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

CONTRACT AUDIT REPORT ON THE CONSTRUCTION OF MEDICINE STORES AT KITGUM GENERAL HOSPITAL (LOT 1), KAMULI GENERAL HOSPITAL (LOT 5), KAZO HEALTH CENTRE IV (LOT 6), PACKWACH HEALTH CENTRE IV (LOT 7) AND AT KIWANGALA HEALTH CENTRE IV (LOT 8)

ENTITY: MINISTRY OF HEALTH

JULY 2026

TABLE OF CONTENTS

ACRONYMS

BoQ	-	Bills of quantity
ESHS	-	Environmental Social Health and Safety
GCC	-	General Conditions of the Contract
HC	-	Health Centre
HSE	-	Health Safety and Environment
MoFPED-FCU	-	Ministry of Finance Planning and Economic Development – Funds Coordination Unit
MOH	-	Ministry of Health
IPC	-	Interim Payment certificate
PDE	-	Procuring and Disposal Entity
PPDA	-	Public Procurement and Disposal of Public Assets Authority
UGX	-	Uganda shillings

LIST OF TABLES

LIST OF FIGURES

LIST OF ANNEXES

EXECUTIVE SUMMARY

The Government of Uganda, through the Ministry of Health (MoH) and with support from the Global Fund Partnership to Fight HIV, Tuberculosis and Malaria, is implementing a programme to construct medicine storage facilities at selected General Hospitals and Health Centre IVs to strengthen the storage, inventory management and distribution of essential medicines and health commodities. The programme seeks to address longstanding challenges in medicines supply chain management by providing modern storage infrastructure that supports efficient healthcare service delivery.

The Public Procurement and Disposal of Public Assets Authority (PPDA or Authority) conducted contract audits of five contracts under this programme, namely Lot 1 (Kitgum General Hospital), Lot 5 (Kamuli General Hospital), Lot 6 (Kazo Health Centre IV), Lot 7 (Packwach Health Centre IV) and Lot 8 (Kiwangala Health Centre IV), implemented by the Ministry of Health at a total contract value of UGX 3,564,006,595.

The objective of the contract audits was to assess the implementation of the contracts and determine whether the parties complied with the contractual requirements and the provisions of the PPDA Act, Cap. 205, the PPDA Regulations, 2023 and the applicable PPDA Guidelines, while evaluating whether the contracts were being implemented efficiently, effectively and in a manner that delivers value for money.

The following are the key findings:

1. **Lot 1 – Construction of the Medicine Store at Kitgum General Hospital**: The project was ahead of schedule, delivered quality works and demonstrated value for money. However, contrary to Regulation 52(1)(a) of the PPDA (Contracts) Regulations, 2023, weaknesses were noted in contract management, including partial compliance with Environmental, Social, Health and Safety (ESHS) requirements. For example, there were safety gears on site, but some staff opted not to wear them while others did, there were no designated ESHS personnel on site at the time of the audit visit. There was also limited supervision by key personnel, they had minimal involvement in the execution of the project. In particular, only the Project Manager (representing the contractor) was noted to have issued a single instruction during the substructure phase of the works. There were delays in implementing contract instructions and delayed processing of contractor payments. These weaknesses exposed the project to avoidable implementation, safety and compliance risks that affected project quality and timely completion.

2. **Lot 5 – Construction of the Medicine Store at Kamuli General Hospital:** The works were completed on 12th January 2026 before the date of the second time extension of 31st January 2026 indicating contract effectiveness, the project achieved its intended objective. However, weaknesses were identified in contract administration. There was a delay in submitting the updated program by 25 days, inadequate insurance cover, the amount covered was determined to be 100% of the contract value instead of the required 110%, incomplete contract records e.g. signed measurement sheets, inadequate reporting on contractor personnel and materials testing and minor implementation delays, contrary to Regulation 52 of the PPDA (Contracts) Regulations, 2023 and the applicable contract conditions. These gaps increased the Ministry's exposure to compliance, financial and contract management risks despite the successful completion of the works.

3. **Lot 6 – Construction of the Medicine Store at Kazo Health Centre IV:** The contract was generally implemented effectively, with sound contract management records e.g Contract Implementation Plan, monthly & quarterly progress reports, approval of materials as well as site possession orders and instructions well maintained. The contract remained within budget and complied with local content requirements. However, the project was behind schedule by 50% as at 1st October 2025, contrary to GCC 22.1 and financial progress was 29.99%. Contrary to Regulations 49(3) and 52 of the PPDA (Contracts) Regulations, 2023, delayed payment was noted, deployment of personnel outside the approved contractual arrangements and gaps in ESHS compliance were identified e.g. there was no first aid kit on site, which is a mandatory safety requirement. In addition, the garbage collection point was placed at the site entrance and partially within a private garden. These irregularities increased the risk of delayed project delivery and created a health and safety risk.

4. **Lot 7 – Construction of the Medicine Store at Packwach Health Centre IV:** The contract was generally implemented satisfactorily, with effective contract management records maintained such as the Contract Implementation Plan, monthly & quarterly progress reports, approval of materials as well as site possession orders and instructions. The contractor executed good work quality in accordance with the design standards in the contract and demonstrated commitment to creating employment opportunities for Ugandans, particularly for members of neighboring communities at the project site. Nevertheless, the project was behind schedule by 20% as at 8th October 2025 contrary to GCC 22.1 and financial progress was 28.01%. other weaknesses included deployment of unapproved key personnel, gaps in ESHS compliance e.g. a worker carried out roofing works while not wearing safety gear and delayed payment of certified invoices, contrary to Regulations 49(3) and 52 of the PPDA (Contracts) Regulations, 2023. These shortcomings heightened the risk of implementation delays, non-compliance with contract requirements and ineffective contract management.

5. **Lot 8 – Construction of the Medicine Store at Kiwangala Health Centre IV in Lwengo District:** The contract was generally implemented satisfactorily, with effective contract management records maintained such as the Contract Implementation Plan, monthly & quarterly progress reports, approval of materials as well as site possession orders and instructions. As at 1st October 2025, and based on the progress of August 2025, the physical progress of works was at 85% showing steady progress towards completion. However, contrary to Regulation 52 of the PPDA (Contracts) Regulations, 2023, weaknesses were identified in ESHS compliance. For example, whereas there were safety gears on site, some staff opted not to wear them. There was no designated ESHS personnel at the site at the time of the audit visit. There was also concern with the methodology of disposing of timbers with nails or sharp endings and plastics at the site, which were a safety hazard. The audit team also noted the laxity to ensure that open man holes were covered and there was no barricading with hazard tape, leaving room for a potential incident/accident, deployment and supervision of key personnel, site meeting management and timely processing of contractor's payments. These weaknesses increased the risk of ineffective contract administration, implementation delays and non-compliance with contractual and regulatory requirements.

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

1. The Accounting Officer should:
   i. Strengthen the contract management framework by ensuring effective oversight of contract implementation and ensure that all contracts are administered in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023;
   ii. Ensure that all certified payments, including advance payments and Interim Payment Certificates, are processed within the contractual timelines in accordance with Regulation 49(3) of the PPDA (Contracts) Regulations, 2023 and the applicable Conditions of Contract. Where payments depend on external financing, proactive engagement with the funding agencies should be undertaken to minimize delays and safeguard project implementation; and
   iii. Institute periodic management reviews of ongoing contracts to monitor compliance with contractual obligations, address implementation bottlenecks promptly and ensure continuous improvement in contract performance in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023.

2. The Contract Manager should:
   i. Strengthen contract administration by maintaining complete and up-to-date contract records, including approved work programmes, schedules of key personnel, site instructions, progress reports, site meeting minutes, quality assurance records and materials testing reports, in accordance with Regulation 52(3)(a) of the PPDA (Contracts) Regulations, 2023 and Section 44 of the PPDA Act, Cap. 205;
   ii. Enhance supervision of contractor performance by ensuring that only approved key personnel are deployed, Environmental, Social, Health and Safety (ESHS) requirements are consistently enforced, contract instructions are implemented promptly and regular site inspections and progress meetings are conducted in accordance with Regulation 52(1)(a) of the PPDA (Contracts) Regulations, 2023; and
   iii. Strengthen the quality assurance processes by ensuring compliance with the approved specifications, maintaining complete materials testing records and verifying that all required inspections and tests are undertaken before certification of works, in accordance with Regulation 52(1)(a) of the PPDA (Contracts) Regulations, 2023.

Audit Conclusion

From the contract audits, the Authority established that the contracts for the construction of the five medicine stores were generally implemented satisfactorily and were either completed or progressing towards successful completion. Across the five lots, the projects generally demonstrated good value for money, satisfactory quality of works, effective record management and positive socio-economic outcomes, including local employment. However, recurring weaknesses were identified in contract administration, particularly in Environmental, Social, Health and Safety (ESHS) compliance, contract documentation, deployment and supervision of key personnel, quality assurance documentation, monitoring of contractor performance and timely processing of payments. Table 1below summarizes the key weakness in the five lots:

Table 1: Key weaknesses observed in the audit of the medicine stores under Lots 1, 5, 6, 7 & 8

No.	Lot	Overall Assessment	Key Weaknesses
1.	Lot 1: Kitgum General Hospital	Satisfactory and ahead of schedule	ESHS non-compliance, poor documentation & supervision, payment delays
2.	Lot 5: Kamuli General Hospital	Successfully completed	Gaps in submitting the work programme, insurance coverage, poor reporting and testing
3.	Lot 6: Kazo Health Centre IV	Successfully completed	Payment delays, absence of key personnel, poor quality records and ESHS non-compliance
4.	Lot 7: Packwach HC IV	Satisfactory	Delayed implementation, absence of key personnel, poor quality records and ESHS non-compliance.
5.	Lot 8: Kiwangala HC IV in Lwengo District	On course	ESHS non-compliance, few site meetings, absence of key personnel and payment delays.

Although these weaknesses did not materially affect the achievement of the intended contract objectives, they exposed the projects to avoidable implementation and compliance risks.

CHAPTER 1: INTRODUCTION

1.1 Background

The audits of Global Fund grants in Uganda found major weaknesses in health commodity management further highlighting poor procurement and supply chain performance that needs improvement. The Ministry of Health with support of the Global Fund Project for Construction of Medicine Stores identified the field of medicines storage as a priority to improve the supply chain management of medicines inventory at select General Hospitals and Health center IVs across the country. The project consisted of eight Lots with each under independent contracts; however, the Authority audited the five lots listed in Table 2 of this report.

Specific Objective

The primary objective of this project, supported by the Global Fund, was to strengthen the health supply chain management system to ensure the consistent availability and efficient distribution of essential medicines and health supplies, particularly those for HIV, tuberculosis (TB), and malaria, to health facilities.

1.1.1 Scope of Audited Projects

This section details the contract summary information for the five construction projects of medicine stores at Kitgum General Hospital (lot 1), at Kamuli General Hospital (lot 5), Kazo Health Centre IV (lot 6, Packwach Health Centre IV (Lot 7) and Kiwangala HC IV (lot 8) under the Ministry of Health in collaboration with Global Fund. Table 1 below details the contract information for all five projects:

Table 1: Contract Summaries for the Audited Projects under Lots 1, 5 and 8 for Construction of Medicine Stores in General Hospitals and Health Centre IVs

Lot 1 - Construction of Medicine Stores at Kitgum General Hospital	
Procurement Ref. No.	MOH/GF/WRKS/2023-24/00012
Contractor	Mangron Investments Limited
Contract Signature Date	12th March 2025
Commencement date	1st April 2025
Contract duration	6 months
Initial Practical Completion date	30th September 2025
Practical Completion date	30th November 2025, further extended to 31st January 2026 and then to 31st March 2026
Contract value UGX	720,092,503
Overall Progress as at 7th October 2025	85%
Time progress	87.5%
Financial Progress as at 7th October 2025	54%
Amount paid as at 7th October 2025	IPC 1- UGX 173,373,171 Advance – UGX 216,182,486 (Paid on 31st January 2026)
Lot 5 - Construction of a medicine store for Kamuli General Hospital	
Procurement Ref. No.	MOH/GF/WRKS/2023-24/00012
Contractor	Dalach Investments Limited
Commencement date	1st April 2025
Contract duration	6 months
Defects Liability Period	5 months

Initial Practical Completion date	1st October 2025
Practical Completion date	31st January 2026
Contract value UGX	688,480,452
Overall Progress as at 13th October 2025	78%
Time progress	82 %
Financial Progress as at 13th October 2025	41%
Amount paid as at 13th October 2025, UGX	284,330,942.
Lot 6 - Construction of medicine stores at Kazo Health Centre IV	
Procurement Ref. No.	MOH/GF/WRKS/2023-24/00012
Contractor	Aswangah Construction Services Ltd
Contract Signature Date	12th March 2025
Commencement date	1st April 2025
Contract duration	6 months
Initial Practical Completion date	30th September 2025
Practical Completion date	30th November 2025
Contract value UGX	721,469,746
Overall Progress as at 1st October 2025	50%
Time progress	100% based on original schedule. 75% based on the revised schedule
Financial Progress as at 1st October 2025	29.9%
Amount paid as at 1st October 2025	UGX 216,440,914 (Advanced payment) UGX 356,044,541 (pending payment as it was certified on 18th August 2025)
Lot 7 - Construction of a medicine store at Packwach Health Centre IV	
Procurement Ref. No.	MOH/GF/WRKS/2023-24/00012
Contractor	Bygon Enterprises Ltd
Contract Signature Date	12th March 2025
Commencement date	10th April 2025
Contract duration	6 months
Initial Practical Completion date	9th October 2025
Practical Completion date	30th November 2025
Contract value UGX	719,440,251
Overall Progress as at 8th October 2025	80%
Time progress	100% based on original schedule. 75% based on the revised schedule
Financial Progress as at 8th October 2025	28.01%
Amount paid as at 8th October 2025	UGX 202,115,109 (IPC 01)

Lot 8 - Construction of a medicine store at Kiwangala Health Centre IV	
Procurement Ref. No.	MOH/GF/WRKS/2023-24/00012
Contractor	Bluehill Construction Limited
Contract Signature Date	12th March 2025
Commencement date	4th April 2025
Contract duration	6 months
Initial Practical Completion date	3rd October 2025
Practical Completion date	3rd December 2025 further extended to 31st January 2026
Contract value UGX	714,523,643
Overall Progress as at 1st October 2025	100% (practical completion as of 12th January 2026)
Time progress	100%
Financial Progress as at 1st October 2025	80%
Amount paid as at 1st October 2025	(IPC No.1 - UGX 227,098,845 and IPC No. 2-UGX 350,394,282)

Scope of Work Implemented under all Lots 1,5,6,7 and 8	a. Bulk Store(111m^2);
	b. Stacked Store(67m^2);
	c. Cold Chain Area;
	d. Restrooms (Male and Female): Each restroom wase fully fitted with a water closet (WC), hand wash basin, and shower, along with all necessary accessories;
	e. Pantry: Equipped with a kitchen sink installed on a worktop and fitted with storage cabinets;
	f. Administrative Offices for Staff;
	g. Inventory Management Infrastructure;
	h. Security Systems: Including CCTV surveillance and burglar-proof installations;
	i. Voice and Data Infrastructure: The facility was outfitted with IP phones for voice communication and full IT installations to support data connectivity;
	j. Fire Detection and Suppression System: An addressable fire detection and alarm system was installed, along with portable fire extinguishers for suppression;
	k. Temperature Control Features: Including roof heat insulation and face bricks to maintain internal climate control; and
	l. Mechanical, Electrical, and Plumbing (MEP) Works.

1.2 Overall Audit Objective

The overall objective of the assignment is to assess the attainment of value for money of the procurement under audit, its performance and establish the degree of compliance of the Ministry of Health procurement and disposal system and processes with the provisions of the PPDA Act, Cap 205, Regulations 2023 and Guidelines 2024.

The specific objectives include:

i. To assess whether the MOH process of contracting and contract management was undertaken in compliance with the PPDA Act, Cap 205, Regulations 2023 and Guidelines 2024 for the project under Contract Audit.

ii. To determine whether the Contractors for the project under assessment have complied with the terms and conditions of the contract; and
iii. To identify any instances of non-compliance, overpayment, underpayment or potential fraud.

1.3 Audit 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;
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 five contracts for the construction of medicine stores under lots 1,5,6,7 & 8 worth UGX 3,564,006,595. The audit focused on the contract management stage of the procurement process for these contracts. The summary of the five audited contracts including the scope is shown in Table 2 below:

Table 2: The Five Audited Contracts

Lot	Contract Details	Contractor	Contract Amount (UGX)
Lot 1	Construction of a medicine store at Kitgum General Hospital	Mangron Investments Limited	720,092,503
Lot 5	Construction of medicine stores at Kamuli General Hospital	Dalach Investments Limited	688,480,452
Lot 6	Construction of medicine stores at Kazo Health Centre IV	Aswangah Construction Services Ltd	721,469,746
Lot 7	Construction of medicine stores for Packwach HC IV	Bygon Enterprises Ltd	719,440,251
Lot 8	Construction of Medicine Stores at Kiwangala HC IV in Lwengo District	Bluehill Construction Limited	714,523,643
Total			**3,564,006,595**

CHAPTER 2: FINDINGS AND RECOMMENDATIONS

The Authority noted the following exceptions pertaining to contract audits into the construction of medicine stores under lots 1,5,6,7, and 8 implemented by the Ministry of Health.

2.1 Construction of a medicine store at Kitgum General Hospital - Lot 1

The Authority observed the following positive findings during the implementation of the contract for construction of a medicine store at Kitgum General Hospital in Kitgum District:

1. The progress of works was ahead of the expected timelines (85%) and the contractor had done works more than the value of money that he had received from the Procurement and Disposing Entity (54%);

2. At the time of the audit in February 2026, the total project cost remained unchanged at UGX 720,092,503, notably below the prevailing market rate of UGX 730,550,412 indicating cost efficiency in procurement; and

3. Mangron Investments Limited (Contractor) implemented the project in accordance with the contractual specifications and was in line to deliver the intended outputs as all the quality requirements had been met during the execution of the works.

Despite the above positive performance, the Authority noted the following exception findings:

2.1.1 Partial / Limited adherence to Environmental, Social, Health and Safety (ESHS) requirements on the project site

Under health and safety in clause GCC 24.1 and 24.2, the contractor was required to take all reasonable precautions to maintain the health and safety of the personnel. The following exceptions were noted regarding the same:

Whereas the audit noted that the contractor largely adhered to ESHS at the project site, there were instances where the same was lacking. For example, there were safety gears on site, but some staff opted not to wear them while others did. There were no designated ESHS personnel on site at the time of the audit visit. There was also concern with the methodology of disposing of timbers with nails or sharp endings and plastics at the site, which are a safety hazard, see Annex 1. Temporary electrical installations were provided without much care for a possibility of causing shock to the as cables were seen lying around with no warning signs of safety and restricted access to the work area.

Implication

Failure to adhere to health and safety requirements may result in serious injuries or fatalities at the construction site. A work-related injury cannot only put an employee out of work for a while and impact their quality of life, it may potentially damage the reputation of both the contractor and the Entity.

Management Response

Management takes note of the findings. At the time of the audit, the project site had a designated ESHS officer and a waste disposal point. In addition, the temporary electrical installations on site at the time of audit were ongoing under strict supervision the site foreman in charge of electrical works. Management will ensure that the Contract Manager enforces compliance to ESHS.

Authority's Comment
The Management response is noted. However, at the time of the audit, no documentary or physical evidence was provided to demonstrate that a designated ESHS officer was formally appointed and actively deployed at the project site. In addition, the audit team did not observe or receive evidence of a clearly demarcated and functional waste disposal point on site.

Recommendation
According to Regulation 52 (1) (a) of the PPDA (Contracts) Regulations 2023, which states that a Contract manager shall make certain that the provider performs the contract in accordance with the terms and conditions specified in the contract. The Contract Manager should ensure that there is a trained health and safety personnel at the site at all times, to guide and ensure that health and safety measures are strictly adhered to at all construction sites, through provision of safety gears, tool box talks and ensuring strict implementation of the safety measures.

2.1.2 Omission of Schedule of key personnel in the contract

Clause GCC 14.1 of the Special Conditions of Contract stipulates that a schedule of personnel shall form part of the contract. However, the audit observed that this schedule was omitted and did not form part of the final contract documentation.

Implication
The inclusion of a personnel schedule is essential for holding the contractor accountable for the specific individuals assigned to the project. It ensures that only personnel with the required professional qualifications and required technical expertise are engaged, which is critical for maintaining the expected quality of works during project implementation.

Management Response

- *Management clarifies that the contractor's proposed schedule of key personnel, as submitted in their bid, is contractually binding. This is established under Clause 2(a) of the Agreement, which deems the contractor's bid to form an integral part of the contract. Therefore, the personnel list within the bid fulfills the requirement of Clause GCC 14.1. To mitigate this omission for future projects, the entity will ensure that a schedule of key personnel is explicitly annexed to the contract.*
- *Management further clarifies that the contractor's key staff were engaged during critical project phases and consulted directly on substantive execution issues. While their presence was not routinely documented in meeting minutes or site registers, the Contract Manager maintained direct communication with them to resolve any challenges, ensuring continued oversight of quality and timelines.*

Authority's Comment
The Management response is noted. While the Contractor's bid, including the proposed schedule of key personnel, forms part of the contract in accordance with Clause 2 (a) of the Agreement, the absence of a distinctly annexed and clearly referenced personnel schedule within the signed contract documentation weakens contract administration and enforcement.

We appreciate that the Contract Manager maintained direct communication with the team however the absence of the relevant documented meeting minutes or site registers indicates weakness in contract management documentation and monitoring.

Recommendation
The Contract Manager should ensure high-quality project execution of the contract and

Mangron Investments Limited should always include a schedule of key personnel with clearly defined qualifications and roles in accordance with Regulation 52 (1) (a) of the PPDA (Contracts) Regulations 2023.

2.1.3 Limited involvement of key personnel in project implementation

Although Clause GCC 14.1 of the Special Conditions of Contract requires the inclusion of a schedule of key personnel in the contract, this schedule was omitted in the final contract documents. Nevertheless, the contractor had submitted a list of key personnel as part of the bidding documents. The audit observed, however, that these personnel have had minimal involvement in the execution of the project. In particular, only the Project Manager (representing the contractor) was noted to have issued a single instruction during the substructure phase of the works.

Implication

The active involvement of the contractor's key qualified personnel is essential to ensuring that the quality of works meets the required standards. Limited participation from these individuals may compromise effective supervision, quality control, and adherence to technical specifications.

Management Response

- *Management clarifies that the contractor's proposed schedule of key personnel, as submitted in their bid, is contractually binding. This is established under Clause 2(a) of the Agreement, which deems the contractor's bid to form an integral part of the contract. Therefore, the personnel list within the bid fulfills the requirement of Clause GCC 14.1. To mitigate this omission for future projects, the entity will ensure that a schedule of key personnel is explicitly annexed to the contract.*
- *Management further clarifies that the contractor's key staff were engaged during critical project phases and consulted directly on substantive execution issues. While their presence was not routinely documented in meeting minutes or site registers, the Contract Manager maintained direct communication with them to resolve any challenges, ensuring continued oversight of quality and timelines.*

Recommendation

The Contract Manager should ensure that the key personnel listed in the bidding documents are actively involved in the supervision and execution of the works in accordance with Regulation 52 (1) (a) of the PPDA (Contracts) Regulations 2023. Furthermore, Mangron Investments Limited should maintain clear records of their supervision activities, including instructions issued, to demonstrate compliance and accountability.

2.1.4 Delay in execution of issued instructions

Although the Contract Manager had issued instructions in accordance with Clause GCC 42.1 of the contract to rectify plaster finishes in the toilet areas, the contractor had not addressed these issues in a timely manner. During a recent site visit, additional instructions were given, including plaster rectification in multiple areas, restoration of the site hoarding, and modification of the access ramp to achieve the correct gradient for improved usability. It is important to follow up on these items to verify whether they have been completed, as this will serve as a key indicator of the contractor's adherence to issued instructions.

Implication
Instructions play a critical role in ensuring the delivery of quality work and must be acted upon with urgency. Delays in addressing these instructions could lead to a backlog of defect rectifications, which may then be rushed or executed poorly, ultimately compromising the overall quality of the project.

Management Response
Management acknowledges the audit finding. At the time audit, the Contract Manager had observed the defective works and brought them to the attention of the contractor. However, the contractor delayed to remedy the defective works. Subsequently, the Contract Manager followed up and ensured that the defective works were corrected.

Recommendation
The Contract Manager should adopt a stricter approach to ensuring compliance with defect rectification requirements in accordance with Regulation 52 (1) (a) of the PPDA (Contracts) Regulations 2023. In accordance with Clause GCC 39.1, they should exercise their authority to suspend works until major defects have been adequately addressed. Failure by the Contractor to complete these rectifications within the stipulated timeframe should attract appropriate penalties.

2.1.5 Delays in Project Milestone Payments
Whereas GCC 52.1 indicated indicates that payments to the contractor will be made within 30 days of the date of each certificate, it has been noted that payments for the Interim Payment Certificate number 1 which was issued on the 14th July 2025 was paid on 17th September 2025 which is a delay of more than a month, Advance payment request was submitted on 3rd September 2025 and had not yet been paid as of 24th October 2025. Advance was paid on 31st December 2025. The section further guides that in the case of late payment; interest was to be paid to the contractor in the next payment at the prevailing rate of interest for commercial borrowing. Table 3 below details the payment delays:

Table 3: Representing Payment schedule for IPC 1 and Advance payment for Mangron

Payment Milestone	Request amount (UGX)	Date	Target – 30 days
Interim Payment certificate no. 1	173,373,171.00	14th July 2025	
Payment of IPC no. 1		17th September 2025	63 days
		Over by	**33 days**
Advance payment request	216,027,750.00	3rd September 2025	
Payment of Advance – Not paid by Audit time		24th October 2025 (paid on 31st December 2025)	51 days
		Over by	**3 months**

Implication
Delays in effecting payments when certificates are issued, causes delays in project implementation as it strains the contractor to look for external funds to keep the works ongoing. This causes additional costs to the contractor to finance the project. Delays also lead to extra costs for the Entity, that will be owed to the contractor in form of interest for the delayed payment.

Management Response

- *Management acknowledges the audit finding regarding the delayed payment for advance Payment. The payment was processed outside the stipulated 30-day period due to the Global Fund disbursement procedures, which created delays in payment approval process. Management has severally engaged Ministry of Finance Planning and Economic Development – Funds Coordination Unit (MoFPED - FCU), Local Fund Agent (LFA) and Country Team (CT) with the objective to fast-track the payments.*
- *The payment was processed and paid in December 2025. This specific delay did not incur interest charges, and management is committed to ensuring strict adherence to the payment schedule going forward to maintain contractor cash flow and project continuity.*

Authority's Comments

The Management response is noted. While it is acknowledged that the delay in settling the advance payment arose from external disbursement and approval procedures under the Global Fund financing arrangement, the payment was nevertheless effected outside the stipulated contractual and regulatory timelines. Delays in processing advance payments undermine the contractor's cashflow at a critical stage of project implementation and may adversely affect mobilization and overall project performance.

Recommendation

The Accounting Officer should follow-up with the timely processing and payment of all certificates, including advance payments in accordance with Regulation 49 (3) of the PPDA (Contracts) Regulations 2023 in order to facilitate Mangron Investments Limited to meet the agreed project timelines.

2.2 Construction of medicine stores at Kamuli General Hospital - Lot 5

The Authority observed the following positive findings during the implementation of the contract for construction of a medicine store at Kamuli General Hospital in Kamuli District:

1. The works were completed on 12th January January 2026 before the date of the second time extension of 31st January 2026 indicating contract effectiveness; and

2. Dalach Investments Limited (Contractor) demonstrated commitment to creating employment opportunities for Ugandans, particularly for members of neighboring communities at the project site.

Despite the above positive performance, the Authority noted the following exception findings:

2.2.1 Failure to Submit the Program of Works after Contract Signature

The Conditions of Contract referenced in Clause GCC 36.1 of the contractor's agreement stipulate that the Program of Works should be submitted to the Employer within fourteen (14) days after contract signature i.e., the Program of Works should not be submitted later than 31st March 2025.

The Authority noted that there was no documentation confirming that the contractor submitted the Program to the Entity within the stipulated period. The audit found no evidence of communication with the contractor approving the Program of Works and related methods, arrangement, order and timing of all activities in the works submitted as required by the contract. The updated program indicates a date of 25th April 2025. There was a delay in presenting the updated program by 25 days.

Implication
There was a delay of 25 days when the Entity could not plan for effective monitoring and supervision of the project, which delayed approval of critical site stages, e.g. transferring of drawing measurements onto the ground.

Management Response
Management acknowledges the audit finding. The site was handed over to the contractor two weeks after contract signature. Therefore, it was not feasible for the contractor to submit the updated program of works within fourteen days after contract signing. The delay to handover the site was occasioned by the bureaucracy in mobilizing stakeholders (Local Government) to witness the site handover.

Authority's Comment
The Program of Works submission is a contractual obligation under Clause GCC 36.1. Management must implement measures to prevent delays in future submissions by the Contractor, as outlined in the Contract terms.

Recommendation
The Accounting Officer should caution the Contract Manager for failure to ensure the timely submission of the work program by the contractor in compliance with the terms and conditions of the contract, contrary to Regulation 52 (1) (a) and (b) of the PPDA (Contracts) Regulations 2023.

2.2.2 Inadequate Insurance Cover
The contractor's insurance coverage did not meet the requirement of covering the full 110% of the value as stipulated in Clause GCC 18.1 (g) of the Particular Conditions of the Contract. The amount covered was determined to be 100% of the contract value.

Furthermore, the insurance policy was not issued in the joint names of both the Employer and the Contractor, contrary to the requirements outlined in Clause 18.1 of the General Conditions of Contract.

The insurance coverage commenced on 13th May 2025, which did not align with the contractual provisions that mandated insurance to begin on the start date of the works, i.e. 28th March 2025. Additionally, no receipt was provided to verify that the contractor paid the full premium amount.

Implication
The Entity faces substantial exposure to insurance coverage vulnerabilities, especially concerning the risk of violating the contract related to the invalidation of the workman's insurance policy. Such a breach could result in an estimated financial liability of UGX 114,000,000, plus an extra 10%. Additional costs would also include possible regulatory penalties.

Management Response
Management inadvertently did not obtain a full insurance cover from the contractor and going forward, management is committed to ensuring that all contractual obligations are met by adhering to efficient contract management and monitoring practices. Important to note, the contract was successfully executed, and works were handed over, hence no more anticipated insurable contractual risk.

Authority's Comment
The Contractor must maintain Insurance Coverage from the start date until the end of the Defects Liability Period, as required by Clause 18.1 of the Contract. Currently, the Contractor is in breach, as the Defects Liability Period is still active. Management is advised to implement measures to avoid similar Contract Management issues in future projects.

Recommendations
The Accounting Officer should

- Caution the Contract Manager for failure to ensure that the contractor complied with the requirements of the insurance cover; and
- Direct the Contract Manager to instruct Dalach Investments Limited to amend the insurance policy to comply with Clause GCC 18.1(g) of the Particular Conditions of the Contract.

2.2.3 Inadequate Preparation of Site Reports

Under Clause 1.1.34 of the Contract Standard Specifications, the contractor is required to keep a site diary of works. Best practice suggests that the Clerk of Works (COW) produce daily site records, similar to those that the contractor produces, but these should be forwarded to the Contract Manager.

The Authority noted that site reports were produced on a weekly basis instead of the required daily frequency, which deviates from established best practices for documenting site activities. Furthermore, the reports bore the signature of the COW but were missing the necessary endorsement from the immediate supervisor, the Contract Manager.

Implication
This practice poses a risk of lack of a detailed daily site record. This lack of documentation undermines the basis for supporting extensions of time if required.

Management Response
Management clarifies that a diary of works is kept as a best practice by the Contract Manager to guide in making site management decisions. The endorsement/ signing of the daily site diary of works by the clerk of works is sufficient.

Authority's Comment
Under Regulation 52.3 (a)(v) of the PPDA (Contracts) Regulations 2023, the Contract Manager must follow Best Practices in Contract Management. A key practice is the formal signing of the Site Diary by the Clerk of Works (COW) and the Contract Manager (CM) to confirm acknowledgement. Failure to sign the Site Diary is a breach of contract management protocols, and management should ensure both parties sign the document.

Recommendation
The Contract Manager should prepare daily site reports; each report should contain personal signatures of both the Inspector of Works and the Supervisor in accordance with Regulation 52 (1) (a) and (b) of the PPDA (Contracts) Regulations, 2023.

2.2.4 Lack of Signed Measurements Sheets:

Clause GCC 50.1(2) of the Conditions of Contract states that the contractor shall be paid for work completed, and the measurement sheets should be signed by both the Contract Manager and the contractor. The audit noted that the presented measurement sheets were not signed by both the Contract Manager and the contractor's representative.

Implications

- This exposes the Entity to various risks associated with both overpayment and underpayment scenarios.
- Lack of adequate documentation may hinder the prompt resolution of disputes relating to quantities that could arise during the contractor's execution of work.

Management Response

Management clarifies that the measurement sheets presented for review were in soft copy (Excel sheets), hence not endorsed. The signed measurement sheets in hard copies for all completed work and payments are maintained and available on file.

Authority's Comment

The hard copies were not provided; there is no evidence that signed measurement sheets were available on file.

Recommendation

The Contract Manager should keep and maintain signed measurement sheets in accordance with Regulations 42 (4)(c) and 52 (3) (a) (vii) of the PPDA (Contracts) Regulations, 2023

2.2.5 Failure to Specify the Contractor's Personnel on Site in the Reports

Under Clause 51.1 of the Conditions of Contract, the Contract Manager is obligated to certify interim payments following the receipt of the Contractor's statement and accompanying documentation. The supporting documents must include progress reports as stipulated in Clause 4.21 of the FIDIC Red Book, as referenced in the contract specifications. Furthermore, Clause 6.10 of the FIDIC Red Book states that the contractor's personnel, as outlined in the contractor's agreement, must be detailed and submitted monthly to the Contract Manager, i.e., in the progress reports. Consequently, the contractor's personnel must be explicitly included in the progress reports, as required by the contract.

The Authority noted that the names of approved contractors' key personnel were never included in the Progress Reports, which document support the interim payment certificate approval. Therefore, the interim payment was certified with a non-compliant supporting document (monthly progress report) because it lacked details on the contract's key staff.

Implication

There is a potential risk to the Entity of incurring costs for staff who were never deployed.

Management Response

Management clarifies that the contractor's personnel were actively involved in supervising the project, with the Contract Manager maintaining constant communication regarding progress and site issues. Management will ensure that all future monthly progress reports include the contractor's key personnel.

Authority's Comment

There is no evidence attached that the approved contractor's personnel were actively involved in the project.

Recommendation

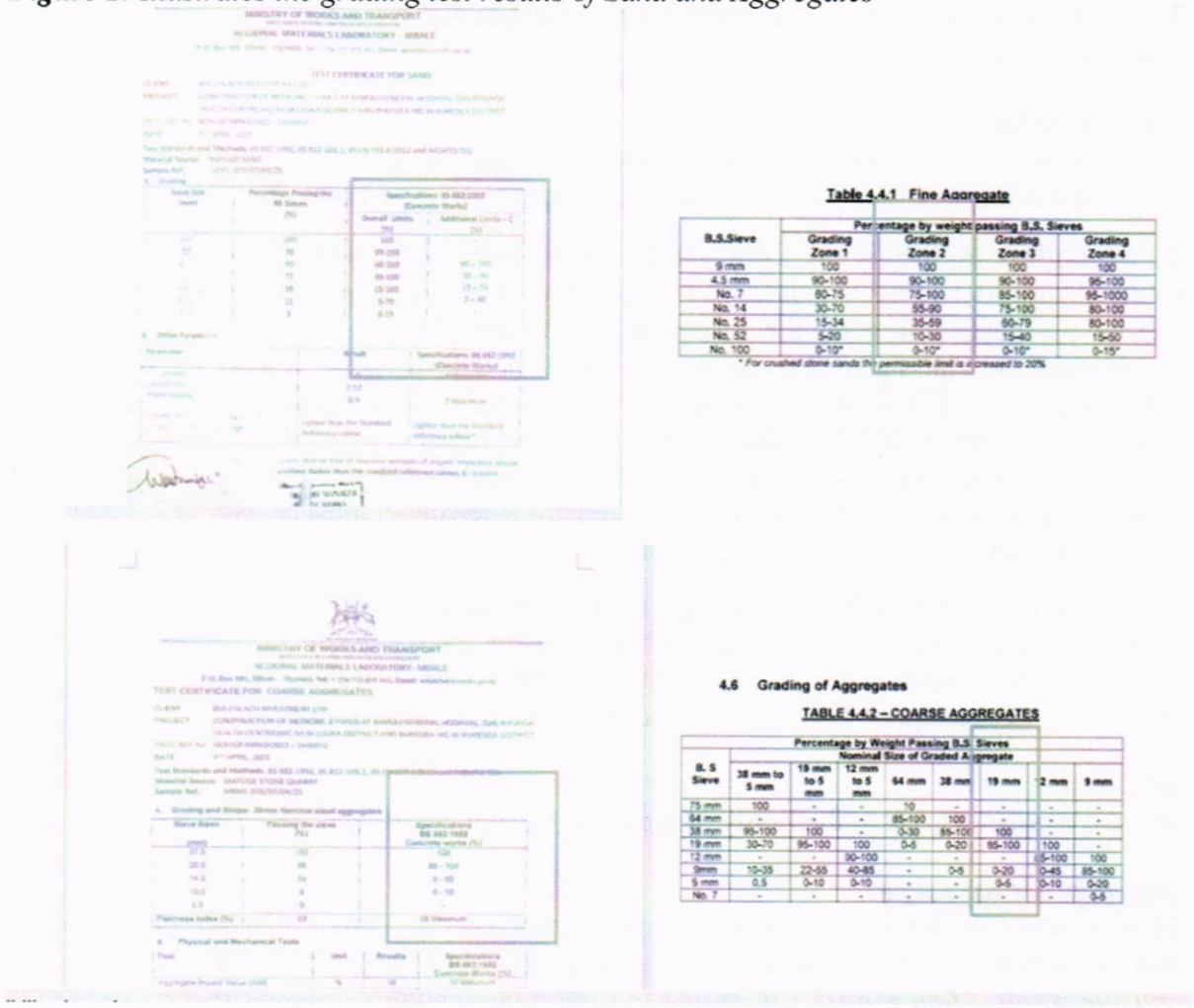
The Contract Manager should ensure that the approved contractor's staff are always mobilized and on site in accordance with Regulation 52 (1) (a) and (b) of the PPDA (Contracts) Regulations 2023.

2.2.6 Failure to Report Materials Testing Results in accordance with Contract Specifications.

Under Clauses 4.4 and 4.6 of the General Specifications, the results of the tests of grading of sand and coarse aggregates should align with the requirements outlined in the General Specifications tables 4.4.1 and 4.4.2, which pertain to the gradings of sand and coarse aggregate, respectively.

The Authority noted that the test results for the grading of the sand and coarse aggregates were not compared with the requirements set out in tables 4.4.1 and 4.4.2, which specify the grading standards for the sand and aggregates in the General Specifications of the Contract. **Figure 1** illustrates the details above.

***Figure 1**: Illustrates the grading test results of Sand and Aggregates*



MINISTRY OF WORKS AND TRANSPORT

REGIONAL MATERIALS LABORATORY - MBALE

TEST CERTIFICATE FOR SAND

Table 4.4.1 Fine Aggregate

B.S.Sieve	Percentage by weight passing B.S. Sieves			
	Grading Zone 1	Grading Zone 2	Grading Zone 3	Grading Zone 4
9 mm	100	100	100	100
4.5 mm	90-100	90-100	90-100	95-100
No. 7	80-75	75-100	85-100	95-1000
No. 14	30-70	55-90	75-100	80-100
No. 25	15-34	35-59	60-79	80-100
No. 52	5-20	10-30	15-40	15-50
No. 100	0-10*	0-10*	0-10*	0-15*

* For crushed stone sands the permissible limit is increased to 20%

MINISTRY OF WORKS AND TRANSPORT

REGIONAL MATERIALS LABORATORY - MBALE

TEST CERTIFICATE FOR COARSE AGGREGATES

4.6 Grading of Aggregates

TABLE 4.4.2 – COARSE AGGREGATES

B. S Sieve	Percentage by Weight Passing B.S. Sieves Nominal Size of Graded Aggregate							
	38 mm to 5 mm	19 mm to 5 mm	12 mm to 5 mm	64 mm	38 mm	19 mm	2 mm	9 mm
75 mm	100	-	-	10	-	-	-	-
64 mm	-	-	-	85-100	100	-	-	-
38 mm	95-100	100	-	0-30	85-100	100	-	-
19 mm	30-70	95-100	100	0-6	0-20	95-100	100	-
12 mm			90-100	-	-		85-100	100
9mm	10-35	22-55	40-85	-	0-5	0-20	0-45	85-100
5 mm	0-5	0-10	0-10	-	-	0-5	0-10	0-20
No. 7	-	-	-	-	-	-	-	0-5

Implication

The quality and standard of the work may not be met.

Management Response

Management clarifies that the Contract Manager performed a critical review of the material test results against the requirements of Tables 4.4.1 and 4.4.2 in the General Specifications for building works, verifying full compliance with all stipulated parameters. While the laboratory's report (Ministry of Works and Transport – Regional Materials Laboratory Mbale) format did not include the necessary correlation, this did not constitute a failure of material quality oversight.

Authority's Comment
The Entity received results that did not align with the specified tables in the General Specifications, leading to unverified parameters and a breach of reporting best practices. Management must take action to ensure that results are correlated with the Specifications for Quality Reporting Compliance.

Recommendations
- The Accounting Officer should caution the Contract Manager for failure to ensure that the contractor complied with the requirements of the materials testing.
- The Contract Manager should task Dalach Investments Limited to comply with the materials testing requirements in accordance with Regulation 52 (1) (a) and (b) of the PPDA (Contracts) Regulations, 2023.

2.2.7 A 4% difference between the physical progress percentage against the Time progress percentage

The audit noted that the contractor was delayed by 4% as per the Contract Manager's 18th August 2025 report. The audit attributed this to the delay in the mechanical and electrical appliances installations as observed on site.

Implication
Failure to close the gap may result in delayed contract completion.

Management Response
No management response was submitted.

Recommendations
- The Contract Manager should task Dalach Investments Limited to deploy sufficient resources at the project site to enable expeditious completion of the project in accordance with Regulation 52(1)(b) of the PPDA (Contracts) Regulations, 2023.
- The Accounting Officer should pay Dalach Investments Limited in time to mitigate the contractor's cash flow challenges in accordance with Regulation 52(3) (iii) of the PPDA (Contracts) Regulations, 2023.

2.3 Construction of medicine stores at Kazo Health Centre IV - Lot 6

The Authority observed the following positive findings during the implementation of the contract for construction of a medicine store at Kazo Health Centre IV in Kazo District:

1. The Contract Manager (Engineer Allan Sebunya) prepared and maintained all contract management records such as the Contract Implementation Plan, monthly & quarterly progress reports, approval of materials as well as site possession orders and instructions;

2. The contract price stayed as signed at the start. The contingency covered all variations and savings from reduced quantities. The contract price of UGX 721,469,746 stayed within about 1% to 2 % of the feasibility estimate of UGX 731,212,912, which falls within the +/- 15 percent range.

3. Aswangah Construction Services Ltd (Contractor) demonstrated commitment to creating employment opportunities for Ugandans, particularly for members of neighboring

communities at the project site. Further still, all construction materials utilized for civil works were sourced locally in accordance with Guideline No12 of 2024.

Despite the above positive performance, the Authority noted the following exception findings:

2.3.1 Delay in Project Completion

The project was behind schedule by 50% as of 1st October 2025, contrary to GCC 22.1, which set the completion date at 30th September 2025. Physical progress was 50%, and financial progress was 29.99%. The delay resulted from insufficient contractor cash flow caused by delayed advance payment (as shown in Table 3) and delayed IPC payments, which were certified on 18th August 2025 but not paid by the time of the audit. Additional contributing factors included adverse weather conditions as reported in the daily weather reports at site indicating a total of 29 working hours lost as of the time of the audit.

Implication

Project delays increase costs for both the contractor and the client. The contractor risks liquidated damages, extended resource costs, and reduced profitability. The PDE incurs additional supervision costs, loses time, faces delayed use of the facility, and may be exposed to compensation events under the contract.

Management Response

Management acknowledges the audit finding. The delay was occasioned by delayed payments to the contractor due to the Global Fund disbursement procedures, which created delays in payment approval process and this delay disrupted contractor's cash flows and resource mobilization. The project completion date was formally extended to 20th January 2026 and the project has attained Practical Completion. Management has since engaged MoFPED - FCU, LFA and CT with the objective to fast-track the future payments.

Recommendation

The Contract Manager should enforce strict adherence to contract timelines in line with Regulations 52(1)(b) and 52(3)(vi) of the PPDA (Contracts) Regulations, 2023 and follow-up with the prompt processing of payments to support cash flow and mobilization of resources for timely execution of works within the agreed schedule.

2.3.2 Inconsistent Standard Concrete Strength Testing Schedule

The standard concrete strength testing sequence required by the Ministry of Works and Transport specifies that concrete should be tested at least at 7 days and 28 days to confirm its required strength. During the audit, concrete strength tests conducted for some pours showed results meeting the required strength at both 7 and 28 days. For other elements, including the column bases, oversite slab and blocks, only 28-day test results were available. A total of three **(03)** for the 7-day test results were missing. These 28-day results met the required strength, but the missing 7-day results broke the standard testing sequence required by the Ministry of Works and Transport specifications. The information was obtained from the contractor's laboratory test records file which didn't have the 7 days tests for the elements mentioned above. The missing concrete data is indicated in Table 4 below:

Table 4: Missing Concrete Strength Results Kazo

No	Element	Casting date	Required strength (Mpa)	7days (Mpa)	28days (Mpa)	Comments
1.	Concrete blocks	10/3/2025	5	Missing result	5.4	Strength achieved
2.	Oversite floor slab	01/07/2025	20	Missing result	21.9	Strength achieved
3.	Column bases	1/5/2025	25	Missing result	27.2	Strength achieved

Implication

Although the available 28-day results confirmed that the concrete met the required strength, the absence of 7-day results reduced the ability to monitor early strength development. This limited early detection of quality issues, weakened traceability of quality records, and can delay approvals during inspections or future audits.

Management response

Management clarifies that the 28-days test results met the required design strength. Management will going forward ensure that all concrete works are tested at 7 days (early strength assessment) and 28 days.

Recommendation

The Contract Manager should enforce the requirement to conduct and submit both 7-day and 28-day test results for each concrete element. Samples should be taken during casting and the laboratory should follow the full testing schedule. Supervision teams should verify the completeness of test reports and maintain proper records to support future inspections and audits.

2.3.3 Schedule of key personnel

The GCC 14.1 of the Special Conditions of Contract state that the schedule of the key personnel shall be part of the contract. The audit noted that the schedule of key personnel was not included in the contract. In addition to further reference to the documents under the contract, some personnel deployed on site did not match those indicated in the bid documents. This included positions critical for daily supervision and quality control, such as site engineers and foremen. No formal approval was sought from the PDE for these personnel changes. Table 5 below details the missing key personnel at the Kazo HC IV project site.

Table 5: Missing Key Personnel on Kazo HC IV Project Site

No.	Position	Key personnel in the bid	Key personnel on site
1.	Site engineer	Mr. Oryema Oyet Christopher and Mr. Semucyo Uthman	Mr. Orikiriza Lavin
2.	Foreman works	Mr. Nyakana Paul and Mr. Muhumuza Robert	Mr. Muhumuza Memory
3.	Safety officer	Mr. Taseka Tonny	Mr. Muhumuza Memory

Implication

Using unapproved or less qualified personnel reduces the level of supervision and quality control on site. This increases the risk of poor workmanship, non-compliance with contract specifications, and potential delays. It also constitutes a breach of contract and may amount to

misrepresentation of key personnel, since the deployed team differs from what was committed in the bid. This can lead to disputes, penalties, or contract termination in line with PPDA regulations.

Management Response

- *Management clarifies that the contractor's proposed schedule of key personnel, as submitted in their bid, is contractually binding. This is established under Clause 2(a) of the Agreement, which deems the contractor's bid to form an integral part of the contract. Therefore, the personnel list within the bid fulfills the requirement of Clause GCC 14.1.*
- *To mitigate this omission for future projects, the entity will ensure that a schedule of key personnel is explicitly annexed to the contract.*
- *Management further clarifies that the contractor's key staff were engaged during critical project phases and consulted directly on substantive execution issues. While their presence was not routinely documented in meeting minutes or site registers, the Contract Manager maintained direct communication with them to resolve any challenges, ensuring continued oversight of quality and timelines.*

Recommendation

The Accounting officer should task the Contract Manager to enforce GCC 14.1 of the Special Conditions of the Contract by ensuring schedule of key personnel is attached to the contract and only approved key personnel are deployed on site for future contracts. Any personnel changes should be formally requested by the contractor and approved before deployment. Regular site inspections should be carried out to confirm compliance throughout implementation.

2.3.4 Non-adherence to Safety Requirements

The audit established that while the contractor generally adhered to ESHS requirements, there were notable gaps. There was no first aid kit on site, which is a mandatory safety requirement. In addition, the garbage collection point was placed at the site entrance and partially within a private garden. This created a health and safety risk, blocked access, and encroached on private property.

Implication

Failure to maintain proper ESHS standards increases risks to workers and the surrounding community. It weakens emergency response capacity, exposes the PDE and contractor to possible legal or regulatory action, and may lead to conflicts with the affected property owner. It also creates a negative image of the project.

Management Response

Management takes note of the findings. At the time of the audit, the site had a waste/garbage collection point, one of the contractor staff dumped garbage in undesignated place and this was rectified. Management will ensure that the Contract Manager enforces compliance to ESHS.

Recommendations

- Aswangah Construction Services Ltd should provide and maintain a fully equipped first aid kit on site at all times and relocate the garbage collection point to a designated and contained area fully inside the project site.
- The Contract Manager should strengthen ESHS supervision to ensure full compliance with health and safety standards and avoid encroachment onto private property.

2.3.5 Delayed advance payment

The audit noted that the PDE completed the advance payment of UGX 432,881,828 on 29th June 2025, which was 109 days after contract signing on 12th March 2025. Of this amount, UGX 216,440,914 was for the Kazo Medicine Stores under Lot 6. The delay was caused by slow verification and approval processes within the Entity and the contractor's delay in submitting the advance payment request as indicated in table 1.

Implication

Delayed advance payment limited the contractor's cash flow, slowed down mobilization, and delayed the start of key construction activities. This increased the risk of missing project milestones and exposed the client to possible compensation claims for non-compliance with contractual payment timelines.

Management Response

Management acknowledges the audit finding regarding the delayed payment for advance Payment. The payment was processed outside the stipulated 30-day period due to the Global Fund disbursement procedures, which created delays in payment approval process. Management has severally engaged Ministry of Finance Planning and Economic Development – Funds Coordination Unit (MoFPED - FCU), Local Fund Agent (LFA) and Country Team (CT) with the objective to fast-track the payments.

Recommendation

The Accounting Officer should ensure compliance with GCC 60.1 and Regulation 49(3) of the PPDA (Contracts) Regulations, 2023 by processing all certified payments within 30 days. The Contract Manager should closely track payment timelines and coordinate with finance to prevent delays. The contractor should submit the advance payment request and all required documents early to avoid unnecessary delays in disbursement.

2.3.6 Delayed payment of Interim payment certificate 01

The audit noted that Interim Payment Certificate 01 was certified and invoiced on 18th August 2025. By the audit date on 1st October 2025, the payment had not been made, a delay of 42 days.

Implication

Delayed payment affects the contractor's cash flow and slows down construction activities. It increases the risk of missed project milestones, reduces contractor productivity, and can lead to suspension of works. The procuring entity is also in breach of contract, which may result in claims or disputes.

Management Response

- *Management acknowledges the audit finding regarding the delayed payment for Interim Payment Certificate No.1. The payment was processed outside the stipulated 30-day period due to the Global Fund disbursement procedures, which created delays in payment approval process. Management has severally engaged Ministry of Finance Planning and Economic Development – Funds Coordination Unit (MoFPED - FCU), Local Fund Agent (LFA) and Country Team (CT) with the objective to fast-track the payments.*
- *The payment was processed and paid in December 2025. This specific delay did not incur interest charges, and management is committed to ensuring strict adherence to the payment schedule going forward to maintain contractor cash flow and project continuity.*

Recommendations

- The Accounting Officer should implement mechanisms of timely processing and payment of all certified IPCs in line with GCC 52.1.
- The Contract Manager should coordinate closely with the Finance and Accounting Units to avoid unnecessary delays, track payment timelines and any delays escalated immediately to ensure compliance with contractual obligations.

2.4 Construction of medicine stores for Packwach Health Centre IV - Lot 7

The Authority observed the following positive findings during the implementation of the contract for construction of a medicine store at Packwach Health Centre IV in Packwach District:

1. The Contract Manager (Engineer Allan Sebunya) prepared and maintained all contract management records such as the Contract Implementation Plan, monthly & quarterly progress reports, approval of materials as well as site possession orders and instructions;

2. The contract price stayed as signed at the start. The contingency covered all variations and savings from reduced quantities. The contract price of UGX 721,469,746 stayed within about 1% to 2 % of the feasibility estimate of UGX 719,440,215, which falls within the +/- 15 percent range; and

3. Bygon Enterprises Ltd (Contractor) executed good work quality in accordance with the design standards in the contract and demonstrated commitment to creating employment opportunities for Ugandans, particularly for members of neighboring communities at the project site.

Despite the above positive performance, the Authority noted the following exception findings:

2.4.1 Delay in project completion

The project was behind schedule by 20% as of 8th October 2025, contrary to GCC 22.1, which set the completion date at 9th October 2025. Physical progress was 80%, and financial progress was 28.01%. The delay resulted from insufficient contractor cash flow caused by delayed IPC 01 payments, which were certified on 14th July 2025 and paid 52 days later on 3rd September 2025. Additional contributing factors included adverse weather conditions as reported in the daily weather reports at site indicating a total of 76 working hours lost as of the time of the audit, long distances encountered in transportation of materials to site.

Implication

Project delays increase costs for both the contractor and the client. The contractor risks liquidated damages, extended resource costs, and reduced profitability. The PDE incurs additional supervision costs, loses time, faces delayed use of the facility, and may be exposed to compensation events under the contract.

Management Response

Management acknowledges the audit finding. The delay was occasioned by delayed payments to the contractor due to the Global Fund disbursement procedures, which created delays in payment approval process and this delay disrupted contractor's cash flows and resource mobilization. The project completion date was formally extended to 20th January 2026 and the

project has attained Practical Completion. Management has since engaged MoFPED - FCU, LFA and CT with the objective to fast-track the future payments.

Recommendation

The Contract Manager should enforce strict adherence to contract timelines in line with Regulations 52(1)(b) and 52(3)(vi) of the PPDA (Contracts) Regulations, 2023 and follow-up with the prompt processing of payments to support cash flow and mobilization of resources for timely execution of works within the agreed schedule.

2.4.2 Inconsistent Standard Concrete Strength Testing Schedule

The standard concrete strength testing sequence required by Ministry of Works and Transport specifies that concrete should be tested at least at 7 days and 28 days to confirm its required strength During the audit, concrete strength tests conducted for some pours showed results meeting the required strength at both 7 and 28 days. For other elements, including the column bases, oversite slab and strip foundation, only 28-day test results were available. A total of **03** for the 7-day test results were missing. These 28-day results met the required strength, but the missing 7-day results broke the standard testing sequence required by the Ministry of Works and Transport specifications. The information was obtained from the contractor's laboratory test records file which didn't have the 7 days tests for the elements mentioned above. The missing data is indicated in table 6 below:

Table 6: Missing Concrete Strength Results for the Pakwach HC IV Project

No.	Element	Casting date	Required strength (Mpa)	7days (Mpa)	28days (Mpa)	Comments
1.	Slab	8/6//2025	20	Missing result	23.7	Strength achieved
2.	Strip foundation	26/5/2025	20	Missing result	24.2	Strength achieved
3.	Column bases	28/5/2025	25	Missing result	28.2	Strength achieved

Implication

Although the available 28-day results confirmed that the concrete met the required strength, the absence of 7-day results reduced the ability to monitor early strength development. This limited early detection of quality issues, weakened traceability of quality records, and can delay approvals during inspections or future audits.

Management response

Management clarifies that the 28-days test results met the required design strength. Management will going forward ensure that all concrete works are tested at 7 days (early strength assessment) and 28 days.

Recommendation

The Contract Manager should enforce the requirement to conduct and submit both 7-day and 28-day test results for each concrete element. Samples should be taken during casting, and the laboratory should follow the full testing schedule. Supervision teams should verify the completeness of test reports and maintain proper records to support future inspections and audits.

2.4.3 Missing Key Personnel on Site

The GCC 14.1 of the Special Conditions of Contract state that the schedule of the key personnel shall be part of the contract. The audit noted that the schedule of key personnel was not included in the contract. In addition, some personnel deployed on site did not match those indicated in the bid. This included positions critical for daily supervision and quality control, such as site engineers and foremen. No formal approval was sought from the Entity for these personnel changes. The missing personnel is indicated in Table 7 below:

Table 7: Missing Key Personnel on Pakwach site

No.	Position	Key Personnel in the bid	Key Personnel on site
1.	Site engineer	Mr. Ogwal James Morrish	Mr. Owan Sylvester
2.	Foreman works	Mr. Ogwang Emmanuel	NIL

Implication

Using unapproved or less qualified personnel reduces the level of supervision and quality control on site. This increases the risk of poor workmanship, non-compliance with contract specifications, and potential delays. It also constitutes a breach of contract and may amount to misrepresentation of key personnel, since the deployed team differs from what was committed in the bid. This can lead to disputes, penalties, or contract termination in line with PPDA regulations.

Management Response

- *Management clarifies that the contractor's proposed schedule of key personnel, as submitted in their bid, is contractually binding. This is established under Clause 2(a) of the Agreement, which deems the contractor's bid to form an integral part of the contract. Therefore, the personnel list within the bid fulfills the requirement of Clause GCC 14.1.*
- *To mitigate this omission for future projects, the entity will ensure that a schedule of key personnel is explicitly annexed to the contract.*
- *Management further clarifies that the contractor's key staff were engaged during critical project phases and consulted directly on substantive execution issues. While their presence was not routinely documented in meeting minutes or site registers, the Contract Manager maintained direct communication with them to resolve any challenges, ensuring continued oversight of quality and timelines.*

Recommendation

The Accounting officer should task the Contract Manager to enforce GCC 14.1 of the Special Conditions of the Contract by ensuring schedule of key personnel is attached to the contract and only approved key personnel are deployed on site for future contracts. Any personnel changes should be formally requested by the contractor and approved before deployment. Regular site inspections should be carried out to confirm compliance throughout implementation.

2.4.4 Adherence to Gender, Environmental, Health and Safety Requirements

GCC 24 & 31 of the signed contract states that the contractor shall maintain health and safety of the personnel and site premises. The audit established that while the contractor generally adhered to Environmental Social Health Safety (ESHS) requirements, on the day of the visit one of the workers carrying out roofing works was not in safety gear as noted in Annex 4. This created a health and safety risk.

Implication
Failure to maintain proper ESHS standards increases risks to workers in case of accidents. It also creates a negative image of the project and the stakeholders involved.

Management Response
Management takes note of the findings. At the time of the audit, some staff found on site had safety gears. The project site has a designated ESHS officer. Management will ensure that the Contract Manager enforces compliance to ESHS.

Recommendation
The Contract Manager should strengthen ESHS supervision to ensure full compliance with health and safety standards to avoid accidents on site while working at heights.

2.4.5 Delayed Payment of Certificate
The audit found that Interim Payment Certificate 01 was certified and invoiced on 14th July 2025 and paid 52 days later on 3rd September 2025.

Implication
Delayed payment affects the contractor's cash flow and slows down construction activities. It increases the risk of missed project milestones, reduces contractor productivity, and can lead to suspension of works. The procuring entity is also in breach of contract, which may result in claims or disputes.

Management Response
Management acknowledges the audit finding regarding the delayed payment for Interim Payment Certificate No.1. The payment was processed outside the stipulated 30-day period due to the Global Fund disbursement procedures, which created delays in payment approval process. Management has severally engaged Ministry of Finance Planning and Economic Development – Funds Coordination Unit (MoFPED - FCU), Local Fund Agent (LFA) and Country Team (CT) with the objective to fast-track the payments.

Recommendations
- The Accounting Officer should implement mechanisms of timely processing and payment of all certified IPCs in line with GCC 52.1.
- The Contract Manager should coordinate closely with the Finance and Accounting Units to avoid unnecessary delays, track payment timelines and any delays escalated immediately to ensure compliance with contractual obligations.

2.5 Construction of Medicine Stores at Kiwangala Health Centre IV in Lwengo District - Lot 8
The Authority observed the following positive findings during the implementation of the contract for construction of a medicine store at Kiwangala Health Centre IV in Lwengo District:

1. The Contract Manager (Engineer Allan Sebunya) prepared and maintained all contract management records such as the Contract Implementation Plan, monthly & quarterly progress reports, approval of materials as well as site possession orders and instructions;

2. During the audit conducted on 1st October 2025, and based on the progress for August 2025, the master work schedule indicated that the Lot 8 - Lwengo contract works physical progress of 85% showing steady progress towards completion;

3. Bluehill Construction Limited (Contractor) demonstrated commitment to creating employment opportunities for Ugandans, particularly for members of neighboring communities at the project site.

Despite the above positive performance, the Authority noted the following exception findings:

2.5.1 Partial / Limited adherence to Environmental, Social, Health and Safety (ESHS) requirements on the project site

Under health and safety guidelines in clause GCC 24.1 and 24.2, the contractor was required to take all reasonable precautions to maintain the health and safety of the personnel. The following exceptions were noted regarding the same:

Whereas the audit noted that the contractor largely adhered to ESHS provisions at the project site, there were instances where the same was lacking. For example, there were safety gears on site, but some staff opted not to wear them. There was no designated ESHS personnel at the site at the time of the audit visit. There was also concern with the methodology of disposing of timbers with nails or sharp endings and plastics at the site, which were a safety hazard, See Annex 5. The audit team also noted the laxity to ensure open man holes were covered and there was no barricading with hazard tape, leaving room for a potential incident / accident.

Implication

Failure to strictly adhere to health and safety requirements may result in serious injuries or fatalities at the construction site. A work-related injury cannot only put an employee out of work for a while and impact their quality of life, it may potentially damage the reputation of both the contractor and the Entity.

Management Response

Management takes note of the findings. At the time of the audit, the project site had a designated ESHS officer and a waste disposal point. In addition, the temporary electrical installations on site at the time of audit were ongoing under strict supervision the site foreman in charge of electrical works. Management will ensure that the Contract Manager enforces compliance to ESHS.

Authority's Comment

The Management response is noted. However, at the time of the audit, no documentary or physical evidence was provided to demonstrate that a designated ESHS officer was formally appointed and actively deployed at the project site. In addition, the audit team did not observe or receive evidence of a clearly demarcated and functional waste disposal point on site.

Recommendation

The Contract Manager should ensure that there is a trained health and safety personnel at the site at all times, to guide and ensure that health and safety measures are strictly adhered to at all construction sites, through provision of safety gears, tool box talks and ensuring strict implementation of the safety measures in accordance with Regulation 52 (1) (a) of the PPDA (Contracts) Regulations 2023.

2.5.2 Omission of Schedule of key personnel in the contract

Clause GCC 14.1 of the Special Conditions of Contract stipulates that a schedule of personnel shall form part of the contract. However, the audit observed that this schedule was omitted and did not form part of the final contract documentation.

Implication

The inclusion of a personnel schedule is essential for holding the contractor accountable for the specific individuals assigned to the project. It ensures that only personnel with the required professional qualifications and required technical expertise are engaged, which is critical for maintaining the expected quality of works during project implementation.

Management Response

Management clarifies that the contractor's proposed schedule of key personnel, as submitted in their bid, is contractually binding. This is established under Clause 2(a) of the Agreement, which deems the contractor's bid to form an integral part of the contract. Therefore, the personnel list within the bid fulfills the requirement of Clause GCC 14.1. To mitigate this omission for future projects, the entity will ensure that a schedule of key personnel is explicitly annexed to the contract.

Authority's Comment

The Management response is noted. While the Contractor's bid, including the proposed schedule of key personnel, forms part of the contract in accordance with Clause 2 (a) of the Agreement, the absence of a distinctly annexed and clearly referenced personnel schedule within the signed contract documentation weakens contract administration and enforcement.

Recommendation

The Contract Manager should follow-up with high-quality project execution of the contract and Bluehill Construction Limited should always include a schedule of key personnel with clearly defined qualifications and roles in accordance with Regulation 52 (1) (a) of the PPDA (Contracts) Regulations 2023.

2.5.3 Limited involvement of key personnel in project implementation

Although Clause GCC 14.1 of the Special Conditions of Contract requires the inclusion of a schedule of key personnel in the contract, this schedule was omitted in the final contract documents. Nevertheless, the contractor had submitted a list of key personnel as part of the bidding documents. The audit observed, however, that these personnel have had minimal involvement in the execution of the project. In particular, only the Project Manager (representing the contractor) was noted to have issued a single instruction during the substructure phase of the works.

Implication

The active involvement of the contractor's key qualified personnel is essential to ensuring that the quality of works meets the required standards. Limited participation from these individuals may compromise effective supervision, quality control, and adherence to technical specifications.

Management Response

- *Management clarifies that the contractor's proposed schedule of key personnel, as submitted in their bid, is contractually binding. This is established under Clause 2(a) of the Agreement, which deems the contractor's bid to form an integral part of the contract. Therefore, the personnel list within the bid fulfills the requirement of Clause GCC 14.1.*

- *To mitigate this omission for future projects, the entity will ensure that a schedule of key personnel is explicitly annexed to the contract. Management further clarifies that the contractor's key staff were engaged during critical project phases and consulted directly on substantive execution issues. While their presence was not routinely documented in meeting minutes or site registers, the Contract Manager maintained direct communication with them to resolve any challenges, ensuring continued oversight of quality and timelines.*

Recommendation
The Contract Manager should task Bluehill Construction Limited to actively involve the key personnel listed in the bidding documents in the supervision and execution of the works. Furthermore, the contractor should maintain clear records of their supervision activities, including instructions issued, to demonstrate compliance and accountability.

2.5.4 Site Meetings were not held at the scheduled intervals

Clauses GCC 40.1 and GCC 40.2 of the contract emphasize the importance of monthly management meetings to review project progress and address issues arising during implementation. However, the records availed at the time of the physical verification showed the handover meeting minutes on the 26th April 2025 and progress site meeting minutes on 7th August 2025, which are only 2 meetings over the course of 5 months.

Implication
Regular project meetings are vital for tracking progress, resolving issues, and ensuring that all parties fulfill their contractual obligations. The absence of formal meeting records limits accountability and makes it difficult to follow up on critical decisions and action items agreed upon during implementation.

Management Response
Management clarifies that site meetings were held to review project t progress and address any emerging issues though not on a regular basis due to conflicting schedules for the key stakeholders. The meetings held included monthly management meetings chaired by the Resident District Commissioner (RDC) and routine technical coordination meetings between the contractor and the Clerk of Works. At the time of audit, the same meeting minutes were not yet signed the Chairperson. We have since filed the signed minutes.

Authority's Comment
The Management response is noted. While it is acknowledged that site and coordination meetings were held, the irregularity of the meetings and the absence of duly signed minutes at the time of the audit indicates weaknesses in contract management documentation and monitoring.

Recommendations
1. The Accounting Officer should task the Contract Manager to ensure that all records pertaining to contract management are kept on the contract management file in accordance with Regulation 52 (3) (a) (vii) of the PPDA (Contracts) Regulations 2023 and Section 44 of the PPDA Act Cap 205.
2. The Contract Manager should hold site progress meetings on a monthly basis and additional meetings whenever there are pertinent issues to be resolved at site and that comprehensive minutes are recorded. These records should capture key discussions, decisions made, and action points, to facilitate proper follow-up and maintain transparency throughout the project lifecycle.

2.5.5 Timeliness of Payments

Whereas GCC 52.1 indicates that payments to the contractor will be made 30 days from certification of invoices, and Regulation 49(3) of the PPDA (Contracts) Regulations, 2023, requires that payments be made within thirty (30) days of invoice certification, unless otherwise specified in the contract's special conditions, the audit noted that payment for the Interim Payment Certificate number 2, which was issued on 18th August 2025, was yet to be made as of 24th October 2025 (paid on 19th December 2025), which is 3 months late. The section further guides that in the case of late payment; interest was to be paid to the contractor in the next payment at the prevailing rate of interest for commercial borrowing. Table 8 below indicates the delayed payments:

Table 8: Representing Payment Schedule for IPC 2 for Blue Hill Construction Ltd

Payment Stage	Request Amount (UGX)	Date	Target – 30 days
Interim Payment Certificate No. 2	350,394,282.00	18th August 2025	
Payment Date – Not paid	By Audit time	24th October 2025 (paid 19th December 2025	Over 3 months late

Implication

Delays in effecting payments when certificates are issued, causes delays in project implementation as it strains the contractor to look for external funds to keep the works ongoing. Failure to pay for contractor payment requests negatively affects the contractor's cashflow and may lead to delays in project works. This causes additional costs to the contractor to finance the project. Delays also lead to extra costs for the Entity, that will be owed to the contractor in form of interest for the delayed payment.

Management Response

- *Management acknowledges the audit finding regarding the delayed payment for Interim Payment Certificate No. 2. The payment was processed outside the stipulated 30-day period due to the Global Fund disbursement procedures, which created delays in payment approval process. Management has severally engaged Ministry of Finance Planning and Economic Development – Funds Coordination Unit (MoFPED - FCU), Local Fund Agent (LFA) and Country Team (CT) with the objective to fast-track the payments.*
- *The payment was processed and paid in December 2025. This specific delay did not incur interest charges, and management is committed to ensuring strict adherence to the payment schedule going forward to maintain contractor cash flow and project continuity.*

Authority's Comment

The management response is noted, including the explanation that the delay in settling the Interim Payment Certificate No.2 was attributed to external disbursement and approval processes under Global Fund financing arrangements. While it is acknowledged that Management engaged the relevant stakeholders and that the payment was eventually effected in December 2025 without incurring interest charges, the delay nonetheless constituted non-compliance with the stipulated payment timelines.

The Authority emphasizes that delays in contractor payments, regardless of the funding source or approval procedures, expose projects to risks of delayed implementation, strained contractor cashflow and potential claims of interest and associated costs. Such delays undermine effective contract performance and may ultimately increase the financial burden on the Entity.

Recommendation

The Accounting Officer should make timely payments to service providers in accordance with Regulation 49 (3) of the PPDA (Contracts) Regulations, 2023 to facilitate Contractors to meet the agreed project timelines and reduce the financial exposure of the Entity and to put in place proactive payment planning and coordination mechanisms, including early engagement with funding agencies and timely submission of payment documentation, to ensure compliance with the payment timelines.

2.6 Overall Audit Conclusion

From the contract audit, the Authority established that the contracts for the construction of the five medicine stores were generally implemented satisfactorily and were either completed or progressing towards successful completion. Across the five lots, the projects generally demonstrated good value for money, satisfactory quality of works, effective record management and positive socio-economic outcomes, including local employment. However, recurring weaknesses were identified in contract administration, particularly in Environmental, Social, Health and Safety (ESHS) compliance, contract documentation, deployment and supervision of key personnel, quality assurance documentation, monitoring of contractor performance and timely processing of payments. Table 9 below summarizes the key weakness in the five lots:

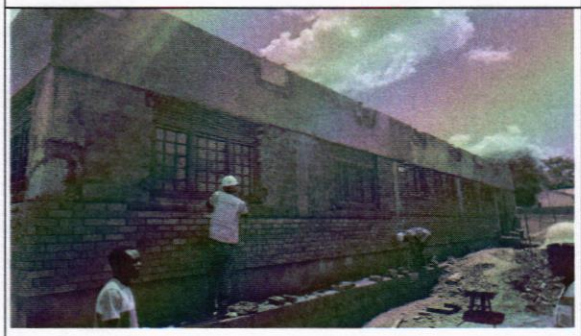
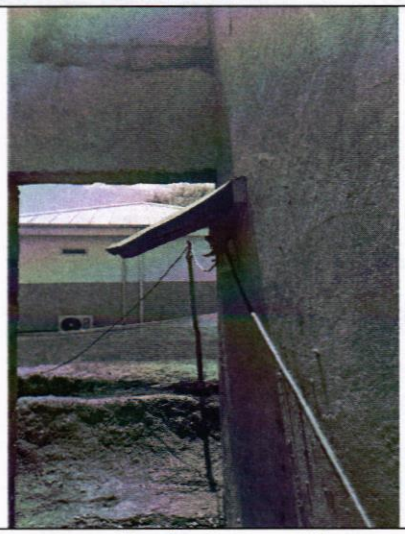
Table 9: Key weaknesses observed in the audit of the medicine stores under Lots 1, 5, 6, 7 & 8

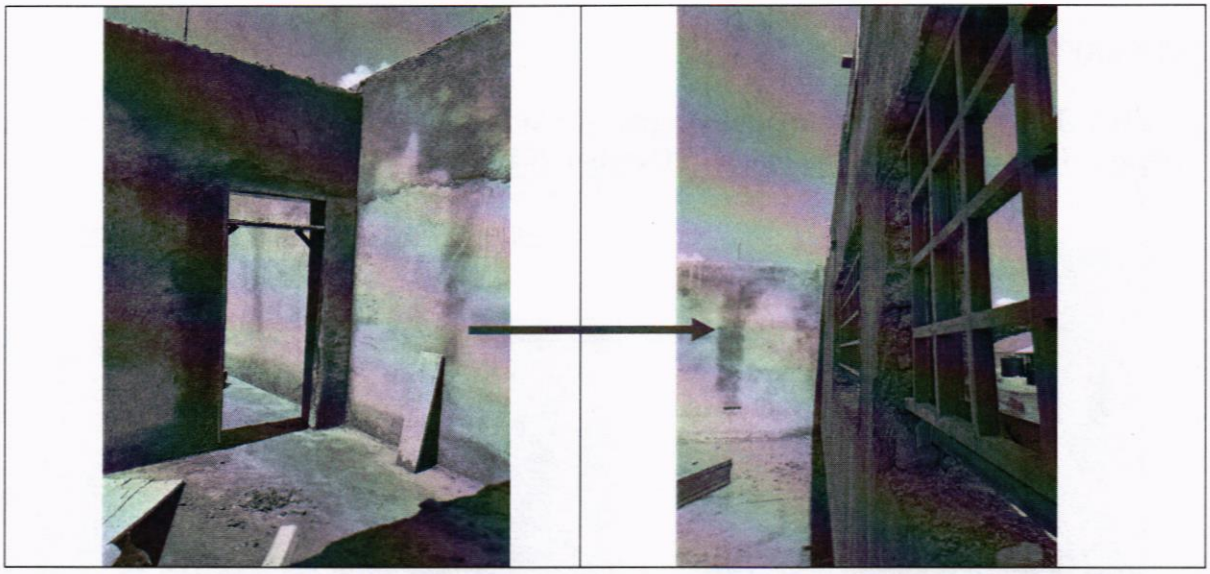
No.	Lot	Overall Assessment	Key Weaknesses
6.	Lot 1: Kitgum General Hospital	Satisfactory and ahead of schedule	ESHS non-compliance, poor documentation & supervision, payment delays
7.	Lot 5: Kamuli General Hospital	Successfully completed	Gaps in submitting the work programme, insurance coverage, poor reporting and testing
8.	Lot 6: Kazo Health Centre IV	Successfully completed	Payment delays, absence of key personnel, poor quality records and ESHS non-compliance
9.	Lot 7: Packwach HC IV	Satisfactory	Delayed implementation, absence of key personnel, poor quality records and ESHS non-compliance.
10.	Lot 8: Kiwangala HC IV in Lwengo District	On course	ESHS non-compliance, few site meetings, absence of key personnel and payment delays.

Although these weaknesses did not materially affect the achievement of the intended contract objectives, they exposed the projects to avoidable implementation and compliance risks.

ANNEXES

Annex 1: Physical verification photographs of Lot 1 – Construction of a medicine store at Kitgum General Hospital taken on 7th October 2025

Project signage	*Front view, slope of access ramp noted to be steep and needs adjustment, site hoarding to be re-instated*
	
Installation of facing bricks, side view	*Side access ramp to the toilets, excavated areas seen to be well cordoned off with warning tape*
	
Temporary power provisions for roof truss fabrication, provided inappropriately with work areas not cordoned off pausing risk of electric shock, areas seen to be littered with timbers and rubbish	
	
Poorly done wall plaster finishes, instruction for rectification was issued by the Contract Manager	

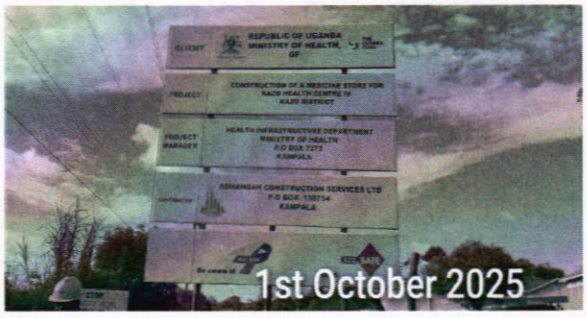
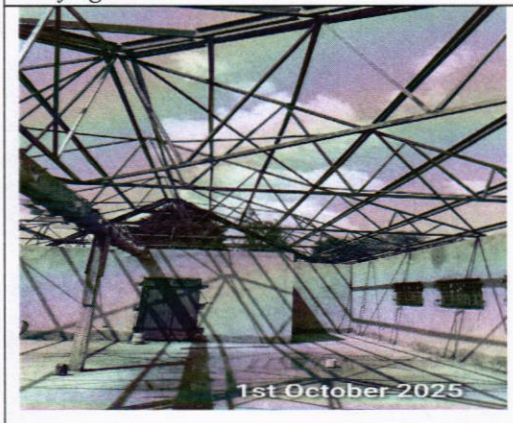


Annex 2: Physical verification photographs of Lot 5 – Construction of a medicine store at Kamuli General Hospital taken on 13th October 2025

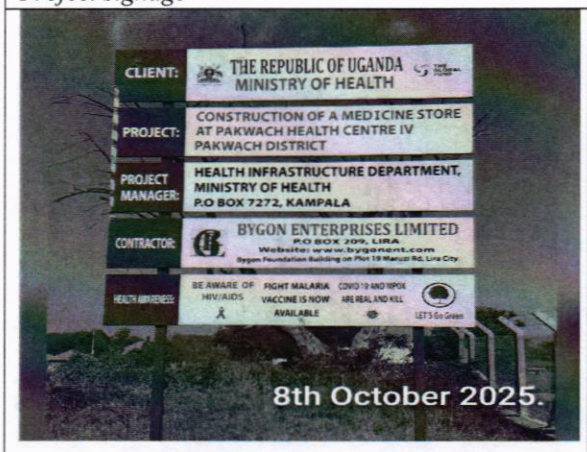
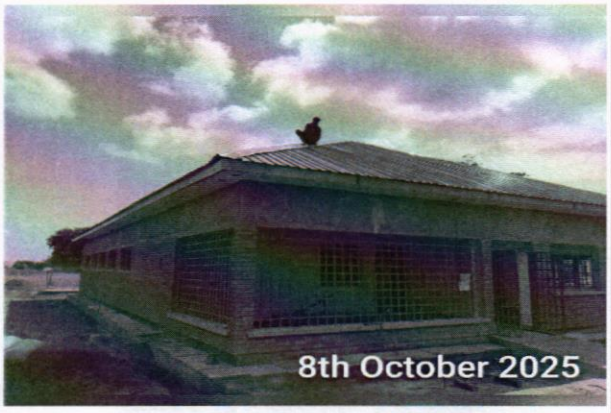
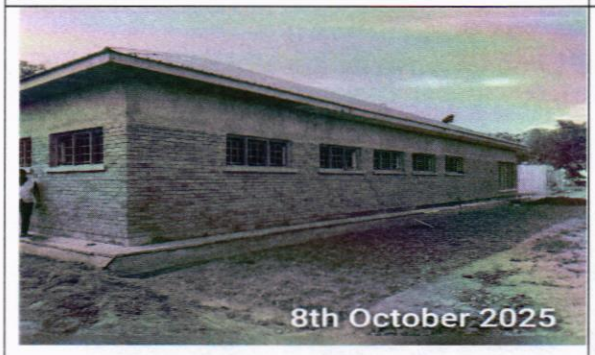
The roofing of the building has been completed. The external walls have been finished with face bricks; however, the highlighted section of the roof requires minor adjustments	*Project signage*
	
The structure is elevated on one side; however, on the opposite side, it is situated below the adjacent ground level.	
	

Door frames to the washrooms installed, toilet fittings installed	*Proper ventilation in this building is under construction. External work must be implemented to ensure adequate drainage of the surrounding area*
	

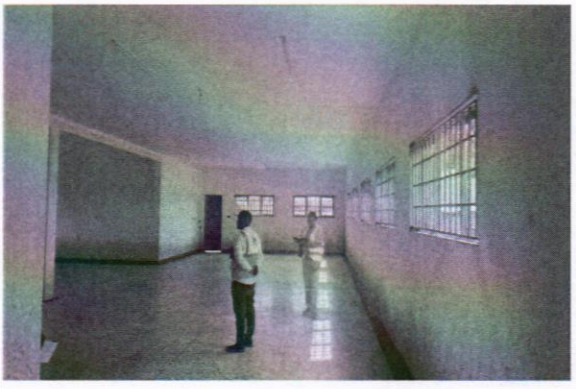
Annex 3: Physical verification photographs of Lot 6 – Construction of a medicine store at Kazo Health Centre IV taken on 1st October 2025

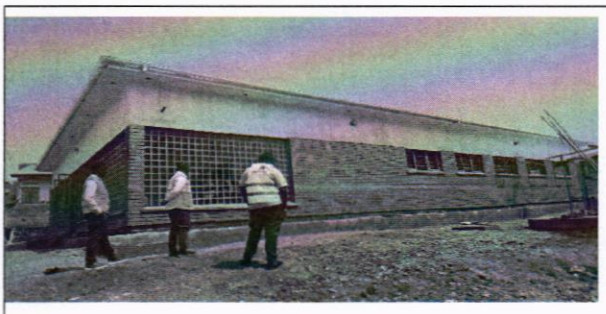
Project signage	*Front view*
	
Roofing works	*Concrete mixer on site*
	

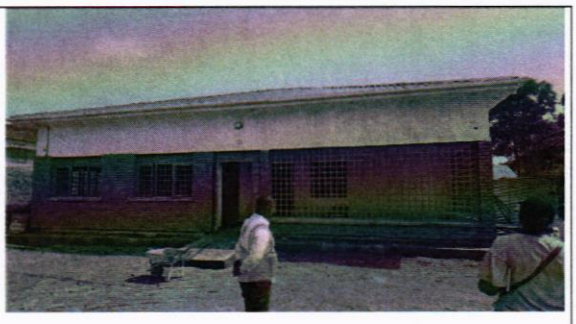
Annex 4: Physical verification photographs of Lot 7 – Construction of a medicine store at Packwach Health Centre IV taken on 8th October 2025

Project signage	*Front view*
	
Side view	*Internal painting and ceiling works*
	

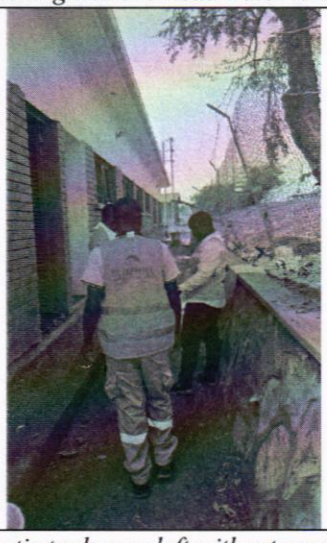
Annex 5: Physical verification photographs of Lot 8 – Construction of a medicine store at Kiwangala Health Centre IV – Lwengo District taken on 1st October 2025

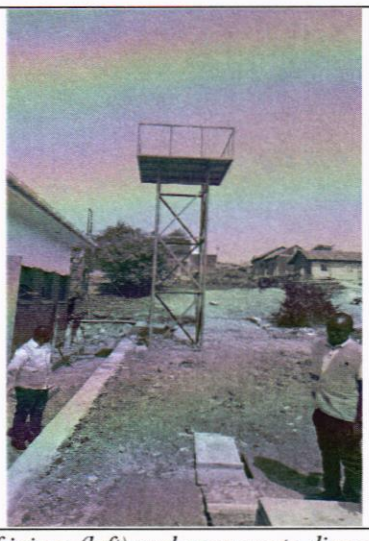
Project signage	*Internal progress, completed terrazzo floor, gypsum ceiling and walls painted with undercoat, electrical wiring completed*
	
Right side view	*Front view*





Stone pitching and overhead water tank structure





Open septic tank area left without cordoning it off pausing risk of injury (left) and poor waste disposal (right)