	Consultancy for supervision of civil works of cluster 7-	Open Domestic Bidding	Continuum Engineering Ltd in association with Centre for Infrastructure Consulting Ltd	1,845,262,421	Low risk
6.	Supply of an assorted theatre equipment	Open Domestic Bidding	Crown Health Care	64,980,500	High risk
7.	Supply of office furniture	Open Domestic Bidding	Lunko Enterprises Ltd	35,800,000	Low Risk
8.	Supply of office equipment	Open Domestic Bidding	Zeda Cos Investments SMC Ltd	33,030,000	Low Risk
9.	Rehabilitation of a four-classroom block at Kiguma Primary School	Open Domestic Bidding	Make Co. Ltd	83,791,216	High Risk
10.	Renovation of a classroom block at Kahinju Primary School	Open Domestic Bidding	Katgo Enterprises Ltd	58,295,508	High Risk
11.	Construction of a theatre at Kataraka Health Centre IV	Open Domestic Bidding	UPDF/NEC Engineering Brigade	473,447,150	High risk
12.	Construction of a 5-stance lined VIP	Selective Bidding	Kagu Construction Ltd	29,734,761	Low Risk

No	Subject of Procurement	Method of Procurement	Provider	Amount	Risk rating
	Latrine with shower at Butebe Primary school				
13.	Supply of assorted medical equipment	Selective Bidding	Migmeom Consults Ltd	40,080,000	Low risk
14.	Revenue collection from loading and offloading	Open Domestic Bidding	Sunday Atwooki 2017 Enterprises	87,240,000	Low risk
15.	Revenue collection from street parking	Open Domestic Bidding	Josenous Enterprises Ltd	186,625,920	Low risk
16.	Revenue collection from slaughter slabs	Open Domestic Bidding	Fort Portal tourism city butchery association	96,000,000	Low risk
17.	Disposal of assorted scrap	Open Domestic Bidding	Musinguzi Jamiru	1,027,000	Satisfactory
18.	Renovation works and construction of an ART shed at Kagote H.C.IV	Selective Bidding	Freedom Investments Ltd	19,999,999	Satisfactory
19.	Construction of a 5-stance lined VIP Latrine with shower at Haibaale Primary school	Selective Bidding	Martial Tech Limited	29,797,402	Low Risk
20.	Construction of a 5-stance lined VIP Latrine with shower at Karambi Primary school	Selective Bidding	Malidad Sana Beverages Co. Ltd	26,588,625	Low Risk
<b>Total</b>				<b>24,538,555,693</b>	

**Annex C: Risk Rating Criteria**

RISK	DESCRIPTION	AREA	IMPLICATION
<p><b>HIGH</b></p>	<p>Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry risk to the regulatory system or the entity's reputation. Such cases warrant immediate attention by senior management.</p> <p>Significant deviations from established policies and principles and/or generally accepted industry standards will normally be rated "high".</p>	<p><b>Planning:</b> Lack of or failure to procure within the approved plan</p>	<p>This implies emergencies and the use of the direct procurement method which affects competition and value for money.</p>
		<p><b>Bidding Process:</b> Use of wrong/inappropriate procurement methods, failure to seek Contracts Committee approvals, and usurping the powers of the PDU.</p>	<p>This implies the use of less competitive methods which affects transparency, accountability, and value for money.</p>
		<p><b>Evaluation:</b> Use of inappropriate evaluation methodologies or failure to conduct the evaluation.</p>	<p>This implies financial loss caused by awarding contracts at higher prices or shoddy work caused by failure to recommend an award to a responsive bidder.</p>
		<p><b>Record Keeping:</b> Missing procurement files and missing key records on the files namely; solicitation documents, submitted bids, evaluation reports, and contracts.</p>	<p>This implies that one cannot ascertain the audit trail namely; whether there was competition and fairness in the procurement process.</p>
		<p><b>Fraud/forgery:</b> Falsification of Documents</p>	<p>This implies a lack of transparency and value for money.</p>
		<p><b>Contract Management:</b> Payment for shoddy work or work not delivered.</p>	<p>This implies financial loss since there has been no value for money for the funds spent and the services have not been received by the intended beneficiaries</p>

RISK	DESCRIPTION	AREA	IMPLICATION
<b>MEDIUM</b>	Procurements that were considered to have weaknesses which, although less likely to lead to material financial loss or to risk damaging the regulatory system or the entity's reputation, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls are put in place. Such procurements would normally be graded "medium" provided that there is sufficient evidence of "hands-on management control and oversight" at an appropriate level of seniority.	<b>Planning:</b> Lack of initiation of procurements and confirmation of funds.	This implies committing the Entity without funds thereby causing domestic arrears.
		<b>Bidding Process:</b> Deviations from standard procedures namely bidding periods, standard formats, use of PP Forms and records of issue and receipts of bids, usage of non-pre-qualified firms, and splitting procurement requirements.	This implies a lack of efficiency, standardization, and avoiding competition.
		<b>Procurement Structures:</b> Lack of procurement structures	This implies a lack of independence of functions and powers and interference in the procurement process.
		<b>Record Keeping:</b> Missing Contracts Committee records and incomplete contract management records.	This implies that one cannot ascertain the audit trail namely; whether the necessary approvals were obtained in a procurement process.
		<b>Contract and Contract Management:</b> Failure to appoint Contract Supervisors, failure to seek the Solicitor General's approval for contracts above UGX. 200 million and lack of notices of Best Evaluated Bidders. Failure by the Entity	This leads to unjustified contract amendments and variations which lead to unjustified delayed contract completion and lack of value for money. Bidders are not given the right of appeal.

RISK	DESCRIPTION	AREA	IMPLICATION
		<p>to incorporate in the solicitation document aspects of gender, social inclusion, environment, health, and safety.</p> <p>Aspects of gender, social inclusion, environment, health, and safety are not covered by the contractor during contract implementation.</p>	
<b>LOW</b>	<p>Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or to ensure that the business matches current market best practices. Deviations from laid down detailed procedures would normally be graded "low" provided that there is sufficient evidence of management action to monitor compliance with detailed procedures.</p>	<p><b>Planning:</b> Lack of procurement reference numbers.</p> <p><b>Bidding Process:</b> Not signing the Ethical Code of Conduct</p>	<p>This leads to failure to track the procurements which leads to poor record keeping.</p> <p>This leads to a failure to declare a conflict of interest and a lack of transparency.</p>
<b>SATISFACTORY</b>	<p>Relates to following laid down procurement procedures and guidelines and no significant deviation is identified during the conduct of the procurement process based on the records available at the time.</p>		