



**PUBLIC PROCUREMENT AND DISPOSAL  
OF PUBLIC ASSETS AUTHORITY**  
*"Regulating for Results"*

**PROCUREMENT AND DISPOSAL AUDIT REPORT FOR THE UGANDA  
RAILWAYS CORPORATION FOR THE FINANCIAL YEAR 2024/2025**

**MAY 2026**

## TABLE OF CONTENTS

<b>TABLE OF CONTENTS</b> .....	i
List of Figures .....	ii
<b>EXECUTIVE SUMMARY</b> .....	iv
<b>CHAPTER 1: INTRODUCTION</b> .....	1
1.1 Structure of the Entity .....	1
1.2 Background.....	1
1.3 Main Audit Objectives.....	1
1.4 Audit Scope.....	2
1.5 Audit Methodology .....	3
1.6 Audit Limitation .....	4
<b>CHAPTER 2: DETAILED AUDIT FINDINGS</b> .....	5
2.1 Level of compliance by the Entity with the general provisions of the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 with regard to the performance of the procurement structures and conduct of procurement and disposal processes.....	5
2.2 Level of compliance with the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 in the conduct of procurement and disposal activities .....	12
2.3 Level of efficiency and effectiveness in contract implementation including the application of Environmental, Social, Health and Safety (ESHS) requirements in the procurement process .....	29
2.4 Level of compliance in management of the Corporation’s fleet and fuel management practices .....	35
2.5 Level of compliance in the use of accreditation granted by the Authority .....	36
<b>CHAPTER THREE: OVERVIEW OF THE PERFORMANCE OF THE ENTITY</b> .....	41
3.1 Overall Performance Audit Conclusion.....	41
3.2 Entity’s Performance .....	41
3.3 Recommended Action Plan.....	43
<b>APPENDIX 1: SAMPLE LIST FOR THE AUDIT OF UGANDA RAILWAYS CORPORATION FOR FY2024/25</b> .....	45
<b>APPENDIX 2: RISK RATING CRITERIA</b> .....	47

**List of Figures**

Figure 1: Risk Rating by Number of Contracts ..... 42  
Figure 2: Risk Rating by Value of Contracts..... 42

**List of Tables**

Table 1: Membership of the Contracts Committee..... 1  
Table 2: Distribution of the transaction’s population and sample for URC FY 2024 - 2025..... 2  
Table 3: Status of Implementation of Previous Audit Recommendations..... 5  
Table 4: Procurement Plan Implementation ..... 10  
Table 5: Micro Procurements above thresholds ..... 12  
Table 6: Procurements in which there were delays in the confirmation of the availability of funding ..... 13  
Table 7: Procurements in which inadequate solicitation documents were issued ..... 15  
Table 8: Procurements in which irregularities during evaluation were noted ..... 20  
Table 9: Procurements in which there were delays in the display of Notices of Best Evaluated Bidders ..... 25  
Table 10: Procurements in which there were delays in seeking Solicitor General Clearance..... 26  
Table 11: Procurements in which there were delays in signing of contracts..... 27  
Table 12: Procurements with irregularities at contract management..... 29  
Table 13: Accreditation provision implemented by the Corporation ..... 37  
Table 14: Risk Computation ..... 41  
Table 15: Risk Rating ..... 41  
Table 16: Action plan ..... 43

**Acronyms**

AO	Accounting Officer
CC	Contracts Committee
EC	Evaluation Committee
FY	Financial Year
HPDU	Head, Procurement and Disposal Unit
LPO	Local Purchase Order
NOBEB	Notice of Best Evaluated Bidder
ODB	Open Domestic Bidding
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal of Public Assets Authority
SBD	Standard Bidding Document
URC	Uganda Railways Corporation

## EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted a procurement and disposal audit of Uganda Railways Corporation (hereafter referred to as the Corporation) covering 15 sampled procurement transactions undertaken in the Financial Year 2024/25.

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of the Corporation's procurement system and processes and the disposal processes with the provisions of the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 and assess the level of procurement performance over the audit period.

The specific objectives of the audit of the Uganda Railways Corporation were to:

1. Establish the level of compliance by the Entity with the general provisions of the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 and 2025 with regard to the performance of the procurement structures and conduct of procurement and disposal processes;
2. Establish the level of compliance with the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 and 2025 in the conduct of procurement and disposal activities;
3. Establish the level of efficiency and effectiveness in contract implementation, including the application of Environmental, Social, Health and Safety (ESHS) requirements in the procurement process;
4. Establish the level of compliance in management of the Corporation's fleet and fuel management; and
5. Assess the level of compliance in the use of accreditation granted by the Authority.

From the findings of the procurement and disposal audit exercise, the performance of the Uganda Railways Corporation in the Financial Year 2024/25 was **moderately satisfactory** with an overall weighted average risk rating of **48.27%**. The risk rating was weighted to determine the overall risk level of the Entity as detailed in Chapter Three of the audit report.

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

1. Failure to fully implement previous audit recommendations: The Authority noted that of the 15 recommendations made in FY 2022/23, only four (26.67%) were fully implemented, 4 (26.67%) partially implemented, and 7 (46.67%) not implemented, contrary to Section 10 of the PPDA Act, Cap. 205. The absence of a structured follow-up mechanism weakened corrective action and perpetuated recurring irregularities.
2. Low procurement plan implementation: The Corporation achieved only 8.823% implementation of its procurement plan, with a budget variance of UGX 194.63 billion. Delays in the EAC Railway Rehabilitation Support Project resulted in payment of commitment fees worth USD 379,719.20, undermining efficiency and service delivery.

3. Non-implementation of reservation schemes: The Entity failed to allocate 15% of its procurement budget to Special Interest Groups (Women, Youth, and Persons with Disabilities), contrary to Guideline No. 11 of 2024. This undermined inclusivity and equitable access to procurement opportunities.
4. Use of micro-procurement method outside thresholds: Goods and services worth UGX 97.2 million and USD 9,611.14 were procured using the micro-procurement method, exceeding the UGX 5 million threshold under Guideline No. 1 of 2024, reducing transparency and competition.
5. Delayed confirmation of funding: Three procurements worth UGX 127.5 million experienced average delays of 20 working days in confirming funding, contrary to Section 51 of the PPDA Act, Cap. 205. This extended timelines, delayed service delivery, and risked increased costs.
6. Inadequate solicitation documents: seven procurements worth UGX 3,741,497,582 contained restrictive criteria, ambiguous requirements, brand-specific references, and incomplete specifications, contrary to Regulation 34 (3) of the PPDA Regulations, 2023. These flaws reduced competition and increased the risks of disputes.
7. Irregularities in evaluation of bids: Evaluation Committees accepted non-responsive bids, applied unjustified changes in criteria, and failed to verify the authenticity of bidder documents, contrary to Regulation 5 (1) and 17 of the PPDA (Evaluation) Regulations, 2023. This compromised fairness, transparency, and value-for-money.
8. Weaknesses in fuel management: The Authority noted inadequate controls in fleet and fuel management, including a lack of reconciliations and weak monitoring of consumption. This undermined efficiency, increased the risk of misuse, and weakened accountability.
9. Non-compliance with accreditation: The Entity failed to submit bi-annual reports on the use of accreditation and did not consistently apply accredited methods, contrary to Section 43 of the PPDA Act, Cap. 205 and the granted accreditation. This weakened oversight and compliance with delegated authority.
10. Irregularities during contract implementation: The audit noted that several contracts worth UGX 400,857,210 were completed after expiry of their respective completion periods without evidence of approved extensions or charging of liquidated damages worth UGX 12,842,361.85. Contract Managers also failed to enforce submission of performance guarantees, contrary to Regulation 11 of the PPDA (Contracts) Regulations, 2023, and did not prepare contract management plans as required under Regulations 51 and 52 of the PPDA (Contracts) Regulations, 2023. These weaknesses undermined accountability, exposed the Entity to financial loss, and delayed service delivery.

**In light of the above exceptions, the Authority recommends the following:**

1. The Accounting Officer should:
  - i. Implement all previous audit recommendations in accordance with Section 10 of the PPDA Act, Cap. 205.
  - ii. Expedite procurements under the EAC Railway Rehabilitation Support Project in line with Section 51 of the PPDA Act, Cap. 205 to minimize commitment fees.
  - iii. Review and update the procurement plan quarterly in accordance with Section 60 (7) and (8) of the PPDA Act, Cap. 205.
  - iv. Minimize delays in confirming funding in line with Section 51 of the PPDA Act, Cap. 205 and the PS/ST Circular of 8<sup>th</sup> October 2010.
  - v. Ensure strict oversight of fuel management and institute reconciliations to safeguard resources.
  - vi. Submit timely reports on accreditation use in accordance with Regulation 15 of the PPDA (Procuring and Disposing Entities) Regulations, 2023.
  
2. The Head, Procurement and Disposal Unit should:
  - i. Integrate reservation schemes at the planning stage, ensuring at least 15% of the annual budget is allocated to Special Interest Groups in line with Section 53 of the PPDA Act, Cap. 205 and Guideline No. 11 of 2024.
  - ii. Ensure the micro-procurement method is applied only within thresholds in accordance with Clause 2.4 of Guideline No. 1 of 2024.
  - iii. Strengthen preparation of solicitation documents to eliminate restrictive criteria and ambiguities in line with Regulation 34 (3) of the PPDA Regulations, 2023.
  - iv. Ensure Evaluation Committees strictly adhere to criteria set out in solicitation documents in accordance with Regulation 7 of the PPDA (Evaluation) Regulations, 2023.
  
3. The Contract Managers should:
  - i. Enforce contract timelines and apply liquidated damages for delays in accordance with Regulation 52 (3)(a)(vi) and Regulation 53 (1) of the PPDA (Contracts) Regulations, 2023.
  - ii. Ensure performance guarantees are obtained before contract signing in line with Regulation 11 of the PPDA (Contracts) Regulations, 2023.
  - iii. Prepare and submit contract management plans to the PDU in accordance with Regulations 51 and 52 of the PPDA (Contracts) Regulations, 2023.
  - iv. Provide contract management reports to the PDU for central oversight in accordance with Section 28 of the PPDA Act, Cap. 205.

Uganda Railways Corporation should implement the recommended action plan on **pages 43 to 44** of this report.

## CHAPTER 1: INTRODUCTION

### 1.1 Structure of the Entity

Uganda Railways Corporation (URC) is a corporate organization reporting to the Ministry of Works and Transport. It was established under the mandate of the Uganda Railways Corporation Act, Cap 331, to carry out railway, marine and road services both in and outside Uganda for the carriage of goods and passengers. URC has a total track length network of 1,266Kms. Its mission is *“To establish and manage a reliable, efficient and safe railway and marine transport service in East Africa for sustainable economic and social development”*.

According to Section 28 of the PPDA Act Cap. 205, the Accounting Officer has the overall responsibility for the successful execution of procurement, disposal, and contract management in a Procuring and Disposing Entity. For the period under review, the Accounting Officer was Mr. Benon Kajuna.

The Permanent Secretary/Secretary to the Treasury of the Ministry of Finance, Planning and Economic Development approved the members of the Contracts Committee listed in Table 1 below:

Table 1: Membership of the Contracts Committee

No.	Members	Position
1.	Eng. Brian Sempebwa	Chairperson
2.	Mr. Willy Sembooze	Member
3.	Mr. Joseph Okiror	Member
4.	Ms. Laeticia Nakigudde	Member
5.	Mr. David Musiime	Member

According to Section 33 (a) of the PPDA Act, Cap 205, all procurement or disposal activities of the Procuring and Disposing Entity, except adjudication and the award of contract, are to be managed by the Procurement and Disposal Unit.

The Procurement and Disposal Unit during the Financial Year under review was headed by Mr. Moses Ssozi.

### 1.2 Background

The Public Procurement and Disposal of Public Assets Authority carried out a procurement and disposal audit of the Uganda Railways Corporation that covered a representative sample of 16 procurement transactions.

The audit involved a review of procurement structures, procurement, and asset disposal processes, as well as contract performance following the provisions of the Public Procurement and Disposal of Assets Act Cap 205, and PPDA Regulations 2023.

### 1.3 Main Audit Objectives

The overall objective of the procurement and disposal audit was to assess and establish the degree of compliance of Uganda Railways Corporation’s procurement system and processes and the

disposal processes with the provisions of the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 and assess the level of procurement performance over the audit period.

The specific objectives of the audit of the Uganda Railways Corporation were to:

1. Establish the level of compliance by the Entity with the general provisions of the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 and 2025 with regard to the performance of the procurement structures and conduct of procurement and disposal processes;
2. Establish the level of compliance with the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 and 2025 in the conduct of procurement and disposal activities;
3. Establish the level of efficiency and effectiveness in contract implementation, including the application of Environmental, Social, Health and Safety (ESHS) requirements in the procurement process;
4. Establish the level of compliance in management of the Corporation's fleet and fuel management; and
5. Assess the level of compliance in the use of accreditation granted by the Authority.

#### 1.4 Audit Scope

The audit involved a review of the procurement process, disposal process, general compliance issues, and contract implementation of 15 transactions under Financial Year 2024/25 contained in *Appendix 1*.

The distribution of the sample vis-a-vis the procurement population is indicated in Table 2 below:

*Table 2: Distribution of the transaction's population and sample for URC FY 2024 - 2025*

Method	Value (UGX)			Number		
	Population	Sample	%	Population	Sample	%
Direct	2,812,827,773	2,812,827,773	100	2	2	100
Expression of interest without publication	134,223,107	134,223,107	100	2	2	100
Request for Quotation	1,952,315,934	1,495,232,945	76.6	25	10	40
Framework	12,130,082,482	0	0	11	0	0
Disposal	417,000,000	417,000,000	100	1	1	100
Micro	310,711,273	0	0	1390	0	0
<b>Total</b>		<b>4,859,283,825</b>	<b>94.2</b>	<b>1,905</b>	<b>15</b>	<b>85</b>

The Authority also paid specific attention to the use of accreditations, fleet management and fuel management as themes during the audit. The findings under these sections are reported in Chapters 2.4 and 2.5 of this report.

## 1.5 Audit Methodology

The audit was conducted in accordance with the Public Procurement and Disposal of Public Assets Act, Cap. 205, its attendant Regulations, and internationally recognised public sector auditing standards. A combination of compliance and substantive procedures was applied to assess adherence to statutory requirements and the effectiveness of procurement and contract management processes.

- i. Document Review: Solicitation documents, Terms of Reference, evaluation reports, Contracts Committee submissions, interim payment certificates, and correspondences with stakeholders were examined to verify compliance with the PPDA Act, Cap. 205, Regulations 2023 and Guideline 2024.
- ii. Interviews and Clarifications: Discussions were held with staff of the Procurement and Disposal Unit, User Departments, and Evaluation Committees to obtain explanations for observed irregularities and delays.
- iii. Data Analysis: Procurement timelines, bid evaluation records, and payment schedules were analyzed against statutory benchmarks to identify deviations, contradictions and irregularities.
- iv. Verification of Evidence: Supporting documents such as bid submissions, proposal securing declarations, and payment certificates were cross-checked for authenticity, accuracy and compliance.
- v. Physical Verification: Site visits were conducted to confirm the existence and status of verifiable assets and contract deliverables. This included inspection of works, supplies, and services to ensure that payments made corresponded to actual outputs delivered under the contracts. Although the Authority undertook a physical verification of works and supplies during the audit period, the Authority did not conduct specific technical tests on the quality of materials and fuel supplied or installed. The verification was restricted to visual and physical inspection of the items delivered and works executed.
- vi. As such, while the audit confirmed the existence and installation of supplies and works, it did not independently validate their technical quality, durability, or performance standards. This limitation should be considered when interpreting the audit findings, particularly in relation to contract implementation and value for money assessment.
- vii. Triangulation: Findings were validated by comparing documentary evidence, management responses, physical verification results and statutory requirements to ensure objectivity and reliability of conclusions.
- viii. Compliance testing Each transaction was tested against the requirements of the PPDA Act, Regulations, and Guidelines, focusing on solicitation, evaluation, award, contract signing, and implementation.
- ix. Contract implementation review Verification of contract management practices, including submission of performance guarantees, preparation of contract management plans, adherence to timelines, and application of Environmental, Social, Health and Safety (ESHS) requirements.
- x. Fleet and fuel management assessment Review of fleet records, fuel consumption logs, and monitoring mechanisms to establish compliance with approved procedures and efficiency in resource utilization.
- xi. Accreditation review Assessment of how URC applied the accreditation granted by the Authority, including whether it was used within the scope and conditions prescribed.

## **1.6 Audit Limitation**

The audit was limited to the sample of procurement and disposal transactions selected for review, as detailed in Appendix 1. While the sample represented a significant proportion of the procurement population by value, the findings may not necessarily reflect the full extent of compliance across all transactions undertaken by the Entity during the Financial Year 2024/25.

In addition, although the Authority undertook physical verification of works and supplies, the verification was restricted to visual and physical inspection. The Authority did not conduct specific technical tests on the quality of materials or fuel supplied and installed during the period under review. As such, while existence and installation were confirmed, the audit did not independently validate the technical quality, durability, or performance standards of the items inspected.

## CHAPTER 2: DETAILED AUDIT FINDINGS

### 2.1 Level of compliance by the Entity with the general provisions of the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 with regard to the performance of the procurement structures and conduct of procurement and disposal processes

#### 2.1.1 Failure to fully implement previous audit recommendations

Section 10 of the PPDA Act Cap. 205 provides that the Accounting Officer shall be responsible for the implementation of recommendations made by the Authority.

The Authority noted that of the 15 previous audit recommendations for the FY 2022/23 made to the Entity, four (26.67%) were fully implemented while four (26.67%) were partially and seven (46.67%) were not implemented, as indicated in Table 3:

*Table 3: Status of Implementation of Previous Audit Recommendations*

S/No	Recommendation	Status of Implementation	Management Response
1.	The Accounting Officer should liaise with the Secretary to the Treasury to confirm in writing that the required funding for the construction of the Tororo – Gulu Railway line shall be made available in accordance with a specified schedule of payment as provided under Regulation 7 (c) of the PPDA (Contracts) Regulations 2023 to avoid eventualities of contract termination/suspension that come with a cost.	Fully Implemented	
2.	The Accounting Officer to take responsibility for the procurements undertaken outside the PDU and prevail over the Procurement and Disposal Unit to manage all procurement or disposal activities of the Procuring and Disposing Entity except adjudication and the award of contracts in accordance with Section 33 (a) of the PPDA Act Cap. 205	Fully Implemented	
3.	The Accounting Officer and Management should regularly carry out a review of the implementation of the procurement plan in line with Section 60 (7) of the PPDA Act, Cap.205. The User Departments should promptly	Not Implemented	<i>Management updated the procurement plan in the FY 2024-25 and submitted to PPDA and PSST on 2<sup>nd</sup> July 2024. Going forward, the entity is continuously</i>

S/No	Recommendation	Status of Implementation	Management Response
	notify the Procurement and Disposal Unit (PDU) of any changes in their plans for consolidation and update of the procurement plan in accordance Regulation 7 (1) (a) of the PPDA (Procurement Planning) Regulations 2023		<i>improving from time to time, updating of the Procurement Plan for FY 2025-26 is ongoing.</i>
4.	The Accounting Officer should expedite the disposal process in the Financial Year 2024/2025 so that value is obtained from the already obsolete assets.	Fully Implemented	<i>This has been fully implemented in the current FY 2025-2026.</i>
5.	The Accounting Officer should ensure that payment is made in accordance with the payment structure in the contract as provided under Regulation 42 of the PPDA (Contracts) Regulations, 2023.	Not Implemented	<i>The Entity did not realise all the budgeted income and was financially constrained. However, the entity has since paid most of the suppliers following receipt of funds from the supplementary budget from MoFPED. Payment vouchers ready for verification.</i>
6.	The Accounting Officer should ensure that the Procurement and Disposal Unit reports monthly all procurement and disposal activities to the Authority in accordance with Regulation 15 of the PPDA (Procuring and Disposing Entities) Regulations, 2023.	Partially Implemented	<i>This was fully implemented in the current FY 2024-2025. Monthly reports submitted.</i>  <i>The Authority noted the response but observed that the Entity did not submit reports on micro-procurements and bi-annual reports on the use of accreditations.</i>
7.	The Accounting Officer should ensure that the implementation of the awarded contract is in accordance with the terms and conditions of the award in accordance with Section 28 of the PPDA Act, Cap 205.	Not Implemented	<i>Management takes note of the observation. Going forward, the Accounting Officer shall ensure that contracts are implemented in accordance with the terms and conditions of the award. Contract Management teams have been appointed and are tasked to produce contract management reports, which are used for monitoring and evaluation.</i>

S/No	Recommendation	Status of Implementation	Management Response
8.	The Head Procurement and Disposal Unit should desist from splitting procurement transactions. Splitting of procurements is prohibited under Regulation 10 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023.	Partially Implemented	<p><i>Management takes note of the observation. However, this has been fully implemented in the current FY 2025-2026.</i></p> <p><i>The Authority noted the response but found that the micro-procurement method was used after splitting of procurements into multiple individual procurements.</i></p>
9.	The Procurement and Disposal Unit and Contracts Committee should ensure that whatever is procured is on the procurement plan for the financial year under which the procurements are undertaken.	Fully Implemented	N/A
10.	Evaluation Committees should always verify the accuracy, validity and authenticity of the documents submitted by bidders in accordance with Regulation 17 of the PPDA (Evaluation) Regulations 2023 and should strictly adhere to the evaluation criteria outlined in the solicitation documents and firms that do not comply should be eliminated in accordance with Regulation 5 of the PPDA (Evaluation) Regulations 2023.	Not Implemented	<p><i>Management takes note of the observation.</i></p> <p><i>This Financial Year 2025/2026, the management has strengthened the capacity of User Departments by conducting training by the PPDA capacity building team, which forms the Evaluation Committee teams.</i></p> <p><i>The Entity has also co-opted other staff from different Government Entities in order to enhance the skills of the Committee members.</i></p> <p><i>This is being adhered to by the Evaluation teams.</i></p>
11.	Contract Managers should fast track the implementation of contracts so that all contract obligations are completed before the expiry of the contract in accordance with Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations, 2023.	Not Implemented	<p><i>Management takes note of the observation.</i></p> <p><i>This Financial Year 2025/2026 management has strengthened the capacity of User Departments by conducting training by the PPDA capacity building team,</i></p>

S/No	Recommendation	Status of Implementation	Management Response
			<p>which forms the Contract Management teams.  Progress reports are submitted by the Contract Management Teams to ensure monitoring and evaluation of Contracts  Contract Management Teams always do site meetings to ensure compliance.  Implementation of contracts has registered an improvement.</p>
12.	<p>Contract Managers should, where delays in implementation of contracts are anticipated, issue change orders to providers, in accordance with the contracts, requiring the providers to make changes within the general scope of the contracts in the time of performance or duration of the contract in accordance with Regulation 53 (1) of the PPDA (Contracts) Regulations, 2023.</p>	Partially Implemented	<p>Management takes note of the observation.  This Financial Year the management has strengthened the capacity of User Departments by conducting training by PPDA capacity building team, which form the Contract Management teams.  Continuous Professional Development shall remain on-going. This is being implemented.</p>
13.	<p>Contract Managers should, where delays in implementation of contracts are realized, charge liquidated damages against payments to the providers in accordance with the terms of the signed contracts.</p>	Not Implemented	<p>Management takes note of the observation. This Financial Year the management has strengthened the capacity of User Departments by conducting training by PPDA capacity building team, which form the Contract Management teams and this will be implemented.</p>
14.	<p>User Departments to provide copies of contract management records and reports to the Procurement and Disposal Unit for purposes of creating a central repository and enabling easy monitoring of contracts by the Entity.</p>	Not Implemented	<p>Management takes note of the observation. This Financial Year the Contract management teams submit the reports and this is being implemented. Reports attached. Annex 4</p>

S/No	Recommendation	Status of Implementation	Management Response
15.	User Departments always ascertain that statements of requirement in the prepared BOQS that define the requirements precisely in a manner that leaves no doubt or assumption by a bidder in accordance with Regulation 37(a) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023.	Partially Implemented	<p>Management takes note of the observation.</p> <p>All the Statement of Requirements (BOQs, TORS and Specifications) should be reviewed by the HODs.</p> <p>The Entity has procured Project Management Consultancy Firm to provide technical support to User Departments.</p> <p>This Financial Year the management has strengthened the capacity of User Departments by conducting training by PPDA capacity building team.</p>

Audit noted that a key factor in the Entity's failure to address prior audit findings is the absence of a structured follow-up process to oversee the implementation of recommendations.

#### **Implication**

Failure to fully implement audit recommendations affects the performance of the procurement and disposal function.

#### **Management Response**

*The Accounting Officer has developed a tracker to monitor the implementation of the recommendations for all audit reports. The Entity is in the process of developing an Enterprise Resource Planning (ERP) system which can monitor the previous recommendations.*

#### **Recommendations**

The Accounting Officer should implement all previous audit recommendations in accordance with Section 10 of the PPDA Act Cap. 205.

#### **2.1.2 Low Procurement Plan Implementation**

Section 60 (2) (d) of the PPDA Act Cap. 205 provides that a Procuring and Disposing Entity shall plan its procurement and disposal in a rational manner and, in particular, shall integrate its procurement budget with its expenditure programme.

A review of the Corporation's procurement plan, monthly reports and Contracts Committee minutes for FY 2024/25 revealed a procurement plan implementation rate of 8.823% with a budget variance of UGX 194,633,000,000 as indicated in Table 4 below:

Table 4: Procurement Plan Implementation

<b>Analysis of procurement spend</b>	
Total procurement budget/plan value inclusive VAT (UGX)	213,467,000,000
Total procurement spend value inclusive VAT (UGX)	18,834,000,000
Procurement plan implementation (%)	8.823%
Variance (UGX)	194,633,000,000

The low procurement plan implementation rate was a result of delays in the implementation of procurements under the EAC Railway Rehabilitation Support Project funded by the African Development Bank, for example, procurement of rolling stock (locomotives, wagons and maintenance spares and tools) and civil works contractor for the rehabilitation of the meter gauge railways.

The Authority noted that due to delays in procurement and disbursements under the EAC Railway Rehabilitation Support Project, the Government of Uganda has incurred significant commitment fees. These fees, charged at 0.5% per annum on undisbursed funds since 18<sup>th</sup> March 2024, amounted to approximately USD 379,719.20 by the time of the audit in February 2026.

#### **Implications**

- Failure to fully implement the procurement plan affects service delivery.
- Payment of commitment fees worth USD 379,719.20 that could have been avoided by expeditiously undertaking procurements.

#### **Management Response**

*Management acknowledges the delays in the implementation of the procurement plan. This was due to the following:*

- *Delays in Project Effectiveness and Initial Disbursement. The low disbursement rate was primarily due to delays in meeting the conditions precedent for the first disbursement under the financing agreements. The project was originally scheduled for approval in Quarter 4 of 2022 and effectiveness in Quarter 1 of 2023, but these milestones were only achieved on 18th September 2023 and 24th April 2024, respectively, resulting in over nine to twelve months of delay. (Attached is the project financing agreement that was signed on 18th September 2023)*
- *Procurement of the Project Management Consultant (PMC). A key factor contributing to slow fund absorption was the delay in procuring the PMC (URC/CONS/22-23/006), which was contracted in September 2024, one year after project signature. Procurement of the PMC was one of the conditions precedent to the first disbursement, and it is pivotal for project coordination, supervision, and timely execution of procurement and civil works activities.*
- *The Accounting Officer introduced a procurement implementation dashboard reviewed monthly by senior management and the Contracts Committee to track progress, delays and put in place corrective actions.*
- *Commitment Fees: Upon consultation with the MoFPED, Management was advised of commitment fees of approximately USD 379,719.20 by 1<sup>st</sup> February 2026.*

## **Recommendations**

The Authority noted the response and recommends as follows:

- The Accounting Officer should expedite procurements under the EAC Railway Rehabilitation Support Project in accordance with Section 51 of the PPDA Act, Cap. 205 in order to minimize commitment fees on undisbursed funds.
- The Entity should review and update its procurement plan quarterly and, in any other case, wherever necessary, in the event certain items are not procured as planned in accordance with Section 60 (7) of the PPDA Act Cap. 205. An updated and approved plan should be submitted to the Authority in accordance with Section 60 (8) of the PPDA Act Cap. 205.
- The Accounting Officer should introduce a procurement implementation dashboard reviewed monthly by Senior Management and the Contracts Committee to track progress, delays and put in place corrective actions.

### **2.1.3 Reservation schemes to promote local content**

The audit reviewed the Entity's procurement plan for the FY 2024/25 and found that it did not cater for Special Interest Groups in contravention of the PPDA Guideline No. 11 of 2024. Consequently, the Corporation did not comply with the 15% procurement reservation scheme for registered associations of Women, Youth, and Persons with Disabilities and no contracts were awarded to these groups during the FY 2024/25.

### **Implication**

Failure to implement the reservation scheme undermines inclusivity and equitable access to public procurement opportunities. It denies Special Interest Groups the statutory benefits intended to promote their participation in public procurement, weakens compliance with national policy objectives and erodes public confidence in the fairness of procurement processes.

### **Management Response**

- *Management has revised the procurement plan to include reservation schemes.*
- *Management plans to implement the procurement of printing and catering services within the current FY 2025-26 under reservation schemes.*
- *Training of the Procurement and Disposal Unit was undertaken by PPDA and the PDU shall conduct training of other staff on the same.*

### **Recommendations**

The Authority noted the response but found that no evidence was adduced and recommends as follows:

- The Head, Procurement and Disposal Unit should revise the Entity's procurement planning process to integrate reservation schemes at the planning stage, ensuring that at least 15% of the annual procurement budget is allocated to Special Interest Groups in line with Section 53 of the PPDA Act Cap. 205 and Guideline No. 11 of 2024.
- The Accounting officer should request for training on the application of reservation schemes to ensure consistent compliance.

## 2.2 Level of compliance with the PPDA Act Cap. 205, Regulations 2023 and Guidelines 2024 in the conduct of procurement and disposal activities

### 2.2.1 Use of the Micro-Procurement Method outside of applicable thresholds

Clause 2.4 of Guideline No. 1 of 2024 on the thresholds for procurement methods provided that the Micro Procurement Method shall be used where the estimated value of the supplies or the non-consultancy services does not exceed UGX 5 million.

The audit found that the Corporation repeatedly used the Micro Procurement Method to procure goods and services worth UGX 97,236,284 and USD 9,611.14 above the UGX 5 million threshold as indicated in Table 5 below:

Table 5: Micro Procurements above thresholds

No.	Subject of Procurement	Amount	Period	Management Response
1.	Annual Sun System renewal licence	USD 5,608.84	December 2024	<i>This was an open contract that was signed in 2000, and it is still ongoing.</i>  <i>The Authority noted the response but observed that the procurement of the provider was undertaken using the micro-procurement method as per the submission to the Contracts Committee.</i>
2.	Advertising services for supply of locomotives	UGX 5,400,000	February 2025	<i>Going forward, the Entity shall use framework contract arrangement.</i>
1.	Advertising services for supply of locomotives	UGX 6,300,000	February 2025	
2.	Advertising services for wagon tender	UGX 5,650,000	April 2025	
3.	Advertising services for wagon tender	UGX 6,300,000	April 2025	
4.	Air ticket travel for board members and staff to Kenya	UGX 15,927,432	May 2025	<i>Going forward, the Entity shall use framework contract arrangement.</i>
5.	Air ticket travel for board members and staff to Tanzania	UGX 17,336,420	May 2025	
6.	Air ticket travel for technical staff from KRC – Kenya	UGX 7,902,822	June 2025	
7.	Air ticket travel for staff travelling to Mwanza	UGX 5,339,610	June 2025	

No.	Subject of Procurement	Amount	Period	Management Response
8.	Advertising services for Independence Day celebrations	UGX 27,080,000	November 2024	
9.	Air ticket travel for staff travelling to Mwanza	USD 2,513.6	November 2024	
10.	Air ticket travel for staff travelling to Nairobi	USD 1,488.7	November 2024	

### Implication

Increased risk of abuse of the micro-procurement method, reducing transparency and competition.

### Recommendations

- The Accounting Officer should task the Head, Procurement and Disposal Unit to show cause why disciplinary action should not be taken against him for the unjustified use of the Micro Procurement Method.
- The Head, Procurement and Disposal Unit should ensure the Micro Procurement Method is only applied to procurements not exceeding applicable thresholds in line with Clause 2.4 of Guideline No. 1 of 2025.

### 2.2.2 Delayed confirmation of availability of funding

Section 51 of the PPDA Act Cap. 205 provides that all procurement and disposal must be conducted in a manner that promotes efficiency.

The Authority noted delays lasting an average of 20 working days between the initiation of procurements and the confirmation of availability of funding by the Accounting Officer in three procurements worth UGX 127,511,660 as indicated in Table 6 below, in contravention of Section 51 of the PPDA Act Cap. 205:

*Table 6: Procurements in which there were delays in the confirmation of the availability of funding*

S/No	Subject of Procurement	Date of Initiation	Date of confirmation of availability of funding	Variance of (Working Days)
1.	Supply and install materials for the repair of a faulty transformer and replacement of the damaged MV cable at Mukono Inland Container Depot (URC/SUPLS/2024-	24 <sup>th</sup> April 2025	25 <sup>th</sup> Could 2025	22

S/No	Subject of Procurement	Date of Initiation	Date confirmation of availability of funding	Variance of (Working Days)
	25/00243) worth UGX 53,406,800			
2.	Supply of weed killer chemicals for controlling weeds along the railway line (URC/SUPLS/2024-25/00069) worth UGX 46,225,000	9 <sup>th</sup> September 2024	14 <sup>th</sup> October 2024	27
3.	Supply and installation of CCTV cameras (URC/SUPLS/2024-25/00057) worth UGX 27,879,860	4 <sup>th</sup> September 2024	19 <sup>th</sup> September 2024	11

### **Implications**

- Procurement timelines are extended unnecessarily, undermining efficiency.
- Service delivery is delayed, affecting operational effectiveness.
- Risk of increased costs or missed opportunities due to late implementation.

### **Management Response**

*Management acknowledges delays in the confirmation of the availability of funding. This was due to uncertainty in cash releases and the need to avoid initiating procurements without funding assurance. However, going forward, the Finance Committee will sit and allocate the available funding to different Departments.*

### **Authority's Comment**

*The Authority noted the response but observes that the Permanent Secretary /Secretary to the Treasury issued a Circular to all Accounting Officers dated 8<sup>th</sup> October 2010, advising all Accounting Officers that the commencement of procurement processes does not have to wait for a final receipt of funds on their respective accounts. Commencement of a procurement process, including bidding, evaluation and notification of award, can all take place, and contract signing can be pending until funds are received.*

### **Recommendation**

The Accounting Officer should ensure that delays in the confirmation of availability of funding are minimised to enhance efficiency in procurement processes in accordance with Section 51 of the PPDA Act Cap. 205 and the PS/ST Circular on confirmation of availability of funding dated 8<sup>th</sup> October 2010.

### 2.2.3 Inadequate solicitation documents

Regulation 34 (3) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 provides that a Procuring and Disposing Entity shall prepare evaluation criteria and description of the statement of requirements, in a manner that determines that the supplies, works or non-consultancy services are fit for the purpose for which they are being procured and are of the appropriate quality.

The Authority noted that the solicitation documents issued to bidders in seven procurements worth UGX 3,741,497,582 contained flaws as indicated in Table 7 below:

*Table 7: Procurements in which inadequate solicitation documents were issued*

S/No	Subject of Procurement	Issues Noted	Management Response
1.	Procurement of MTU spares for locos 73U32 and 73U33 (URC/SUPLS/2023-24/00518) worth UGX 225,120,000	GCC 26 of the solicitation document issued to bidders provided that the Incoterms used would be DDP without specifying the year of Incoterms and the location of delivery.	<i>Management is conducting continuous professional development in the preparation of solicitation documents.</i>
2.	Supply and install materials for the repair of a faulty transformer and replacement of the damaged MV cable at Mukono Inland Container Depot (URC/SUPLS/2024-25/00243) worth UGX 53,406,800	The solicitation document required bidders to submit evidence of having performed assignments of a similar nature and magnitude with Government institutions or other reputable private organizations in Uganda, each in excess of UGX 30 million, within the last two years. However, the document specified the period as 2023–2025, which is three years rather than two. In addition, the requirement was ambiguous, particularly regarding what qualifies as a “reputable private organization.”	<i>Management is conducting continuous professional development in the preparation of solicitation documents.</i>
3.	Consultancy services for the maintenance and support of the budgeting tool (URC/CONS/2024-25/00150) worth UGX 35,000,000	<ul style="list-style-type: none"> <li>Under the evaluation criteria, the Team Leader was required to have experience in “Maintenance and Support of the Budgeting Tool” specifically. This is problematic because the Budget Tool is described in the Terms of Reference as a web-based application built with Vaadin and SQL Server whose maintenance and enhancement</li> </ul>	<i>Management is conducting continuous professional development in the preparation of solicitation documents.</i>

S/No	Subject of Procurement	Issues Noted	Management Response
		<p>could reasonably be handled by any consultant with strong experience in web-based solutions, enterprise applications and DevOps practices, not necessarily someone who has worked on this exact “Budgeting Tool.” This risked excluding otherwise qualified firms with broader web application expertise, which could reduce innovation and increase costs.</p> <ul style="list-style-type: none"> <li>• Another important issue in the evaluation criteria was the treatment of “other proposed staff.” The document allocated five merit points for additional staff that the consultant could attach to the Uganda Railways Corporation, yet it did not provide any guidance on the basic qualifications, experience, or roles expected of these individuals. This omission creates ambiguity in the evaluation process, since evaluators would have no clear benchmark against which to assess the suitability of the proposed staff. It also opened the door to subjective judgments, which could compromise fairness and transparency.</li> <li>• There was a duplication and confusion in the personnel roles. The evaluation criteria referred to a “Team Leader” with certain qualifications, while the Terms of Reference separately listed a “Project Manager/Business Analyst” with overlapping responsibilities. This</li> </ul>	

S/No	Subject of Procurement	Issues Noted	Management Response
		<p>redundancy could create uncertainty about whether these were distinct roles or simply different labels for the same function.</p> <ul style="list-style-type: none"> <li>The deliverables and timelines show inconsistency. The interim report was due six months after contract commencement, while the physical reporting template module was expected to be completed within eight months. This meant that the interim report would not capture progress on one of the most critical deliverables, creating a reporting gap. Similarly, the payment schedule was heavily backloaded, with 55% of the contract value tied to the final report. This arrangement could create cash flow challenges for the Consultant, especially for smaller firms, and could discourage participation.</li> </ul>	
4.	Rehabilitation works for MV Kaawa (URC/WRKS/2023-2024/00523) worth UGX 2,963,362,583.21	The audit reviewed the solicitation document and noted that GCC 52.1 provided for advance payment of 30% of the contract value. The audit, however, noted that the Special Conditions of Contract did not specify how the advance payment would be recovered.	<i>Management is conducting continuous professional development in the preparation of solicitation documents.</i>
5.	Supply of spares for repair and restoration of locomotive 98U03 into operational service (URC/SUPLS/2023-24/00532) worth UGX 236,882,788.68	The Statement of Requirements provided incomplete technical specifications. While the document accurately identified specific part numbers (e.g., Part No. 1303412262 for the LDU Screen, Part No. 776016 for the ER Control Portion) and quantities, it entirely omitted the qualitative and commercial standards required for these supplies. For critical operational	<i>Management is conducting continuous professional development in the preparation of solicitation documents.</i>

S/No	Subject of Procurement	Issues Noted	Management Response
		<p>components like locomotive braking systems and traction motors, specifications must explicitly define the required condition (e.g., brand new, OEM-certified) and the necessary quality assurance documentation. By relying solely on part numbers, the bidding document created a significant loophole that exposed the Entity to:</p> <ul style="list-style-type: none"> <li>i. Opportunistic bidding: A supplier could bid aggressively low by sourcing unauthorised aftermarket equivalents, remanufactured or even counterfeit parts. Under the current wording, such a bid might be deemed technically responsive, forcing the Entity to accept substandard goods.</li> <li>ii. Misallocation of risk: The absence of mandated warranties, Certificates of Conformity (CoC), or testing certificates shifted the financial and safety risk of component failure entirely onto the Procuring and Disposing Entity, rather than the contractor.</li> <li>iii. Contractual disputes: Without clear definitions of "acceptable condition," enforcing quality standards during the delivery and inspection phases becomes legally ambiguous and difficult to manage.</li> <li>iv. The solicitation document did not include the requirement for the</li> </ul>	

S/No	Subject of Procurement	Issues Noted	Management Response
		provision of a manufacturer or distributor's authorisation.	

### Implications

- Providers could deliver wrong supplies, execute shoddy work or abandon sites, affecting service delivery.
- Poor quality solicitation documents hinder bidders from preparing responsive bids, reduce competition and increase risks of disputes, delays and inflated costs.
- Ambiguities in evaluation criteria compromise the fairness, transparency and defensibility of contract awards.

### Recommendations

- The Accounting Officer should task the Contracts Committee, the Head, Procurement and Disposal Unit and User Departments to explain the anomalies in the solicitation documents issued to bidders.
- The Head, Procurement and Disposal Unit and Contracts Committee should:
  - i. Use updated PPDA Standard Bidding Documents (2025 Edition) for all procurements to ensure consistency and compliance with statutory requirements.
  - ii. Ensure completeness and clarity of specifications: Include qualitative standards (e.g., OEM certification, warranties, Certificates of Conformity) alongside part numbers to avoid loopholes.
  - iii. Eliminate brand-specific references unless justified by technical necessity in accordance with Regulation 38 of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023.
  - iv. Clarify evaluation criteria: Define qualifications, roles and scoring benchmarks to avoid subjectivity and ensure fairness in the procurement of consultancy services in accordance with Regulation 38 of the PPDA (Procurement of Consultancy Services) Regulations, 2023.
  - v. Align consultancy and works contracts: Ensure supervision consultancy services contracts cover the full duration of works to safeguard accountability and quality assurance.

#### 2.2.4 Irregularities during the evaluation of bids

Regulation 5 (1) of the PPDA (Evaluation) Regulations, 2023 provides that the evaluation of bids shall be conducted in accordance with the evaluation criteria specified in the bidding documents.

Irregularities in the evaluation of bids were noted in four procurements worth UGX 588,420,589, as indicated in Table 8 below, in contravention of Regulation 5 (1) of the PPDA (Evaluation) Regulations, 2023:

Table 8: Procurements in which irregularities during evaluation were noted

S/No	Subject of Procurement	Issues Noted	Management Response
1.	Procurement of MTU spares for locos 73U32 and 73U33 worth UGX 225,120,000	<p>The solicitation document issued to bidders required that bidders would submit documentary evidence of undertaking similar services and supplies in the last two years (2022 and 2023) in excess of UGX 100 million by attaching at least two copies of contracts of similar supplies and related services carried out in the last two years. The audit reviewed the bid submitted by the Best Evaluated Bidder, Mutsimoto Motor Company Ltd and noted that the bidder was found compliant with the criterion and yet the bidder submitted only one contract via a letter of award for similar services and supplies in the years 2022 and 2023.</p> <p>The eligibility criteria in the solicitation document issued to bidders provided that bidders must submit evidence of fulfilment of social security contributions and a Tax Clearance Certificate. The audit team reviewed the evaluation report and noted that the best evaluated bidder, Mutsimoto Motor Company Ltd, was found compliant with the preliminary evaluation criteria, yet the bidder did not submit as part of its bid a tax compliance certificate issued by the Kenya Revenue Authority and a Social Security (NSSF) Clearance Certificate.</p>	<p><i>This was noted. However, the Evaluation Committee considered it a non-material deviation.</i></p> <p><i>The Authority noted the response but found that the Best Evaluated Bidder did not meet the eligibility and documentary evidence requirements as set out in the solicitation document. The bidder submitted only one contract instead of the required two contracts of similar supplies and related services in the last two years, and further failed to provide a valid Tax Clearance Certificate and Social Security (NSSF) Clearance Certificate. Treating these omissions as non-material deviations contravened Regulation 5(1) and (2) of the PPDA (Evaluation) Regulations, 2023, which require evaluation to be conducted strictly in accordance with the criteria specified in the bidding documents, without amendment or relaxation. The acceptance of an incomplete submission undermined transparency, fairness, and equal treatment of bidders</i></p>

S/No	Subject of Procurement	Issues Noted	Management Response
2.	Supply and install materials for the repair of a faulty transformer and replacement of the damaged MV cable at Mukono Inland Container Depot (URC/SUPLS/2024-25/00243) worth UGX 53,406,800	The eligibility criteria in the solicitation document issued to bidders provided that bidders must submit evidence of fulfilment of social security contributions and a Tax Clearance Certificate. The audit team reviewed the evaluation report and noted that Inverse Associates Ltd was found compliant with the preliminary evaluation criteria, yet the bidder did not submit a Tax Clearance Certificate and a Social Security Clearance Certificate.	<p><i>This was noted. However, the Evaluation Committee considered it a non-material deviation.</i></p> <p><i>The Authority noted the response but found that Inverse Associates Ltd did not meet the eligibility criteria as set out in the solicitation document. The bidder failed to submit both a valid Tax Clearance Certificate and a Social Security (NSSF) Clearance Certificate, which are mandatory requirements for establishing eligibility under Regulation 17 of the PPDA (Evaluation) Regulations, 2023. These omissions constituted material deviations that should have led to disqualification at the preliminary evaluation stage. By treating them as non-material, the Evaluation Committee contravened Regulation 5(2), which prohibits altering or relaxing the criteria stated in the bidding documents. Acceptance of the bid undermined transparency, fairness, and equal treatment of bidders</i></p>
3.	Supply of spares for repair and restoration of locomotive 98U03 into operational	GCC 16.1 of the solicitation document required that full payment would be made to the provider following delivery and acceptance	<p><i>Management is conducting continuous capacity building to the Entity's staff in</i></p>

S/No	Subject of Procurement	Issues Noted	Management Response
	<p>service (URC/SUPLS/2023-24/00532) worth UGX 236,882,788.68</p>	<p>of the supplies, submission of an invoice, and a signed delivery note. However, the Authority noted that Sysmat Solutions (U) Ltd, in its bid price schedule, proposed delivery within 30 working days from contract signing with payment terms of 30% advance against an advance payment guarantee and 70% after delivery. This amounted to an alternative proposal to the requirements indicated in the solicitation document.</p> <p>The audit team reviewed the bid submitted by Sysmat Solutions (U) Ltd and noted that the bidder submitted a NSSF clearance certificate referenced 00038646 that was issued on 7th February 2024 valid up to 8th March 2024. This implies that the certificate expired 4 months before the bid closing deadline on 16th August 2024. Submission of expired statutory compliance documents undermines the eligibility of the bidder and compromises the integrity of the procurement process.</p> <p>The solicitation document issued to bidders required that bidders must provide documentary evidence of similar supplies and related services in the last two years (2022 and 2023) in excess of UGX 100 million by attaching copies of contracts or Local Purchase Orders. The audit team reviewed the bid submitted by Sysmat Solutions (U) Ltd and noted that the bidder did not submit any evidence of experience in similar supplies or related services in excess of UGX 100 million undertaken in the years 2022 and 2023. The effect of the lack of capacity and</p>	<p><i>procurement related activities.</i></p>

S/No	Subject of Procurement	Issues Noted	Management Response
		<p>experience in the supplies was observed during contract execution evidenced by the delays in delivery under Section 2.3.1 of this Report.</p>	
4.	<p>Procurement of repair services for the 98XXX class locomotive traction motors (URC/NCONS/2024-25/00105) worth UGX 26,786,000</p>	<p>The audit reviewed the bid submitted by the Best Evaluated Bidder, Sysmat Solutions Ltd and noted that the bidder's Powers of Attorney appointed Mr. Francis Baye and Mr. Abel Waira as true and lawful attorneys authorized to act on its behalf in the procurement process. However, the bid submission sheet and bid securing declaration were signed solely by Mr. Francis Baye, with no accompanying signature from Mr. Abel Waira. There was no clear evidence that Mr. Baye was authorized to act alone. This rendered the bid procedurally defective and legally non-binding, as it could not be deemed to reflect the full and binding intent of the bidder.</p> <p>The audit team reviewed the Request for Quotations document and noted that it required bidders to declare their ability to provide the services within two weeks. This delivery period was clearly stated in the solicitation documents and formed part of the mandatory responsiveness criteria. The Authority, however, noted from a review of the bid submitted by Sysmat Solutions Ltd that the bidder proposed a delivery period of ten weeks, which was a substantial deviation from the stated requirement. The ten-week delivery proposal by Sysmat Solutions Ltd constituted a material deviation</p>	<p><i>Management is conducting continuous capacity building to the Entity's staff in procurement related activities.</i></p>

S/No	Subject of Procurement	Issues Noted	Management Response
		from the two-week requirement and directly affected the Entity's operational timelines. As such, the bid should have, in accordance with Regulations 5(1), 7(4)(c)(i) and 19(1)(b) of the PPDA (Evaluation) Regulations, 2023, been disqualified at the detailed evaluation stage.	

### Implications

- Unfairness during the evaluation of bids leads to the award of contracts to non-compliant bidders and compromises the benefits of maximum competition.
- Poor evaluation compromises value-for-money, exposes the Corporation to disputes, delays, and poor contract performance.

### Recommendations

- The Accounting Officer should task the members of the Evaluation Committees to show cause why disciplinary action should not be taken against them for the failure to adhere to the evaluation criteria provided in the solicitation documents in contravention of Regulation 5 of the PPDA (Evaluation) Regulations, 2023.
- Evaluation Committees should:
  - i. Verify statutory documents: Cross-check all tax and NSSF certificates with issuing authorities before declaring bidders compliant.
  - ii. Seek clarifications for minor omissions and historical eligibility documents: Apply Regulation 7 to request clarifications from bidders before elimination, ensuring fairness and transparency.
  - iii. Reject materially non-responsive bids: Disqualify bids with alternative payment terms, expired statutory documents, or delivery timelines inconsistent with mandatory requirements.

#### 2.2.5 Delayed display of Notices of Best Evaluated Bidders

Section 51 of the PPDA Act Cap. 205 provides that all procurement and disposal must be conducted in a manner that promotes efficiency.

The Authority noted that there were delays of an average of 13 working days in displays of Notices of Best Evaluated Bidders in three procurements worth UGX 488,788,789 as indicated in Table 9 below in contravention of Section 51 of the PPDA Act Cap. 205:

Table 9: Procurements in which there were delays in the display of Notices of Best Evaluated Bidders

S/No	Subject of Procurement	Date of Contracts Committee approval and award of contract	Date of display of Notice of Best Evaluated Bidder	Duration (Working Day)
1.	Procurement of MTU spares for locos 73U32 and 73U33 (URC/SUPLS/2023-24/00518) worth UGX 225,120,000	12 <sup>th</sup> September 2024	24 <sup>th</sup> September 2024	10
2.	Supply of spares for repair and restoration of locomotive 98U03 into operational service (URC/SUPLS/2023-24/00532) worth UGX 236,882,788.68	12 <sup>th</sup> September 2024	24 <sup>th</sup> September 2024	10
3.	Procurement of repair services for the 98XXX class locomotive traction motors (URC/NCONS/2024-25/00105) worth UGX 26,786,000	28 <sup>th</sup> April 2025	22 <sup>nd</sup> May 2025	18

### **Implications**

This led to delays in service delivery.

### **Management Response**

*Management shall comply and display the Notices of the Best Evaluated Bidder within the specified period of time as stated within the PPDA Regulations.*

### **Recommendation**

The Head, Procurement and Disposal Unit should ensure the timely display of Notices of Best Evaluated Bidders. Notices should be displayed within five working days of the Contracts Committee's approval, in line with Regulation 3(1) of the PPDA (Contracts) Regulations, 2023.

### **2.2.6 Delayed requests for Solicitor General's approval**

Section 51 of the PPDA Act Cap. 205 provides that all procurement and disposal must be conducted in a manner that promotes efficiency.

The Authority noted that there were delays between the expiry of Notices of Best Evaluated Bidders and requests for Solicitor General’s clearance of draft contracts in two procurements worth UGX 3,188,482,583 as indicated in Table 10 below:

*Table 10: Procurements in which there were delays in seeking Solicitor General Clearance*

S/No	Subject of Procurement	Date of expiry of Notice of Best Evaluated Bidder	Date of request to the Solicitor General	Duration (Working Days)
1.	Procurement of MTU spares for locos 73U32 and 73U33 (URC/SUPLS/2023-24/00518) worth UGX 225,120,000	7 <sup>th</sup> October 2024	16 <sup>th</sup> October 2024	9
2.	Rehabilitation works for MV Kaawa (URC/WRKS/2023-2024/00523) worth UGX 2,963,362,583.21	22 <sup>nd</sup> August 2024	20 <sup>th</sup> September 2024	19

The Authority noted that the delays were predominantly a result of internal administrative processes within the Entity, requiring several levels of approval of draft contracts before a request is made to the Solicitor General for approval.

#### **Implication**

Delays in seeking the Solicitor General’s clearance slow down contract signing and project implementation.

#### **Management Response**

*Management takes note of the observations. All internal administrative processes have been given timelines to minimize delays.*

#### **Recommendation**

The Accounting Officer should reduce unnecessary layers of clearance before submission to the Solicitor General for approval of draft contracts to enhance efficiency in procurement processes in accordance with Section 51 of the PPDA Act Cap. 205.

#### **2.2.8 Delayed signing of contracts**

Section 51 of the PPDA Act Cap. 205 provides that all procurement and disposal must be conducted in a manner that promotes efficiency.

The Authority noted that there were delays in the signing of contracts in two procurements worth UGX 462,002,789 as indicated in Table 11 below:

Table 11: Procurements in which there were delays in signing of contracts

S/No	Subject of Procurement	Issues Noted
1.	Procurement of MTU spares for locos 73U32 and 73U33 (URC/SUPLS/2023-24/00518) worth UGX 225,120,000	There was a period of 17 working days between the Solicitor General's clearance of the draft contract on 29 <sup>th</sup> October 2024 and the signing of the contract on 22 <sup>nd</sup> November 2024.
2.	Supply of spares for repair and restoration of locomotive 98U03 into operational service (URC/SUPLS/2023-24/00532) worth UGX 236,882,788.68	There was a period of 13 working days between the Solicitor General's clearance of the draft contract on 5 <sup>th</sup> November 2024 and the signing of the contract on 22 <sup>nd</sup> November 2024.

### **Implication**

Delays in procurement processes lead to delays in service delivery.

### **Management Response**

- *The Accounting Officer had to make sure that all the recommendations by the Solicitor General were followed.*
- *The Accounting Officer had to ensure that funds were available before signing the contract.*

### **Authority's Comment**

*The Authority noted the response but found that no evidence was adduced to indicate that the delays in signing of contracts were a result of a lack of funds to implement the contracts.*

### **Recommendation**

The Accounting Officer should ensure that delays in signing of contracts are minimised as they affect service delivery in contravention of Section 51 of the PPDA Act Cap. 205.

### **2.2.9 Lack of an asset management policy**

The Authority noted that the Corporation did not have in place, at the time of the audit in February 2026, an asset management policy. Consequently, there was no monitoring of non-current asset utilisation, increasing the risk of misuse, inefficiency and poor accountability in asset management.

### **Implication**

Lack of an asset management policy increases the risk of safety hazards, financial inefficiency, and non-compliance with statutory requirements for asset control and disposal.

### **Management Response**

*Management takes note of the observation. Management has initiated the procurement for consultancy services for the development of a comprehensive Asset Management Policy framework where all the concerns raised will be addressed and implemented. This will be in addition to the property management policy that is in place.*

## **Recommendation**

The Accounting Officer should develop and implement an asset management policy aligned with the PPDA Act Cap. 205, PPDA (Disposal of Public Assets) Regulations 2023 and the Public Finance Management Act, Cap. 171. The policy should provide for:

- i. Regular monitoring and reporting on non-current asset utilisation.
- ii. Clear procedures for identification, surrender and disposal of obsolete assets.
- iii. Maintenance of an asset utilisation and disposal register reviewed quarterly by the Contracts Committee.
- iv. Periodic Board of Survey inspections to ensure assets are functional, efficiently utilised and surrendered for disposal where necessary.

### **2.2.10 Weak Internal Controls in Investigation of Asset Losses**

The Authority noted that as many as 69 cases of theft of materials and assets had been registered with the Uganda Police Force. However, there were weak internal controls in the investigation of asset losses, including theft of 46 rails at Jinja Goods Shed and 394 untraceable wagons under the Nyahururu Virtual Station, increasing the risk of continued asset loss and misappropriation.

### **Implication**

Weak internal controls over the investigation of asset losses compromise accountability and transparency in asset management and expose the Corporation to risks of continued theft, misappropriation and financial loss. They also undermine public confidence in the Corporation's ability to safeguard public assets.

### **Management Response**

*This recommendation is noted. Management has put in place several controls over Asset Management, and these include the following.*

- i. *The Corporation conducts periodic Joint Verification of wagons and coaches under the Tripartite Agreement. Currently, there is an ongoing wagon census of wagons in Kenya, Tanzania, and Uganda to secure assets as a management strategy.*
- ii. *The Corporation has a Police force known as the Railway Police, who jointly investigate cases with the Uganda Police Force, and these have led to the prosecution of several cases like*
  - a. *UGANDA V ASABA RICHARD AND OTHERS CRB/002/22.*
  - b. *Theft of Railway Material C/S 137 & 244 Penal Code Act. The case file was opened at Jinja Chief Magistrate's Court, and the case is for a prosecution hearing.*
  - c. *UGANDA V ECHIM JOSEPH AND OTHERS CRB/003/2023 CO. 0193/2023. This is the case of Siphoning fuel, and the case is being heard at Buganda Road Court, attached to the Anti-Corruption Court. The matter is for a prosecution hearing*
  - d. *UGANDA VS. JOSPEH OKIROR, who was charged with anti-corruption court for abuse of office as a sanction and accountability measure.*
- iii. *To strengthen criminal prosecution of cases of encroachment, theft and vandalism of railway materials, the Corporation is in the process of obtaining approval from the Office of the Director of Public Prosecutions to conduct in-house Prosecution of criminal cases.*
- iv. *To avert the risk of contained thefts in certain stations and loss of railway material, Management conducted a transfer and rotation of all staff in some stations, such as Jinja.*

- v. *Disciplinary action has been taken against all staff involved in any form of suspension or termination of contracts.*
- vi. *At the Board level, the Audit and Risk Committee, on the recommendation of the Auditor General's Report for the year ending 30th June 2022, raised an audit query on the loss of Compensation for Stolen Materials from Steel Companies valued at UGX 12.76 billion. The Committee conducted an inquest to enhance accountability of actions taken.*
- vii. *The Corporation sought the attachment of a Prosecutor from the UPDF to support criminal investigation, prosecution, and a watching brief. Annexed is the Criminal Litigation Matrix to report on the status of the Corporation's criminal cases.*

### **Recommendations**

The Authority noted the response and recommends that the Accounting Officer should strengthen the Entity's internal controls over asset management by:

- i. Establishing a loss investigation and reporting framework aligned with the Public Finance Management Act, Cap. 171 and the Corporations Finance Manual.
- ii. Maintaining a loss register capturing all reported thefts, investigations conducted and actions taken.
- iii. Ensuring that Boards of Survey reports are acted upon promptly, with obsolete or missing assets surrendered for disposal or formally accounted for.
- iv. Coordinating with the Uganda Police Force to track progress on investigations and integrating findings into quarterly reports submitted to the Contracts Committee and the Authority.
- v. Introducing sanctions and accountability measures for officers responsible for safeguarding assets where negligence is established.

## **2.3 Level of efficiency and effectiveness in contract implementation including the application of Environmental, Social, Health and Safety (ESHS) requirements in the procurement process**

### **2.3.1 Irregularities during contract implementation**

The Authority noted irregularities during contract implementation in six procurements worth UGX 3,632,703,172 as indicated in Table 12 below:

*Table 12: Procurements with irregularities at contract management*

<b>No</b>	<b>Subject of Procurement</b>	<b>Observation</b>	<b>Management Response</b>
1.	Procurement of MTU spares for locos 73U32 and 73U33 (URC/SUPLS/2023-24/00518) worth UGX 225,120,000	<ul style="list-style-type: none"> <li>• Extending an expired contract: The contract required delivery of supplies within 30 working days from signing on 22<sup>nd</sup> November 2024, thereby setting expiry as 6<sup>th</sup> January 2025. The Authority noted that by the time the provider, Mutsimoto Motor Company Ltd, sought an extension of 90 days on 7<sup>th</sup></li> </ul>	<ul style="list-style-type: none"> <li>• <i>The supplies were delivered, delivery note, Goods Received Note and Tax Invoice.</i></li> <li>• <i>There has been capacity building of user departments by conducting training by PPDA capacity building team, which form the</i></li> </ul>

No	Subject of Procurement	Observation	Management Response
		<p>January 2025, the contract had already expired. Despite this, the contract was eventually extended on 15<sup>th</sup> April 2025. Granting extensions after contract expiry undermines the enforceability of contractual obligations and exposes the Corporation to legal and operational risks. It creates uncertainty in contract management, weakens accountability and could result in delayed delivery of critical supplies, thereby affecting operational continuity.</p> <ul style="list-style-type: none"> <li>• Premature Certification of Supplies: On 17<sup>th</sup> April 2025, the Contract Manager, Ms. Faustine Ojangole, issued a memo indicating that the provider had delivered the supplies satisfactorily and recommended that final payment be processed. However, audit review of the delivery note on file referenced MMUG-DN.1002 revealed that some supplies, specifically RTV (S501-6000) and compensating washers (S501-6000), had not been delivered by the time the memo was prepared. Premature certification of supplies exposes the Corporation to risks of making payments for incomplete deliveries, undermining accountability and value-for-money. It also weakens contract management controls, potentially leading to financial loss and reputational damage. There was no evidence to indicate that the items were eventually delivered.</li> </ul>	<p><i>Contract Management Teams.</i></p> <ul style="list-style-type: none"> <li>• <i>There has been transition from single contract manager to contract management teams.</i></li> <li>• <i>Management shall sanction the responsible officers by issuing warning letters.</i></li> </ul>
2.	Supply and install materials for the	Delivery after contract expiry: The Local Purchase Order (in lieu of a	<ul style="list-style-type: none"> <li>• <i>There has been capacity building of User</i></li> </ul>

No	Subject of Procurement	Observation	Management Response
	repair of a faulty transformer and replacement of the damaged MV cable at Mukono Inland Container Depot (URC/SUPLS/2024-25/00243) worth UGX 53,406,800	contract) was issued to Inverse Associated Ltd on 13 <sup>th</sup> June 2025 with a completion period of 14 day i.e. 28 <sup>th</sup> June 2025. The project completion report dated 12 <sup>th</sup> September 2025 indicated that works were completed on 1 <sup>st</sup> August 2025. This implies that the contract expired 24 working days before completion of the works.	<p><i>Departments by conducting training by PPDA capacity building team, which form the Contract Management teams.</i></p> <ul style="list-style-type: none"> <li><i>There has been transition from single contract manager to contract management teams.</i></li> </ul>
3.	Rehabilitation works for MV Kaawa (URC/WRKS/2023-2024/00523) worth UGX 2,963,362,583.21	<ul style="list-style-type: none"> <li><b>Inadequate performance security:</b> Seco Marine Uganda Limited submitted a performance security referenced DTBU/PS/531/2024 amounting to UGX 130,649,111.19, dated 12<sup>th</sup> November 2024, with an expiry date of 31<sup>st</sup> December 2024. The contract was to last for a period of 15 months from commencement, implying a completion date of 12<sup>th</sup> February 2026. The performance security, therefore, fell short of the contract completion period by over 13 months.</li> <li><b>Inadequate advance payment guarantee:</b> Seco Marine Uganda Limited submitted an advance payment guarantee referenced DTBU/APG/530/2024 amounting to UGX 522,596,444.74, dated 12<sup>th</sup> November 2024, with an expiry date of 30<sup>th</sup> April 2025. The contract was to last for a period of 15 months from commencement, implying a completion date of 12<sup>th</sup> February 2026. The advance payment guarantee, therefore, fell short of the contract completion period by over nine</li> </ul>	<ul style="list-style-type: none"> <li><i>There has been capacity building of user departments by conducting training by PPDA capacity building team, which form the Contract Management teams.</i></li> <li><i>There has been capacity building of user departments by conducting training by PPDA capacity building team, which form the Contract Management teams.</i></li> </ul>

No	Subject of Procurement	Observation	Management Response
		<p>months. An advance payment guarantee that expires before the contract completion date exposes the Corporation to risks of financial loss in case the provider fails to perform or misuses the advance payment. Once the guarantee lapses, the Corporation loses its enforceable safeguard, weakening financial controls and accountability.</p>	
4.	<p>Supply of spares for repair and restoration of locomotive 98U03 into operational service (URC/SUPLS/2023-24/00532) worth UGX 236,882,788.68</p>	<p>Delivery after contract expiry: The contract period was 30 working days after contract signing on 22<sup>nd</sup> November 2024, implying a completion date of 8th January 2025. On 9<sup>th</sup> January 2025, Sysmat Solutions (U) Ltd requested a no-cost extension to 20<sup>th</sup> February 2025 due to delays in manufacture, which was approved on 14<sup>th</sup> January 2025. On 17<sup>th</sup> February 2025, the provider requested another extension of 24 days, which was approved by the Accounting Officer on 20<sup>th</sup> February 2025, revising the completion date to 12<sup>th</sup> March 2025. However, audit review of the final progress file indicated that the last supplies were delivered on 10<sup>th</sup> June 2025, nearly three months after the revised completion period.</p>	<ul style="list-style-type: none"> <li>• <i>There has been capacity building of user departments by conducting training by PPDA capacity building team, which form the Contract Management teams.</i></li> <li>• <i>There has been transition from single contract manager to contract management teams.</i></li> </ul>
5.	<p>Supply of materials for the rehabilitation of passenger coaches (URC/SUPLS/2024-2025/00073-01) worth UGX 107,706,000</p>	<p>Delayed contract execution: The provider, Okavango Logistics Limited, delayed executing the contract by 133 working days by the time of the audit without approved extensions.</p>	<p><i>The bidder frustrated the procurement process and was terminated</i></p> <p><i>Due to the Peculiar nature of the supplies, we delayed executing the termination of the contract in anticipation that the supplier would supply the materials.</i></p>

## **Implications**

- An indicator of ineffective contract supervision.
- Leads to delayed service delivery.

## **Recommendations**

- The Accounting Officer should:
  - i. Task the responsible Contract Managers to show cause why disciplinary action should not be taken against them for failure to adequately supervise contracts in accordance with the contractual terms and conditions and Regulation 53 of the PPDA (Contracts) Regulations, 2023.
  - ii. Formally appoint all Contract Managers in writing, with clear roles and responsibilities in accordance with Regulation 50 (1) of the PPDA (Contracts) Regulations, 2023.
- The Contract Managers should:
  - i. Strictly enforce contract timelines: Extensions should only be granted before contract expiry, with documented justification and approval in accordance with Regulation 52 (3) (b) of the PPDA (Contracts) Regulations, 2023.
  - ii. Strengthen certification controls: Verify full delivery before certifying supplies, supported by delivery notes and inspection reports in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023.
  - iii. Align performance securities and guarantees with contract duration: Require providers to submit securities valid for the entire contract period, in accordance with Regulations 11 (2) (c) and 47 (4) of the PPDA (Contracts) Regulations, 2023.
  - iv. Enforce liquidated damages: Apply penalties for delays without approved extensions to safeguard value-for-money in accordance with the terms of signed contracts.

### **2.3.2 Poor planning and scoping of requirements**

The Authority noted poor planning and scoping of requirements that led to scope creep in the procurement for rehabilitation works for MV Kaawa (URC/WRKS/2023-2024/00523) worth UGX 2,963,362,583.21 as indicated below:

- i. Change Order No. 1 (22<sup>nd</sup> Could 2025): Eliminated the proposed modification of the steering system (initially costed at UGX 132,923,320 VAT exclusive) and replaced it with other works including replacement of worn hatch cover seals, renewal of corroded deck and toilet plates, servicing of marine radar and EPIRB, installation of new lighting systems, replacement of hydrophore tanks and lifebuoys, and rehabilitation of toilet systems. The cost was UGX 156,849,517.60, matching the funds for the dropped steering system modification. However, the breakdown of how the funds were to be spent was not provided.
- ii. Variation Order No. 1 (14<sup>th</sup> August 2025): Revised scope of works with an additional UGX 350,380,359.51 (13.4%). This included works on the steering gear pump worth UGX 58,500,000, which should have been addressed under the original steering system modification but was dropped in Change Order No. 1. Additionally, items like black water treatment (to prevent direct discharge overboard), general alarm bells, and rescue/safety systems are fundamental to marine safety. Their absence in the original Bills of Quantities suggests inadequate scoping and technical survey before procurement. This undermines value-for-money and exposes the Corporation to operational and regulatory risks.

### **Implication**

Poor planning and scoping resulted in unnecessary change orders and variations, increasing project costs and undermining value-for-money. The lack of a breakdown for Change Order No. 1 reduces transparency and accountability. Moreover, the reintroduction of the steering system as highlighted by Variation Order No. 1, highlights inefficiency and weak contract management.

### **Management Response**

*Management takes note of the observations. Management would like to stated that:*

- *To enhance our capacity in Marine Engineering services, management has embarked on training existing staff and recruitment of technical personnel to undertake the management of the vessels.*
- *Management is in the process of procuring a framework contract for the repair and maintenance of vessels and dry dock.*

### **Recommendations**

- Heads of User Departments should validate all major technical requirements before initiation of procurements with approved specifications attached to Form 5, initiating the procurement in accordance with Section 61 (1) of the PPDA Act Cap. 205.
- User Departments should include a detailed cost breakdown and technical justification for change orders or variations in submissions to the Accounting Officer and the Contracts Committee for review and approval prior to implementation in accordance with Regulations 53 and 54 of the PPDA (Evaluation) Regulations, 2023.
- The Procurement and Disposal Unit should maintain a variation register capturing the date, scope, cost and justification of each change and reconciled quarterly against the original contract value to monitor cumulative financial impact.

### **2.3.3 Signing a contract with an unauthorized individual**

The Authority noted that Addendum No. 1 to the contract for rehabilitation works for MV Kaawa (URC/WRKS/2023-2024/00523), worth UGX 2,963,362,583.21, was signed on behalf of the contractor, Seco Marine (U) Ltd, by Thimmaraju Ayandahalli Kempalak Kaiah. However, Seco Marine (U) Ltd had granted Powers of Attorney to Mr. Sujal Goswami, meaning the individual who signed the addendum did not have the legal authority to bind the company.

### **Implications**

- Execution of contractual documents by individuals without proper authority undermines the enforceability of the contract and exposes the Corporation to legal risks.
- It creates uncertainty in contract administration, weakens accountability, and could result in disputes over obligations and liabilities.
- This practice also compromises compliance with statutory requirements for valid contract formation.

### **Management Response**

*Management takes note of the observation. Going forward the Accounting Officer shall ensure that only individuals with valid Powers of Attorney or formal authorization sign contractual documents in accordance with Sections 10, 123 and 160 of the Contracts Act, Cap. 284. Management has also put in place a checklist for all contracts before final approval.*

## **Recommendation**

The Accounting Officer should ensure that only individuals with valid Powers of Attorney or formal authorisation sign contractual documents in accordance with Sections 10, 123 and 160 of the Contracts Act, Cap. 284

## **2.4 Level of compliance in management of the Corporation's fleet and fuel management**

### **2.4.1 Ineffective Fuel Management and Weak Reconciliation Controls**

The Authority noted that in FY 2020/21, the Corporation acquired a fuel management system wherein locomotive tanks were drilled into and fuel sensors installed, CCTV cameras fitted in locomotives, and large screens installed in the control room to monitor fuel balances and control syphoning. However, the system has not served its intended purpose as indicated below:

- i. There is no perpetual inventory system that continuously estimates fuel balances based on electronic records.
- ii. Equipment such as giant screens initially installed in the control office were shifted to Nalukolongo Workshop but are not in use.
- iii. On-site fuel service provider staff do not perform satisfactory fuel reconciliation, failing to verify the quantity and quality of fuel received using water finders and measuring tapes.

The audit further noted that despite some locomotives and vessels (e.g., MV Kaawa) being out of commission due to repairs, the Entity consistently consumed the same amounts of fuel over FY 2023/24 and 2024/25, suggesting weak reconciliation controls and potential financial loss.

### **Implications**

- Weak fuel management undermines accountability and exposes the Entity to risks of fraud, theft, and financial loss.
- Ineffective reconciliation controls compromise transparency and value-for-money.
- Persistent consumption patterns despite reduced operations indicate possible misreporting or leakage.

### **Management Response**

*Management takes note of the observation. Management has gone ahead to repair Fuel storage facilities in Tororo and plans are underway to repair the one at Kampala to manage and control fuel usage. Additionally, there are plans to engage a provider for the provision of a fuel management system to track real-time fuel usage in Locomotives and vessels, and also monitor fuel levels in the Fuel storage tanks.*

### **Recommendations**

The Accounting Officer should:

- Implement a perpetual fuel inventory system integrated with electronic sensors and CCTV monitoring, ensuring real-time reconciliation of fuel balances.
- Re-deploy idle equipment (such as control screens) to functional monitoring stations and ensure they are actively used.
- Ensure that fuel service provider staff to conduct physical reconciliation using water finders and measuring tapes, with results documented in a fuel reconciliation register.

- Procure fuel reconciliation tools like calibrated water content testers to avoid reliance on the fuel provider tools.

#### **2.4.2 Defective fuel monitoring components on the locomotives**

The audit observed that in accordance with the Corporation's fuel issue vouchers, locomotive engine-hour readings are required before dispensation of fuel from the fuel provider trucks.

The Authority found out that most of the locomotives did not have an engine hour reading unit that could help to determine service due and an audit trail for fuel consumption based on an engine hour.

Additionally, the odometers on most of the locomotives were damaged, which made it difficult to keep track of the kilometres covered to determine fuel usage on haulage.

#### **Implications**

The absence of functional fuel monitoring components undermines accountability and transparency in fuel management. It increases the risk of fuel misuse, inaccurate consumption records, and inefficiency in haulage operations. It also compromises preventive maintenance scheduling, leading to potential mechanical failures and higher operational costs.

#### **Management Response**

*Management takes note of the observation. There are plans to engage a provider for the provision of a fuel management system to track real-time fuel usage in locomotives and vessels, and also monitor fuel levels in the Fuel storage tanks. Management has also requested for support to repair and install OBCs on locomotives as a way of monitoring fuel usage.*

#### **Recommendations**

The Accounting Officer should:

- Repair or replace defective engine-hour units and odometers on locomotives to ensure accurate monitoring of fuel consumption and haulage performance.
- Integrate fuel monitoring components with the fuel management system to provide real-time data on fuel usage, kilometres covered, and engine hours.
- Enforce accountability by requiring fuel issue vouchers to be supported with verified engine-hour and odometer readings before fuel is dispensed.

### **2.5 Level of compliance in the use of accreditation granted by the Authority**

#### **2.5.1 Application of the accreditation**

The Authority reviewed the Entity's biannual accreditation status reports for the Financial Year 2023-24 and noted that the Entity had applied 50% of the ten accredited provisions of the PPDA accreditation of alternative procurement and disposal systems issued to the Corporation on 27<sup>th</sup> July 2023 and 2<sup>nd</sup> July 2024.

The Authority noted that the Corporation did not apply the accredited provisions listed below:

- i. Direct procurement of Mantra (U) Ltd for the supply of Caterpillar spare parts for engines;

- ii. Use of the direct procurement method without bidding and evaluation of bids of the International Register of Shippers for consultancy services for ship survey and certification;
- iii. Supplies for MV Kaawa engine spares and parts;
- iv. Machinery, plant and equipment for railway workshops; and
- v. Reduction of bidding periods to 10 working days and display of the Best Evaluated Bidder to five working days for procurement of fuel, lubricants and specialized items such as composite brake blocks, rails, sleepers, steel tyres and Gipson rings.

Furthermore, despite the Corporation applying the accreditations in Table 13 below, the Corporation experienced low bidder participation with an average of 1.5 bidders submitting bids and did not benefit from the efficiency that was envisaged in the accreditation due to unnecessary administrative delays at initiation of the procurements, delays in submissions to the Contracts Committee, delays in signing of contracts and delays in execution of contracts.

*Table 13: Accreditation provision implemented by the Corporation*

No.	Accredited Provisions Applied	PPDA Findings	Management Response
1.	Procurement of MTU spares for locos 73U32 and 73U33 worth UGX 225,120,000	<ul style="list-style-type: none"> <li>• Delayed display of the Notice of Best Evaluated Bidder on 24<sup>th</sup> September 2024 after Contracts Committee approval of the evaluation report and award of the contract on 12<sup>th</sup> September 2024.</li> <li>• Delayed request for approval of the draft contract by the Solicitor General on 16<sup>th</sup> October 2024, after expiry of the Notice of Best Evaluated Bidder on 7<sup>th</sup> October 2024.</li> <li>• Delayed signing of the contract on 22<sup>nd</sup> November 2024 after receipt of Solicitor General’s approval of the draft contract on 29<sup>th</sup> October 2024.</li> <li>• By the time the contractor sought an extension of time for delivery of the supplies by 90 days on 7<sup>th</sup> January 2025, the contract had expired on 22<sup>nd</sup> December 2024. The contract was eventually extended on 15<sup>th</sup> April 2025.</li> </ul>	<ul style="list-style-type: none"> <li>• <i>Management will observe statutory timelines in issuance of Contract committee decisions to the Head PDU for all procurement processes.</i></li> <li>• <i>Management will ensure that all processes are timely.</i></li> <li>• <i>The Accounting Officer was awaiting the availability of funds before committing the entity</i></li> <li>• <i>There has been a transition from a single contract manager to contract management teams.</i></li> <li>• <i>Management shall sanction the officers responsible by issuing warning letters.</i></li> </ul>

No.	Accredited Provisions Applied	PPDA Findings	Management Response
2.	Supply of spares for repair and restoration of locomotive 98U03 into operational service (URC/SUPLS/2023-24/00532) worth UGX 236,882,788.68	<ul style="list-style-type: none"> <li>• Low bidder participation: Only Sysmat Solutions (U) Ltd submitted a bid despite the invitation of nine bidders.</li> <li>• Delayed display of the Notice of Best Evaluated Bidder on 24<sup>th</sup> September 2024 after the Contracts Committee's award of contract on 12<sup>th</sup> September 2024.</li> <li>• Delayed signing of the contract on 22<sup>nd</sup> November 2024 after Solicitor General's clearance of the draft contract on 5<sup>th</sup> November 2024.</li> <li>• The contract period was 30 working days after signing of the contract on 22<sup>nd</sup> November 2024 i.e. 8<sup>th</sup> January 2025. On 9<sup>th</sup> January 2025, the provider, Sysmat Solutions (U) Ltd requested for a no-cost extension of the delivery period to 20<sup>th</sup> February 2025 as a result of delays in the manufacture of the supplies. This approval was granted on 14<sup>th</sup> January 2025. On 17<sup>th</sup> February 2025, the provider requested for another extension of the contract completion period by 24 days which was approved by the Accounting Officer on 20<sup>th</sup> February 2025. This implies that the revised contract completion period was 12<sup>th</sup> March 2025. The Authority noted from a review of the final progress on file that the last supplies were delivered on 10<sup>th</sup> June</li> </ul>	<ul style="list-style-type: none"> <li>• <i>This was due to delayed payments of the service providers.</i></li> <li>• <i>Management has improved on the image of the Corporation by paying all the arrears to the service providers.</i></li> <li>• <i>Management will observe statutory timelines in issuance of Contract committee decisions to Head PDU for all procurement processes.</i></li> <li>• <i>The Accounting officer was awaiting the availability of funds before committing the entity</i></li> <li>• <i>There has been a transition from a single contract manager to contract management teams.</i></li> <li>• <i>Management shall sanction the officers responsible by issuing warning letters.</i></li> </ul>

No.	Accredited Provisions Applied	PPDA Findings	Management Response
		2025 after expiry of the contract.	
3.	Procurement of repair services for the 98XXX class locomotive traction motors (URC/NCONS/2024-25/00105) worth UGX 26,786,000	The Entity did not report this procurement in its bi-annual reports.	<p><i>This procurement was reported in the June monthly report of FY 2024-25 to PPDA.</i></p> <p><i>The Authority noted the response but found that the Entity did not submit bi-annual reports on the use of the accreditation granted, although the procurement was included in the monthly reports.</i></p>
4.	Procurement of fuel	The Entity did not report this procurement in its bi-annual reports.	<p><i>This was reported in the monthly report. Going forward the Entity will capture these details in the bi-annual reports</i></p> <p><i>The Authority noted the response but found that the Entity did not submit bi-annual reports on the use of the accreditation granted, although the procurement was included in the monthly reports.</i></p>

### **Implication**

Failure to apply and report on the status of the accredited provisions hinders the Authority's ability to monitor and make modifications to the alternative procurement systems.

### **Recommendation**

The Accounting Officer should apply the PPDA accreditation of alternative procurement and disposal systems as granted and submit the biannual accreditation status report to the Authority before the end of the third quarter of FY 2025-26, with explicit areas for improvement where necessary.

### **2.5.2 Failure to submit bi-annual reports**

The accreditation issued by the Authority to the Entity on 27<sup>th</sup> July 2023, which was renewed on 30<sup>th</sup> July 2025, required that the Entity submit bi-annual reports on the use of the accreditation for alternative procurement and disposal methods and procedures and the Chief Government Valuer's report on assets for disposal.

The Authority noted that the Entity submitted reports on the use of the accreditation for alternative procurement and disposal methods and procedures, and the Chief Government Valuer's report on assets for disposal on 29<sup>th</sup> January 2025, but had not submitted any other reports since then.

**Implication**

Failure to submit bi-annual reports undermines regulatory oversight and accountability in the use of alternative procurement and disposal methods. It exposes the Entity to risks of non-compliance with accreditation conditions, weakens transparency in the disposal of public assets and could result in suspension or withdrawal of the accreditation by the Authority.

**Management Response**

*There has been capacity building of User Departments by conducting training in PPDA reporting of procurement procedures.*

**Recommendation**

The Accounting Officer should establish a mechanism to track and ensure the timely submission of bi-annual accreditation reports to the Authority.

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

### 3.1 Overall Performance Audit Conclusion

The performance of the Uganda Railways Corporation for the FY 2024/2025 was **moderately satisfactory**, with an overall weighted average risk rating of **48.27%**.

### 3.2 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 in Table 14 below:

*Table 14: Risk Computation*

Risk category	No.	No. %	Value (UGX)	Value %	Weights	Total weighted Average	
						By No.	By Value
High	4	26.67	696,263,788.00	14.33	0.6	16	8.60
Medium	5	33.33	2,826,713,020	58.17	0.3	10	17.45
Low	5	33.33	1,237,083,910	25.46	0.1	3.333333	2.55
Satisfactory	1	6.67	99,223,107	2.04	0	0	0.00
<b>Total</b>	<b>15</b>	<b>100</b>	<b>4,859,283,825</b>	<b>100</b>	<b>1</b>	<b>29.33</b>	<b>28.59</b>

$$\text{Weighted Average (By no.)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{29.33 \times 100}{60} = 48.89\%$$

$$\text{Weighted Average (By Value)} = \frac{\sum \text{Weighted Score}}{60} \times 100 = \frac{28.59 \times 100}{60} = 47.66\%$$

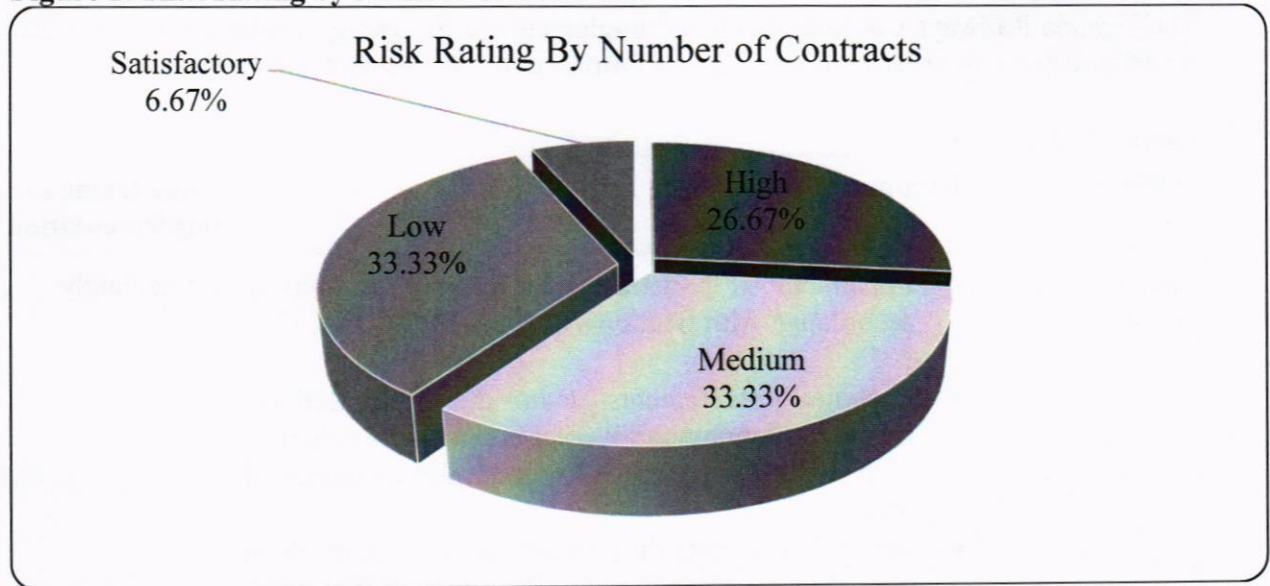
$$\text{The average weighted risk rating} = \frac{48.89 + 47.66}{2} = 48.27\%$$

The risk rating is as follows:

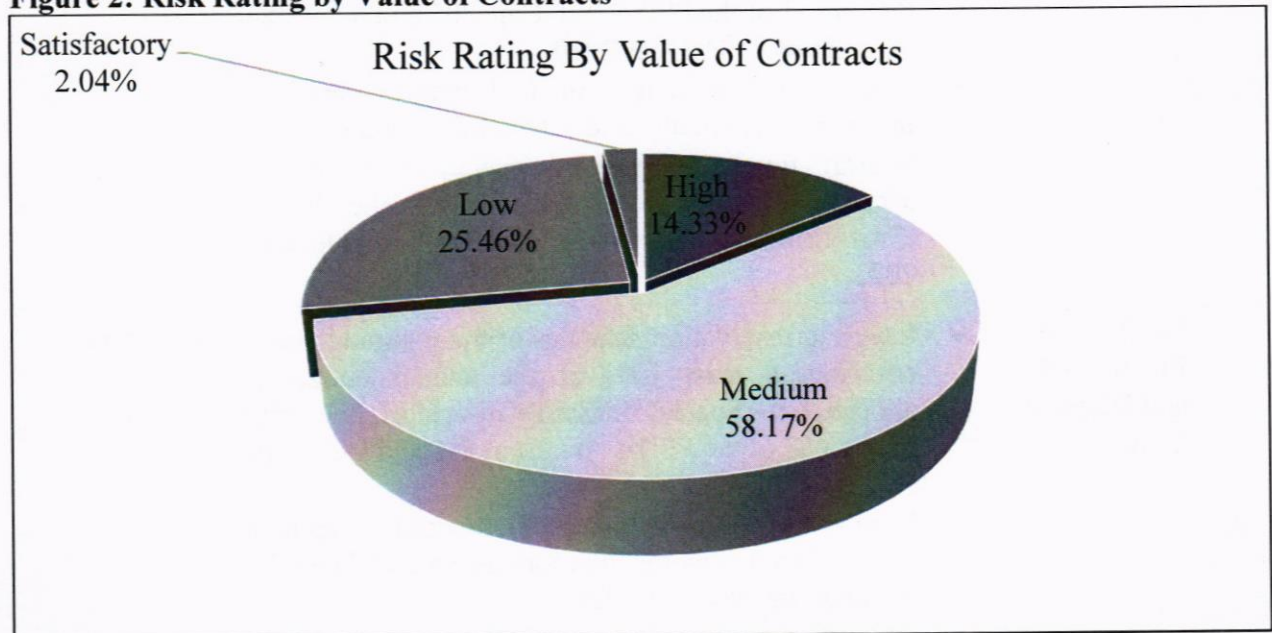
*Table 15: Risk Rating*

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

**Figure 1: Risk Rating by Number of Contracts**



**Figure 2: Risk Rating by Value of Contracts**



### 3.3 Recommended Action Plan

The Uganda Railways Corporation should implement the following recommendations within the timeframe given in order to improve its performance in Procurement and Disposal.

Table 16: Action plan

Origin	Recommended Action	Time frame for implementation
Accounting Officer	<ul style="list-style-type: none"> <li>• Implement all previous audit recommendations in accordance with Section 10 of the PPDA Act, Cap. 205.</li> <li>• Expedite procurements under the EAC Railway Rehabilitation Support Project in line with Section 51 of the PPDA Act, Cap. 205 to minimize commitment fees.</li> <li>• Review and update the procurement plan quarterly in accordance with Section 60 (7) and (8) of the PPDA Act, Cap. 205.</li> <li>• Minimize delays in confirming funding in line with Section 51 of the PPDA Act, Cap. 205 and the PS/ST Circular of 8<sup>th</sup> October 2010.</li> <li>• Ensure strict oversight of fuel management and institute reconciliations to safeguard resources.</li> <li>• Submit timely reports on accreditation use in accordance with Regulation 15 of the PPDA (Procuring and Disposing Entities) Regulations, 2023.</li> </ul>	Immediately
Head of the Procurement and Disposal Unit	<ul style="list-style-type: none"> <li>• Integrate reservation schemes at the planning stage, ensuring at least 15% of the annual budget is allocated to Special Interest Groups in line with Section 53 of the PPDA Act, Cap. 205 and Guideline No. 11 of 2024.</li> <li>• Ensure the micro-procurement method is applied only within thresholds in accordance with Clause 2.4 of Guideline No. 1 of 2024.</li> <li>• Strengthen preparation of solicitation documents to eliminate restrictive criteria and ambiguities in line with Regulation 34 (3) of the PPDA Regulations, 2023.</li> <li>• Ensure Evaluation Committees strictly adhere to criteria set out in solicitation documents in accordance with Regulation 7 of the PPDA (Evaluation) Regulations, 2023.</li> </ul>	Continuous

<b>Origin</b>	<b>Recommended Action</b>	<b>Time frame for implementation</b>
Contract Managers	<ul style="list-style-type: none"> <li>• Enforce contract timelines and apply liquidated damages for delays in accordance with Regulation 52 (3)(a)(vi) and Regulation 53 (1) of the PPDA (Contracts) Regulations, 2023.</li> <li>• Ensure performance guarantees are obtained before contract signing in line with Regulation 11 of the PPDA (Contracts) Regulations, 2023.</li> <li>• Prepare and submit contract management plans to the PDU in accordance with Regulations 51 and 52 of the PPDA (Contracts) Regulations, 2023.</li> <li>• Provide contract management reports to the PDU for central oversight in accordance with Section 28 of the PPDA Act, Cap. 205.</li> </ul>	Immediately

**APPENDIX 1: SAMPLE LIST FOR THE AUDIT OF UGANDA RAILWAYS CORPORATION FOR FY2024/25**

<b>No.</b>	<b>Procurement reference</b>	<b>Subject of procurement</b>	<b>Method of procurement</b>	<b>Provider</b>	<b>Contract Amount (UGX)</b>	<b>Risk Rating</b>
1.	URC/CONS/2023-2024/00276	Consultancy services for the review and advise on the works and supervision of rehabilitation works for MV Kaawa	Direct procurement	Dar es Salaam Merchant Group Limited	199,845,550	Low Risk
2.	URC/WRKS/2023-2024/00523	Rehabilitation works for MV Kaawa	Direct procurement	Seco Marine Uganda Limited	2,612,982,223	Medium Risk
3.	URC/WRKS/2023-2024/00404	Construction of guard houses at identified level crossing areas and sentry houses at Mukono ICD, Kampala and DPF	Request quotation for	Mercury Engineering Company Limited	126,555,000	High Risk
4.	URC/SUPLS/2023-2024/00532	Supply of spares for the repair of loco 98U03	Request quotation for	Sysmat Solutions Uganda Limited	236,882,788	High Risk
5.	URC/SUPLS/2024-2025/00167	Supply and install firewall equipment and accessories	Request quotation for	Orison Solutions Limited	97,444,137	Medium Risk
6.	URC/WRKS/2023-2024/00404	Construction of the triangle at Kyetume-Mukono	Restricted Domestic Bidding	National Housing and Construction Company	519,550,460	Low Risk
7.	URC/SUPLS/2024-2025/00073-01	Supply of materials for the rehabilitation of passenger coaches Lot 1	Request quotation for	Okavango Logistics Limited	107,706,000	High Risk
8.	URC/SUPLS/2024-2025/00073-02	Supply of materials for the rehabilitation of passenger coaches, Lot 2	Request quotation for	Wazibaz General Contractors and Designers Limited	54,462,900	Low Risk

No.	Procurement reference	Subject of procurement	Method of procurement	Provider	Contract Amount (UGX)	Risk Rating
9.	URC/SUPLS/2024-2025/00069	Supply of weed killer chemicals for controlling weeds along the railway line	Request quotation for	Atrix supplies and services limited	46,225,000	Low rISK
10.	URC/SUPLS/2024-2025/00057	Supply and install CCTV cameras at head office	Request quotation for	A&S Electronics Limited	27,879,860	Medium Risk
11.	URC/SUPLS/2024-2025/00155	Supply and install materials MV cable and repair of transformer at Nalukolongo workshop	Request quotation for	Inverse Associates Limited	53,406,800	Medium Risk
12.	URC/CONS/2024-25/00150	Consultancy services for the maintenance and support of the budgeting tool	Expression of interest without publication	Methaltech Limited	35,000,000	Medium Risk
13.	URC/SUPLS/2023-24/00518	Supply of MTU Engine Parts	Request quotation for	Mutsimoto Motor Company Limited	225,120,000	High Risk
14.	URC/CONS/2023-24/00440	Consultancy services to undertake environmental and social compliance audit for the Tororo – Gulu railway line	Expression of interest without publication	Velt Consult Limited	99,223,107	Satisfactory
15.	URC/DISPL/2023-2024/00001/08	Disposal of used materials at Kawoolo station	Disposal by public bidding through accreditation	Diamond Steel Uganda Limited	417,000,000	Low Risk
<b>TOTAL</b>					<b>4,859,283,825</b>	

**APPENDIX 2: RISK RATING CRITERIA**

<b>RISK</b>	<b>DESCRIPTION</b>	<b>AREA</b>	<b>IMPLICATION</b>
<b>HIGH</b>	Such procurements were considered to have serious weaknesses, which could cause material financial loss or carry a risk to the regulatory system or the entity's reputation. Such cases warrant immediate attention by senior management.  Significant deviations from established policies and principles and/or generally accepted industry standards will normally be rated "high".	<b>Planning:</b> Lack of or failure to procure within the approved plan	This implies emergencies and the use of the direct procurement method which affects competition and value for money.
		<b>Bidding Process:</b> Use of wrong/inappropriate procurement methods, failure to seek Contracts Committee approvals, and usurping the powers of the PDU.	This implies the use of less competitive methods which affects transparency, accountability, and value for money.
		<b>Evaluation:</b> Use of inappropriate evaluation methodologies or failure to conduct an evaluation.	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.
		<b>Record Keeping:</b> Missing procurement files and missing key records on the files namely; solicitation documents, submitted bids, evaluation report, and contracts.	This implies that one cannot ascertain the audit trail namely; whether there was competition and fairness in the procurement process.
		<b>Fraud/forgery:</b> Falsification of Documents	This implies lack of transparency and value for money.
		<b>Contract Management:</b> Payment for shoddy work or work not delivered.	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

<b>RISK</b>	<b>DESCRIPTION</b>	<b>AREA</b>	<b>IMPLICATION</b>
<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 is 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-qualified firms and splitting procurement requirements.	This implies lack of efficiency, standardisation and avoiding competition.
		<b>Procurement Structures:</b> Lack of procurement structures	This implies 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.	This leads to unjustified contract amendment and variations which lead to unjustified delayed contract completion and lack of value for money. Bidders are not given the right of appeal.
	Failure by the Entity to incorporate in the solicitation document aspects of gender, social inclusion, environment, health and safety.		

RISK	DESCRIPTION	AREA	IMPLICATION
		Aspects of gender, social inclusion, environment, health and safety not covered by the contractor during contract implementation.	
<b>LOW</b>	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 practice. Deviations from laid down detailed procedures would normally be graded "low" provided that there is sufficient evidence of management action to put in place and monitor compliance with detailed procedures.	<b>Planning:</b> Lack of procurement reference numbers.	This leads to failure to track the procurements which leads to poor record keeping.
		<b>Bidding Process:</b> Not signing the Ethical Code of Conduct	This leads to failure to declare conflict of interest and a lack of transparency.

**SATISFACTORY**

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.