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

CONTRACT AUDIT REPORT INTO THE CONSTRUCTION OF KIRIKA SEED SECONDARY SCHOOL IN KIBUKU DISTRICT UNDER UGIFT PROGRAM

CONTRACTOR: AMURIA FARMERS AND TRANSPORTERS LTD

PROCUREMENT REF: MoES/UgIFT/WRKS/2021-2022/00005

JULY 2026

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ACRONYMS

ESHS	-	Environmental, Social, Health and Safety
LTD	-	Limited
PPDA Act	-	Public Procurement and Disposal of Public Assets Act, Cap. 205
PPDA	-	Public Procurement and Disposal of Public Assets Authority
UGX	-	Uganda Shillings
UGIFT	-	Uganda Intergovernmental Fiscal Transfer Program

EXECUTIVE SUMMARY

The Government of Uganda appropriated UGX 2,581,306,333 to construct Kirika Seed Secondary School in Kibuku District. The funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT). The implementing ministry was the Ministry of Education and Sports.

On 21st December 2022, Kibuku District Local Government entered into a contract with Amuria Farmers and Transporters Ltd for the construction of Kirika Seed Secondary School at a cost of UGX 2,581,306,333, with an intended completion date of 24th January 2025 and a defects liability period of 12 months.

In line with Section 8(1)(j)(ii) of the PPDA Act, Cap 205, the Public Procurement and Disposal of Public Assets Authority (hereinafter "PPDA or the Authority") conducted a contract audit of the contract, with the overall objective of assessing the status of contract implementation. The specific objectives of the contract audit were to assess the;

(i). Progress of works;
(ii). Effectiveness of time, quality & cost control of works undertaken; and
(iii). Adherence to Environmental, Social, Health and Safety (ESHS) safeguard requirements.

Key Findings of the Authority

The Authority found the following exceptions:

1. Regulation 62 (5) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 provides that where it becomes necessary to extend the bid validity period, the bidder must be requested in writing, prior to the expiry of the original validity period, to extend it for a specified duration. The Authority noted that the bid was valid for 120 working days from 31st December 2021, expiring on 22nd June 2022; however, the contract was signed on 21st December 2022, six months after the bid's expiry, without any evidence of a formal extension. This implies that the contractor was not legally bound by their original offer, which exposed the Entity to risks such as price changes, refusal to honor the contract, or potential disputes;

2. Contrary to Paragraph 46.1 of the Instructions to Bidders in the bidding document, which required the successful bidder to furnish a Performance Security and Environmental and Social (ES) Performance Security within 21 calendar days after contract signing, the contractor submitted the Performance Security of UGX 206,504,507 on 8th June 2023, about five months after the contract had been signed on 21st December 2022. The delayed submission of the Performance Security temporarily exposed the Entity to the risk of having no financial recourse in the event of contractor default during the initial period of contract implementation;

3. Regulation 54 (4) of the PPDA (Contracts) Regulations, 2023 states that "A single contract amendment shall not increase the total contract price by more than fifteen per cent *of the original contract price*". Whereas the original contract price was UGX 2,581,306,333, Interim Payment Certificate 5 indicated a revised contract sum of UGX 3,336,658,360, resulting in a

variance of UGX 755,352,027, equivalent to 23% of the original contract price, exceeding the cap of 15%. This implies that the additional contract amount of UGX 755,352,027 was not competitively procured, thereby depriving the Entity of the opportunity to obtain more favourable offers;

4. Section 51 of the PPDA Act, Cap. 205, states that *"All procurement and disposal shall be conducted in a manner which promotes economy, efficiency and value for money."* The Authority noted that the Entity did not make timely and documented follow-ups with the Ministry of Education and Sports to obtain the required letter of no objection after the Contracts Committee approved the evaluation report on 3rd March 2022. As a result, the contract was signed on 21st December 2022, nine months after approval of the evaluation report. This led to delayed service delivery to the intended beneficiaries; and

5. Regulation 36 (1) (a) of the PPDA (Contracts) Regulations 2023 provides that, *"A procuring and disposing entity shall ascertain that all the procurement requirements for works are adequately and appropriately insured, from the commencement of the works to the end of the defects liability period, against events which are due to the risks of a provider including (a) loss of or damage to the works, plant, materials, equipment, property; and (b) personal injury or death"*. However, the Authority noted that, despite the project's magnitude and complexity, there was no requirement for the contractor to obtain insurance against project-related risks. Failure to secure appropriate insurance exposes the Entity to significant financial and legal risks in the event of accidents, damage, or loss during project implementation. This may result in unplanned expenditures to rectify damages or compensate affected parties, ultimately undermining value for money and potentially delaying project completion.

Audit Conclusion
During the Authority's physical verification conducted on 25th November 2025, it was established that the project was substantially complete and pending official commissioning by the Ministry. Subsequently, the status update obtained from the Entity on 2nd July 2026 confirmed that, despite the lapse of time, the project had still not been officially commissioned. However, several contract management deficiencies were identified, including contract variations exceeding the prescribed 15% limit, delayed contract signing after the expiry of the bid validity period, and untimely submission of Performance Securities, among others. The following recommendations are aimed at strengthening accountability among the responsible officers.

Recommendations
In light of the above findings arising from the contract audit exercise and in accordance with Section 10 of the PPDA Act, Cap 205, the Authority recommends the following measures: -

1. The Accounting Officer should:
    i. Sign contracts before the expiry of bid validity periods in accordance with Regulation 6 (1) (c) of the PPDA (Contracts) Regulations, 2023;

    ii. Make sure the Head Procurement and Disposal Unit monitors bid validity periods in subsequent procurements and where an extension becomes necessary, request the bidders in writing to extend the validity of their bids before expiry in line with Regulation 62 (5) of the PPDA (Rules and Methods for the Procurement of Supplies, Works and Non-Consultancy Services) Regulations 2023;

iii. In future procurements, where the contractor fails to furnish the Performance Security within the stipulated period, withhold the bid security, annul the contract award decision and award the contract to the next best evaluated bidder in accordance with Regulation 12 (2) and (3) of the PPDA (Contracts) Regulations, 2023;

iv. In future, make timely and documented follow-ups with the responsible Agency to expedite the issuance of required approvals and clearances, including letters of no objection, so as to facilitate timely contract signing and avoid delays in service delivery in line with Section 51 of the PPDA Act, Cap. 205; and

v. Liaise with the responsible Agency to incorporate appropriate provisions into future bidding and contract documents for UGIFT projects, including requirements for contractors to maintain adequate insurance cover throughout the project implementation and defects liability periods, in line with Regulation 36(1)(a) of the PPDA (Contracts) Regulations, 2023.

2. The Contracts Committee should desist from approving contract variations that exceed 15% of the original contract price in accordance with Regulation 54 (4) of the PPDA (Contracts) Regulations, 2023, Where additional works become necessary and are likely to exceed the amendment thresholds, the Entity should assess whether such requirements constitute a separate procurement and undertake a competitive procurement process or direct procurement where applicable, so as to promote value for money.

CHAPTER 1: INTRODUCTION

1.1 Contract summary

The key information about the contract is summarized in Table 1 below: -

Table 1: Contract summary for construction of Kirika Seed Secondary School

Contract Title	Construction of Kirika Seed Secondary School
Reference Number	MoEs/UgIFT/WRKS/2021-2022/00005
Contract Sum	2,581,306,333
Contract Scope	No BOQs were provided
Contract Signing date	21st December 2022
Start date	24th January 2023
Original contract completion date	24th January 2025
Defects Liability period	12 months
Contract Extensions	NA
Name of Contractor	Amuria Farmers and Transporters Ltd
Method of procurement	Open National Bidding
Type of Contract	Lumpsum
Amount Paid	2,366,932,146

1.2 Laws applicable

The applicable laws and legal framework were:

1. The Public Procurement and Disposal of Public Assets Act, Cap. 205;
2. The attendant PPDA Regulations;
3. The bidding document issued to bidders;
4. The signed contract between Kibuku DLG and Amuria Farmers and Transporters Ltd; and
5. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program dated 16th March 2021.

1.3 Objectives

The overall objective of the contract audit was to assess the effectiveness of the contracting process and the status of contract implementation in regard to the obligations of Kibuku District Local Government (the Entity) and Amuria Farmers and Transporters Ltd.

The specific objectives of the contract audit were to assess the:

i Progress of the works;

ii Effectiveness of cost and quality control of works undertaken; and

iii Adherence to Environmental, Social, Health and Safety (ESHS) requirements.

1.4 Scope of the Audit

The audit covered the implementation and management of the contract for the construction of Kirika Seed Secondary School.

1.5 Audit Methodology

The Authority adopted the following methodology:

i. Review of documentation in the procurement action file;
ii. Physical verification of the site;
iii. Debriefing the Entity management on the preliminary findings;
iv. Issuing a management letter to the Entity for official management response; and
v. Reporting on findings of the audit and providing recommendations where applicable

1.6 Limitation of Scope

The contract audit was undertaken by auditors who did not have professional competence in engineering and building construction. The audit team could not conclusively give an opinion on the technical quality of the works undertaken. The overall responsibility of the quality of works undertaken lies with the Entity management and the contractor.

1.7 Audit process timelines

On **10th November 2025**, the Entity was notified about the contract audit and the launch meeting was held on **24th November 2025**. Physical verification of the site was conducted on **25th November 2025** after which, a debrief meeting to discuss preliminary findings was held with the Entity's management and staff on **28th November 2025**. The Authority prepared the management letter, which was sent to the Entity on **26th May 2026**, requesting a management response by **29th May 2026**. The response was submitted on **13th June 2026**.

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

This section presents the time, financial and physical progress of the works as at 2nd July 2026.

i. Time Progress

The Authority noted that the project was completed on 30th September 2024 before the contractual completion period of 23rd January 2025. Details are presented in Table 2 below:

Table 2: Time Progress as at 2nd July 2026

Start Date	24th January 2023
Contractual completion date	23rd January 2025
End Date	30th September 2024
Measurement Date	30th September 2024
Contract Period (Months)	24 months
Time Lapse (Months)	20 months
Time Progress	83%

ii. Financial Progress

The Authority noted that by 2nd July 2026 a total of UGX 1,966,074,988 had been paid to the contractor representing 76% of the contract sum. Details are provided in Table 3 below:

Table 3: Financial progress of the project as at 2nd July 2026

Contract Sum	**2,581,360,333**
Payments made	
Payment cert 1	670,334,629
Payment cert2	392,358,563
Payment cert 3	362,954,575
Payment cert 4	18,916,843
Payment cert 5	344,181,081
Payment Cert 6	10,122,740
Payment Cert 7	167,206,557
Total payments made	**1,966,074,988**
Financial progress	**76%**

iii. Physical progress and verification of the site

During the Authority's physical verification conducted on 25th November 2025, it was established that the project was substantially complete and pending official commissioning by the Ministry. Subsequently, the status update obtained from the Entity on 2nd July 2026 confirmed that, despite the lapse of time, the project had still not been officially commissioned. Details are provided in Table 4 and 5 below

Table 4: Physical Progress as at 2nd July 2026

Contract Amount	2,581,360,333
Value of works done as at 2nd July 2026 based on the progress report dated 26th June 2025.	2,581,360,333

Physical progress (%)	100%

Table 5: Showing the completed status of works as observed by the Authority on 25th November 2025

The photograph above depicts the status of the completed classroom block as observed by the Authority on 25th November 2025, which remained the prevailing status as of 2nd July 2026.

The photograph above depicts the completed status of the science hall as observed by the Authority on 25th November 2025, which remained the prevailing status as of 2nd July 2026.

The photograph above depicts the completed staff houses as observed by the Authority on 25th November 2025, which remained the prevailing status as of 2nd July 2026.

The photograph above depicts the completed computer laboratory and library as observed by the Authority on 25th November 2025, which remained the prevailing status as of 2nd July 2026.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Signing the contract against expired bid validity

Regulation 62 (5) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 provides that where it becomes necessary to extend the bid validity period, the bidder must be requested in writing, prior to the expiry of the original validity period, to extend it for a specified duration. The Authority noted that the bid was valid for 120 working days from 31st December 2021, expiring on 22nd June 2022, however, the contract was signed on 21st December 2022, six months after the expiry of the bid validity, without any evidence of a formal extension.

Implication

This implies that the contractor was not legally bound by their original offer, which exposed the Entity to risks such as price changes, refusal to honor the contract, or potential disputes.

Management Response

This has been noted and going forward we shall ensure that contracts are signed within the bid validity period or else bidders shall be requested to extend the bid validity period in case contracting cannot be done within the stipulated validity period.

Recommendations

The Accounting Officer should:

i. Sign contracts before the expiry of bid validity periods in accordance with Regulation 6 (1) (c) of the PPDA (Contracts) Regulations, 2023.

ii. Task the Head, Procurement and Disposal Unit to always monitors bid validity periods in subsequent procurements and where an extension becomes necessary, request the bidders in writing to extend the validity of their bids before expiry in line with Regulation 62 (5) of the PPDA (Rules and Methods for the Procurement of Supplies, Works and Non-Consultancy Services) Regulations 2023.

2.2.2 Delayed submission of a Performance Security

Contrary to Paragraph 46.1 of the Instructions to Bidders in the bidding document, which required the successful bidder to furnish a Performance Security and Environmental and Social (ES) Performance Security within 21 calendar days after contract signing, the contractor submitted the Performance Security of UGX 206,504,507 on 8th June 2023, about five months after the contract had been signed on 21st December 2022.

Implication

The delayed submission of the Performance Security temporarily exposed the Entity to the risk of having no financial recourse in the event of contractor default during the initial period of contract implementation.

Management Response

This has been noted, and going forward, we shall ensure strict adherence to the requirements.

Recommendation

In future procurements, where the contractor fails to furnish the Performance Security within the stipulated period, the Accounting Officer should withhold the bid security, annul the contract award decision and award the contract to the next best evaluated bidder in accordance with Regulation 12 (2) and 12 (3) of the PPDA (Contracts) Regulations, 2023.

2.2.3 Failure to make timely documented follow-ups leading to delayed contract signing

Section 51 of the PPDA Act, Cap. 205, states that *"All procurement and disposal shall be conducted in a manner which promotes economy, efficiency and value for money."* The Authority noted that the Entity did not make timely and documented follow-ups with the Ministry of Education and Sports to obtain the required letter of no objection after the Contracts Committee approved the evaluation report on 3rd March 2022. As a result, the contract was signed on 21st December 2022, nine months after approval of the evaluation report.

Implication

This led to delayed service delivery to the intended beneficiaries.

Management Response

The delay was caused by the Ministry of Education and Sports' requirement to issue a letter of no objection after verifying land ownership, among other requirements.

Authority's comment

The Authority noted the Entity's response. However, the Entity did not provide documented correspondence or other records demonstrating that timely follow-ups were made with the Ministry during the nine-month period between approval of the evaluation report and contract signing. Consequently, the Authority could not ascertain whether adequate efforts were undertaken to expedite the approval process and minimise delays in contract execution.

Recommendation

The Accounting Officer should, in future, make timely and documented follow-ups with the responsible Agency to expedite the issuance of required approvals and clearances, including letters of no objection, so as to facilitate timely contract signing and avoid delays in service delivery in line with Section 51 of the PPDA Act, Cap. 205.

2.2.4 Missing records

Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023 requires a contract manager to ensure that all contract management records are archived. However, the Authority observed that the Entity did not maintain the following contract management records on file:

- Evidence of appointment of a contract management team
- Contract management plan
- Bills of Quantities

Implication

The absence of key contract management records may hinder effective contract administration, accountability, and oversight, and limit the ability to verify whether the contract was managed in accordance with the prescribed requirements.

Management Response

Advice has been noted, and going forward, we shall ensure that complete procurement files are maintained.

Recommendation

The Accounting Officer should task the Contract Manager to show cause why disciplinary action should not be taken against him for failing to archive contract management records in line with Regulation 52 (3) a (vii) of the PPDA (Contracts) Regulations, 2023.

2.2.5 Irregular contract amendment

Regulation 54 (4) of the PPDA (Contracts) Regulations, 2023 states that "*A single contract amendment shall not increase the total contract price by more than fifteen per cent of the original contract price*". Whereas, the original contract price was UGX 2,581,306,333, Interim Payment Certificate 5 indicated a revised contract sum of UGX 3,336,658,360, resulting in a variance of UGX 755,352,027, equivalent to 23% of the original contract price, exceeding the cap of 15%.

Implication

This implies that the additional contract amount of UGX 755,352,027 was not competitively procured, thereby depriving the Entity of the opportunity to obtain more favourable offers.

Management Response

The Entity acknowledged the concern regarding the price adjustment for the construction of Kirika Seed Secondary School, valued at UGX 755,352,027 and approved by the Contracts Committee.

Recommendation
The Contracts Committee should refrain from approving contract variations that exceed 15% of the original contract price, in accordance with Regulation 54(4) of the PPDA (Contracts) Regulations, 2023. Where additional works become necessary and are likely to exceed the amendment thresholds, the Entity should assess whether such requirements constitute a separate procurement and, where applicable, undertake a competitive procurement process or a direct procurement to promote value for money.

2.3 ADHERENCE TO THE ENVIRONMENTAL, SOCIAL, HEALTH AND SAFETY SAFEGUARD REQUIREMENTS

2.3.1 Failure by the Entity to require the contractor to provide an insurance cover

Regulation 36 (1) (a) of the PPDA (Contracts) Regulations 2023 provides that, *"A procuring and disposing entity shall ascertain that all the procurement requirements for works are adequately and appropriately insured, from the commencement of the works to the end of the defects liability period, against events which are due to the risks of a provider including (a) loss of or damage to the works, plant, materials, equipment, property; and (b) personal injury or death"*. However, the Authority noted that, despite the project's magnitude and complexity, there was no requirement for the contractor to obtain insurance against project-related risks.

Implication
Failure to secure appropriate insurance exposes the Entity to significant financial and legal risks in the event of accidents, damage, or loss during project implementation. This may result in unplanned expenditures to rectify damages or compensate affected parties, ultimately undermining value for money and potentially delaying project completion.

Management Response
Advice has been noted, and going forward, we shall ensure all future major works contracts include mandatory provisions requiring contractors to obtain adequate insurance cover for the entire project duration, including the defects liability period.

Recommendation
The Accounting Officer should liaise with the responsible Agency to incorporate appropriate provisions into future bidding and contract documents for UGIFT projects, including requirements for contractors to maintain adequate insurance cover throughout the project implementation and defects liability periods, in line with Regulation 36(1)(a) of the PPDA (Contracts) Regulations, 2023.

CHAPTER 3: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

As at 2nd July 2026, the project had been substantially completed.

3.2 Audit conclusion

During the Authority's physical verification conducted on 25th November 2025, it was established that the project was substantially complete and pending official commissioning by the Ministry.

Subsequently, the status update obtained from the Entity on 2nd July 2026 confirmed that, despite the lapse of time, the project had still not been officially commissioned. However, several contract management deficiencies were identified, including contract variations exceeding the prescribed 15% limit, delayed contract signing after the expiry of the bid validity period, and untimely submission of Performance Securities, among others. The following recommendations are aimed at strengthening accountability among the responsible officers.