PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY

"Regulating for Results"

CONTRACT AUDIT REPORT ON THE CONSTRUCTION OF COMMUNITY ACCESS ROADS UNDER COMPONENT 2 OF NATIONAL OIL SEEDS PROJECT OF THE MINISTRY OF LOCAL GOVERNMENT

JULY 2026

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ACRONYMS

BOU		Bank of Uganda
ESHS	-	Environmental, Social, Health and Safety
FY	-	Financial Year
GCC	-	General Conditions of Contract
IFAD	-	International Fund for Agricultural Development
MOFPED	-	Ministry of Finance, Planning and Economic Development
NOSP	-	National Oil Seeds Project
OFID	-	OPEC Fund for International Development
OPEC	-	Organization of the Petroleum Exporting Countries
PPDA	-	Public Procurement and Disposal of Public Assets Authority
REA	-	Rural Electrification Agency
SoRs	-	Statements of Requirements
UGX	-	Uganda Shillings
USD	-	United States Dollars

EXECUTIVE SUMMARY

The Government of Uganda through the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) and the Ministry of Local Government (MOLG) is implementing at 7 year National Oil Seeds Project. It is an IFAD/GoU funded project targeting oil seed production and its value chain development in Uganda. The IFAD loan is co-funded by other development partners, namely the OPEC Fund for International Development, Heifer International and Kuehne Stiftung Foundation. The project which is planned over a seven-year period, targets 120,000 smallholder households in six hubs country-wide. Within targeted households, the primary beneficiaries are women, men and youth involved in growing of oil seeds. Other partners are the processors, input suppliers, service providers, agents, traders, transporters, and financiers, scientific and academic researchers.

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted contract audits into the 11 contracts for National Oil Seeds Project (NOSP), worth UGX 16,902,696,494 shown in Table 4 below, with the overall objective of assessing the performance of the project.

The contract audit specifically focused on Component 2 of the National Oil Seeds Project (NOSP) implemented by the Project Implementation and Coordination Team of the Ministry of Local Government.

Component 2 encompassed 81 contracts on 121 roads in 11 Sub-Regions and six Area-Based hubs in areas that are optimal for oil seed production in the country. The audit sampled 21 roads (11 contracts) from three regional hubs, namely: Buganda, Bugisu and Bunyoro sub-regions.

The following are the key findings:

1 **Slow progress of works**

The Construction of 1,034 km of Community Access Roads (CARs) was scheduled to be implemented for a period of eight months after contract signature and site hand over. Most of the contracts sampled were signed between January, February and March 2025 with an expected completion date of August, September, October and November 2025, after which they would enter a defects liability period of 120 days (6 months).

Considering that the project became effective in July 2021, FY 2024/2025 represented the fourth year of implementation, thus 57% time covered. However, Component 2 commenced in June 2022, one year into implementation, which was in line with the project design. During the Financial Year 2024/25, Component 2 registered a slow progress with regards to civil works for construction/rehabilitation of 1,034 km of Community Access Roads where currently progress stands at 64% and financial performance at 119% as at the time of audit (December 2025).

Under the revised financial projection with IFAD for FY 2024/25, the projected expenditure was UGX 18,873,164,000 but actual expenditure was UGX 22,464,385,000.

At the time of the audit in October - December 2025, the audit noted that 81 contracts worth UGX 108,061,892,336 VAT Inclusive were under execution with contract periods beginning in December 2024 to June 2025, while one contract worth UGX 1,556,574,422 VAT Inclusive was under Notice of Intent to Award (NOITA) stage.

The slow progress was majorly due to weak contract management where some contractors demobilised without justifiable reasons and there were no reports on file to justify the absence of the contractors on site as revealed during physical verification.

The slow project performance may result into loss of donor trust and cost escalations as a result of inflation and project objectives may not be realized within the planned timeframe.

2 **Incomplete works**
A review of the contracts revealed incomplete works in Bukwo and Kikuube districts in two procurements worth UGX 3,776,025,296 contrary to Section 51 of the PPDA Act, Cap 205 and the contract terms. The incomplete works included a 3km of the connecting road works that were incomplete in Kikuube district while a bridge was not complete in Bukwo district. This denies service delivery to the intended beneficiaries. The details are outlined in Table 2 below:

Failure to complete projects within the established timeframes as per the contract provisions results into additional supervision and administrative costs, deterioration of already completed works and intended beneficiaries continue to lack access to the Community Access Roads.

3 **Delayed and outstanding payments to contractors**
The Authority observed that payments to contractors amounting to UGX 3,026,037,268 in four procurements were delayed and remained outstanding at the time of the audit in December 2025, contrary to Regulation 49(3) of the PPDA (Contracts) Regulations, 2023, which stipulates that; *"Payments for certified invoices must be made within thirty days, unless specified otherwise in the Special Conditions of the Contract"*.

The delays were attributed to delayed certification of works by the Supervising Engineers at the District levels and bureaucratic approval levels before payments are submitted to the Secretariat for processing.
Delayed processing and settlement of payments may lead to disruption of project implementation, increased contract costs due to interest claims, contractual disputes and adverse effect on the Entity's reputation in the market.

4 **Extension of the contract completion period against an expired contract**
The Authority noted that in the procurement for the construction of Sakiya - Bukhumeka/ Aswani – Busano Road (11.60 Km) in Mbale District by Continuum Engineering Ltd worth UGX 1,882,890,718, the contract expired on 31st August 2025 and was renewed on 14th November 2025 representing two and a half months after expiry of the original contract. The original contract was signed on 31st January 2025 for a contract period of eight months and it expired on 31st August 2025.

This further indicates that for a period of two and a half months from 1st September 2025 to 13th November 2025, the contractor executed works without a valid contract due to the delay by the Contract Manager to ensure that the contract is renewed on time contrary to Regulation 52 (3) (a) (iv) and (vi) of the PPDA (Contracts) Regulations, 2023.

Performance of works on an expired contract may expose the Entity to legal and contractual disputes, creates uncertainty regarding the enforceability of contractual obligations.

5 **Failure to conduct due diligence on performance security submitted**

The Authority noted that the Entity did not conduct due diligence on the performance security submitted by the contractors in two procurements worth UGX 2,907,442,430 namely; Mumpanga - Nakataka - Kyalusaka Road; 6.25 KM and Kitaleeba - Rukooge Road; 4.20 Km in Nakasongola District; and Sakiya - Bukhumeka/ Aswani – Busano Road; 11.60 Km in Mbale District, contrary to circular referenced FAD 154/308/01 from the Ministry of Finance, Planning and Economic Development on conducting due diligence on the information submitted by bidders dated 7th August 2014. The procurements are listed below in Table 4.

This Entity risks relying on forged, expired, or unauthorized performance securities leaving it without effective financial protection.

6 **Missing contract management records**

The Authority noted that in two procurements worth UGX 2,557,249,228, namely; Construction of Lwamahungu - Kalagala - Kakoona Road; 22.2 KM in Nakaseke District by Muga Services Limited worth UGX 1,532,697,516 and Construction of Mumpanga - Nakataka - Kyalusaka Road; 6.25 KM and Kitaleeba - Rukooge Road; 4.20 Km in Nakasongola District by STRUCON Limited worth UGX 1,024,551,712 the action file lacked contract management records such as; monthly progress reports, measurement sheets, launch, implementation, dispute resolution and site meeting minutes contrary to Regulation 52 (3) (a) and 52 (3) (g) of the PPDA (Contracts) Regulations, 2023 which provide that *"a Contract Manager shall ascertain that all contract management records are kept and archived as required and submit monthly reports on the progress of the contract to the Accounting Officer and to the Procurement and Disposal Unit"*.

Failure to maintain contract management records limits accountability, impairs effective contract monitoring, hinders audit verification, and increases the risk of disputes and loss of institutional knowledge.

7 **Failure to require submission of performance security**

The Authority noted that in two procurements namely; Construction of Kikoboza - Makukulu - Muhwiju - Kiryamba Road; 6.25km with a Bridge and Kitagasa - Kyaisamba - Rwabasande Road; 7.2 km in Kikuube District and Construction of Lwamahungu - Kalagala - Kakoona Road; 22.2 KM in Nakaseke District worth UGX 3,369,063,555, the contractors did not submit the performance securities required prior to contract signing as stated in the bidding documents contrary to Regulation 12 (1) (a) of the PPDA (Contracts) Regulations, 2023 which provide that *"A contract shall become effective as specified in the contract upon the Procuring and Disposing Entity receiving the performance security or the performance securing declaration."* In addition, SCC 38.1 under GCC 38 required the contractor to submit a performance security worth 10% of the contract value in the form of ***"Unconditional Bank Guarantee"*** not later than the date specified in the letter of acceptance, and shall be valid until a date 28 days from the date of issue of the defects liability certificate.

Failure to enforce a contractual requirement to submit a performance security exposes the Entity to financial risk, weakens contract administration controls, and may result in delayed execution of road works.

8 **Failure by the contractor to plant trees on the road side as provided for in the contract**

Bill 6 under the Bill of Quantities in the contract stated the preliminary and general items, item 6.8 provided for planting of water trees and other approved trees at 20m spacing on both sides, and maintaining them during the defects liability period. During physical verification, the Authority noted that in the procurement for construction of Lwamahungu - Kalagala - Kakoona Road (22.2 km) in Nakaseke District by Muga Services Limited worth UGX 1,532,697,516, the contractor did not plant trees on the road side as provided for in the contract.

Failure to plant trees as required in the contract exposes the project to environmental degradation, reduced sustainability benefits, potential financial loss and reputational risks to the Entity.

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

1. The Accounting Officer should:
   i. Regularly monitor contractor performance against contractual obligations, prepare regular progress reports highlighting delays, causes and mitigation measures such that all the project deliverables are completed by the end of the project period in June 2028 (FY 2027/2028);
   ii. Pay service providers promptly within the days stipulated in the Special Conditions of the Contract and Regulation 49 (3) of the PPDA (Contracts) Regulations 2023;
   iii. Task the contractors to complete the works or be suspended in accordance with Regulation 56 (4) of PPDA (Contracts) Regulations, 2023;
   iv. Prevail over Contract Managers to always conduct due diligence on all the securities submitted by bidders in accordance with the circular referenced FAD 154/308/01 from the Ministry of Finance Planning and Economic Development on conducting due diligence on the information submitted by bidders dated 7th August 2014;
   v. should prevail over the contract Managers to liaise with contractors such that the defects noted during physical verification contained in Table 9 are corrected before expiry of the defects liability period; and,
   vi. Align internal approval processes in a way that facilitates faster tracking of payments and prevail over Contract Managers to ensure timely certification of completed works and settle contractors' payments in accordance with Regulation 49 (3) of the PPDA (Contracts) Regulations, 2023.

2. The Contract Managers should:
   i. Work closely with the contractors such that the project is completed within the contract period in accordance with Regulations 52(1)(a)(b), and Regulation 52 (3)(a) of the PPDA (Contracts) Regulations, 2023;
   ii. Prepare contract implementation schedules, conduct monthly performance reviews and document all contract monitoring activities to facilitate timely intervention to address identified delays in accordance with Regulations 52(1)(a)(b), and Regulation 52 (3)(a) of the PPDA (Contracts) Regulations, 2023;
   iii. Closely monitor contract validity periods and ensure that requests for extension of contract performance periods are obtained from contractors before expiry where execution cannot be concluded within the original timeframe in accordance with Regulation 52 (3) (a) (iv) and (vi) of the PPDA (Contracts) Regulations, 2023;
   iv. Always confirm that all contractual conditions precedent to contract implementation, including submission of a performance security, are fulfilled before commencement of performance. In addition, contract performance should be continuously monitored and appropriate contractual remedies applied in cases of non-performance or delayed performance; and,

v. Enforce contractual compliance by directing the contractor to plant trees, verify completion before certifying works and strengthen monitoring controls to curb recurrence.

3. The Head, Procurement and Disposal Unit should establish and enforce a records management system to ensure that all contract management documentation is properly maintained, filed, and archived throughout the procurement lifecycle. Periodic file reviews should be conducted to confirm completeness and compliance with record-keeping requirements.

CHAPTER 1: INTRODUCTION

1.1 Background

The National Oil Seeds Project is an IFAD/GoU funded project targeting oil seed production and its value chain development in Uganda. The IFAD loan is co-funded by other development partners, namely the OPEC Fund for International Development, Heifer International and Kuehne Stiftung Foundation. The project which is planned over a seven-year period, targets 120,000 smallholder households in six hubs country-wide. Within targeted households, the primary beneficiaries are women, men and youth involved in growing of oil seeds. Other partners are the processors, input suppliers, service providers, agents, traders, transporters, and financiers, scientific and academic researchers.

NOSP Goal is ***"Inclusive rural transformation through sustainable development of the Oil Seeds sector"***

The Development Objective is to ***"accelerate commercialization in key oil seeds value chains and thereby improve the livelihoods and resilience of the small holder farmers engaged in oil seeds production and marketing"***

Specific Objectives

i) To facilitate the private sector-led growth of competitive, inclusive value chains for priority oil seeds and their associated support markets.

ii) To improve local-level public transportation infrastructure to facilitate the commercialization of the oil seed sector.

The Project has two major Components i.e., Component 1 that emphasizes support to value chain development and Component 2 that supports market infrastructures serving the oil seeds sector.

1.1.1 Project Financing

The project cost is $160.68 million contributed as follows:

- IFAD - $ 99.56 million;
- OPEC Fund for International Development (OFID) - $ 30 million;
- Heifer International- $ 6.15 million;
- Kuehne Stiftung Foundation- $ 0.0013 million;
- GoU committed to contribute- $ 14.3 million;
- Private Sector contributions- $ 4.8 million; and
- Beneficiaries - $ 5.8 million.

1.1.2 Financial progress

The overall budget performance was 119% at the end of the Financial Year 2024/2025. The excess absorption on External Financing (IFAD & OPEC Fund) was as a result of intensive supervision of works which resulted into more certifications than had been anticipated.

Under the revised financial projection with IFAD for FY 2024/25, the projected expenditure was UGX 18,873,164,000 but actual expenditure was UGX 22,464,385,000 which represents 119% performance as shown in Table 1 below:

Table 1: Budget performance by Financier

FINANCIER	BUDGET	ACTUAL	BUDGET	ACTUAL	Actual % of Execution
	UGX (000)	**UGX (000)**	**USD**	**USD**	
IFAD	11,861,814	12,910,867	3,121,530	3,552,751	108.8%
OPEC FUND	6,410,451	8,979,321	1,686,961	2,362,979	140.1%
GOU	600,899	574,197	158,131	157,314	95.6%
Total	**18,873,164**	**22,464,385**	**4,966,622**	**6,073,045**	**119%**

1.1.3 Disbursement

Cumulative disbursement under IFAD and OPEC Fund are USD 8,408,958 (26.9%) and USD 2,500,000 (8.3%) respectively, as shown in Table 2 below:

Table 2: Cumulative Loan Performance by Category (C2) Since July 2022- June 2025 IFAD

Category	Category description	Loan Allocation (USD)	C2 Allocation	Disbursement (USD)	%	Balance (USD)
270001	270001: Authorised allocation					
270002	270002: Authorised allocation 2			2,300,659.6		(2,300,659.58)
200003:	Works	22,960,000	22,960,000	2,265,677	9.9%	20,694,323.03
200013	Goods, services and inputs	38,098,000	5,155,370	1,469,909.5	28.5%	36,628,090.57
200019	Trainings and Workshops	10,284,000		-		10,284,000.00
200012	Grants and Subsidies	8,639,000				8,639,000.00
200016	Operating costs	9,623,000	3,207,000	2,372,714.8	74%	7,250,285.24
290001:	Unallocated	9,956,000				9,956,000.00
	Total	**99,560,000**	**31,322,370**	**8,408,961**	**26.9%**	**91,151,039.25**

1.1.4 Implementation Arrangements

NOSP is implemented across eleven Sub-Regions and six Area-Based hubs in areas that are optimal for oil seed production. Four hubs (West Nile, Gulu, Lira and Eastern Uganda) were established during the Vegetable Oil Development Project II (VODP2), and 2 Hubs (Mid-Western and Karamoja) are to be up-scaled.

The Project Implementation Coordination Team (PICT) is responsible for implementation of Component 2 – Support to Market Linkage Infrastructure Serving Oil Seed Sector. The main objective of the component is ***"to improve local level public transportation infrastructure to facilitate the commercialization of the oil seed sector"***

The component will encourage private sector investments, promote production and marketing of good quality oil seeds and reduce the time and cost of transport to the markets, through improved Community Access Roads with Ministry of Local Government working in partnership with District Local Governments.

1.2 Main Audit Objective

The Public Procurement and Disposal of Public Assets Authority (PPDA) conducted contract audits of eleven contracts under the National Oil Seeds Project within the Ministry of Local Government with the overall objective of assessing the performance of the contracts and establishing the current performance. The audit focused on eleven ongoing contracts in Table 4 below.

The specific objectives for undertaking the contract audit were to:

1. Establish the contractor's progress against the contractual timelines and identify any delays;
2. Review contract payments to ensure alignment with the payment structures in the contract; and identify any cost overruns;
3. Analyse if project is on track to achieve the intended objectives based on the current progress; and
4. Assess adherence to Environmental, Social, Health and Social safeguards (ESHS) and Local Content requirements during contract implementation.

1.3 Methodology

The Authority adopted the following methodology during the contract audit:

i. Document review including review of contracts, progress reports, Interim Payment Certificates and other correspondences relating to contract management for the contracts listed in Table 4;
ii. Physical verification of the sites;
iii. Debriefing the Entity's management on the preliminary findings from the audit;
iv. Issuing a management letter to the Entity for an official management response; and
v. Reporting on findings from the contract audit and providing recommendations.

1.4 Contract Audit Scope

The contract audit covered eleven contracts for National Oil Seeds Project worth UGX 16,902,696,494. The audit focused on the contract management stage of the procurement process for these contracts. The summary of the 4 audited contracts including the scope is shown in Table 3 below:

Table 3: Audited Contracts

NO.	DISTRICT	ROAD	DISTANCE (KM)	CONTRACTOR	CONTRACT AMOUNT (UGX)
1.	Nakaseke	Lwamahungu - Kalagala - Kakoona Road	22.2	Muga Services Ltd	1,532,697,516

NO.	DISTRICT	ROAD	DISTANCE (KM)	CONTRACTOR	CONTRACT AMOUNT (UGX)
2.	Kyankwanzi	Misago - Kaswa - Kabanyi Road	6.62	Muga Services Ltd	2,016,080,150
3.		Banda - Rwemiganda Road	5.50		
4.		Banda - Kamutika - Mai Road	8.80		
5.	Nakasongola	Mumpanga - Nakataka - Kyalusaka Road	6.25	STRUCON Limited	1,024,551,712
6.		Kitaleeba - Rukooge Road	4.20		
7.	Kiboga	Kyerima - Nakasigga - Nakasengere Road	4.80	Ruwangananyama Engineering Services Ltd	1,780,348,217
8.		Kalengera - Magoba - Bulo - Magala Road	3.20		
9.		Nyamiringa - Kyankwanzi Boarder Road	10.90		
10.	Bukwo	Yovan Mukebi – Kopchai	3.60	Build Base Associates (U) Ltd	1,939,659,257
11.	Mbale	Sakiya - Bukhumeka/ Aswani - Busano	11.60	Continuum Engineering Ltd	1,882,890,718
12.	Namisindwa	Bumbo TC - Bumwali - Bupoto - Maela - Khamithero	9.00	Musana Nathan & Company Ltd	1,145,900,624
13.	Hoima	Kabahwa - Kyeramya - Kiryawanga Road	5.80	Ken Fields Services Ltd	1,326,618,492
14.		Hanga - Aliwala - Iseisa Road	7.80		

NO.	DISTRICT	ROAD	DISTANCE (KM)	CONTRACTOR	CONTRACT AMOUNT (UGX)
15.	Kikuube	Kikoboza - Makukulu - Muhwiju - Kiryamba Road with a Bridge	6.24	Victoria Enviros Consults Ltd	1,836,366,039
16.		Kitagasa - Kyaisamba - Rwabasande Road (7.2Km)	7.20		
17.	Kiryadongo	Barundugu - Ogengo - Labolongo Road	10.20	Tic Lokere Enterprises Ltd	871,449,907
18.	Masindi	Kyandagi - Kyamaiso - Rwenjonjo - Rwenziramire Road	8.25	NATO Engineering Company Ltd	1,546,133,862
19.		Kiruli - Kisasa Road	2.80		
20.		Kyababyara - Nyakabale Road	1.45		
21.		Nyakarongo - Nyakatiti	1.10		
	Total				**16,902,696,494**

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

The Authority noted the following exceptions pertaining to the construction of Community Access Roads under Component 2 of the National Oil Seeds Project from the contract audits based on the objectives of the exercise:

2.1. Achievement of value for money during contract implementation (Time, Quality and Cost)

2.1.1 Slow progress of works

The Construction of 1,034 km of Community Access Roads (CARs) was scheduled to be implemented for a period of eight months after contract signature and site hand over. Most of the contracts sampled were signed between January, February and March 2025 with an expected completion date of August, September, October and November 2025, after which they would enter a defects liability period of 120 days (6 months).

Considering that the project became effective in July 2021, FY 2024/2025 represented the fourth year of implementation, thus 57% time covered. However, Component 2 commenced in June 2022, one year into implementation, which was in line with the project design. During the Financial Year 2024/25, Component 2 registered a slow progress with regards to civil works for construction/rehabilitation of 1,034 km of Community Access Roads where currently progress stands at 64% and financial performance at 119.0% as at the time of audit (December 2025).

Under the revised financial projection with IFAD for FY 2024/25, the projected expenditure was UGX 18,873,164,000 but actual expenditure was UGX 22,464,385,000.

At the time of the audit in October - December 2025, the audit noted that 81 contracts worth UGX 108,061,892,336 VAT Inclusive were under execution with contract periods beginning in December 2024 to June 2025, while one contract worth UGX 1,556,574,422 VAT Inclusive was under Notice of Intent to Award (NOITA) stage.

The slow progress was majorly due to weak contract management where some contractors demobilised without justifiable reasons and there were no reports on file to justify the absence of the contractors on site as revealed during physical verification.

Implication

The slow project performance may result into loss of donor trust and cost escalations as a result of inflation and project objectives may not be realized within the planned timeframe.

<u>Management Response</u>

Management acknowledged the Authority's observations and stated that:

- *The Project lost one year of implementation due to Covid 19 and commenced implementation in June 2022. Since then, the Project has made significant progress by completing signing of 82 contracts equivalent to 1,034 kms out of the 2,500 kms projected and one bridge. The majority of these roads have been completed and handed over.*
- *The remaining activities will be fully implemented by the end of FY 2027/2028.*

Recommendation

The Accounting Officer and the Project Managers should regularly monitor contractor performance against contractual obligations, prepare regular progress reports highlighting delays, causes and mitigation measures such that all the project deliverables are completed by the end of the project period in June 2028 (FY 2027/2028).

2.1.2 Incomplete works

The Authority noted that at the time of physical verification in Bukwo and Kikuube districts in December 2025, works were incomplete in two procurements worth UGX 3,776,025,296, contrary to Section 51 of the PPDA Act Cap 205 as indicated in Table 4 below:

Table 4: Procurements with Incomplete Works

No.	Subject of Procurement	Contractor	Contract Value (UGX)	Contract period	Incomplete Works
1.	Construction of Kikoboza - Makukulu - Muhwiju - Kiryamba Road; 6.25km with a Bridge and Kitagasa - Kyaisamba - Rwabasande Road; 7.2 km in Kikuube District	Victoria Enviros Consults Ltd	1,836,366,039	The contract was signed on 24th February 2025, the site was handed over on 10th March 2025 and the completion date was 10th November 2025.	3km of the connecting road works were incomplete and this was attributed to lapses in contract management which resulted into periods of no activity on site after contract commencement without justifiable reasons.
2.	Construction of Yovan Mukebi – Kopchai; 3.60 Km in Bukwo District	Build Base Associates (U) Ltd	1,939,659,257	The contract was signed on 16th December 2024, the site was handed over on 30th December 2024 and the completion date was 30th August 2025.	The bridge had not been completed. Only the wing walls were under construction at the time of physical verification.
	Total		**3,776,025,296**		

Implication

Failure to complete projects within the established timeframes as per the contract provisions results into additional supervision and administrative costs, deterioration of already completed works and intended beneficiaries continue to lack access to the Community Access Roads.

Management Response

Management acknowledged the Authority's observation and stated that the contractors; (Victoria Environs and Build Base Associates U Ltd) for Kikuube and Bukwo, respectively, *were engaged and the works have since progressed. Bukwo has been completed while Kikuube is substantially completed.*

Authority's comment:

The Authority noted the management response but there was no documentary and photographic evidence to substantiate it.

Recommendations

- The Accounting Officer should task the contractor to complete the works or be suspended in accordance with Regulation 56 (4) of PPDA (Contracts) Regulations, 2023.
- Contract Managers should prepare contract implementation schedules, conduct monthly performance reviews and document all contract monitoring activities to facilitate timely intervention to address identified delays in accordance with Regulations 52(1)(a)(b), and Regulation 52 (3)(a) of the PPDA (Contracts) Regulations, 2023.

2.2. Overall management of projects in accordance with each party's obligations

Obligations of the Entity

2.2.1. Extension of contract completion period against an expired contract

The Authority noted that in the procurement for the construction of Sakiya - Bukhumeka/ Aswani – Busano Road (11.60 Km) in Mbale District by Continuum Engineering Ltd worth UGX 1,882,890,718, the contract expired on 31st August 2025 and was renewed on 14th November 2025 representing two and a half months after expiry of the original contract. The original contract was signed on 31st January 2025 for a contract period of eight months and it expired on 31st August 2025.

This further indicates that for a period of two and a half months from 1st September 2025 to 13th November 2025, the contractor executed works without a valid contract due to the delay by the Contract Manager to ensure that the contract is renewed on time contrary to Regulation 52 (3) (a) (iv) and (vi) of the PPDA (Contracts) Regulations, 2023.

Implications

- The renewal of the contract was effected through a non-existent contract and was thus null and void.
- Performance of works on an expired contract may expose the Entity to legal and contractual disputes and creates uncertainty regarding the enforceability of contractual obligations.

Management Response

Management acknowledged the Authority's observation and stated that the Accounting Officer and Contract Manager for Mbale DLG have been notified accordingly. In addition, the Project is continuing with sensitization workshops for all district Project Support Officers and contractors. One workshop has been held to this effect and a second one scheduled for May 2026, to ensure that all outstanding issues are resolved and works completed.

Authority's comment:

The Authority noted the management response but there was no evidence submitted to show that the workshop was organized and completed.

Recommendation

Contract Managers should closely monitor contract validity periods and ensure that requests for extension of contract performance periods are obtained from contractors before expiry where execution cannot be concluded within the original timeframe in accordance with Regulation 52 (3) (a) (iv) and (vi) of the PPDA (Contracts) Regulations, 2023.

2.2.2. Failure to conduct due diligence on performance security submitted

The Authority noted that the Entity did not conduct due diligence on the performance security submitted by the contractors in two procurements worth UGX 2,907,442,430 contrary to circular referenced FAD 154/308/01 from the Ministry of Finance, Planning and Economic Development on conducting due diligence on the information submitted by bidders dated 7th August 2014. The procurements are listed below in Table 5:

Table 5: Procurements without due diligence on performance security submitted

No.	Subject of Procurement	Contractor	Contract Value (UGX)	Performance security value (UGX)
1.	Construction of Mumpanga - Nakataka - Kyalusaka Road; 6.25 KM and Kitaleeba - Rukooge Road; 4.20 Km in Nakasongola District	STRUCON Limited	1,024,551,712	102,455,171
2.	Construction of Sakiya - Bukhumeka/ Aswani – Busano Road; 11.60 Km in Mbale District	Continuum Engineering Ltd	1,882,890,718	188,289,071
	Total		**2,907,442,430**	

Implication

This Entity risks relying on forged, expired, or unauthorized performance securities leaving it without effective financial protection.

Management Response

Management noted the Authority's observation and stated that the securities were verified and the corresponding Bank of Uganda reports are on file for review by the Authority.

Authority's comment:

The Authority noted the management response but there was no evidence to substantiate it.

Recommendation

The Accounting Officer should prevail over Contract Managers to always conduct due diligence on all the securities submitted by bidders in accordance with the circular referenced FAD 154/308/01 from the Ministry of Finance Planning and Economic Development on conducting due diligence on the information submitted by bidders dated 7th August 2014.

2.2.3. Delayed and outstanding payments to contractors

The Authority observed that payments to contractors amounting to UGX 3,026,037,268 in four procurements were delayed and remained outstanding at the time of the audit in December 2025, contrary to Regulation 49(3) of the PPDA (Contracts) Regulations, 2023, which stipulates that; *"Payments for certified invoices must be made within thirty days, unless specified otherwise in the Special Conditions of the Contract"*.

The delays were attributed to delayed certification of works by the Supervising Engineers at the District levels and bureaucratic approval levels before payments are submitted to the Secretariat for processing. The details are outlined in Table 6 below:

Table 6: Outstanding Payments

No.	Subject of Procurement	PPDA Finding	Outstanding Payment (UGX)
1.	Construction of Lwamahungu - Kalagala - Kakoona Road; 22.2 KM in Nakaseke District by Muga Services Limited worth UGX 1,532,697,516	• Delayed payment to the contractors.	1,532,697,516
2.	Construction of Sakiya - Bukhumeka/ Aswani – Busano Road; 11.60 Km in Mbale District by Continuum Engineering Ltd worth UGX 1,882,890,718	The Interim Payment Certificate (IPC) prepared on 12th June 2025 worth UGX 468,788,040 had not been paid at the time of audit in December 2025.	468,788,040
3.	Construction of Mumpanga - Nakataka - Kyalusaka Road; 6.25 KM and Kitaleeba - Rukooge Road; 4.20 Km in Nakasongola District by STRUCON Limited worth UGX 1,024,551,712	At the time of physical verification in December 2025, works had been completed, pending payment.	632,798,204
4.	construction of Mumpanga - Nakataka - Kyalusaka Road; 6.25 KM and Kitaleeba - Rukooge Road; 4.20 Km in Nakasongola District by STRUCON Limited worth UGX 1,024,551,712	The audit revealed delayed payment by two months as the Interim Payment Certificate prepared on 13th June 2025 worth UGX 391,753,508 was paid in August 2025, as at December 2025.	391,753,508
	TOTAL		**3,026037,268**

Implication

Delayed processing and settlement of payments may lead to disruption of project implementation, increased contract costs due to interest claims, contractual disputes and adverse effect on the Entity's reputation in the market.

Management Response

Management acknowledged the Authority's observation and stated that:

- *There is a lot bureaucracy in terms of the required steps and approval levels before a certificate reaches the Project Secretariat for payment. Some of the delays come from the districts during the certification of the works. The Project is working hard to ensure that the payments are made promptly, in the circumstances.*
- *These were invoices submitted towards end of FY and could not be paid by 30th June. There was a delay to re-open the IFMIS at the beginning of the new financial year and warranting of the new funds, thus occasioning the delays.*
- *The certificates have since been paid and the records are available for review.*
- *Nakaseke has been paid 65% of the contract value.*
- *Nakasongola has since been paid and the total payments to date stand at 72% of the*

Authority's comment:

The Authority noted the management response but there was no evidence to substantiate it.

Recommendation

The Accounting Officer should align internal approval processes in a way that facilitates faster tracking of payments and prevail over contract managers for timely certification of completed works and settle contractors' payments in accordance with Regulation 49 (3) of the PPDA (Contracts) Regulations, 2023.

2.2.4. Missing contract management records

The Authority noted that in two procurements worth UGX 2,557,249,228, the action file lacked contract management records such as; monthly progress reports, measurement sheets, launch, implementation, dispute resolution and site meeting minutes contrary to Regulation 52 (3) (a) and 52 (3) (g) of the PPDA (Contracts) Regulations, 2023 which provide that *"a Contract Manager shall ascertain that all contract management records are kept and archived as required and submit monthly reports on the progress of the contract to the Accounting Officer and to the Procurement and Disposal Unit"*, as shown in Table 7 below:

Table 7: Missing Contract Management Records

S/no	Subject of Procurement	Missing Records	Contract Value (UGX)
1.	Construction of Lwamahungu - Kalagala - Kakoona Road; 22.2 KM in Nakaseke District by Muga Services Limited worth UGX 1,532,697,516	• Measurement sheets. • Progress reports. • Contract management records • Payment records	1,532,697,516
2.	Construction of Mumpanga - Nakataka - Kyalusaka Road; 6.25 KM and Kitaleeba - Rukooge Road; 4.20 Km in Nakasongola District by STRUCON Limited worth UGX 1,024,551,712	• Launch and implementation, dispute resolution minutes are not on file. • There were no site meeting minutes on file.	1,024,551,712
	TOTAL		**2,557,249,228**

Implication
Failure to maintain contract management records limits accountability, impairs effective contract monitoring, hinders audit verification, and increases the risk of disputes and loss of institutional knowledge.

Management Response
Management acknowledged the Authority's observation and stated that:
- *All these documents are submitted together with payment requests/invoices and are available with the district contract managers for review.*
- *Specifically, no invoice can be paid without accompanying certified measurement sheets.*

Authority's comment:
The Authority noted the management response but there was no evidence to substantiate it.

Recommendation
The Head PDU should establish and enforce a records management system to ensure that all contract management documentation is properly maintained, filed, and archived throughout the procurement lifecycle. Periodic file reviews should be conducted to confirm completeness and compliance with record-keeping requirements.

Obligations of the Contractor

2.2.5. Failure to submit performance security
Regulation 12 (1) (a) of the PPDA (Contracts) Regulations, 2023 provide that, "A contract shall become effective as specified in the contract upon the Procuring and Disposing Entity receiving the performance security or the performance securing declaration. SCC 38.1 under GCC 38 required the contractor to submit a performance security worth 10% of the contract value in the form of ***"Unconditional Bank Guarantee"*** not later than the date specified in the letter of acceptance, and shall be valid until a date 28 days from the date of issue of the defects liability certificate.

The Authority noted that in two procurements worth UGX 3,369,063,555, the contractors did not submit performance security required prior to contract signing as stated in the bidding documents contrary to Regulation 12 (1) (a) of the PPDA (Contracts) Regulations, 2023 as shown in Table 8 below;

Table 8: Procurements without Performance Securities

No.	Subject of Procurement	Contractor	Contract Value (UGX)	Performance security value (UGX)
1.	Construction of Kikoboza - Makukulu - Muhwiju - Kiryamba Road; 6.25km with a Bridge and Kitagasa - Kyaisamba - Rwabasande Road; 7.2 km in Kikuube District	Victoria Enviros Consults Limited	1,836,366,039	183,636,604
2.	Construction of Lwamahungu - Kalagala	Muga Services Limited	1,532,697,516	153,269,751

No.	Subject of Procurement	Contractor	Contract Value (UGX)	Performance security value (UGX)
	- Kakoona Road; 22.2 KM in Nakaseke District			
	Total		**3,369,063,555**	

Implication
Failure to enforce a contractual requirement to submit a performance security exposes the Entity to financial risk, weakens contract administration controls, and may result in delayed execution of road works.

Management Response
Management acknowledged the Authority's observation and stated that:
- *The performance securities were submitted and verified with Bank of Uganda and copies are attached for verification.*
- *Nakaseke has since been completed.*
- *Kikuube has made substantial progress to more than 70% of the physical completion.*

Authority's comment:
The Authority noted the management response but there was no evidence to substantiate it.

Recommendation
The Contract Manager should always confirm that all contractual conditions precedent to contract implementation, including submission of performance security, are fulfilled before commencement of performance. In addition, contract performance should be continuously monitored and appropriate contractual remedies applied in cases of non-performance or delayed performance.

2.3. Assess the adherence to Environmental, Social, Health and Safety (ESHS) requirements

2.3.1. Failure by the contractor to plant trees on the road side as provided for in the contract

Bill 6 under the Bill of Quantities in the contract stated the preliminary and general items, item 6.8 provided for planting of water trees and other approved trees at 20m spacing on both sides, and maintaining them during the defects liability period. During physical verification, the Authority noted that in the procurement for construction of Lwamahungu - Kalagala - Kakoona Road; 22.2 KM in Nakaseke District by Muga Services Limited worth UGX 1,532,697,516, the contractor did not plant trees on the road side as provided for in the contract.

Implication
Failure to plant trees as required in the contract exposes the project to environmental degradation, reduced sustainability benefits, potential financial loss and reputational risks to the Entity.

Management Response
Management acknowledged the Authority's observation and stated that the contractor was waiting for the rains and once the rains came, the trees were planted. A certificate of compliance was issued to that effect.

Authority's comment:
The Authority noted the management response but there was no documentary and photographic evidence to substantiate it.

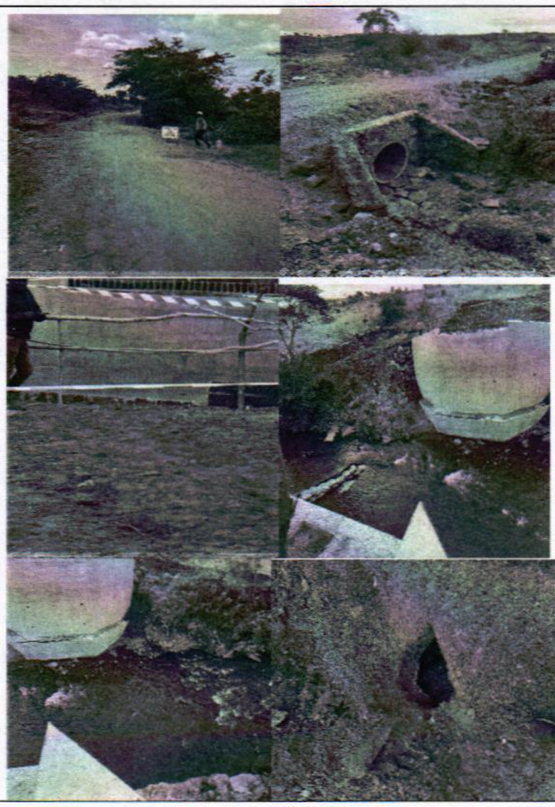
Recommendation
The Contract Manager should enforce contractual compliance by directing the contractor to plant trees, verify completion before certifying works and strengthen monitoring controls to curb recurrence.

2.4. Physical Verification Findings

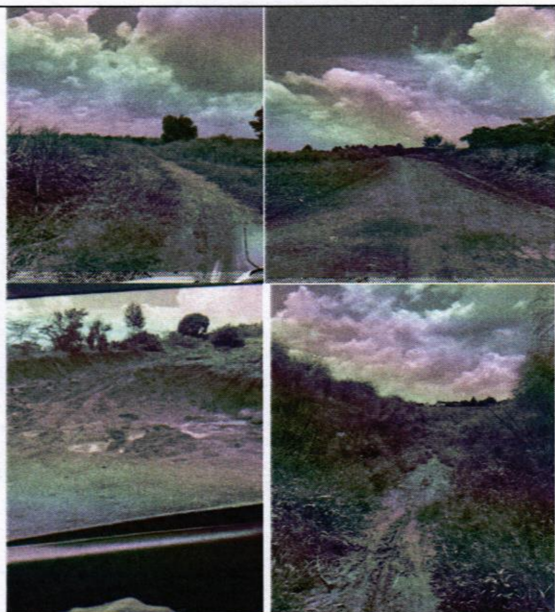
These were the observations noted during physical verification conducted between October to December 2025 as shown in Table 9 below:

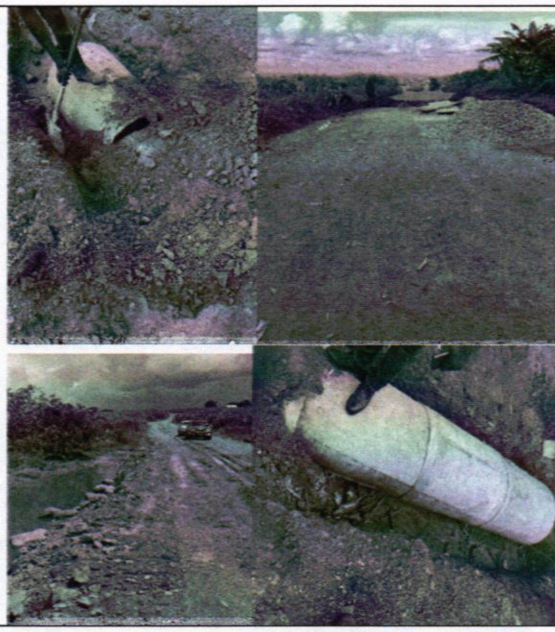
Table 9: Images from physical verification exercise carried out between October to December 2025

Procurement details	**Pictures**	**Findings**
District: Kiryandongo **Town Council:** Diima **Roads:** Barundugu - Ogengo - Labolongo Road 10.20km **Contractor;** Tic Lokere Enterprises Ltd **Contract value;** UGX 871,449,907	  	Road construction had been completed by the contractor

Procurement details	Pictures	Findings
District; Nakaseke **Sub County;** Wakyato/Kinyogoga **Road;** Lwamahungu - Kalagala - Kakoona Road **Distance;** 22.2 KM **Contractor;** Muga Services Ltd **Contract amount;** UGX 1,532,697,516		Gabions had cracks on them, however, the road construction had been completed.
District; Bukwo **Sub County;** Bukwo **Road;** Yovan Mukebi – Kopchai **Distance;** 3.60 Km **Contractor;** Build Base Associates (U) Ltd **Contract value;** UGX 1,939,659,257		• Works on the bridge and culverts were still ongoing at the time of physical verification. • Picture showing a broken culvert.

Procurement details	Pictures	Findings
District; Mbale **Sub County** Bungohko **Road;** Sakiya - Bukhumeka/ Aswani - Busano **Distance;** 11.60 Km **Contractor;** Continuum Engineering Ltd **Contract value;** UGX 1,882,890,718		• The bridge had been completed and was passable. • However, the embankment walls were seen to be at risk of being washed away in case of the water levels rising. • It was noted that the people in the area were constructing their structures in the road reserve, which posed a threat to the drainage of the road.
District; Kikuube **Sub County;** Bugambe **Road;** Kikoboza - Makukulu - Muhwiju - Kiryamba Road with a Bridge **Distance;** 6.24 KM **Contractor;** Victoria Enviros Consults Ltd **Contract value;** UGX 1,836,366,039		• The bridge had not been constructed at the time of the physical verification. • There were no signposts on the road. • There was use of poor quality murram that was slippery. • The contractor had already demobilized their equipment. • Drainage works had not yet commenced.

Procurement details	Pictures	Findings
District; Kikuube **Town Council;** Kikuube Tc **Road;** Kitagasa - Kyaisamba - Rwabasande Road **Distance;** 7.2 Km **Contractor;** Victoria Enviros Consults Ltd **Contract value;** UGX 1,836,366,039		• There were no signposts on the road • Approximately 600m of the road was not done. • Grass had over grown in the road, at 4.3km, and there was no evidence of works done after this • The drive through measured 6.2km of the 7.2km, therefore 1km of the road was not constructed.
District: Masindi **Town Council:** Kiruli **Roads:** Kiruli - Kisasa Road (2.80km), Kyababyara - Nyakabale Road (1.45km) and Nyakarongo – Nyakatiti (1.10km) **Contractor;** NATO Engineering Company Ltd **Contract value;** UGX 1,546,133,862		• Drainage works had not yet commenced. However, the culverts were on site. This was noted on October 7th 2025. The contract had been signed on 27th February 2025, and the contract completion date was 13th November 2025. • The newly compacted road had been eaten away by running water as seen in some of the images above.

Procurement details	Pictures	Findings
District: Masindi **Town Council:** Bwijanga **Roads:** Kyandagi - Kyamaiso - Rwenjonjo - Rwenziramire Road 8.25km **Contractor;** NATO Engineering Company Ltd **Contract value;** UGX 1,546,133,862		• Drainage works had commenced. However, the contractor did not put up signposts for diversions, hence motor vehicles were breaking the culverts while passing over them before they had set. • The swamp had flooded the road due to the rainy season at the time of physical verification.

Implications

- This is an indicator of inadequate contract management by the Contract Managers.
- Delayed completion of contracts leads to additional supervision and administrative costs, deterioration of already completed works and intended beneficiaries continue to lack access to the Community Access Roads
- Non-adherence to ESHS requirements may lead to worker injuries, damages to property delayed project completion and potential litigation between the Entity and the service providers.

Management Response

Management acknowledged the anomalies and stated that all the defects have been rectified as they fell within the Defects Liability Periods. Final Certificates of completion have been issued discharging the contractors of their obligations.

Authority's comment:

The Authority noted the management response but there was no documentary and photographic evidence to substantiate the response.

Recommendation

The Accounting Officer should prevail over the contract Managers to liaise with contractors such that the defects noted during physical verification contained in Table 9 above are corrected before expiry of the defects liability period.

Audit Conclusion

The Contract Audit of the National Oil Seeds Project (NOSP) for the Financial Year 2024/2025 was generally conducted in compliance with the provisions of the PPDA Act, Cap. 205, the PPDA Regulations, 2023, and PPDA Guidelines, 2024, and the Special Conditions of the Contracts. The Project maintained the required procurement and disposal structures, and disposal activities reviewed were conducted satisfactorily.

However, the audit identified contract performance weaknesses that require management attention. These included slow progress of road construction works, incomplete works after expiry of the contract completion period, extension of the contract completion period against an expired contract, failure to conduct due diligence on submitted performance securities, delayed and outstanding payments to contractors, missing contract management records, failure to require submission of performance securities, failure by the contractor to plant trees as provided for in the contract and notable physical defects yet to be rectified.

While these weaknesses did not materially undermine the overall contracts performance, they indicate deficiencies in contract management and monitoring mechanisms that may adversely affect the project implementation timelines and the quality of works executed.

Accordingly, the performance of the National Oil Seeds Project (NOSP) for the Financial Year 2024/2025 is assessed as **Moderately Satisfactory** with a risk rating of 64%. Therefore, it requires targeted management interventions to strengthen contract performance and compliance with the provisions of the contract to meet project delivery timelines and improving the quality of the works for the construction of Community Access Roads.