



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

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

KALUNGU DISTRICT LOCAL GOVERNMENT

MARCH 2023

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ACRONYMS

AO	Accounting Officer
BEB	Best Evaluated Bidder
BOQs	Bill of quantities
CC	Contracts Committee
EC	Evaluation Committee
FY	Financial Year
LG	Local Government
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
SRVCS	Services
SPLS	Supplies
KALU	Kalungu
UGX	Uganda Shillings
ITB	Instruction to Bidders
WRK	Works
DLG	District Local Government

EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Kalungu District Local Government that covered a representative sample of twenty-one (21) 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 Kalungu District Local Governments procurement system and processes with the provisions of the PPDA Act, 2003 and the 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 Kalungu District Local Government for the Financial Year 2021/22 was **Moderately Satisfactory** with overall weighted average risk rating of **67.5%** as detailed in chapter 3 of the report.

Despite the Moderately Satisfactory performance, the following issues were noted:

1. The board of survey report for Financial Year 2020/2021 identified several assets for disposal. However, there was no documentary evidence of efforts taken to dispose them which inhibits achievement of value for money as funds are held up in assets and also value lost through depreciation of these assets. Some of the Disposals were not planned and neither were they reported in the quarterly reports to PPDA such as the disposal of 40 pieces of iron sheets to Uganda Prisons Services and 12 pieces to Uganda Police Forces Kalungu which poses a risk to the entity which also poses a risk of losing Government resources.
2. Irregular use of force Account mechanism. The Authority found irregularities in the use of force account mechanism. This cast doubt on the accuracy of the expenditure worth UGX 233,213,000 received under Uganda Road Fund for FY 2021/2022. The irregularities included;
 - Lack of evidence of appointment of a force account supervisor and manager contrary to circular No. 3 of 2012 to Local Governments on use of force account mechanism.
 - There were also inconsistencies in the quarter one of UGX 1,130,000, Quarter two of UGX 13,746,000 and quarter four UGX 5,284,400 reports on works submitted to the Chief Administrative Officer and the reports on works submitted to the Uganda Road Fund that resulted into a total variance of UGX 19,810,400.
3. Failure to implement 36% of the procurement plan. The Entity's total procurement budget for the Financial Year 2021/2022 was UGX 3,225,447,851 and the quarterly reports submitted to the Authority indicated a total procurement spend of UGX 2,076,076,746 implying that the Entity did not implement planned procurements worth UGX 1,149,371,105 (36%) thus failure to fully deliver services to the intended beneficiaries.
4. Inconsistencies in the solicitation documents in two (2) procurements worth UGX 189,323,945. For example, in the construction of Council Hall Phase 1 worth UGX 179,323,945 there were contradictions in the solicitation document where the Bid Notice in the bidding document stated that a bid security of UGX 1,300,000 was required and yet ITB. 20.1 of the same bidding document and the Newspaper advert required bid security of UGX 3,700,000. These inconsistencies are potentially a source of conflict which exposes the Entity to the risk of delays in the procurement process, and affects bidder participation.
5. Failure to state the exact date of expiry of bid validity in the solicitation documents in all the twenty (20) sampled procurement transactions worth UGX 939,229,111. This could potentially be a source of conflict between the Entity and the bidders on the start and end date of the bid validity periods.
6. The Authority found that in the procurement for the Supply of artificial insemination field flasks to Production Department worth UGX 10,000,000, the entity recommended

Bukomansimbi General Services Masaka as the best evaluated bidder. However due to the high price quoted by the bidder, the entity approved the use of direct procurement to Genex Africa Farm Center Ltd, without formally terminating the first procurement process which could be an indicator of unethical practices in the Entity and may result into Bukomasimbi General Services Masaka suing the entity for lack of transparency.

7. Low bidder participation. The Authority found that there was low bidder participation within the Entity in seven (7) procurements worth UGX 444,205,266. For instance, in the supply of 205 three seater desks to Bukulala and Kyamulibwa sub county, only 1 bidder was invited. The Entity is exposed to the risk of failure to obtain competitive bid offers hence failure to achieve value for money.
8. Irregularities during the bidding process. The Authority found irregularities in the bidding process in eleven (11) procurements worth UGX 731,395,011. For instance, best evaluated bidder notices were displayed for less than ten working days. In another procurement for extension of electricity to Kalungu District Headquarters worth UGX 25,828,625, there was no evidence of receipt of invitation to bid by one of the bidders Segken Services Ltd who was called by the audit team on telephone number 0772447532 and stated that he was never invited by Kalungu DLG to quote and that the quotation on file dated 26/5/2021 was forged.

This was also evidenced by a complaint lodged by the Director Segken Services Ltd on 3rd December 2021 in a letter addressed to the CAO, Kalungu DLG denying having participated in the bidding process and that any documents presented in their names were forged. Notably, there was also no evidence on file that his complaint was addressed. This implies laxity by the head Procurement and Disposal Unit and by members of the Contracts Committee that depicts a non-efficient procurement process.

9. Irregularities during evaluation of eight (8) procurement transactions worth UGX 385,299,398; For instance, in the construction of office block at Kalungu Sub county phase 11 worth UGX 39,912,261 by Climax Construction Company Ltd, the latter was incorporated in 2019 therefore, it could not have qualified on the requirement in the evaluation criteria of works over the last six years.

And in the construction of a two classroom block with desks at Kitembo P/S worth 66,000,000 by LR Contractors and General Services SMC Ltd, the company was 7 months old by the time of contract signature (incorporated on 28/4/2021 and contract was signed on 29/11/2021) therefore, it could not have had the capacity to undertake this project. In addition, it lacked the experience required of three years as per the evaluation criteria. Unfairness during evaluation implies unethical tendencies by members of the Evaluation Committee and exposes an entity to the risk of contract award to non-compliant bidders.

10. Failure to conduct due diligence. The Entity did not conduct due diligence on all the information submitted by the bidders during evaluation and before signing contracts with bidders. Specifically, the Evaluation Committee recommended award of contract to bidders that submitted invalid transaction tax clearance certificates in two (2) procurements worth UGX 84,654,321. This exposed the Entity to the risk of award of contracts to firms which lack the capacity to execute contracts.

11. Signing contracts at Value Added Tax (VAT) inclusive prices with companies not registered for VAT thus causing a potential financial loss of UGX. 37,099,778. The Authority found that in three (3) procurements worth UGX 243,208,461 the entity signed contracts at Value Added Tax (VAT) inclusive prices with companies that were not VAT registered i.e. Climax Construction Company Ltd, LR Contractors and General Services SMC Ltd and JAHE Building Contractors Ltd.

Lack of evidence of remittance of revenue; the Authority found that there was no evidence of remittance of revenue as cited in the Internal Auditor's report for the period between 1st

July 2021 to 30th June 2022. The four sub counties collected UGX 104,287,648 during the financial year 2021/2022 and UGX 30,004,420 was to be remitted to the District but out of that amount, only UGX 8,710,000 was remitted to the district leaving a balance owed of UGX 21,294,420. Notably Kyamulibwa Sub County did not remit any revenue to the district and this affects the operations of the entity both at the district and lower local Government thereby affecting service delivery.

Key Recommendations made:

1. The Accounting Officer should ensure that assets of the Entity are reviewed and disposed of following the methods recommended under Regulations 122-133 of the Local Governments (PPDA) Regulations, 2006. More so, all procurement and disposal requirements should be planned, reported and documented prior to the commencement of any procurement or disposal proceeding in accordance with section 59 of the PPDA Act 2003.
2. The Accounting Officer should launch an investigation into how force account mechanism is implemented at the District and task the District Engineer to explain the variance of UGX 19,810,400. More so, reports to Uganda Road Fund should also be verified against reports to the Accounting Officer before they are submitted to Uganda Road Fund.
3. The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan and update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003 to ensure improved performance and the Head Procurement and Disposal Unit should ensure that all procurements are reported to PPDA and updated accordingly in the procurement plan.
4. The Contracts Committee should critically review the bidding documents submitted by the Procurement and Disposal Unit to ensure that there are no inconsistencies which could lead to noncompliance of bidders in the procurement process.
5. The Procurement and Disposal Unit should state exact dates of expiry of bid validity periods when preparing solicitation documents as provided in the PPDA Circular No.1/2013
6. The Accounting Officer should officially terminate an ongoing procurement process in accordance with Regulation 57 (1) of the Local Government (PPDA) Regulations, 2006 prior to commencing another procurement process.
7. The Head Procurement and Disposal Unit should ensure that all anomalies at solicitation document preparation such as inadequate specifications and also unfair evaluation are addressed in order to rebuild the confidence that may have been lost by the bidders. The Accounting Officer should also investigate the causes of low bidder participation and institute mechanisms of addressing the anomaly.
8. The Accounting officer should also lodge an investigation into forgery of the quotation from Segken Services Ltd, a complaint raised by the Director Segken Segken Services Ltd, one of the bidders in the extension of electricity to Kalungu District Headquarters worth UGX 25,828,625. This report should be shared with the Authority with immediate effect.
9. The Accounting Officer should take appropriate disciplinary action and caution against the Evaluation Committee, Procurement and Disposal Unit and Contracts Committee members for the irregular conduct of the procurement process.
10. The Accounting Officers should ensure adherence to the PS/ST's guidance on conducting due diligence bidders in accordance with circular Ref: FAD154/308/01 issued on 7th August 2014.
11. The Accounting Officer should recover UGX 37,099,778 that was paid to Climax Construction Company Ltd, LR Contractors and General Services SMC Ltd and JAHE Building Contractors Ltd that are not VAT registered.

12. The Accounting Officer should task the Chief Finance Officer(CFO) to explain the difference of UGX 21,294,420 that is being owed to the sub counties and also task him to explain why Kyamulibwa Sub County did not remit UGX 1,844,500 to the district. More so, the Accounting Officer should also enforce close supervision and monitoring of revenue collections from the sub counties in order to realize the planned amounts required for implementation of planned activities.

Kalungu District Local Government should implement the recommended action plan on page 22-23.

CHAPTER ONE: INTRODUCTION

1.1 Background

The Public Procurement and Disposal of Public Assets Authority carried out the procurement and disposal audit of Kalungu District Local Government 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.

1.2 Overall Objective

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of Kalungu District Local Government's procurement system and processes with the provisions of the PPDA Act, 2003 and Regulations, 2006 and assess the level of procurement performance over the audit period.

The specific objectives were:

1. To establish the level of compliance by the PDE with the general provisions of the PPDA Act 2003 and Local Governments (PPDA) Regulations, 2006;
2. To establish the level of compliance with the PPDA Act, 2003 and Local Governments (PPDA) Regulations, 2006 in the conduct of procurement and disposal activities; and
3. To assess the level of efficiency and effectiveness in contract implementation.

1.3 Audit Scope

The audit involved a review of the procurement process, disposal process, general compliance issues and contract implementation on 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 2**.

1.4 Methodology

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 and 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.

During the audit, the auditors met with the staff from the Procurement and Disposal Unit (PDU), Contracts Committee, Internal Audit, and User Departments where necessary, to obtain crucial qualitative information about the internal control system and processes in place.

A debrief meeting to discuss preliminary findings that arose during the audit was held with the Entity management and staff on **19th December 2022** before the auditors could embark on preparation of the management letter. The management letter was sent to the Entity on **16th January 2023** with a requirement to submit a management response by **30th January 2023**, which was submitted on **2nd February 2023**. The exit meeting was held on **3rd February 2023** at PPDA Headquarters Kampala.

This report presents the key findings and conclusions arising from the procurement and disposal audit exercise.

1.5 Procurement structures

The key players in the procurement structure at Kalungu District Local Government included the Chief Administrative Officer as Accounting Officer, the Contracts Committee (CC), the Procurement and Disposal Unit (PDU) and the User Departments. The Authority found that the Entity's procurement structures were fully staffed and functional at the time of Audit.

1.5.1 Accounting Officer

Section 26 of the PPDA Act 2003 gives the Accounting Officer the overall responsibility for the successful execution of procurement, disposal and contract management in the Procuring and Disposing Entity. The Chief Administrative Officer; Mr. Ochen James Andrew was designated as the Accounting Officer of the Entity during the Financial Year 2021-2022.

1.5.2 Composition of the Contracts Committee.

The PS/ST of Ministry of Finance, Planning & Economic Development approved the following members of the Contracts Committee who also acted during the period under review:

Table 1: List of Contracts Committee Members

No.	Name	Job Title	Position on Committee	Date of Appointment
1.	Mr. Bakeiha zepher	District Natural Resources Officer	Chairperson	4 th May 2021
2.	Mr. Matovu Elinest	Principal Commercial Officer	Member	15 th October 2021
3.	Ms. Nanziri Aidah	Senior community development Officer	Member	4 th May 2021
4.	Ms. Nakanwangi Grace	District Education Officer	Member	4 th May 2021
5.	Mr. Matovu John Mary	Health Information Assistant	Member	4 th May 2021

1.5.3 Staffing of the Procurement and Disposal Unit

The Procurement and disposal Unit was manned by the following staff during the period under review:

Table 2: Staff in the Procurement and Disposal Unit

No.	Name	Position	Qualification	Date of appointment
1.	Ms. Namugga Milly Kasule	Senior Procurement Officer	PGD (Procurement and supply chain management)	13 th July 2020
2.	Ms. Ndyamuhaki Gloria	Procurement Officer	Bachelor of Procurement and Logistics Management	19 th January 2021

CHAPTER TWO: KEY FINDINGS AND RECOMMENDATIONS.

2.1 LEVEL OF COMPLIANCE BY KALUNGU DLG WITH THE GENERAL PROVISIONS OF THE PPDA ACT, 2003 AS AMENDED AND THE LOCAL GOVERNMENTS (PPDA) REGULATIONS, 2006

2.1.1 Failure to dispose obsolete items

The board of survey report for Financial Year 2020/2021 identified several assets for disposal. However, there was no documentary evidence of efforts taken to dispose them contrary to Regulation 122 (2) of the Local Governments (PPDA) Regulations 2006. The details of the Assets are shown in the table below:

Table 3: Showing items intended for disposal

No	Details of Asset	Quantity (No.)
1.	HP office Jet printer	1
2.	Chairs	4
3.	Laptop	1
4.	Motor cycles	4
5.	Grader	1

More so, the Authority noted that some of the Disposals were not planned and neither were they reported in the quarterly reports to PPDA as indicated below:

Table 4: Non Planned Disposals implemented and not reported

No.	Subject of procurement
	Disposal of 40 pieces of iron sheets to Uganda Prisons Services and 12 pieces to Uganda Police Forces Kalungu

Implications:

- Failure to dispose inhibits achievement of value for money as funds are held up in assets and also lost through depreciation of these assets.
- Assets are also exposed to a risk of theft and vandalism
- Failure to report and plan disposals poses a risk of losing Government resources.

Recommendation:

- The Accounting Officer should ensure that assets of the Entity are reviewed annually and disposed of following the methods recommended under Regulations 122-133 of the Local Government (PPDA) Regulations, 2006.
- All procurement and disposal requirements should be planned, reported and documented prior to the commencement of any procurement or disposal proceeding in accordance with section 59 of the PPDA Act 2003.

Management Response

- *The board of survey report was received and arrangements are being made to take action on the recommendations there in including disposing of the recommended items.*
- *Not reporting the procurement and missing in the work plan was an oversight we do acknowledge the omission made but the beneficially group acknowledged receipt as per the copy attached.*

2.1.2 Irregular use of force Account mechanism

According to the annual progress reports and activity reports for works done, routine manual and mechanised and periodic maintenance of Kalungu District roads was majorly funded by Uganda Road Fund as summarised in the table below:

Table 5: URF Funding for Kalungu DLG FY 2021/2022

No.	Particulars	URF Releases (UGX)	Amount (UGX) received by Kalungu DLG
1.	Quarter 1	114,887,650	58,555,000
2.	Quarter 2	130,951,620	56,427,300
3.	Quarter 3	77,391,060	49,477,100
4.	Quarter 4	105,999,904	68,753,600
	TOTAL	429,230,234	233,213,000

During the review of the reports submitted by the Works Department to the Chief Administrative Officer and Uganda Road Fund the Authority found the following inconsistencies:

i. Failure to appoint a force account supervisor and manager

There was no evidence of appointment of a force account supervisor and manager contrary to circular No. 3 of 2012 to Local Governments on use of force account mechanism.

Management Response

We accept the anomaly and management promise to take immediate action.

ii. Inconsistent and inaccurate reporting

The Authority found inconsistencies in the quarter one, two and four reports on works submitted to the Chief Administrative Officer and the reports on works submitted to the Uganda Road Fund. The inconsistencies resulted into a variance of UGX 19,810,400 as shown in Table 5 below:

Table 6: Inconsistencies at reporting

No.	Particulars	Accountability Report to Accounting Officer	Accountability Report to URF	Variance (UGX)
1.	Quarter 1	Office Operations-1,195,000	Office Operations-2,325,000	1,130,000
2.	Quarter 2	Equipment repairs-9,876,000	Equipment repairs-6,006,000	3,870,000
		Operations-1,561,300	Operations-11,437,300	9,876,000
3.	Quarter 4	Equipment repairs-4,935,000	Equipment repairs-5,285,000	350,000
		Operations-3,331,600	Operations-8,266,000	4,934,400
			Total variance	19,810,400

Implication:

These cast doubt on the accuracy of the expenditure of UGX 233,213,000 for FY 2021/2022 as reported by the Entity and thus indicators of fraud and embezzlement in the implementation of works using force account mechanism

Recommendations:

- The Accounting Officer should launch an investigation into how force account mechanism is implemented at the District and task the District Engineer to explain the variance of UGX 19,810,400 as indicated above.
- The Accounting Officer should ensure that works undertaken using force account mechanism are implemented in accordance with circular No. 3 of 2012 to Local Governments on use of force account mechanism.
- The Accounting Officer should ensure that all procurements are conducted in a manner which promotes economy, efficiency and value for money in accordance with Section 48 of the PPDA Act, 2003.
- The Accounting Officer should ensure that all procurement transactions are conducted in a fair, transparent and competitive manner in accordance with Sections 45 and 46 of the PPDA Act, 2003.

Management Response

- *The reports in question are activity report which are specific for the activity on going at that time while the accountability report to URF is a consolidated one which reports all the funds for the quarter as received from URF.*
- *The reports to the URF are consolidated from town councils and District while the one with the accounting officer is for only the District, this brings in the variations.*

2.1.3 Failure to implement 36% of the procurement plan.

The Entity's total procurement budget for the Financial Year 2021/2022 was UGX 3,225,447,851 as noted from the Entity's consolidated procurement plan submitted on 5th April 2022. The quarterly reports submitted to the Authority indicated a total procurement spend of UGX 2,076,076,746 implying that the Entity did not implement planned procurements worth UGX 1,149,371,105 (36%).

Table 7: Procurement plan implementation rate

Total procurement plan value (UGX)	3,225,447,851
Actual procurement spend (UGX)	2,076,076,746
Variance (UGX)	1,149,371,105
Percentage implementation rate (%)	64%
Variance (%)	36%

Implications:

- This implies that the Entity failed to fully deliver services to the public
- Implementing activities not planned nor reported to PPDA signifies unethical tendencies within the entity.

Recommendations:

- The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan and update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003 to ensure improved performance.
- The Head PDU should ensure that all procurements are reported to PPDA and updated accordingly in the procurement plan.

Management Response

The variance would have been caused by the procurements at Lower Local Governments and some of the micro procurements which were done at the District Headquarters and not reported to PDU. Going forward management is going to emphasize monthly reporting of all micro-procurements by all Heads of Departments and Accounting Officers at Lower Local Government level. There is going to be a follow up on the same reports from the accounting Officers at Lower Local Government and Heads of Departments.

2.1.4 Failure to complete the funds availability section by User Departments

The Authority found that in all the twenty (20) procurement transactions reviewed worth UGX 971,609,111 User Departments left the funds availability section of the LG PP Form 1 indicating the actual remaining balance of funding.

Implication:

Failure to confirm availability of funds exposes the Entity to a risk of conducting a procurement transaction for which funds are not available and may affect the Entity's ability to prioritize in the event the budget balance is found to be low.

Recommendation:

User Departments should always indicate the amount of funds available at initiation from their budget allocation prior to confirmation of funding by the Accounting Officer in accordance with Regulation 65 (6) of the Local Governments (PPDA) Regulations, 2006.

Management response

Management takes note of that and action will be taken for later procurements

2.1.5 Inconsistencies in the solicitation documents

In two (2) procurements worth UGX 189,323,945, the solicitation documents issued to bidders had inconsistencies as detailed in the table below:

Table 8: Solicitation documents with inconsistencies

No	Subject of Procurement	Contract value (UGX)	PPDA Findings	<u>Management Response</u>
1.	Construction of Council Hall Phase 1	179,323,945	Contradictions in the solicitation document. The Bid Notice in the bidding document stated that a bid security of UGX 1,300,000 was required and yet ITB. 20.1 of the same bidding document and the advert in the Newspaper required bid security of UGX 3,700,000.	<i>We do accept the mistake and apologies for the inconsistency.</i>
2.	Supply of artificial insemination field flasks to	10,000,000	Poorly drafted solicitation document that did not require evidence of technical	<i>The anomaly has been noted, however, it was a specialised procurement* with few suppliers where the</i>

No	Subject of Procurement	Contract value (UGX)	PPDA Findings	<u>Management Response</u>
	Production Departments		competence such as experience in providing similar supplies.	<i>user department had to 1st verify the supply before delivery.</i>
	Total	189,323,945		

Implications:

- There is a risk of bidders preparing non-responsive bids and also leads to procurement of items which do not meet the users' requirements.
- The inconsistencies may lead to disagreements which create unnecessary delays in the procurement process.

Recommendations:

- The Contracts Committee should critically review the bidding documents submitted by the Procurement and Disposal Unit to ensure that there are no inconsistencies which could lead to non-compliance of bidders in the procurement process.
- The Head Procurement and Disposal Unit should prepare quality solicitation documents in accordance with Regulation 48 of the Local Governments (PPDA) Regulations, 2006.

Management Response

Responses provided in the table

2.1.6 Failure to state the exact date of expiry of bid validity.

- The Procurement and Disposal Unit did not state the exact date of the expiry of the bid validity period in the solicitation documents in all the twenty (20) sampled procurement transactions worth UGX 939,229,111, contrary to PPDA Circular No.1/2013.

Implication:

Failure to state exact dates may potentially lead to conflict between the Entity and the bidders on the start and end date of the bid validity periods.

Recommendation:

The Procurement and Disposal Unit should state exact dates of expiry of bid validity periods when preparing solicitation documents as required in the PPDA Circular No.1/2013

Management Response

We do accept the observations made and this will be taken into account for any other documents to be issued out in bidding

2.1.7 Irregularities during evaluation of bids.

The Authority found irregularities in the evaluation of six (6) procurement transactions worth UGX 385,299,398 as indicated in the table below:

Table 9: Procurement transactions with irregularities in their evaluation process

No	Subject of Procurement	Contract value (UGX)	PPDA Findings	<u>Management Response</u>
1.	Procurement of street lights to Lukaya TC by Contratech Modern Services Ltd.	24,443,192	Evaluation was based on cost and Technology support centre Ltd was ranked second and eliminated yet he quoted lower (24,480,000) than the best evaluated bidder Contratech Modern Services Ltd. (24,483,192).	<i>This was an omission</i>
2.	Construction of office block at Kalungu Sub county phase 11 Climax Construction Company Ltd	39,912,261	<p>The best evaluated bidder, Climax Construction Company Ltd was incorporated in 2019. Therefore, it could not have qualified on the requirement of works over the last six years as required in the standard bidding document. (Experience as prime contractor in the construction of at least 1 works of a nature and complexity equivalent to the Works over the last 6 years (to comply with this requirement, in the SBD.</p> <p>No evidence of a certificate of site visit issued by the Engineer concerned as required in the SBD.</p> <p>The criteria is silent on the type of equipment that is needed. (Own, lease, hire, etc.) of the following essential equipment (Attach evidence of ownership, lease agreements or any other relevant documents)</p> <p>No evidence that the Evaluation Committee</p>	<p><i>The observation is true however, management considered the difference between the two bidders i.e. Kabonera Traders Ltd (with required experience) bided at shs.104,480,740/=compared to Climax of 39,912,261which made the committee to waive out the issue of experience.</i></p> <p><i>The observation is true and management promises to emphasise this for future contracts.</i></p> <p><i>The observation is true but in this case the type of work involved did not require specialised equipment (walling).</i></p> <p><i>We acknowledge the omission and we shall make</i></p>

			<p>members signed an ethical code of conduct.</p> <p>The BEB Climax didn't attach an income tax clearance certificate (TCC) as required in the SBD. What was attached was a TCC application.</p>	<p><i>sure the committee signs in future.</i></p> <p><i>Management notes the observation and action will be taken in future</i></p>
3.	<p>Construction of a two classroom block with desks at Kitembo P/S LR Contractors and general services SMC Ltd</p>	66,000,000	<ul style="list-style-type: none"> • Company was incorporated on 28/4/2021 and by the time the contract was signed on 29/11/2021, it 7 months old. Therefore, it could not have had the capacity to undertake this project and lacked the experience they needed in the evaluation criteria for the past three years. • No information on previous experience in the bid document of the bidder and yet was considered compliant contrary to what was required in the evaluation criteria i.e. experience in similar works for the past three years. • Introduction of new criteria. Such as list of owners, bank statement for the last three months, memorandum and article of association, audited books of Accounts among others. These were not indicated in the solicitation document and yet were indicated during assessment of eligibility. 	<p><i>We acknowledge the observation However, the company was a sole bidder and thus given chance since re advertising was too expensive and time consuming.</i></p> <p><i>This was in the solicitation document.</i></p>

4.	Supply of 205 three seater desks to Bukulula and Kyamulibwa Sub county by Walakira Furniture and General Workshop Ltd.	33,620,000	No evidence of Evaluation Committee members signing the ethical code of conduct.	<i>Acknowledged and management promises to take action next time.</i>
5.	Supply of 3 motorcycles to Kalungu District by Nile Fishing Co Ltd	42,000,000	The TCC of the BEB was addressed to Ministry of Internal Affairs and not Kalungu DLG.	<i>We acknowledge the error. We shall ensure that this does not happen again.</i>
6.	Construction of Council Hall Phase 1 by Efkon Construction Ltd	179,323,945	Poor quality evaluation criteria such as: <ul style="list-style-type: none"> ✓ Required submission of audited accounts or other financial statements acceptable to the Employer, - but did not state what period ✓ Minimum average annual turnover – did not state what the minimum requirement was ✓ A minimum cash-flow requirement was required but the minimum was not stated 	<i>Management takes note and we promise to ensure that the bid documents are completed before issuing them out.</i>
	Total	385,299,398		

Implication

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

Recommendation

- The Accounting Officer should take appropriate disciplinary action and caution against the Evaluation Committee, Procurement and Disposal Unit and Contracts Committee members for this for the irregular conduct of the procurement process.
- Evaluation Committees should ensure that evaluations are conducted according to the criteria set in the bidding document in accordance with Section 71 (3) of the PPDA Act,

2003.

- The Contracts Committee should ensure that the principles of fairness and transparency are observed in the evaluation process in accordance with Section 45 of the PPDA Act, 2003 before approving the evaluation reports.

Management Response

See case by case responses in the table above.

2.1.8 Failure to conduct due diligence

The Entity did not conduct due diligence on all the information submitted by the bidders during evaluation and before signing contracts with bidders contrary to the PS/ST circular Ref: FAD154/308/01 issued on 7th August 2014. Specifically, the Evaluation Committee recommended award of contract to bidders that submitted invalid transaction tax clearance certificates in two (2) procurements worth UGX 84,654,321 as indicated in the table below:

Table 10: Showing procurement where the Entity did not conduct due diligence

No	Procurement	Bidders	Tax clearance certificate (TCC)	Contract Amount (UGX)
1.	Renovation of staff houses at Kalungu HC III	Kabonera Traders Ltd	Certificate reference number MA04210165866 was valid from 1/04/2021 to 30/06/2021. This TCC was invalid by the time of bid submission. It was presented during prequalification	44,742,060
2.	Construction of office block at Kalungu Sub county phase 11	Climax Construction Company Ltd	The BEB, Climax didn't attach an income tax clearance certificate (TCC) as required in the SBD. What was attached was a TCC application.	39,912,261
Total				84,654,321

Implication:

Failure to conduct due diligence may result into award of contracts to firms which lack the capacity to execute the contract.

Recommendation:

The Accounting Officers should ensure adherence to the PS/ST's guidance on conducting due diligence bidders in accordance with circular Ref: FAD154/308/01 issued on 7th August 2014.

Management Response

Management will adhere to the PS/ST's guidance on due diligence

2.1.9 Unjustified use of direct bidding

The Authority found that in the procurement for the Supply of artificial insemination field flasks to Production Department worth UGX 10,000,000, the entity recommended Bukomansimbi General Services Masaka. However due to the high price quoted by the BEB, the entity approved the use of direct procurement to Genex Africa Farm Center Ltd, without formally and officially terminating the first procurement process.

Implication:

This maybe an indicator of un ethical tendencies and may result into the first best evaluated bidder, Bukomasimbi General Services Masaka suing the entity for lack of transparency.

Recommendation:

The Accounting Officer should officially terminate an ongoing procurement process in accordance with Regulation 57 (1) of the Local Government (PPDA) Regulations, 2006 prior to commencing another procurement process.

Management Response

The auditors' recommendation is noted for future procurements. The quotation from Genex Africa Farm Center LTD is attached for verification as it was direct procurement.

2.1.10 Low bidder participation

The Authority found that there was low bidder participation within the Entity in seven (7) procurements worth UGX 444,205,266. The Entity had only one or two bidders submitting bids.

Table 11: Low bidder participation

No	Procurement	Amount (UGX)	No. of bidders invited	No. of bids received
1.	Supply of 205 three seater desks to Bukulala and Kyamulibwa sub county.	33,620,000	1	1
2.	Construction of office block at Kalungu sub county phase 11	39,912,261	2	2
3.	Construction of a two classroom block with desks at Buyiikuzi P/S	65,500,00	Open	2
4.	Construction of a two classroom block with desks at Kitembo Primary School.	66,000,000	Open	2
5.	Construction of Council Hall Phase 1	179,323,945	Open	1
6.	Renovation of staff houses at Kalungu HC III	44,742,060	1	1
7.	Renovation of staff house at Kiragga Health Center III	15,107,000	1	1
	Total	444,205,266		

Implication:

The Entity is exposed to the risk of not obtaining competitive bid offers thus failure to achieve value for money.

Recommendation

- The Accounting Officer should ensure that all anomalies at solicitation document preparation such as inadequate specifications and also unfair evaluation should be addressed in order to rebuild the confidence that may have been lost by the bidders.
- The Accounting Officer should also investigate the causes of low bidder participation and institute mechanisms of addressing the anomaly.

Management response

Management shall always prepare adequate specifications in order to rebuild the confidence in bidders.

2.1.11 Irregularities during the bidding process

The Authority found irregularities in the bidding process in eleven (11) procurements worth UGX 731,395,011 as indicated in the table below:

Table 12: Procurements with irregularities in the bidding process

No	Subject of Procurement	Contract value (UGX)	Irregularities	Management Response
1.	Supply of 205 three seater desks to Bukulala and Kyamulibwa Sub county	33,620,000	The BEB notice was put up from 3 rd march 2022 to 11 th march 2022 (7 days) which was less than ten working days. No evidence of receipt of invitation to bid by the shortlisted bidders	<i>This was an oversight on the side of management</i> <i>Management used two method of communication i.e. phone call and District notice board. However other methods which are evidence based shall be used for future procurements.</i>
2.	Construction of a 4 stance lined pit latrine with urinal and disabled stance at Bajja Primary School and 5stance at Kiraga HC 111 Contratech modern services	49,324,320	The BEB notice was put up from 3 rd march 2022 to 11 th march 2022 (7 days) which was less than ten working days. No evidence of receipt of invitation to bid by the shortlisted bidders. The invitation on file attached was a prequalification notice.	<i>This was an oversight on the side of management</i> <i>Management used two methods of communication i.e. phone call and District notice board. However other methods which are evidence based shall be used for future procurements.</i>
3.	Procurement of street lights to Lukaya TC	24,443,192	The BEB Notice was displayed for less than ten days, that is, from 3 rd March till 11 th March 2022	<i>This was an oversight on the side of management.</i>
4.	Extension of Electricity to Kalungu District Headquarters	25,828,625	No evidence of receipt of invitation to bid by one of the bidders Ms.Segken Services Ltd who was called by the Auditors on	<i>Management used the request for quotation method which was acknowledged by</i>

No	Subject of Procurement	Contract value (UGX)	Irregularities	<u>Management Response</u>
			<p>14/12/2022 on telephone number 0772447532. He indicated that he was never invited by Kalungu DLG to quote and that the quotation on file dated 26/5/2021 was forged.</p> <p>This was also evidenced in a complaint lodged by Mr Ssegawa Sotius, the Director Segken Services Ltd on 3rd December 2021 in a letter addressed to the CAO, Kalungu DLG denying having participated in the bidding process and that any documents presented in their names were forged.</p> <p>In our dialogue with him and the Auditors, he indicated that he never received any response from the Entity after lodging this complaint. There was also no evidence on file that his complaint was addressed.</p>	<i>the company as per the copy attached.</i>
5.	Construction of office block at Kalungu sub county phase 11	39,912,261	<p>The BEB notice was put up from 3rd March 2022 to 11th March 2022 (7 days) which was less than ten working days.</p> <p>The BEB notice did not state the reasons for elimination of the unsuccessful bidder</p>	<i>This was an oversight on the side of management</i>
6.	Construction of staff house at Kabaale HC 111	137,296,200.	The BEB notice was displayed for less than 10 days that is from 26 th October 2021 to 4 th November 2021	<i>This was an oversight on the side of management</i>
7.	Construction of Council Hall Phase 1	179,323,945	The BEB Notice was displayed from 26 th October 2021 to 4 th	<i>This was an oversight on the side of management</i>

No	Subject of Procurement	Contract value (UGX)	Irregularities	<u>Management Response</u>
			<p>November 2021 – 8working days instead of 10 working days</p> <p>On 6th September 2021, the Entity issued an addendum extending the bidding period from 7th to 23rd September 2021. There is no evidence of CC approval of this addendum.</p>	<p><i>Noted and management shall always make approvals.</i></p>
8	Construction of Solar power pumping system to an existing bore hole at Saala	126,130,200	The BEB Notice was displayed from 26th October 2021 to 4th November 2021 – 8working days instead of 10 working days.	<i>This was an oversight on the side of management.</i>
9	Renovation of staff houses at Kalungu HC III	44,742,060	<p>No evidence of invitation of all shortlisted bidders. Instead a bid notice was used but it's not clear whether this was sent to all prequalified bidders</p> <p>The BEB Notice was displayed for a short time from 3rd to 11th March 2022 which is less than ten working days.</p>	<p><i>Management used two method of communication ie phone call and District notice board. However other methods which are evidence based shall be used for future procurements.</i></p> <p><i>This was an oversight on the side of management.</i></p>
10	Renovation of staff house at Kiragga Health Center III	15,107,000	At prequalification, the BEB, Ms. Kabonera presented audited books of accounts by BDS and Associates certified public accountants for the year ended 2020 and Bwanika and Company Accountants and Tax Consultants for the year ended 2019. Both accountants did not sign	<i>Management takes note and this shall always be emphasised.</i>

No	Subject of Procurement	Contract value (UGX)	Irregularities	Management Response
			the audited books of accounts. They were also not signed by the company directors. They shouldn't have been compliant.	
11	Construction of 02 (Two) Rain Water Harvesting Tanks Lot 2 of 30,000Ltrs at Bukula HC IV and Lukaya Seed School	55,667,208	The BEB Notice was displayed from 26th October 2021 to 4th November 2021 – 8working days instead of 10 working days.	<i>This was an oversight on the side of management</i>
	Total	731,395,011		

Implication:

This implies laxity by the head Procurement and Disposal Unit and by members of the Contracts Committee that results in a non-efficient procurement process.

Recommendations:

1. The Procurement and Disposal Unit should properly manage the bidding process within the Entity because such irregularities negatively impact on the reputation of the Entity and may lead to low bidder participation thus impeding achievement of value for money.
2. The Accounting officer should also lodge an investigation into forgery of quotation, a complaint that was raised by the Director Segken Segken Services Ltd and the report shared with the Authority with immediate

Management Response

The responses are as per case by case – see the table above

2.1.12 Signing contracts at Value Added Tax (VAT) inclusive prices with companies not registered for VAT thus financial loss of UGX. 37,099,778

The Authority noted found in three (3) procurements worth UGX 243,208,461 the Entity signed contracts at Value Added Tax (VAT) inclusive prices with companies which were not VAT registered.

Table 13: Procurements where BEBs were not registered for VAT but signed VAT inclusive contracts

No	Subject of procurement	PPDA findings	VAT inclusive contract value (UGX)	VAT (UGX)
1.	Construction of office block at Kalungu sub county Phase 11 by Climax Construction Company Ltd	The provider quoted UGX 39,912,261 in the activity schedule with the VAT component at UGX 6,088,311. A contract was signed at 39,912,261 implying this amount is VAT inclusive and yet the	39,912,261	6,088,311

No	Subject of procurement	PPDA findings	VAT inclusive contract value (UGX)	VAT (UGX)
		company isn't VAT Registered as per the certificate of registration		
2.	Construction of a two classroom block with desks at Kitembo P/S by LR Contractors and General Services SMC Ltd	The contractor quoted UGX 70,734,333 inclusive of VAT as per the BOQs. This amount was higher than the estimate and therefore, negotiations were held by eliminating certain details such as project signage, project pin board and accessories, furniture was reduced among others. This brought the figure to UGX 66,000,000 inclusive of VAT.	66,000,000	10,067,797
3.	construction of staff house at Kabaale HC 111 JAHE Building Contractors Ltd	As per interim payment certificate 1 and 2 dated 23/2/22 and 30/5/2022 respectively, the VAT component was included in the contract sum and yet as per the certificate of registration, this contractor isn't VAT registered.	137,296,200	20,943,488
	Total		243,208,461	37,099,778

Implication:

There exists a potential financial loss worth UGX 37,099,778 to the Government of Uganda

Recommendation:

- The Accounting Officer should recover UGX 37,099,778 that was paid to the above firms which are not VAT registered.
- Head Procurement and Disposal Unit should notify URA about non VAT registered firms who were paid prices inclusive of VAT

Management response

Management is to liaise with URA to ensure that companies which received funds and where not registered for VAT can refund to the District account.

2.1.13 Lack of evidence of remittance of revenue

The Authority found that there was no evidence of remittance of revenue. This was cited in the Internal Auditor's report for the period between 1/7/2021 to 30th June 2022. The four sub counties collected UGX 104,287,648 during this period and UGX 30,004,420 was to be remitted to the District but out of that amount, UGX 8,710,000 was only remitted to the district and Kyamulibwa Sub County that was to remit UGX 1,844,500 didn't remit to the district.

Implication:

- Failure to provide information on revenue collection poses risks of theft of public funds
- This affects the operations of the District both at the district and sub county levels
- Service delivery to the intended beneficiaries is affected.

Recommendations:

- The Accounting Officer should task the Head of finance to explain the difference of UGX 21,294,420 that is being owed to the sub counties and also task him to explain why Kyamulibwa Sub County didn't remit UGX 1,844,500 to the district.
- The Accounting Officer should investigate the matter and submit a copy of the report to the Authority explaining the failure to provide accountability for the remittances collected by the District by 30th March 2023.
- The Accounting Officer should enforce close supervision and monitoring of revenue collections from the sub counties in order to realize the planned amounts required for implementation of planned activities.

Management Response

Efforts are being made to ensure recovery of unlimited revenue to the district of UGX; 21,294,420/=.

CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY

This section will present graphically the scores per area assessed under different audit questions.

3.1 Overall Audit Conclusion

The performance of Kalungu DLG for the Financial Year 2021/22 was **Moderately Satisfactory** with overall weighted average risk rating of **67.5%**.

Table 14: Risk rating criteria

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

3.2 Entity's Risk Assessment

The table below shows the Entity's performance per risk category based on the sampled procurements:

Table 15: Summary of risk assessment of Kalungu DLG

Risk Category	Number of Sampled Procurements	%Number	Value(UGX)	% Value
High	9	45	482,804,223	50.4
Medium	7	35	366,590,788	38.3
Low	4	20	108,214,100	11.3
Satisfactory	0	0	0	0
Total	20	100	957,609,111	100

3.3 Entity's Performance

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 16: Weighted risk assessment of Kalungu DLG

Risk category	Rating (By Number)	Weights	Total weighted Average	Rating (By Value)	Weights	Total weighted Average
High	45	0.6	27	50.4	0.6	30.24
Medium	35	0.3	10	38.3	0.3	11.5
Low	20	0.1	2	11.3	0.1	1.13
Satisfactory	0	0.0	0	0	0.0	0.0
Total	100	1.0	39	100	1.0	42

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score} \times 100}{60} = \frac{39 \times 100}{60} = 65\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{42 \times 100}{60} = 70\%$$

$$\text{Combined Weighted Average} = \frac{65+70}{2} = 67.5\%$$

Figure 1: Graphical representation of the Entity's risk assessment by number

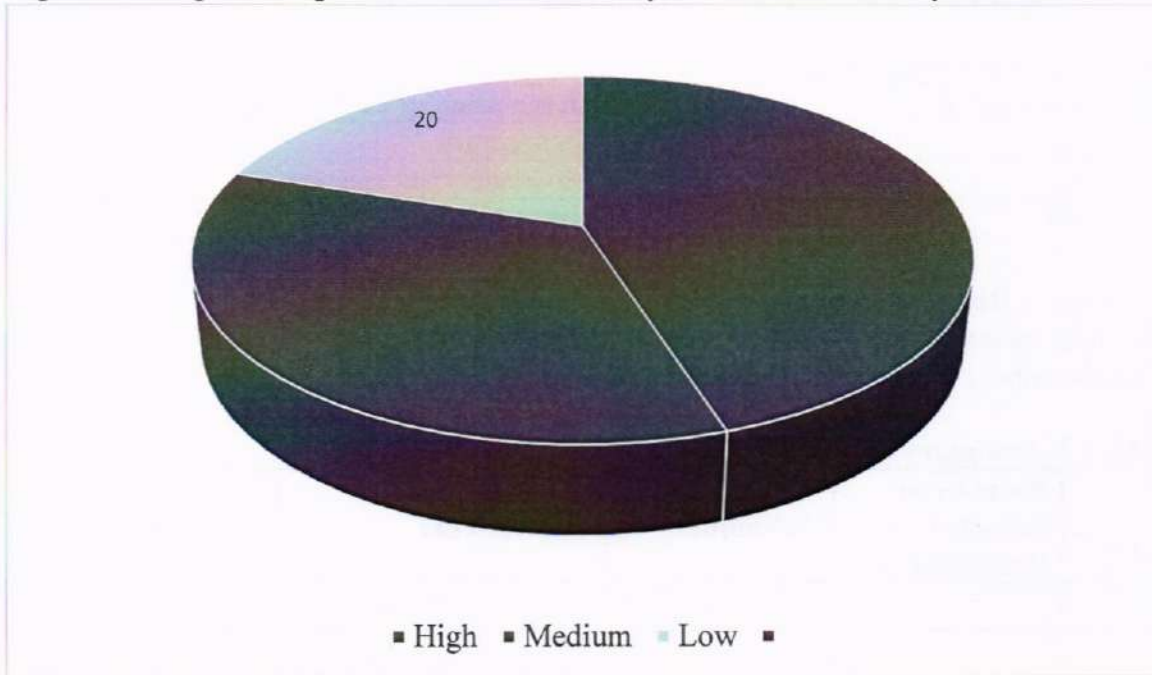
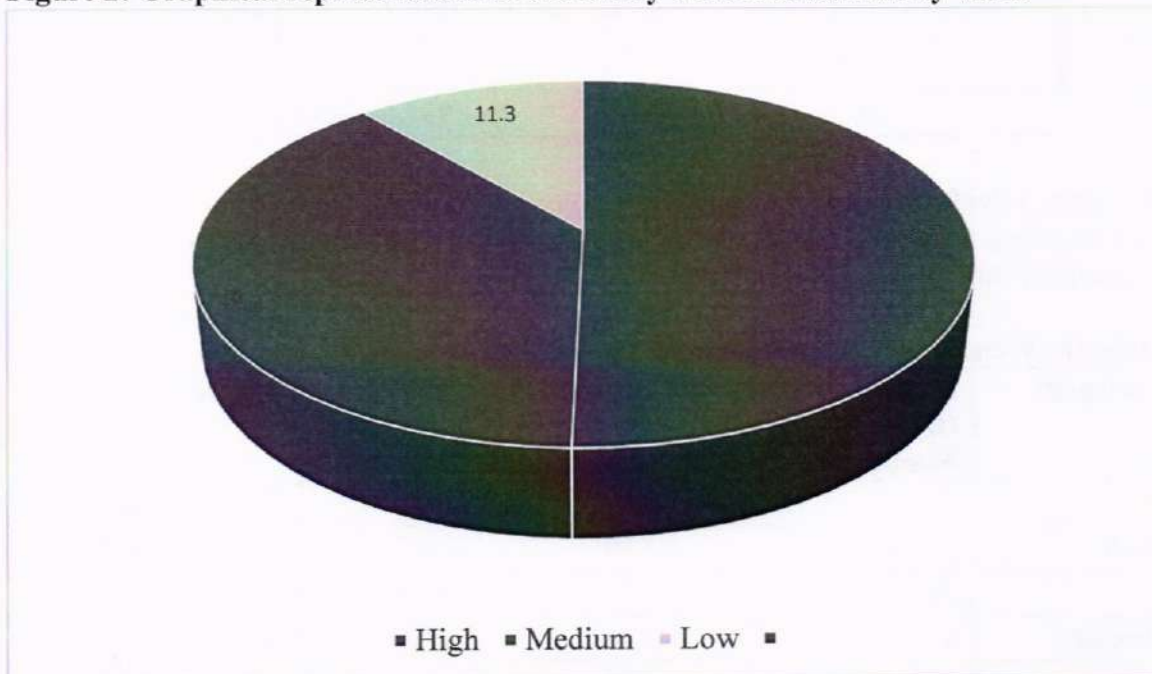


Figure 2: Graphical representation of the Entity's risk assessment by value



3.4 Recommended Action Plan

Kalungu DLG should implement the following recommendations within the timeframe given in order to improve its performance in Procurement and Disposal.

Table 17: Recommended Action plan

No.	Recommendation	Target Date
1.	The Accounting Officer should ensure that assets of the Entity are reviewed and disposed of following the methods recommended under Regulations 122-133 of the Local Governments (PPDA) Regulations, 2006. More so, all procurement and disposal requirements should be planned, reported and documented prior to the commencement of any procurement or disposal proceeding in accordance with section 59 of the PPDA Act 2003	April 2023.
2.	The Accounting Officer should launch an investigation into how force account mechanism is implemented at the District and task the District Engineer to explain the variance of UGX 19,810,400. More so, reports to Uganda Road Fund should also be verified against reports to the Accounting Officer before they are submitted to Uganda Road Fund	March 2023
3.	The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan and update the procurement plan in accordance with Section 58 (4) of the PPDA Act, 2003 to ensure improved performance	March 2023
4.	The Contracts Committee should critically review the bidding documents submitted by the Procurement and Disposal Unit to ensure that there are no inconsistencies which could lead to noncompliance of bidders in the procurement process.	March 2023
5.	The Procurement and Disposal Unit should state exact dates of expiry of bid validity periods when preparing solicitation documents as provided in the PPDA Circular No.1/2013	March 2023
6.	The Accounting Officer should officially terminate an ongoing procurement process in accordance with Regulation 57 (1) of the Local Government (PPDA) Regulations, 2006, before commencing another procurement process.	Immediately
7.	The Head Procurement and Disposal Unit should ensure that all anomalies at solicitation document preparation such as inadequate specifications and also unfair evaluation are addressed in order to rebuild the confidence that may have been lost by the bidders. The Accounting Officer should also investigate the causes of low bidder participation and institute mechanisms of addressing the anomaly.	March 2023
8.	The Accounting officer should also lodge an investigation into forgery of the quotation from Segken Services Ltd, a complaint raised by the Director Segken Segken Services Ltd, one of the bidders in the extension of electricity to Kalungu District Headquarters worth UGX 25,828,625. This report should be shared with the Authority with immediate effect	Immediately
9.	The Accounting Officer should take appropriate disciplinary action and caution should be taken against the Evaluation Committee, Procurement and Disposal Unit and Contracts Committee members for this for the irregular conduct of the procurement process.	Immediately
10.	The Accounting officer should also lodge an investigation into the complaint raised by the Director Segken Segken Services Ltd	Immediately

No.	Recommendation	Target Date
11.	The Accounting Officer should recover UGX 37,099,778 that was paid to Climax Construction Company Ltd, LR Contractors and General Services SMC Ltd and JAHE Building Contractors Ltd that are not VAT registered	Immediately
12.	The Accounting Officer should task the Head of finance to explain the difference of UGX 21,294,420 that is being owed to the sub counties and also task him to explain why Kyamulibwa Sub County didn't remit UGX 1,844,500 to the district. The Accounting Officer should also enforce close supervision and monitoring of revenue collections from the sub counties in order to realize the planned amounts required for implementation of planned activities	Immediately

ANNEX 1: CASE BY CASE ANALYSIS

NO	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
1.	<p>Construction of office block at Kalungu sub county phase 11</p> <p>KALU598/wrks/2021-2022/00005</p> <p>Selective domestic bidding</p> <p>Climax construction company ltd</p> <p>Contract value;</p> <p>UGX 39,912,261</p>	<ul style="list-style-type: none"> • This company was incorporated in 2019 therefore it couldn't have qualified on the requirement of works over the last six years as required in the standard bidding document. (Experience as prime contractor in the construction of at least 1 works of a nature and complexity equivalent to the Works over the last 6 years (to comply with this requirement, in the SBD. • No evidence of a certificate of site visit issued by the Engineer concerned as required in the SBD. • The Evaluation criteria is silent on the type of equipment that is needed. (Own, lease, hire, etc.) of the following essential equipment (Attach evidence of ownership, lease agreements or any other relevant documents) • No evidence that the evaluation committee members signed an ethical code of conduct. • The BEB, Ms. Climax didn't attach an income tax clearance certificate (TCC) as required in the SBD. What was attached was a TCC application. • The BEB, Climax did not attach an income tax clearance certificate (TCC) as required in the SBD. What was attached was a TCC application. • The BEB notice was put up from 3rd March 2022 to 11th March 2022 (7 days) which was less than ten working days. • The BEB notice did not state the reasons for elimination of the unsuccessful bidder • Low bidder participation as the procurement was openly advertised for but only two bidders responded. • Signing a contract at VAT inclusive price yet Climax Engineering Ltd isn't VAT registered leading to a financial loss of UGX 6,088,311. • Funds availability section left blank
2.	<p>Construction of a two classroom block with desks at Kitembo Primary School</p> <p>Kalu598/wrks/2021-2022/00001</p> <p>Open domestic bidding</p> <p>LR Contractors ad general services SMC ltd</p>	<ul style="list-style-type: none"> • Company was incorporated on 28/4/2021 and by the time the contract was signed on 29/11/2021, it 7 was months old therefore it couldn't have had the capacity to undertake this project and lacked the experience they needed in the Evaluation criteria for the past three years. • No information on previous experience in the bid document of the bidder and yet was considered compliant contrary to what was required in the

NO	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
	UGX 66,000,000	<p>evaluation criteria i.e. experience in similar works for the past three years.</p> <ul style="list-style-type: none"> • Introduction of new criteria. Such as list of owners, bank statement for the last three months, memorandum and article of association, audited books of Accounts among others. These were not indicated in the solicitation document and yet were indicated during assessment of eligibility. • Low bid submission as the procurement was openly advertised for but only two bidders responded. • Signing a contract at VAT inclusive price yet LR Contractors and General Services Ltd isn't VAT registered causing a financial loss of UGX 10,067,797. • Funds availability section was left blank
3.	<p>Construction of Council Hall Phase I</p> <p>Kalu598/wrks/2021-2022/00003</p> <p>Open Domestic Bidding</p> <p>Efkon Construction Ltd</p> <p>UGX 179,323,945</p>	<ul style="list-style-type: none"> • Contradictions in the solicitation document. The Bid Notice in the bidding document stated that a bid security of UGX1,300,000 was required and yet ITB. 20.1 of the same bidding document and the advert in the Newspaper required UGX 3,700,000 • The BEB Notice was displayed from 26th October 2021 to 4th November 2021 – 8working days instead of 10 working days • On 6th September 2021, the Entity issued an addendum extending the bidding period from 7th to 23rd September 2021. There is no evidence of CC approval of this addendum. • Low bid submission as the procurement was openly advertised but only one bidder responded • Poor quality evaluation criteria such as; <ul style="list-style-type: none"> ✓ Required Submission of audited accounts or other financial statements acceptable to the Employer, - but did not state what period ✓ Minimum average annual turnover – did not state what the minimum requirement was ✓ A minimum cash-flow requirement was required but the minimum was not stated • Funds availability section was left blank
4.	<p>Supply of artificial insemination field flasks to production departments</p> <p>Direct Procurement</p>	<ul style="list-style-type: none"> • The entity approved the use of direct procurement to Genex Africa Farm Centre Ltd without officially cancelling the first procurement process with Bukomasimbi General Services Ltd Masaka.

NO	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
	<p>Genex Africa Farm Center Ltd</p> <p>UGX 10,000,000</p>	<ul style="list-style-type: none"> • Poorly drafted solicitation document that did not require evidence of technical competence such as experience in providing similar supplies • Funds availability section was left blank
5.	<p>Extension of Electricity to Kalungu District Headquarters</p> <p>KALU598/Srvc/2021-22/00003</p> <p>Selective Domestic Bidding</p> <p>Architevo Limited</p>	<ul style="list-style-type: none"> • No evidence of receipt of invitation to bid by one of the bidders Ms.Segken services Ltd who was called by the Auditors on 14/12/2022o on telephone number 0772447532. He indicated that he was never invited by Kalungu DLG to quote and that the quotation on file dated 26/5/2021 was forged. • This was also evidenced in a complaint lodged by Mr Ssegawa Sotius, the Director Segken services Ltd on 3rd December 2021 in a letter addressed to the CAO, Kalungu DLG denying having participated in the bidding process and that any documents presented in their names were forged. • In our dialogue with him and the Auditors, he indicated that he never received any response from the entity after lodging this complaint. There was also no evidence on file that his complaint was addressed • Funds availability section was left blank.
6.	<p>Construction of staff house at Kabaale HC 111</p> <p>KALU598/Wrks/2021-22/00010</p> <p>Open domestic bidding</p> <p>Jahe Building Contractors Ltd</p> <p>UGX 137,296,200</p>	<ul style="list-style-type: none"> • The BEB notice was displayed for less than 10 days that is from 26th October 2021 to 4th November 2021 • As per interim payment certificate 1 and 2 dated 23/2/22 and 30/5/2022 respectively, the VAT component was included in the contract sum and yet as per the certificate of registration, this contractor isn't VAT registered causing a financial loss of UGX 20,943,488. • Funds availability section was left blank
7.	<p>Lack of evidence of remittance of revenue</p>	<ul style="list-style-type: none"> • The Authority noted that there was no evidence of remittance of revenue. This was cited in the internal Auditor reports as indicated below for the period between 1/7/2021 to 30th June 2022. The four sub counties collected UGX 104,287,648 during this period and UGX 30,004,420 was to be remitted to the district but out of that amount, UGX 8,710,000 was only remitted to the district and Kyamulibwa Sub County didn't remit anything to the district leaving UGX 21,294,420 unaccounted for.
8.	<p>Procurement of street lights to lukaya tc</p>	<ul style="list-style-type: none"> • Evaluation was based on cost and Technology support centre ltd was ranked second and eliminated

NO	HIGH RISK CONTRACTS	REASONS FOR HIGH RISK
	KALU598/Supls/2021-22/00023 Selective Domestic Bidding Contratech Modern services ltd UGX 24,443,192	<ul style="list-style-type: none"> yet he quoted lower (24,480,000) than the best Evaluated bidder Contratech. (24,483,192). The BEB Notice was displayed for less than ten days, that is from 3rd March till 11th March 2022 (7 working days) Funds availability section was left blank
9.	Irregular use of Force Account Mechanism	<ul style="list-style-type: none"> There was no evidence of appointment of a force account supervisor and manager contrary to circular No. 3 of 2012 to Local Governments on use of force account mechanism The Authority noted inconsistencies in the quarter one, two and four reports on works submitted to the Chief Administrative Officer and the reports on works submitted to the Uganda Road Fund. The inconsistencies resulted into a variance of UGX 19,810,400

NO	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
10.	Construction of Solar power pumping system to an existing bore hole at Saala KALU598/Wrks/2021-22/00009 Open Domestic Bidding Makahum Associates Ltd UGX 126,130,200	<ul style="list-style-type: none"> The BEB Notice was displayed from 26th October 2021 to 4th November 2021 – 8working days instead of 10 working days. Funds availability section was left blank.
11	Renovation of staff house at Kiragga Health Center III KALU598/Wrks/2021-22/00009 Open Domestic Bidding Makahum Associates Ltd UGX 15,107,000	<ul style="list-style-type: none"> At prequalification, the BEB, Ms. Kabonera presented audited books of accounts by BDS and Associates certified public accountants for the year ended 2020 and Bwanika and Company Accountants and Tax Consultants for the year ended 2019. Both accountants did not sign the audited books of accounts. They were also not signed by the company directors. They shouldn't have been compliant. Low bidder submission as only one bidder was invited. The funds availability section was left blank.
12	Supply of 205 three seater desks to Bukulala and kyamulibwa sub county KALU/SPLY/21-22/00005 Selective bidding	<ul style="list-style-type: none"> No evidence of evaluation committee members signing the ethical code of conduct. Low Bidder participation as only bidder was invited The BEB notice was put up from 3rd march 2022 to 11th march 2022 (7 days) which was less than ten working days.

NO	MEDIUM RISK CONTRACTS	REASONS FOR MEDIUM RISK
	Walakira furniture and general workshop ltd UGX 33,620,000	<ul style="list-style-type: none"> No evidence of receipt of invitation to bid by the shortlisted bidders The funds availability section was left blank
13	Supply of 3 motorcycles to Kalungu District KALU/SPLY/21-22/00013 Open Domestic bidding Ms Nile Fishing Co Ltd UGX 42,000,000	<ul style="list-style-type: none"> The TCC of the BEB was addressed to internal affairs and not Kalungu DLG. Funds availability section was left blank
14	construction of a 4 stance lined pit latrine with urinal and disabled stance at Bajja primary school and 5stance at Kiraga HC 111 KALU/WRKS/21-22/00009 Selective Domestic bidding Contratech modern services Ltd UGX 49,324,320	<ul style="list-style-type: none"> The BEB notice was put up from 3rd march 2022 to 11th march 2022 (7 days) which was less than ten working days. No evidence of receipt of invitation to bid by the shortlisted bidders. The invitation on file attached was a prequalification notice. The funds availability section was left blank
15	Construction of 02 (Two) Rain Water Harvesting Tanks Lot 2 of 30,000Ltrs at Bukula HC IV and Lukaya Seed School KALU/WRKS/21-22/00008 Open Domestic bidding Karobs Enterprise Limited UGX 55,667,208	<ul style="list-style-type: none"> The BEB Notice was displayed from 26th October 2021 to 4th November 2021 – 8working days instead of 10 working days. Funds availability section was left blank
16	Renovation of staff houses at Kalungu HC III Kalu598/wrks/2021-2022/00016 Selective Domestic Bidding Ealbad construction and General supply UGX 44,742,060	<ul style="list-style-type: none"> Tax certificate reference number MA04210165866 was valid from 1/04/2021 to 30/06/2021. This TCC was invalid by the time of bid submission. It was presented during prequalification. No evidence of invitation of all shortlisted bidders. Instead a bid notice was used but it's not clear whether this was sent to all prequalified bidders The BEB Notice was displayed for a short time from 3rd to 11th March 2022 which is less than ten working days. Low bidder participation as only one bidder was invited Funds availability section was left blank

NO	LOW RISK CONTRACTS	REASONS FOR LOW RISK
17.	<p>Supply and installation of 3 solar street lights to kalungu and Kyamulibwa tc</p> <p>KALU598/SPLY/2021-2022/00034</p> <p>Selective domestic bidding</p> <p>Technology support center Ltd</p> <p>UGX 16,850,000</p>	<ul style="list-style-type: none"> • The funds availability section was left blank
18	<p>Construction of a two classroom block with desks at Buyiikuzi ps</p> <p>KALU/WRKS/21-22/00004</p> <p>Open domestic bidding</p> <p>Mubiru Services Ltd</p> <p>UGX 65,500,000</p>	<ul style="list-style-type: none"> • Low bidder participation as the procurement was openly advertised but only two bidders responded. • Funds availability section was left blank
19	<p>Supply and installation of micro scale irrigation system to Mr. Kitimbo Alex</p> <p>UGIFT</p> <p>Selective Domestic bidding</p> <p>Ms Balton Uganda Ltd</p> <p>UGX 14,839,100</p>	<ul style="list-style-type: none"> • Funds availability section was left blank
20	<p>Supply and installation of micro scale irrigation system to Mr. Tushabe Samuel</p> <p>UGIFT</p> <p>Selective Domestic bidding</p> <p>Ms Balton Uganda Ltd</p> <p>UGX 14,839,100</p>	<ul style="list-style-type: none"> • Funds availability section was left blank

ANNEX 2: PROCUREMENT AND DISPOSAL SAMPLE LIST FOR KALUNGU DLG FOR FINANCIAL YEAR 2021/2022

No.	Reference number	Subject of procurement	Procurement method	Provider	Contract value (UGX)	Risk rating
1.	KALU598/SRVC S/2021-2022/00003	Extension of Hydro-Electric power to Kalungu District Headquarters Kabaala.	Selective Bidding	Architevo Limited.	25,828,625	High
2.	KALU598/SPLY/2021-2022/00013	Supply of 03 motorcycles to Kalungu District	Open Domestic Bidding	Nile Fishing Company Ltd	42,000,000	Medium
3.	KALU598/WRK S/2021-2022/00010	Construction of staff house at Kabaale HC	Open Domestic Bidding	Jahe Building Contractors Ltd	137,296,200	High
4.	KALU598/WRK S/2021-2022/00003	Construction of council hall phase 1	Open Domestic Bidding	Efkon construction Ltd	179,323,945	High
5.	KALU598/WRK S/2021-2022/00026	Renovation of staff house at Kiragga	Selective Bidding	Kabonera Traders Ltd	15,107,000	Medium
6.	KALU598/WRK S/2021-2022/00008	Construction of two rain water harvesting tanks Lot 2 of 30,000 Ltrs at Bukula HCIV and Lukaya seed school	Open Domestic Bidding	Karobs Enterprises Limited	55,667,208	Medium
7.	KALU598/WRK S/2021-2022/00009	Construction of solar power pumping system to an existing borehole at saala	Open Domestic Bidding	Makahum Associates ltd	126,130,200	Medium
8.		Supply of artificial insemination field flasks to production department	Direct procurement	Genex Africa Farm center ltd	10,000,000	High

No.	Reference number	Subject of procurement	Procurement method	Provider	Contract value (UGX)	Risk rating
9.	KALU598/SPLY/2021-2022/00005	Supply of 205, 3-seater desks to Bukulula and kyamulibwa s/c	Selective Bidding	Walakira workshop and general supplies	33,620,000	Medium
10.	KALU598/SPLY/2021-2022/00034	Supply and installation of 3 solar street lights to Kalungu and Kyamulibwa S/C	Selective Bidding	Technology support center	16,850,000	Low
11.	KALU598/WRK S/2021-2022/00009	Construction of pit latrines of 4 stance at Bajja p/s and 5 stance at Kiragga HC III	Selective Bidding	Ms. Contratech modern services ltd	49,324,320	Medium
12.	KALU598/WRK S/2021-2022/00016	Renovation of staff houses at Kalungu HC 111	Selective Bidding	Ealbad Construction and General Supply	44,742,060	Medium
13.	UGIFT	Supply and installation of micro scale irrigation system to Mr. Tushabe samuel	Selective Bidding	Balton Uganda ltd	14,839,100	Low
14.	UGIFT	Supply and installation of micro scale irrigation system to Mr. Katombo Alex	Selective Bidding	Balton Uganda ltd	11,025,000	Low
15.	KALU598/WRK S/2021-2022/00005	construction of office block at Kalungu sub county phase 11	selective bidding	Climax construction company ltd	39,912,261	High
16.	KALU598/SPLY/2021-2022/00023	Supply and installation of 4 solar street lights to Lukaya TC	Selective Bidding	Contratech Modern Services Ltd	24,443,192	High

No.	Reference number	Subject of procurement	Procurement method	Provider	Contract value (UGX)	Risk rating
17.	KALU598/WRK S/2021-2022/00001	Construction of a two classroom block with desks at Kitembo P/S	Open Domestic bidding	LR Contractors and general services SMC Ltd	66,000,000	High
18.		Collection of local revenue				High
19.	Kalu598/wrks/2021-2022/00004	construction of a two classroom block with desks at Buyiikuzi ps	Open domestic bidding	Mubiru Services Ltd	65,500,000	Low
20.		Irregular use of force account mechanism				High
		Total			957,609,111	

