PUBLIC PROCUREMENT AND DISPOSAL OF PUBLIC ASSETS AUTHORITY

"Regulating for Results"

CONTRACT AUDIT REPORT ON THE PHASED CONSTRUCTION OF LOKORI SEED SECONDARY SCHOOL IN KARENGA DISTRICT UNDER THE UGIFT PROGRAM

CONTRACTOR: MKN PAGES COMPANY LIMITED

JULY 2026

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ACRONYMS

ESHS	-	Environmental, Social, Health and Safety
HIV	-	Human Immunodeficiency Virus
PPDA Act	-	Public Procurement and Disposal of Public Assets Act, Cap.205
PPDA	-	Public Procurement and Disposal of Public Assets Authority
PDU	-	Procurement and Disposal Unit
UGIFT	-	Uganda Intergovernmental Fiscal Transfer Program
UGX	-	Uganda Shillings
VAT	-	Value Added Tax

EXECUTIVE SUMMARY

The Government of Uganda appropriated UGX 474,505,140 to undertake the phased construction of Lokori Seed Secondary School in Karenga District. The funds were obtained from the World Bank through the Uganda Intergovernmental Fiscal Transfer Program (UGIFT); the implementing Ministry was the Ministry of Education and Sports.

On 4th March 2025, Karenga District Local Government entered into a contract with MKN Pages Company Limited for the phased construction of Lokori Seed Secondary School at a cost of UGX 474,505,140, with an intended completion date of 4th July 2025 and a 12-month defects liability period.

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

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

The following key exceptions were noted;

1. Weak contract management. Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023 requires the contractor to perform the contract in accordance with the terms and conditions specified therein. However, the Authority observed laxity in contract management, characterised by poor enforcement of contractual provisions. The contractor failed to provide the required insurance cover (quoted at UGX 300,000), failed to conduct material tests (valued at UGX 200,000), and failed to submit the performance security (quoted at UGX 300,000). Failure to enforce key contract provisions, such as performance security, insurance cover, and material testing, exposes the Entity to significant financial and operational risks, including potential losses in the event of contractor default, compromised quality of works, and a lack of accountability during contract execution.

2. Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations, 2023 requires a contract manager to ascertain that a contractor performs their obligations before expiry of the contract. The Authority noted that the contractual completion period was three months from 4th April 2025 to 4th July 2025. However, by the time of physical verification conducted on 25th September 2025, 200% of the time had elapsed but the works were incomplete. The Gutters and shelves had not been installed, and the contractor was not on site, subsequently, the completion certificate dated 12th January 2026 indicated that the works had been completed. Failure by the contractor to complete the works within the contractual period caused delays, leading to a delay in service delivery to the intended beneficiaries.

3. Failure to adequately provide for ESHS requirements in the BOQs issued by the Ministry. Regulation 34 (5) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 provides that a statement of requirements shall,

where applicable, be environmentally and socially responsive. The Authority observed that although bidders were required to include Environmental, Social, Health, and Safety (ESHS) provisions in their quotations, the amounts allocated were insufficient to effectively address the intended objectives. For instance, minimal funds were provided for activities such as conducting regular HIV/AIDS sensitisation meetings (UGX 5,000), providing proper sanitary facilities (UGX 5,000), a contractor's office (UGX 10,000), site security personnel (UGX 10,000), and safe drinking water (UGX 5,000). Consequently, these provisions were not implemented during contract implementation. Failure to provide for ESHS issues can lead to environmental harm, worker and public health risks, and delays in contract implementation.

Audit Conclusion

In conclusion, the Authority found that whereas works had been completed by the contractor, they had failed to deliver in time and did not incorporate ESHS requirements, which delayed service delivery to the intended beneficiaries.

In light of the above findings, the Authority recommends the following measures: -

1. The Accounting Officer should:
   i. In future procurements, make sure that the contract management team verify the contractor's compliance with all contractual requirements, including the submission and validity of Performance Security, Insurance Cover, and material testing results, before and during contract execution, so as to safeguard the Entity's interests and ensure value for money in accordance with Regulation 52(1)(b) of the PPDA (Contracts) Regulations, 2023.

   ii. In future procurements, strengthen contract management oversight by ensuring that Contract Management Teams rigorously monitor and enforce compliance with contractual obligations, deliverables, and agreed timelines. Where contractors fail to perform in accordance with the contract terms and conditions, appropriate contractual remedies and sanctions should be applied promptly to enforce compliance, in line with Regulation 52(1)(b) of the PPDA (Contracts) Regulations, 2023.

2. The Head, PDU should collaborate with the Environmental Officer, Community Development Officer, and the District Health Officer to ensure that future Environmental, Social, Health, and Safety requirements are rigorously assessed for adequacy, realism, and implementability during evaluation, and effectively enforced throughout contract implementation, in accordance with Regulation 34(5) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023.

CHAPTER ONE: INTRODUCTION

1.1 Background

The Government of Uganda received a loan from the World Bank to fund the Uganda Intergovernmental Fiscal Transfer (UgIFT) Program for the construction of Seed Secondary Schools in selected districts. Karenga District Local Government was one of the beneficiaries.

On 4th March 2025, Karenga District Local Government entered into a contract with MKN Pages Company Limited for the Phased Construction of Lokori Seed Secondary School at a cost of UGX 474,505,140 with an intended completion period of three months.

In accordance with Section 8 (1) (j) (ii) of the PPDA Act, Cap. 205, the Public Procurement and Disposal of Public Assets Authority conducted a contract audit for the Phased Construction of Lokori Seed Secondary School in Karenga District Local Government, with an overall objective of assessing the status of contract implementation with emphasis on verification that all parties to the contract complied with the requirements and standards set forth in the contract and the provisions of the PPDA Law and UgIFT Guidelines

1.2 Laws applicable

The applicable laws and legal framework were:

1. The Public Procurement and Disposal of Public Assets Act, Cap. 205;
2. The PPDA Regulations 2023;
3. The bidding document issued to bidders;
4. The signed contract between Karenga DLG and MKN Pages Company Limited, and
5. The circular on contract management and safeguard requirements under the Uganda Intergovernmental Fiscal Transfer (UGIFT) program, dated 16th March 2021.

1.3 Objectives

The overall objective of the contract audit was to assess the effectiveness of the contracting process and the status of contract implementation in regard to the obligations of Karenga District Local Government (the Entity) and MKN Pages Company Limited (the Contractor).

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

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

1.4 Scope of the Audit

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

1.5 Audit Methodology

The Authority adopted the following methodology:

i Review of documentation in the procurement action file;
ii Physical verification of the site;
iii Debriefing the Entity management on the preliminary findings;
iv Issuing a management letter to the Entity for official management response; and

v Reporting on findings of the audit and providing recommendations where applicable

1.6 Limitation of Scope
The contract audit was conducted by auditors who lacked professional competence in engineering and building construction. The audit team could not provide a definitive opinion on the technical quality of the works undertaken. The overall responsibility for the quality of work undertaken lies with the Entity management and the contractor.

1.7 Audit Process Timeline
On **15th September 2025**, the Entity was notified about the contract audit and the launch meeting was held on **22nd September 2025**. Physical verification of the site was conducted on **30th September 2025** after which, a debrief meeting to discuss preliminary findings was held with the Entity's management and staff on **1st October 2025**. The Authority prepared the management letter, which was sent to the Entity on 15th **December 2025**, requesting a management response by **19th December 2025**. The response was submitted on **19th December 2025**.

CHAPTER TWO: FINDINGS AND RECOMMENDATIONS

2.1 ASSESSMENT OF THE PROGRESS OF WORKS

2.1.1 Contract summary

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

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

Contract Title	Phased Construction of Lokori Seed Secondary School
Reference Number	KARE854/MOES/UGIFT/WRKS/24-25/00001
Contract Sum	474,505,140
Contract Scope	1. Preliminaries-UGX 5,409,000 2. Site levelling works-UGX 9,300,000 3. 2-Classroom block-UGX 301,452,000 4. 2-Stance Lined VIP latrine Block-Administration Block-UGX17,802,000 5. 5-Stance Lined VIP latrine block-Boys-UGX 34,080,000 6. 5-Stance Lined VIP latrine block-Girls-UGX 34,080,000
Contract Signing date	4th March 2025
Site handover date	14th March 2025
Original contract completion date	4th July 2025
Defects Liability period	12 months
Name of Contractor	MKN Pages Company Limited
Method of procurement	Open domestic bidding
Type of Contract	Admeasurement
Amount Paid	312,821,658

2.1.2 Progress of works

The Authority received a defects rectification report dated 11th May 2026, indicating that the contractor had addressed all the identified defects, together with a final completion report from the Entity dated 12th January 2026.

i. Time Progress

The project was completed on 12th January 2026, representing a time progress of 300%. Details are provided in Table 2 below.

Table 2: Time Progress as at 12th January 2026

Start Date	4th April 2025
End Date	4th July 2025
Measurement Date (January 2026 when the project was completed)	12th January 2026
Contract Period (Months)	3
Time Lapse (Months)	9
Time Progress	300%

ii. Financial Progress

According to the completion certificate dated 12th January 2026, the project's financial progress had reached 100%. Details are provided in Table 3 below.

Table 3: Financial progress of the project as at 12th January 2026

Contract Sum		474,505,140
Payments made	Payment Certificates	
Payment cert 1	312,821,658	
Advance Payment	133,856,441	
Retention	27,827,041	
Total payments made		474,505,140
Financial progress		100%

iii. Physical progress

The completion certificate indicated that the project had reached 100% physical completion. Details are provided in Table 4 below.

Table 4: Physical Progress as at 12th January 2026

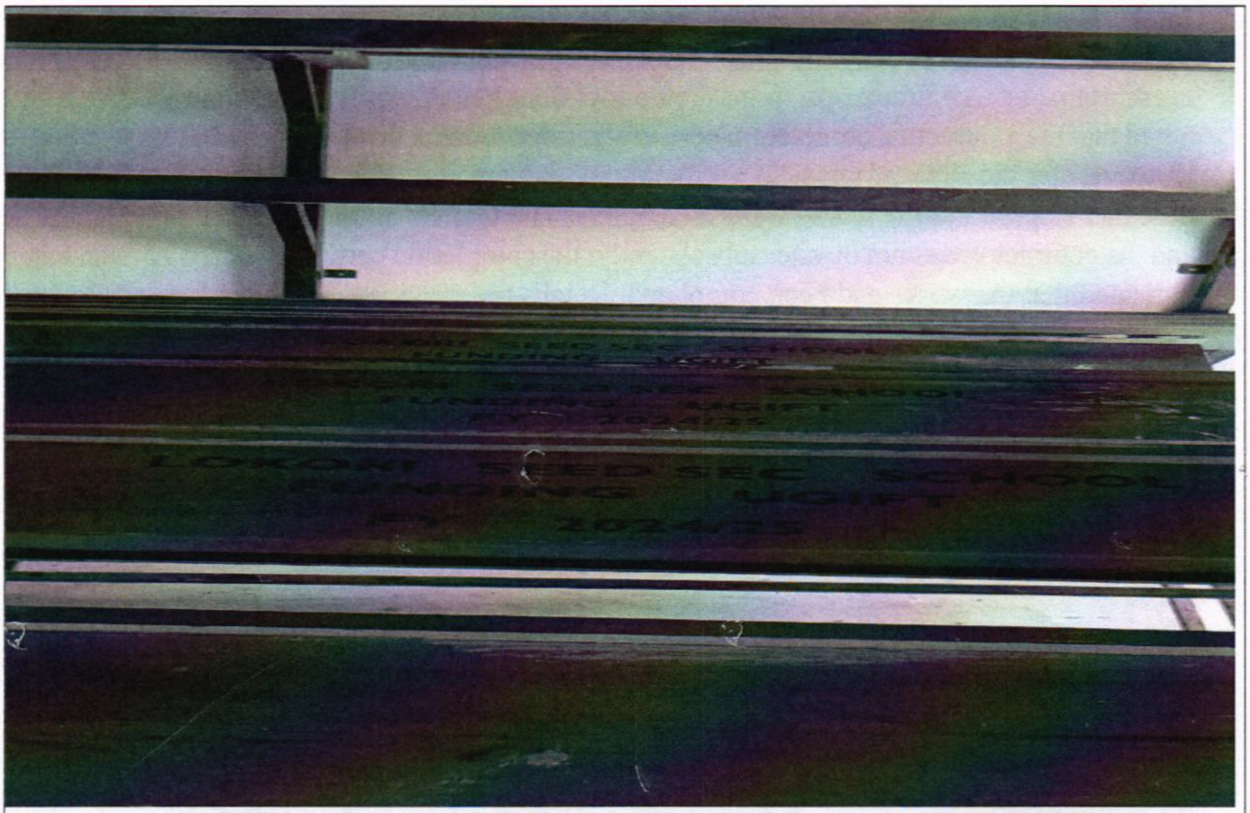
Contract Amount	474,505,140
Value of works done as per the progress report for January 2026	474,505,140
Physical progress (%)	100%

2.1.3 Delayed completion of works

Regulation 52 (3) (a) (vi) of the PPDA (Contracts) Regulations, 2023 requires a contract manager to ascertain that a contractor performs their obligations before expiry of the contract. The Authority noted that the contractual completion period was three months from 4th April 2025 to 4th July 2025. However, by the time of physical verification conducted on 25th September 2025, 200% of the time had elapsed but the works were incomplete. The Gutters and shelves had not been installed, and the contractor was not on site, subsequently, the completion certificate dated 12th January 2026 indicated that the works had been completed. Details are provided in Table 5 below:

Table 5: Status of works

	
Pictured above is the classroom block as of 25th September 2025, the Authority observed that the gutters had not yet been installed.	Pictured above is the classroom block as reported by the Entity in its defects rectification report dated 11th May 2026, the gutters on the roof had been installed.



Pictured above are the shelves installed in the classroom block as reported by the Entity in its defects rectification report dated 11th May 2026.

Implication

Failure by the contractor to complete the works within the contractual period caused delays, leading to a delay in service delivery to the intended beneficiaries.

Management response

The Contracts management team exercised considerable control over the project, which even led to the expulsion of a Site Engineer for disrespect and deviation from the contract terms. Management wishes to acknowledge the Audit team's concern and has already reminded the Contractor to come and finalise the remaining works on the gutters and shelves in the classrooms, as explained earlier.

Authority's Comment

The Authority noted from the completion certificate provided by the Entity that the works had been completed by 12th January 2026.

Recommendations

The Accounting Officer should in future procurements:

- Strengthen oversight of contract management by directing Contract Management Teams to rigorously monitor and enforce compliance with contractual obligations, deliverables, and agreed timelines.

- Promptly apply appropriate contractual remedies and sanctions where warranted, to compel the provider to perform in accordance with the contract terms and conditions, in line with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023.

2.2 EFFECTIVENESS OF THE QUALITY, TIME AND COST CONTROLS

2.2.1 Weak contract management

Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023 requires the provider to perform the contract in accordance with the terms and conditions specified therein. However, the Authority observed laxity in contract management, characterised by poor enforcement of contractual provisions. The contractor failed to provide the required insurance cover quoted at UGX 300,000, did not conduct material tests valued at UGX 200,000, and failed to submit the performance security quoted at UGX 300,000.

Implication

Failure to enforce key contract provisions, such as performance security, insurance cover, and material testing, exposes the Entity to significant financial and operational risks, including potential losses in the event of contractor default, compromised quality of works, and a lack of accountability during contract execution.

Management Response

- *Material tests were done and presented during a site meeting. Copies are available for verification.*
- *Management notes the concern about performance guarantee and insurance cover, but wishes to submit that after the project is completed without any reported injuries requiring compensation, it may not be relevant to retain funds that are not needed.*

Authority's comment

The Authority noted the entity's response; however, no evidence was provided regarding the material tests. The Authority found the Entity's response unsatisfactory because the Performance Security and Insurance cover were supposed to be obtained at the start of the project but were not obtained.

Recommendation

The Accounting Officer should task the contract management team to always verify compliance with requirements such as performance security, insurance cover, and material testing to safeguard the Entity's interests and ensure value for money in accordance with Regulation 52 (1) (b) of the PPDA (Contracts) Regulations, 2023.

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

2.3.1 Failure to adequately provide for ESHS issues

Regulation 34(5) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023 provides that, where applicable, a statement of requirements shall be environmentally and socially responsive. The Authority observed that although bidders were required to include Environmental, Social, Health, and Safety (ESHS) provisions in their quotations, the allocated amounts were insufficient to effectively address the intended objectives. For instance, minimal funds were provided for activities such as conducting regular HIV/AIDS sensitisation meetings (UGX 5,000), provision of proper sanitary facilities (UGX 5,000), contractor's office (UGX 10,000), site security personnel (UGX 10,000), and safe drinking water (UGX 5,000). Consequently, these provisions were not implemented during contract implementation.

Implication
Failure to address ESHS issues can lead to environmental harm, worker and public health risks, delays in contract implementation, and outcomes that do not meet the end user's requirements.

Management Response
The Auditor's recommendation is very good but would apply only to projects planned and costed by the District Local Government. However, the project under review was fully designed and costed by the Ministry of Education and Sports, which determined the scope of the works. We shall draw the Ministry's attention to this concern to guide the implementation of the next Phase.

Authority's comment
The Authority noted the Entity's response. However, although the designs were prepared by the Ministry of Education and Sports, responsibility for evaluation and contract management rests with the Procuring and Disposing Entity. Accordingly, the Entity was obliged to critically assess the adequacy of the ESHS provisions during evaluation and ensure their effective enforcement throughout contract implementation.

Recommendation
The Head, PDU should collaborate with the Environmental Officer, Community Development Officer, and the District Health Officer to ensure that future Environmental, Social, Health, and Safety requirements are rigorously assessed for adequacy, realism, and implementability during evaluation, and effectively enforced throughout contract implementation, in accordance with Regulation 34(5) of the PPDA (Rules and Methods for Procurement of Supplies, Works and Non-Consultancy Services) Regulations, 2023.

CHAPTER THREE: CONTRACT CLOSURE AND AUDIT CONCLUSION

3.1 Contract Closure and Handover

As of 12^{th} January 2026, physical progress was 100% against a time progress of 300%, indicating that the contractor failed to deliver the project within the stipulated time.

3.2 Audit conclusion

In conclusion, the Authority found that, whereas works had been completed by the contractor, they had failed to deliver in time and did not incorporate ESHS requirements, which delayed service delivery to the intended beneficiaries.