

**REPORT ON CONTRACT AUDIT OF THREE CONTRACTS FOR  
UGANDA RAILWAYS CORPORATION**

**ENTITY :                   UGANDA RAILWAYS CORPORATION**

**SEPTEMBER 2026**

## TABLE OF CONTENTS

|                                                                                                                              |    |
|------------------------------------------------------------------------------------------------------------------------------|----|
| TABLE OF CONTENTS .....                                                                                                      | i  |
| LIST OF ACRONYMS AND ABBREVIATIONS .....                                                                                     | iv |
| EXECUTIVE SUMMARY .....                                                                                                      | v  |
| 2.0 CONTRACT AUDIT FINDINGS .....                                                                                            | 3  |
| 2.1 REHABILITATION OF THE TORORO –GULU RAILWAY LINE FULL STRETCH<br>LENGTH OF 382 KMS INCLUDING CROSSINGS LINES (7KMS) ..... | 3  |
| 2.1.1 Contract Effectiveness.....                                                                                            | 4  |
| 2.1.2 Contract Management System.....                                                                                        | 4  |
| 2.1.2.1 Preparation of Contract Implementation Plan.....                                                                     | 4  |
| 2.1.2.2 Lack of reports from the Contract Manager on the progress of the contract .....                                      | 4  |
| 2.1.2.3 Record keeping.....                                                                                                  | 5  |
| 2.1.3 Obligation of the Provider(s).....                                                                                     | 5  |
| 2.1.3.1 Format, delivery and validity of Performance and Advance Payment Guarantees.....                                     | 5  |
| 2.1.3.2 Timeliness of Delivery .....                                                                                         | 6  |
| 2.1.3.3 Adherence to Gender, Environmental, Health and Safety Requirements .....                                             | 7  |
| 2.1.3.4 Adherence to Local Content Requirements .....                                                                        | 10 |
| 2.1.4 Obligation of the Entity .....                                                                                         | 11 |
| 2.1.4.1 Contract signing.....                                                                                                | 11 |
| 2.1.4.2 Site Handover .....                                                                                                  | 11 |
| 2.1.4.3 Inspection and approval of outputs .....                                                                             | 11 |
| 2.1.4.4 Certification and Payment of invoices, and Recovery of Advance Payment .....                                         | 12 |
| 2.1.4.5 Timeliness of Payment .....                                                                                          | 12 |
| 2.1.5 Change Orders, Extensions and Variations .....                                                                         | 12 |
| 2.1.5.1 Justification/ validity of Change Orders, Extensions and Variations.....                                             | 12 |
| 2.1.5.2 Initiation and approval of change orders, extensions and variations.....                                             | 13 |
| 2.1.6 Contract Closure.....                                                                                                  | 13 |
| 2.1.6.1 Handover of Outputs.....                                                                                             | 13 |
| 2.1.6.2 Management of Defects Correction Period .....                                                                        | 13 |
| 2.1.6.3 Issuing Completion Certificates and Payment of Retention .....                                                       | 13 |
| 2.1.6.4 Provider Appraisal .....                                                                                             | 14 |
| 2.1.6.5 Warranty, Maintenance and Support arrangements.....                                                                  | 14 |
| 2.1.7 Value for Money Assessment.....                                                                                        | 14 |
| 2.1.7.1 Economy .....                                                                                                        | 14 |

|                                                                                          |    |
|------------------------------------------------------------------------------------------|----|
| 2.1.7.2 Efficiency .....                                                                 | 15 |
| 2.1.7.3 Effectiveness (Quality of goods, works and services).....                        | 16 |
| 2.2 REFURBISHMENT OF THE KAMPALA-NAMANVE, NAMANVE-MUKONO RAILWAY<br>LINE (26.8KM).....   | 21 |
| 2.2.2 Contract Effectiveness.....                                                        | 22 |
| 2.2.3 Contract Management System.....                                                    | 22 |
| 2.2.3.1 Preparation of Contract Implementation Plan.....                                 | 22 |
| 2.2.3.2 Contract management reports.....                                                 | 22 |
| 2.2.3.3 Record keeping.....                                                              | 23 |
| 2.2.4 Obligation of the Provider(s).....                                                 | 23 |
| 2.2.4.1 Format, delivery and validity of Performance and Advance Payment Guarantees..... | 23 |
| 2.2.4.2 Delayed Delivery of performance guarantee .....                                  | 23 |
| 2.2.4.3 Adherence to Gender, Environmental, Health and Safety Requirements .....         | 24 |
| 2.2.4.4 Adherence to Local Content Requirements .....                                    | 25 |
| 2.2.5 Obligation of the Entity.....                                                      | 26 |
| 2.2.5.1 Site Handover .....                                                              | 26 |
| 2.2.5.2 Inspection and approval of outputs .....                                         | 27 |
| 2.2.5.3 Certification and Payment of invoices, and Recovery of Advance Payment .....     | 27 |
| 2.2.5.4 Timeliness of Payments.....                                                      | 27 |
| 2.2.6 Actions Taken for Obligations not met .....                                        | 27 |
| 2.2.7 Change Orders, Extensions and Variations .....                                     | 28 |
| 2.2.7.1 Justification/ validity of Change Orders, Extensions and Variations.....         | 28 |
| 2.2.7.2 Initiation and approval of change orders, extensions and variations.....         | 28 |
| 2.2.8 Contract Closure.....                                                              | 28 |
| 2.2.8.1 Handover of Outputs.....                                                         | 28 |
| 2.2.8.2 Management of Defects Correction Period .....                                    | 28 |
| 2.2.8.3 Issuing Completion Certificates and Payment of Retention .....                   | 29 |
| 2.2.8.4 Provider Appraisal .....                                                         | 30 |
| 2.2.8.5 Unfunded Railway Maintenance and Support arrangements .....                      | 30 |
| 2.2.9 Value for Money Assessment.....                                                    | 31 |
| 2.2.9.1 Economy .....                                                                    | 31 |
| 2.2.9.2 Efficiency .....                                                                 | 32 |

|                                                                                                             |    |
|-------------------------------------------------------------------------------------------------------------|----|
| 2.2.9.4 Equity.....                                                                                         | 32 |
| 2.2.10 Conclusion.....                                                                                      | 32 |
| 2.3 CAPACITY BUILDING AND PROJECT MANAGEMENT CONSULTANCY FOR THE EAC<br>RAILWAY REHABILITATION PROJECT..... | 39 |
| 2.3.1 Background to the contract .....                                                                      | 39 |
| 2.3.2 Contract Effectiveness .....                                                                          | 39 |
| 2.3.3 Contract Management System .....                                                                      | 40 |
| 2.3.4 Obligations of the Provider(s) .....                                                                  | 41 |
| 2.3.4.1 Format, delivery and validity of performance and Advance Payment Guarantees.                        | 41 |
| 2.3.4.2 Timeliness of Delivery .....                                                                        | 41 |
| 2.3.4.3 Adherence to BOQs Specifications .....                                                              | 41 |
| 2.3.4.4 Adherence to Gender, Environmental, Health and Safety Requirements .....                            | 42 |
| 2.3.4.5 Adherence to Local Content.....                                                                     | 42 |
| 2.3.5 Obligation of The Entity (URC).....                                                                   | 42 |
| 2.3.5.4 Actions Taken for Obligations Not Met .....                                                         | 44 |
| 2.3.6 Change Orders, Extensions, and Variations.....                                                        | 45 |
| 2.3.6.1 AfDB Request for Waiver of Performance Security Not Acted Upon.....                                 | 45 |
| 2.3.7 Contract Closure .....                                                                                | 46 |
| 2.3.7.1 Issuing Completion Certificates and Payment of Retention.....                                       | 46 |
| 2.3.7.2 Provider Appraisal.....                                                                             | 46 |
| 2.3.8 Value for Money (VfM) Assessment.....                                                                 | 46 |
| 2.3.8.1 Economy.....                                                                                        | 46 |
| 2.3.8.2 Efficiency.....                                                                                     | 46 |
| 2.3.8.3 Effectiveness.....                                                                                  | 47 |
| 2.3.8.4 Equity .....                                                                                        | 47 |
| 2.3.9 CONCLUSION .....                                                                                      | 50 |

## **LIST OF ACRONYMS AND ABBREVIATIONS**

|      |                                                     |
|------|-----------------------------------------------------|
| CRBC | China Railway and Bridge Corporation                |
| EOT  | Extension of Time                                   |
| ES   | Environment and Social                              |
| ESIA | Environment and Social Impact Assessment.           |
| ESMP | Environment and Social Management Plan              |
| GCC  | General Conditions of Contract                      |
| GoU  | Government of Uganda                                |
| IPC  | Interim Payment Certificate                         |
| KPI  | Key Performance Indicators                          |
| MoWT | Ministry of Works and Transport                     |
| NEMA | National Environment Management Authority           |
| OHS  | Occupational Health and Safety                      |
| PAP  | Project Affected Persons                            |
| PDU  | Procurement and Disposal Unit                       |
| PPDA | Public Procurement and Disposal of Assets Authority |
| RAP  | Resettlement Action Plan                            |
| RCP  | Reinforced Concrete Pipe                            |
| SCC  | Special Conditions of Contract                      |
| VfM  | Value for Money                                     |
| URC  | Uganda Railways Corporation                         |

## EXECUTIVE SUMMARY

The Authority conducted a contract audit at Uganda Railways Corporation for three contracts listed in Table 1 below:

**Table 1: Projects Covered in the Contract Audit**

| Sn. | Project                                                                                                          | Original Contract Amount (UGX/USD) |
|-----|------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 1.  | Rehabilitation of the Tororo – Gulu Railway Line full stretch length of 382 kms including crossings lines (7Kms) | UGX 199,997,631,624                |
| 2.  | Refurbishment of the Kampala-Namanve, Namanve-Mukono Railway Line (26.8Km)                                       | EURO 19,840,000                    |
| 3.  | Capacity Building and Project Management Consultancy for the EAC Railway Rehabilitation Project                  | USD 4,181,900 and UGX 848,780,000  |

The overall objective of the assignment, was to establish the degree of compliance with the approved project scope in terms of cost, timelines, local content, and Environmental, Social, and Health (ESH) safeguards, as well as to assess the attainment of value for money and overall project performance. The audit further sought to determine the extent to which the Entity's procurement and contract management processes complied with the provisions of the PPDA Act Cap. 205, the PPDA Regulations, (Contracts) 2023, and the PPDA Guidelines, 2024.

**The following are the key findings for the three contracts:**

**A: Rehabilitation of the Tororo –Gulu Railway Line full stretch length of 382 km including Crossings Lines (7Kms)**

**Key findings:**

1. Delays in payments including the advance payment that was cleared in instalments. The delays in payments precipitated a suspension between 2<sup>nd</sup> July 2024 and 14<sup>th</sup> October 2024. The contractor indicating that they had submitted a claim for late payment, while the employer indicated that it was under negotiation to have it dropped.
2. The NEMA certificate of ESIA Ref 4593 was issued on 21<sup>st</sup> August 2013 valid for 5 years, and required the works to commence within 24 months. The certificate was issued in the names of Rift Valley Railways Uganda Ltd and was intended to cover the line rehabilitation up to Pakwach, 500 km. The failure to change the particulars and update an expired license renders it invalid.
3. The lack of action on assessment of Project affected persons and a resettlement action plan was a major shortcoming.
4. Weaknesses in filing of contract documentation in a centrally accessible repository was noted.
5. Weaknesses in management of local content with no clear measurement criteria.

Despite these gaps, the contract was found to be largely compliant with PPDA Regulations. The project works were still ongoing and the handover of Phase 1 was due, pending completion of a joint inspection at the time of audit. The audit found reasonable control over deliverables, and evidence of adherence to contractual deliverables during the review period.

### **Recommendations**

1. The Accounting Officer should:
  - i. Enforce timely payment to the contractor in accordance with Regulation 49(3) of PPDA (Contracts) Regulations 2023 and within contractual timelines.
  - ii. Immediately commission a comprehensive assessment of Project Affected Persons (PAPs) and develop a Resettlement Action Plan (RAP) to address outstanding social safeguards and mitigate community grievances or legal injunctions.
  - iii. Task the Contract Manager must urgently coordinate with NEMA to formally transfer the ESIA certificate from Rift Valley Railways to Uganda Railways Corporation (URC) and renew/update the expired license to eliminate statutory non-compliance risks.
2. The Head Procurement and Disposal Unit should develop a proper local content measurement criterion for all contracts.
3. The CMT should improve safety at level crossings by introducing boom barriers and revalidate and extend the Guarantees which are expired.

While the URC Tororo Gulu Contract demonstrated compliance and satisfactory progress, achieving full value for money will require enhanced documentation, risk management, and stronger oversight mechanisms to ensure sustained institutional capacity and donor confidence.

### **B: Refurbishment of the Kampala-Namanve, Namanve-Mukono Railway Line (26.8Km)**

#### **Key findings:**

1. Expiry of a Bank Guarantee on 1<sup>st</sup> November 2024 which was intended to secure retention money for Defects Liability Period;
2. Weaknesses in filing of contract documentation in a centrally accessible repository;
3. Lack of specifications at the time of contract signing. This led to a significant delay of 582 days between commencement and contract signature dates was observed. The anomaly raises serious questions on how the contractor was able to make a bid without specifications;
4. Unfunded Railway Maintenance and Support arrangements.
5. Significant delays in processing of IPCs;
6. Limited integration of gender and social inclusion indicators in the contract's implementation and reporting; and
7. Weaknesses in management of local content with no clear measurement criteria.

Overall, the audit established that the contract was executed in substantial compliance with the PPDA Act, Cap. 205, the PPDA (Contracts) Regulations, 2023, and the specific donor funding requirements of the Spanish Government. The review period demonstrated robust project governance, characterized by effective internal controls over project milestones and objective validation of all contractual obligations. Physical works had been successfully completed, and a formal handover been executed. The final closure of the contract remains subject only to the submission of the mandatory project completion report and the disbursement of the final payment retention.

### **Recommendations**

1. The Accounting Officer should in future procurements:
  - i. Enforce timely payment to the contractor in accordance with Regulation 49(3) of PPDA (Contracts) Regulations 2023 and within contractual timelines.

- ii. Secure funding from Ministry of Finance Planning and Economic Development to carry out planned routine maintenance.
2. The Head Procurement and Disposal Unit should:
- i. Develop a proper local content measurement criterion for all contracts.
  - ii. Institutionalize proper sequencing of contract steps. For instance, specifications must be in place before contract bidding.
  - iii. Integrate gender and inclusion dimensions in reporting and monitoring frameworks.

### **C: Capacity Building and Project Management Consultancy for the EAC Railway Rehabilitation Project**

The audit assessed compliance, performance, and value for money in the implementation of the Uganda Railways Corporation (URC) Capacity Building and Project Management Consultancy Contract under the African Development Bank (AfDB)-funded East Africa Community (EAC) Railway Rehabilitation Support Project. The audit covered the first 12 months of implementation, from September 2024 to September 2025 and relied on documentary review, financial verification, and interviews with the available URC staff.

The contract was time-based valued at USD 4,181,900 and UGX 848,780,000 and it commenced on 16<sup>th</sup> September 2024 and spans 60 months, supporting URC's capacity to supervise railway rehabilitation works, strengthen contract management processes, enhance safeguards compliance, and implement institutional reforms.

#### **Key findings included:**

##### **1. Delayed Advance Payment**

The contract was signed on 16<sup>th</sup> September 2024 and advance paid on 19<sup>th</sup> February 2025. URC delayed payment of the USD 836,380 advance, disbursing it more than five months after contract effectiveness, contrary to the contractual 30-day requirement and Regulation 49(3) of the PPDA(Contracts) Regulations 2023. This delay affected the Consultant's mobilisation and undermined timely implementation. Management explained that this was conditional on the effectiveness of the AfDB facility which happened on 7<sup>th</sup> February 2024

##### **2. Incomplete Reporting and Documentation**

- 1. No quarterly progress reports were availed, despite contractual and regulatory requirements.
- 2. Performance monitoring records, minutes of review meetings, and deliverable trackers were missing contrary to Regulation 53(1) of the PPDA Contracts Regulations 2023.

##### **3. Weak Contract Management Systems**

- i. No evidence of structured contract performance meetings.
- ii. Fragmented internal coordination between Contracts, Finance, and Legal units.

### **CONCLUSION**

The Authority established that while the contract was on schedule from a time progression perspective, deficiencies in documentation, particularly the unavailability of quarterly reports, undermine verification of physical progress and assessment of deliverables achieved.

There were critical gaps in contract administration, document retention, reporting frameworks, and stakeholder communication which require immediate remedial action to protect value for money, maximize transparency, and preserve donor trust. To fully secure the capacity-building objectives of this consultancy, Uganda Railways Corporation (URC) must urgently optimize its internal coordination, strictly enforce reporting requirements, and embed a structured contract management control system.

## **RECOMMENDATIONS**

1. The Accounting Officer should:
  - i. Task Contractor Manager to prepare, maintain and properly file monthly contract progress reports throughout the contract implementation period to facilitate effective monitoring and decision-making in accordance with Regulation 52 (3) (g) of the PPDA (Contracts) Regulations, 2023;
  - ii. Strengthen coordination between Contracts, Finance, Legal, and Project Units;
  - iii. Enforce contractual timelines for payments, reports, and deliverables; and
  - iv. Implement KPI-based monitoring and structured performance meetings.
2. The Contract Manager should:
  - i. Closely supervise completion of the remaining Capacity building activities in accordance with Regulations 52 (1)(a and b) and 52(3)(vi) of the PPDA (Contracts) Regulations, 2023; and
  - ii. Complete all contract management records by ensuring all progress reports and contract documentation accurately reflect the implementation in accordance with Regulation 52(3)(vii) of the PPDA (Contracts) Regulations, 2023.

## **1. INTRODUCTION**

### **1.1 Background**

The Public Procurement and Disposal of Public Assets Authority (PPDA, is the Regulatory body for public procurement and disposal in Uganda. The overall objective of the PPDA is to ensure the application of fair, competitive, transparent and non-discriminatory, and value-for-money public procurement and disposal standards and practices in Uganda. PPDA is mandated under Section 8 1(j) of the PPDA Act, Cap. 205 to perform the functions of bid preparatory audits, compliance audits, contract audits, and performance audits for all PDEs.

The objectives of the Authority are enshrined under Section 7 of the PPDA Act, Cap. 205 and these are to:

- i. Ensure application of fair, competitive, economic, transparent, non-discriminatory and value for money procurement and disposal standards and practices;
- ii. Harmonize the procurement and disposal policies, systems and practices of the Central Government, Local Governments and Statutory Bodies;
- iii. Set standards for public procurements and disposal systems in Uganda;
- iv. Monitor compliance of procuring and disposal Entities; and
- v. Build procurement and disposal capacity in Uganda.

It is against this mandate that PPDA conducted a contract audit on three contracts at Uganda Railways Corporation.

### **1.2 Laws Applicable**

The Authority conducted an audit of three contracts at URC to find out if their implementation was in line with the following laws:

- i. PPDA Act Cap. 205;
- ii. PPDA (Contracts) Regulations, 2023; and
- iii. PPDA Guidelines 2024.

### **1.3 Objective of the Assignment**

The objective of the audit was to establish the degree of compliance with the approved project scope in terms of cost, timelines, local content, and Environmental, Social, Health and Safety (ESHS) safeguards, as well as to assess the attainment of value for money and overall project performance. The audit further sought to determine the extent to which the Entity's procurement and contract management processes complied with the provisions of the PPDA Act, Cap. 205, the PPDA Regulations, (Contracts) 2023, and the PPDA Guidelines, 2024.

### **1.4 Scope of Audit**

The Authority assessed the implementation of contracts under the the three contracts to ensure compliance with contractual, regulatory, and value-for-money standards. It checked whether conditions necessary for contract effectiveness—such as resettlement of Project Affected Persons (PAPs), provision of performance securities, and advance payment guarantees had been properly met. The review also evaluated the sufficiency of contract management systems, including the appointment of Contract Managers, maintaining complete records, managing payments, and justifying variations, extensions, and change orders.

Additionally, the audit evaluated the performance of both the Entity and contractors in meeting contractual obligations, including adherence to environmental, social, health, and safety provisions. It verified the delivery and quality of works, assessed financial accuracy and completeness of payments, and reviewed the efficiency of contract management and closure processes. Physical inspections were conducted to confirm implementation status, and recommendations were provided to enhance contract administration and future project delivery.

This assignment involved the conduct of three (contract audits at URC, as detailed in Table 2 below:

**Table 2: Contracts Reviewed**

| Sn. | Project                                                                                                          | Contractor                                                                                                                       | Original Contract Amount           |
|-----|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 1.  | Rehabilitation of the Tororo – Gulu Railway Line Full Stretch length of 382 kms Including Crossings Lines (7Kms) | China Road and Bridge Corporation                                                                                                | UGX 199,997,631,624                |
| 2.  | Refurbishment of the Kampala-Namanve, Namanve-Mukono Railway Line (26.8Km)                                       | Imathia Construcccion,                                                                                                           | EURO 19,840,000                    |
| 3.  | Capacity Building and Project Management Consultancy for the EAC Railway Rehabilitation Project                  | SSF Ingeniure AG & Consulting Engineers Group Ltd JV, with Muripak International Ltd and TRIO Consultants Ltd as sub-consultants | USD 4,181,900 and UGX 848,780,000, |

### 1.5 Approach and Methodology

The assignment was largely consultative, with a documentary review approach guiding the Authority's audit team. The team thoroughly examined contract management records to determine if they complied with the PPDA Act, Cap. 205, PPDA Regulations (Contracts) 2023, and the Guidelines 2024. In addition, meetings and discussions were held with contract managers and key technical officers at the project sites.

The audit team reviewed contract documents and assessed the overall contract management environment within the Entity. Subsequently conducted a physical verification exercise to evaluate the effectiveness of the delivery of the two works contracts, (excluding the consultancy contract) and related services.

## **2.0 CONTRACT AUDIT FINDINGS**

### **2.1 REHABILITATION OF THE TORORO –GULU RAILWAY LINE FULL STRETCH LENGTH OF 382 KMS INCLUDING CROSSINGS LINES (7KMS)**

#### **Background**

The works contract agreement was signed on 13<sup>th</sup> April 2023 under procurement No: URC/WRKS/2022-23/00158 between the Contractor, China Road and Bridge Corporation and Employer, Uganda Railway Corporation.

The Contractor submitted Bank Guarantee for Performance Security, Environmental and Social (ES) Performance Security in accordance with contract agreement SCC clause 1.1(i) and GCC Clause 61.1.

Following the Contractor's, no objection letter and fulfilment of all precedence's as per Conditions of Contract, Employer vide his Letter no. URC/MD/CRBC/231710 dated 10<sup>th</sup> July 2023 instructed contractor to commence works, specifying the date of commencement as 20<sup>th</sup> July 2023.

The contractor submitted the Project Work Program, Quality Control Plan, Environment and Social Management Protection (ESMP) among others to the employer (URC) for review and approval. The same was reviewed by the Employer and approved.

The approved project scope as per ITB 1.1 works consist of:

- i. Rehabilitation of Tororo- Gulu Railway Line
- ii. Steel Girder Bridge rehabilitation
- iii. Supply of Track materials as defined in BOQs
- iv. Railway Track works as defined in the BOQ
- v. Refurbishment of existing rail track material
- vi. Railway track ancillary works

GCC 9.1 included new items below:

- i. Relocation of services (power lines, water, telecommunications and utilities)
- ii. Engineers' accommodation
- iii. Pitching, stone works, protection against erosion

The cost of the Project at the procurement stage was UGX 199,997,631,624. The feasibility report dated October 2016 indicated a cost of USD 22,931,000.00 (approx. 82,551,600,000). The actual contract price of UGX 199,997,631,624 is 2.4 times the estimated costs.

The procurement was done without competitive bidding. Meanwhile variation no. 2 for cost increase was submitted and under review.

The typical Railway construction works involve the following aspects:

- i. Earthwork and formation this involves Site clearance and grading, Drainage, Embankment and subgrade.
- ii. Track laying involving works on Ballast and sleepers, Rails laid on top of the sleepers, and Fastenings
- iii. Ballasting and stabilization

Station and infrastructure construction; this was not part of this contract.

### **2.1.1 Contract Effectiveness**

The Authority noted that the contract was signed on 13<sup>th</sup> April 2023 with a commencement of 20<sup>th</sup> July 2023 thus a delay of 98 days between signing date and commencement date.

The Powers of Attorney were not notarized contrary to Section 23.2 of the Standard Bidding Document. They were issued by the legal representative of the Contractor.

#### **Implication**

Delayed completion affects service delivery.

#### **Recommendation**

The CMT should minimize delays in contract timelines. Ensure that foreign companies representative documents are notarized as required.

### **2.1.2 Contract Management System**

#### **2.1.2.1 Preparation of Contract Implementation Plan**

The contract implementation plan issued on 7<sup>th</sup> February 2023 did not include all aspects required under form 49 such as deliverables.

#### **Implication**

Inadequate planning of tasks, resources, and timelines significantly increases the risk of project failure and missed milestones, which can cause delayed execution of the project.

#### **Management Response**

*Audit observation noted. The Entity filled Form 49 part II applicable to works. The deliverables requirement noted during the audit applies to part I of Form 49 which is in regards to supplies (attached as Annex 5). Part I of Form 49 was not applicable in this case.*

#### **Recommendation**

The Contract Management Team should always adhere to the requirement as prescribed in PPDA Form 49.

#### **2.1.2.2 Lack of reports from the Contract Manager on the progress of the contract**

Regulation 52(3)(g) of the PPDA (Contracts) Regulations 2023 requires Contract Managers to provide monthly progress reports. The Authority noted that the Contract Manager was not reporting to the Accounting Officer and other stakeholders. During audit, no report from the Contract Manager was obtained although they were explicitly indicated in his appointment letter. The available reports were from the Supervising Consultant, Lea Associates South Asia Pvt Limited in association with Denmar Consulting Ltd, Uganda.

#### **Implication**

Lack of monthly reports denies the Accounting Officer and the Entity key information on the project progress.

#### **Management Response**

*Audit observation noted. However, reference is made to Clauses 1.1(z) and 1.1 (za) of the General Conditions of Contract which states inter alia that, 'the Project Manager is the person named in the SCC (or any other competent person appointed by the Procuring and Disposing*

*Entity and notified to the contractor, to act as a representative of the contract Manager) who is responsible for supervising the execution of the Works and administering the contract.*

*Accordingly, the reports as submitted by the Project Manager (Supervising Consultant) would suffice as one of their contract administration obligations representing the Contract Management Team on a daily basis at site.*

*Going forward, summary progress reports shall be prepared in addition to the consultant's progress reports.*

#### **Recommendation**

The Accounting Officer should task the Contract Management Team to prepare and submit monthly progress reports in accordance with Regulation 52(3)(g) of the PPDA (Contracts) Regulations, 2023.

#### **2.1.2.3 Record keeping**

Section 44(1) of the PPDA Act, Cap. 205 states *that a Procuring and Disposing Entity shall maintain records of on its procurement and disposal proceedings for a period of seven years from the date of a decision to terminate the procurement or disposal action, or the date of the contract completion, whichever comes later, except where a contract is on going or is challenged, in which case, the records shall be kept for an additional year.* The available records were not maintained in a central place or file. Information was obtained from the PDU, Contract Manager and Finance/Accounts. It was also observed that URC did not take full advantage of Section 44(3) and have an electronic format for each of the required information. The available records that were in different offices instead of a central procurement file include the following Contract document, payment documents, Guarantees, progress reports and minutes of site meetings

#### **Implication**

The procurement file was not properly organized or indexed and hence difficult to review.

#### **Management Response**

*All procurement records are domiciled in PDU Unit. Indexing of files has commenced. The Entity is in the process of obtaining a software for electronic document management. The procurement records and indexed files can be verified on ground. Efforts are underway to engage staff for this function (attached as Annex 6).*

#### **Recommendation**

The Entity should properly organise the procurement files in a consistent manner and the use of electronic record keeping should be encouraged.

#### **2.1.3 Obligation of the Provider(s)**

##### **2.1.3.1 Format, delivery and validity of Performance and Advance Payment Guarantees.**

The advance payment guarantee was issued by Stanbic Bank Uganda Ltd for UGX 59,999,289,487 on 24<sup>th</sup> May 2023 valid till 8<sup>th</sup> October 2025 in the format specified by URC.

The performance security was issued by Standard Chartered Bank Uganda Ltd for UGX 13,999,834,214 on 23<sup>rd</sup> May 2023 valid till 15<sup>th</sup> October 2025. The validity was extended on 22<sup>nd</sup> October to 13<sup>th</sup> February 2026.

The ES performance security issued by Standard Chartered Bank Uganda Ltd for UGX 70,261,640 on 23<sup>rd</sup> May 2023 valid till 15<sup>th</sup> October 2025. The validity was extended on 22<sup>nd</sup> October to 13<sup>th</sup> February 2026.

The Authority noted that performance guarantees had expired on 13<sup>th</sup> February 2026 contrary to Regulation 11 (1) (2) & (3) of the PPDA. (Contracts) Regulations 2023 and Clause 4.2 of the contract.

All advance payments must be backed with valid advance payment securities due to expire three to six months after the completion date to allow for recovery of advanced funds in accordance with Regulation 47(5) of the PPDA (Contracts) Regulations 2023. The required securities should always be kept until no longer required. The audit noted that the extensions were not done before expiry.

### **Implication**

The Entity was exposed to risks of non-performance during the interval between expiry and renewal of securities.

### **Management Response**

*Audit observation noted. However, the Contract Management Team through the Supervision Consultant vide their correspondence - Ref: LEA/80111/Tororo-Gulu/2025/0279 dated 10<sup>th</sup> September 2025 (attached as Annex 8) had notified the contractor a month prior to expiration of the securities to extend them accordingly.*

*There was a week's exposure due to challenges by the contractor to obtain the bank guarantees. And we currently have valid advance payment guarantee, performance security and Environmental performance security.*

### **Recommendation**

The Contract Management Team and the Head of Procurement and Disposal Unit should monitor the expiry dates and adhere strictly to contractual clauses regarding extensions and release procedures in accordance with Regulation 36 (1) of the PPDA (Contracts) Regulations, 2023 and Regulation 11 (1), (2), (3), (4) and (5) of the PPDA (Contracts) Regulations 2023 and Clause 4.2 of the contract.

#### **2.1.3.2 Timeliness of Delivery**

The advance payment guarantee was issued within 41 days of signing the agreement while the performance security was in 40 days. The audit noted that the payments under the advance guarantee of 30% were payable within 30 days from effectiveness and submission of guarantee. The audit established that the payments were split into 4 instalments and effected as indicated in table 3 below:

**Table 3: Advance payment-Tororo Gulu**

| VR No. | VR Date       | Amount (UGX)          | Payment Date | Days Elapsed | Remarks      |
|--------|---------------|-----------------------|--------------|--------------|--------------|
| 20515  | 23/06/23      | 18,447,200,000        | 23/06/23     | 30           | Deposit      |
| 21361  | 21/11/23      | 25,000,000,000        | 21/11/23     | 181          | Deposit      |
| 21362  | 21/11/23      | 16,000,000,000        | 21/11/23     | 181          | Deposit      |
| 21823  | 13/02/24      | 552,089,487           | 14/02/24     | 266          | last deposit |
|        | <b>Totals</b> | <b>59,999,289,487</b> |              |              |              |

The elapsed days are based on the guarantee issue date of 24<sup>th</sup> May 2023. The contract clause GCC 60.1 stated that the advance of 30% is payable within 30 days from effectiveness and submission of guarantee. This was in accordance with Regulation 49 (3) of the PPDA (Contracts) Regulations 2023.

#### **Implication**

The delays clearly affected the contractors cashflow and could have contributed to delays in project delivery.

#### **Management Response**

*Audit observation is noted. Indeed, the project faced serious budget constraints in the 1<sup>st</sup> year of implementation. However, following release of the supplementary budget for FY 2024/25, all subsequent IPCs have been paid in a timely manner to date.*

#### **Recommendation**

The Accounting Officer should promptly pay bidders within 30 days from certification of invoices, except where this is varied in the Special Conditions of Contract in accordance with Regulation 49 (3) of the PPDA (Contracts) Regulations 2023.

#### **2.1.3.3 Adherence to Gender, Environmental, Health and Safety Requirements**

The NEMA certificate of ESIA Ref 4593 was issued on 21<sup>st</sup> August 2013 valid for 5 years, and required the works to commence within 24 months. The certificate was issued in the names of Rift Valley Railways Uganda Ltd and not Uganda Railways Corporation and was intended to cover the line rehabilitation up to Pakwach, i.e 500 km. The failure to change the particulars and update an expired license renders it invalid.

The audit however observed that the Project had applied reasonable measures to handle environmental and social safeguards. The general conditions of the NEMA certificate required RVR to put in place a resettlement action plan and ensure that project affected persons are identified and compensated appropriately. The compliance status is indicated in Table 4 below:

**Table 4: NEMA Compliance Conditions and Status**

| <b>Condition</b>                                                          | <b>Status</b>                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Ensure a Resettlement Action Plan (RAP) is in place                    | There is no RAP in place and did not access any lists of Project affected persons. URC approach seems to be guided by the fact that this is a rehabilitation of an existing railway line, which means that URC has the legal ownership of the railway corridor. This covers 30 metres on either side of the line or 100 metres either side of the railway station. According to the Uganda Railway Corporation Act Cap, 331 |
| 2. Obtain required approvals from other agencies i.e. UWA, Water, NFA etc | Pending                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 3. Adhere to Noise standards                                              | Compliant                                                                                                                                                                                                                                                                                                                                                                                                                   |

| Condition                                          | Status                                                                                                                                                                                                                      |
|----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4. Adherence to Pollution                          | There is need to minimize degradation of wetlands and water bodies traversed by the rehabilitation works in accordance with National Environment (Wetlands, River banks, Lake shores Management) Regulation. S.1. No.153-5. |
| 5. Ensure proper handling of all solid waste       | Compliant                                                                                                                                                                                                                   |
| 6. Establish an accident response plan             | No Plan Submitted                                                                                                                                                                                                           |
| 7. Implement an oil spill management plan          | No Plan Submitted                                                                                                                                                                                                           |
| 8. Occupational Health and Safety                  | The aspect of community sensitisation and safety awareness was lacking.                                                                                                                                                     |
| 9. Carry out annual environmental audits           | No evidence that this had been adhered to                                                                                                                                                                                   |
| 10. Mitigate any undesirable environmental impacts | Partially Compliant                                                                                                                                                                                                         |

URC should always adhere to environmental and social issues through a proper NEMA certificate and full compliance with stated conditions.

The monthly report for September 2025 included KPIs related to DEI, Health and Safety requirements as summarized in the KPIs listed in the appendix. The concern is that, the issue of PAPs and RAP is excluded from URC responsibility and transferred to MoWT. It was further observed that the contractor submits an ESMP plan and performance reports on a monthly basis which are monitored through the monthly progress reports.

The Authority observed that under Chapter 2, *Technical Requirements for Common Matters*, Clause 2.1 (*Conditions and Requirements for Management of the Works*), Sub-clause 2.2.2 (*Health and Safety Management Plan*), the contract required the contractor to develop and maintain a Health and Safety Management Plan throughout the works to ensure compliance with regulatory reporting requirements. The Authority noted that the contractor had the following measures in place:

**a) Gender**

The contractor had some women employees. The Authority noted that gender equality was an integral part of the contractor's operations. Women were given opportunities in tasks such as Nursing, Environmental Officer, Health and Safety, and other administrative positions. A review of the September 2025 monthly progress report, under the "Monthly Health, Safety, and Environment (HSE) Report" section on social issues, indicated that while the contractor had employed some female workers, the workforce remained predominantly male 81%. No employment Contracts were availed for review.

**b) Environmental Safeguards**

The Authority noted that the Entity had obtained an Environmental and Social Management Plan (ESMP) from the contractor.

**c) Health**

The Authority noted that the ESMP outlined measures to prevent the spread of HIV/AIDS and other sexually transmitted diseases (STDs) between the contractor's staff and the surrounding community. A review of the HSE reports confirmed that these ESMP requirements on HIV/AIDS were being implemented. However, No MoUs with certified medical practitioners that handled HIV/AIDS were in place.

**d) Health and Safety Requirements**

The Authority observed that the contractor had appointed an overall Health and Safety Officer. In addition, the contractor had designated an Environmental Officer and a Sociologist to manage site activities. The following were also observed. There were no Occupational Safety and Health plans submitted and No employment contracts.

- Personal Protective Equipment (PPE): All workers were provided with appropriate PPE, including helmets, reflective shirts/vests, safety shoes, and gumboots.
- Health and Safety Orientation: The contractor conducted regular health and safety briefings, including daily toolbox meetings and specialized training, to orient workers on safety requirements related to various tasks. Functional sanitation facilities were available at all project sites.
- Emergency Preparedness and Communication:  
The contractor established an emergency response system comprising a standby vehicle, fire assembly point, fire training sessions, and functional fire extinguishers. Notice boards displaying project-related information were installed at each project site. PLANS not received (Observations at the contractors Campsite No ESHS notice board displays.

**Implications**

The failure of the Uganda Railways Corporation (URC) to maintain records of Project Affected Persons (PAPs) or implement a Resettlement Action Plan (RAP) carries severe legal, financial, and operational risks. Because this project was funded by the African Development Bank (AfDB), these omissions violate strict international donor safeguards as well as Ugandan law.

**Management Response**

*Following engagements with NEMA regarding renewal of the expired license, URC was advised that undertaking an environmental audit was a pre-requisite for extension of the license validity.*

*Due of its financial constraints, URC engaged Ministry of Works & Transport (MoWT) for support to undertake the environmental audit exercise using its in-house team with the requisite competencies.*

*MoWT agreed to this request vide their letter Ref: TRP 198/241/01 dated 3<sup>rd</sup> December 2025 (attached Annex 9) and instituted a team to undertake this exercise.*

*The RAP implementation exercise is being undertaken under the Ministry of Works and Transport where the PAPs between Tororo and Soroti have been identified, valuations done, validation and compensations done. The exercise is still ongoing (latest progress report attached as Annex 10).*

### Recommendation

The CMT should tack the provider to have full compliance with environmental laws as required under clause GCC 29 of the contract and the NEMA Act.

#### 2.1.3.4 Adherence to Local Content Requirements

The sub contracts shared during the audit accounted for 24% of the main contract sum as indicated in the Table 5 below:

**Table 5: Local Content Compliance Tororo- Gulu Contract**

| No. | Provider                                   | Supplies/Services                                                        | Amount UGX         |
|-----|--------------------------------------------|--------------------------------------------------------------------------|--------------------|
| 1   | Godmark Contractors and Suppliers Ltd      | Mortar Rubble drainage ditch construction                                | 1,178,727,269.00   |
| 2   | Rise Shine Investments U Ltd               | Mortar Rubble drainage ditch construction                                | 1,178,727,269.00   |
| 3   | Opus Trading Ltd                           | Reinforced Concrete pipe culvert engineering construction                | 901,080,301.00     |
| 4   | NEC Construction Works and Engineering Ltd | Reinforced Concrete pipe culvert engineering and earthworks construction | 3,209,507,929.00   |
| 5   | Martz Contractors Ltd                      | Reinforced Concrete pipe culvert engineering and earthworks construction | 2,717,955,064.00   |
| 6   | Mirror Multi Net Ltd                       | Rehabilitation of Tororo Gulu Railway Project Offices                    | 18,012,809,664.00  |
| 7   | Tai Group of Companies Ltd                 | Rehabilitation of Tororo Gulu Railway Project Offices                    | 20,191,604,675.00  |
|     | Totals                                     |                                                                          | 47,390,412,171.00  |
|     |                                            | Main contract sum                                                        | 199,997,631,624.00 |
|     |                                            | Sub-contractor % of main contract                                        | 24%                |

The Consultant's monthly reports indicated that during September 2025, the Contractor had employed women in roles such as personnel management, outreach, and logistics. Notably, 97.6% of the workforce, including female employees, were sourced from communities along the project line, fostering local engagement. The contractor's workforce comprised 985 individuals: 983 Ugandans (99.7%) and Others 2 (0.2%). Among the Ugandan employees, 188 were female (19.1%) and 795 were male (80.7%).

**Table 6 : Workforce Distribution**

| Gender       | Ugandan    | Other    | Total      | %   |
|--------------|------------|----------|------------|-----|
| Male         | 795        | 2        | 797        | 81% |
| Female       | 188        | 0        | 188        | 19% |
| <b>Total</b> | <b>983</b> | <b>2</b> | <b>985</b> |     |
| %            | 99.80%     | 0.20%    |            |     |

The audit found that there was a significant input in terms of local manpower. In terms of numbers in the region of 90% upwards. However, the financial cost associated with the employees could not be determined. We were therefore unable to assess compliance with the 30% local input requirement.

#### **Implication**

Inadequate reporting may lead to lack of timely or accurate reports, leading to poor follow up on local content issues.

#### **Management Response**

*Audit observation noted. However, whereas the existing sub contracts accounted for only 24% of the contract sum, the project is still ongoing and the supervision consultant will ensure that the 30% stipulated threshold is met.*

*Regarding the financial reports for the contractor staff, there is no obligation on the contractor to share this information. However, going forward, efforts will be made for future contracts cater for provision of financial reports of contractor's staff.*

#### **Recommendation**

The Contract Manager should strengthen monitoring & verification mechanisms to verify the extent of compliance with the PPDA Guideline Reference: 12/2024; Guideline on Reservation Schemes to Promote the Participation of Local Providers in Public Procurement.

### **2.1.4 Obligation of the Entity**

#### **2.1.4.1 Contract signing**

The Attorney General cleared the contract on 9<sup>th</sup> January 2023 and was signed on 13<sup>th</sup> April 2023. The Powers of Attorney were not notarized. They were issued by the legal representative of the Company who did not indicate as a notary.

#### **Implication**

Incomplete Powers of Attorney may render the contract voidable.

#### **Management Response**

*Audit observation noted. The Powers of Attorney have been recently renewed and attested by a notary public as attached in Annex 7.*

#### **Recommendation**

The Accounting Officer and the Contract Manager should strengthen monitoring & verification mechanisms to verify the validity and scope of a Power of Attorney before accepting it for significant transactions.

#### **2.1.4.2 Site Handover**

The GCC 26.1 required that site possession and handover were to be done within 10 days from contract effectiveness date. The start date and site handover were on 10<sup>th</sup> July 2023 and Commencement date was 20<sup>th</sup> July 2023. The Entity met its obligations in this respect.

#### **2.1.4.3 Inspection and approval of outputs**

The contract is divided into 3 sections as follows:

- i. Tororo to Kumi
- ii. Kumi to Km 242
- iii. Km 242 to Gulu

The first section was complete at the time of the field visit on 31<sup>st</sup> October 2025. The Entity was undertaking an inspection to facilitate issuance of a partial completion certificate and handover. A list of snags for the complete part existed and these were expected to be addressed by the contractor. The works on sections 2 and 3 were still in progress and thus not yet ready for handover.

#### **2.1.4.4 Certification and Payment of invoices, and Recovery of Advance Payment**

The certificates were all cleared by the Consultant and contract Manager before payment. The advance recovery was applied on all the 18 IPCs. This was considered compliant as per GCC 60.3 at 30% from each certificate. GCC 60.3 provided that the advance payment shall be repaid by deducting proportionate amounts from payments due to the contractor.

#### **2.1.4.5 Timeliness of Payment**

The audit observed that some Interim Payment Certificates faced significant delays. Specifically, IPC 2 and IPC 6 were paid in 2 instalments. The excessive delays ranged between 183 to 454 days from the certificate date. The delays are indicated below:

- IPC No. 03 dated 09 January 2024 was paid on 10 September 2024 after 245 days
- IPC No. 06 dated 11 march 2024 was paid on 27 november 2024 after 261 days (2<sup>nd</sup> instalment)

The timeliness are summarized in the appendix for each of the 18 certificates.

#### **Implication**

The challenges led to a project suspension between 2<sup>nd</sup> July 2024 and 14<sup>th</sup> October 2024. The Contractor raised a claim for penalties which is still under discussion.

#### **Management Response**

*The payments position has significantly improved with timely cash flows from MFPED.*

#### **Recommendation**

The Accounting Officer should make payments within contractual timelines.

#### **2.1.5 Change Orders, Extensions and Variations**

##### **2.1.5.1 Justification/ validity of Change Orders, Extensions and Variations**

The audit noted the following:

- i. Extension of time (EoT): Two extensions of time were granted to the provider. These included 20 days and 198 days from 20<sup>th</sup> July 2025 to 13<sup>th</sup> February 2026.
- ii. Variation order No.1 included changes in the following areas:
  - Culvert Construction
    - Addition of 70 RCP 450mm culverts at a price of 53,916.80
    - Increase in quantity of 900 mm culverts from 1,047 at USD 1,054,731.80 to 1,158 at USD 1,166,106.
    - Reduction of 900 mm culverts in class A from 258 at USD 273,657 to 150 at USD 158,550

- Increase single cell box culvert from 186.6 at USD 746,400 to 215 at USD 860,000
- Reduce single cell box culvert from 239.6 at USD 1,245,920 to 185 at USD 962,000
- iii. Structures:
  - Supply of new fresh plates increase from 5,000 at USD 275,000 to 9,000 at USD 495,000
  - Supply of new fresh plates reduced from 5,000 at USD 275,000 to 1,000 at USD 55,000
- iv. Railway track ancillary works:
  - Laying and assembling concrete increase from 14 at USD 329,000 to 245 at USD 629,895
  - Laying and assembling of cement stabilized level crossing from 43 at USD 663,490 to 285.98 at USD 482,731,30. In our opinion the above should have been effected through a change order since there was no cost escalation. There was no documentation indicating approval by the Accounting Officer as required under S53(4) of the contract regulations 2023.
- v. Variation order No.2 (Request submitted, still being processed), thus not shared for review).

#### **2.1.5.2 Initiation and approval of change orders, extensions and variations**

The internal approvals by the Accounting Officer were not availed. The communication to the contractor issued by the Contractor Manager communicating the extensions was availed.

#### **Implication**

Poor record keeping and filing affects retrieval.

#### **Management Response**

*The PDU will take a lead on ensuring that this is adhered to.*

#### **Recommendation**

The Authority noted the Entity's responses but recommends that the HPDU should improve on filing and record keeping. The PDU should guide the Contract Managers on their responsibilities.

#### **2.1.6 Contract Closure**

##### **2.1.6.1 Handover of Outputs**

The first section from Tororo to Kumi was complete at the time of the field visit on 31<sup>st</sup> October 2025. URC was undertaking an inspection to facilitate issuance of a sectional completion certificate and handover. A list of snags for the completed section existed and these were expected to be addressed by the contractor.

##### **2.1.6.2 Management of Defects Correction Period**

The defects liability period was expected to start after the lapse of the new completion date of 13<sup>th</sup> February 2026 for 12 months. The IPCs had a deduction of retention of 5% as indicated in the schedule of payments listed in the appendix.

##### **2.1.6.3 Issuing Completion Certificates and Payment of Retention**

This is not yet due as explained above.

#### 2.1.6.4 Provider Appraisal

The contract is still ongoing making this premature. However the monthly reports and minutes of site meetings do not indicate any major concerns about the contractor's competence.

#### 2.1.6.5 Warranty, Maintenance and Support arrangements

The arrangements are not documented. URC expects to be provided with manuals by the contractor before or at handover.

#### 2.1.7 Value for Money Assessment

##### 2.1.7.1 Economy

The procurement was done without competitive bidding. The feasibility report dated October 2016 indicated a cost of USD 22,931,000.00 (Approx. 82,551,600,000). The actual contract price of UGX 199,997,631,624 is 2.4 times the estimated costs.

A competitive shopping for the initial contractor- Sogea Satom had been awarded at a price of Euro 39,337,756 (UGX 165,375,926,224) on 21<sup>st</sup> November 2019.

A subsequent estimate by URC put the cost at Euro 55.5 million. This includes the cost of supervision and the Awoja washout that was not included in the prior EU feasibility and Sogea Satom Contract as per MFPED clearance letter dated 29<sup>th</sup> September 2022. The main driver of the change in costs was a change in scope of works. The actual cost of the works is indicated in table 7 below:

**Table 7: The actual cost of the works**

| No. | Details      | Amount (UGX)           |
|-----|--------------|------------------------|
| 1.  | Contractor   | 199,997,631,624        |
| 2.  | Consultant   | 4,877,525,870          |
|     | <b>Total</b> | <b>204,875,157,494</b> |

The preliminary estimate of EURO 55.5 million was equivalent to UGX 233,322,000,000. The cost was within the estimates undertaken by URC.

The use of direct procurement was based on the Minister of Works letter dated 2<sup>nd</sup> November 2022 and H.E the Presidents letter dated 24<sup>th</sup> October 2022. URC needs to demonstrate how they obtained value for money in the absence of competitive bidding.

The contractor indicated that they had submitted a variation order No. 2 which includes a change in cost under was still under consideration. This was not shared with the audit team.

#### **Management Response**

*Following the termination of the previous contract under SOGEA SATOM/ETF, the Supervision Consultant (TECNICA Y PROYECTOS S.A, TYPSA) were instructed by the Contracting Authority (National Authorizing Officer under MoFPED) to submit an estimate for completion of the remaining works that included the Supervision Costs and addressing the Awoja swamp wash away.*

*In preparation of this estimate, the Supervision Consultant considered the rates from the SOGEA SATOM/ETF construction agreement. As highlighted, a competitive bidding process had been undertaken before award of this contract which formed the basis for the estimates considered.*

*A letter from the Permanent Secretary (MoFPED) Ref: FED/2019/408-211 dated 29<sup>th</sup> September 2022 (attached as Annex 1) issuing a directive to procure a new contractor to complete the works makes reference to the same estimate.*

*Therefore, the value for money of the project was ensured by using rates from the previous competitive rates from the SOGEA SATOM/ETF construction agreement.*

*The Contract Management Team through the Supervision Consultant has had several correspondences on expedition of works, vide their correspondence Ref: LEA/80111/Tororo-Gulu/2025/0322 dated 18<sup>th</sup> November 2025 (attached as Annex 2) tasking the contractor to expedite the works.*

### **Recommendation**

- The Accounting Officer should provide evidence to demonstrate how value for money was ensured while directly sourcing the new provider to complete the works in light of the directives.
- The Contract Manager should task the contractor to deploy sufficient resources at the project site to enable expeditious completion of the project in accordance with the extended timelines and Regulation 52(1)(b) of the PPDA (Contracts) Regulations 2023.

### **2.1.7.2 Efficiency**

The contract period has been extended to 13<sup>th</sup> February 2026 from the original completion date of 20<sup>th</sup> July 2025.

The original completion period of this contract was 24 Months and extension of time is granted of 218 days leads to a total of 949 days. The revised intended date of completion is on 13<sup>th</sup> February 2026.

The Authority noted that contract work for rehabilitation of Tororo Gulu railway line began on 20<sup>th</sup> July 2023 and was set to be finished by 13<sup>th</sup> February 2026. It was currently underway. During the audit conducted in October 2025, and based on the progress for September 2025, the master work schedule indicated that the contract works should be 76.18% complete. However, by 30<sup>th</sup> September 2025, the Entity reported a physical progress of only 60.42%. This results in a physical progress lag of 15.76%, indicating that the contract is likely to face delays and may need to be extended.

The financial payments progress stood at 70.09% of contract value as of IPC 18 which was the latest as at the end of September 2025.

The Contract Management Team should in future ensure strict adherence to the contract period in accordance with Regulations 52(1)(b) and 52(3)(vi) of the PPDA (Contracts) Regulations, 2023. The Accounting Officer should task the contractor to submit a revised work program within one month from issue of this report and ascertain timely implementation of the pending works in accordance with Section 51 of the PPDA Act, Cap. 205

### **Implication**

Delays in contract execution poses a risk to timely project completion and ultimately delayed service delivery to the intended beneficiaries. It may likely lead to cost and time overruns.

### **Management Response**

*Audit observation noted. However, the Contract Management Team through the Supervision Consultant vide their correspondence Ref: LEA/80111/Tororo-Gulu/2025/0318 dated 12<sup>th</sup> November 2025 (attached as Annex 3) had already tasked the contractor to expedite the works and submit catchup work plan.*

*The noted delays were due to delay in acquisition of additional materials which took over 6 months. And actions to expedite progress have been taken including: letters attached as annex 2 and Signed Addendum No.1.*

*However, the Contract Management Team through the Supervision Consultant shall task the contractor to submit the revised work program within one month from issue of this report.*

### **Recommendation**

- The Contract Management Team should adhere to the extended contract timelines for completion in accordance with Regulations 52(1)(b) and 52(3)(vi) of the PPDA (Contracts) Regulations, 2023.
- The Contract Management Team should task the contractor to submit a revised work program within one month from issue of this report and ascertain timely implementation of the pending works in accordance with Section 51 of the PPDA Act, Cap. 205.

#### **2.1.7.3 Effectiveness (Quality of goods, works and services)**

The Audit sought to establish whether the outputs were being used and originally intended measurable benefits/objectives being realized/met? Or are there significant risks and uncertainties (threats) to realizing intended benefits/objectives).

The contract team confirmed that a test run was done on the first section of Tororo to Kumi in preparation for the partial handover. The scope may have been limited by the available budget. The contract team has identified an additional 101 level crossings that were not included in the scope of work.

### **Implication**

Value for money may not be achieved due time and cost escalation.

### **Management Response**

*Audit observation noted. URC has developed plans to operationalize the Tororo-Kumi section under the government of Uganda supplementary budget funding.*

*The level crossings that were not covered in the original scope of works have been included in Addendum No.1 that was signed after this Audit (attached as Annex 4).*

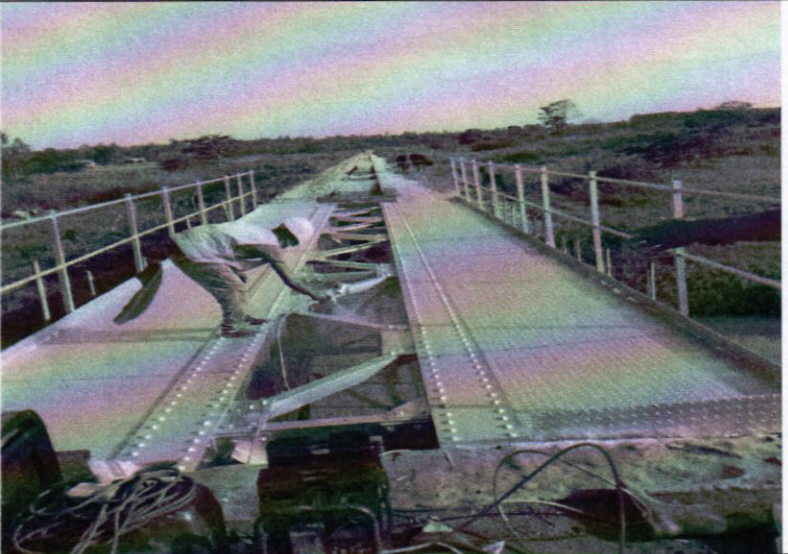
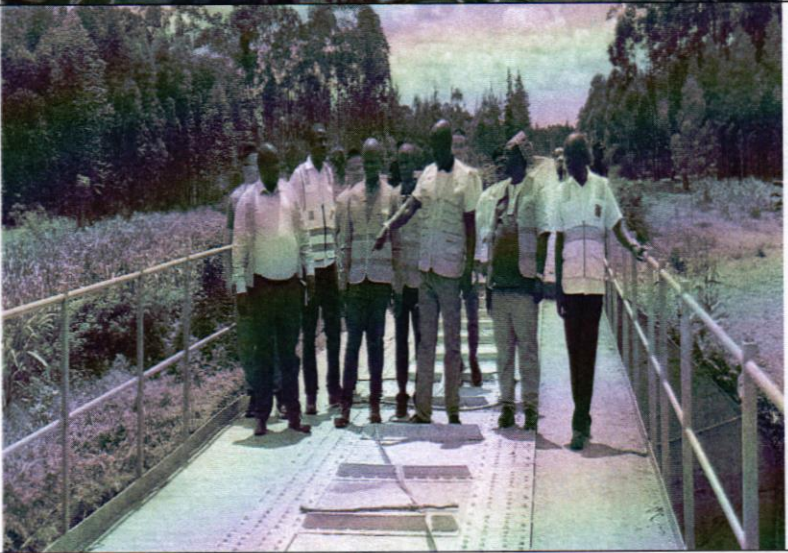
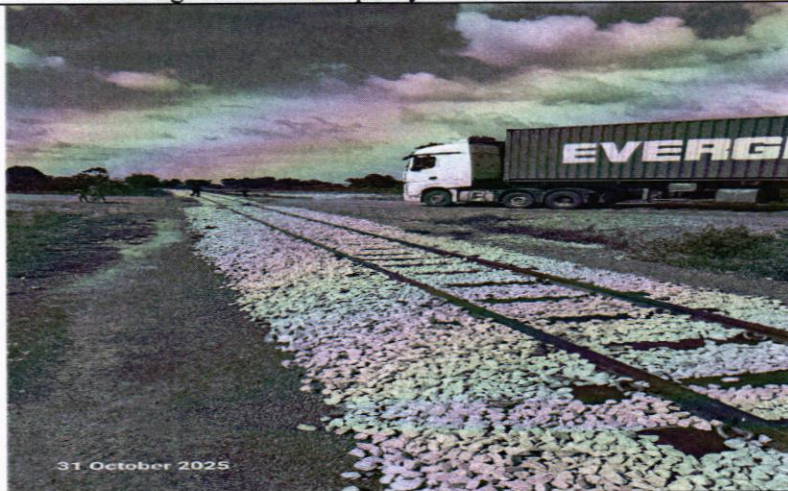
### **Recommendation**

URC should liaise with MFPED and MoWT to ensure that all additional works are funded.

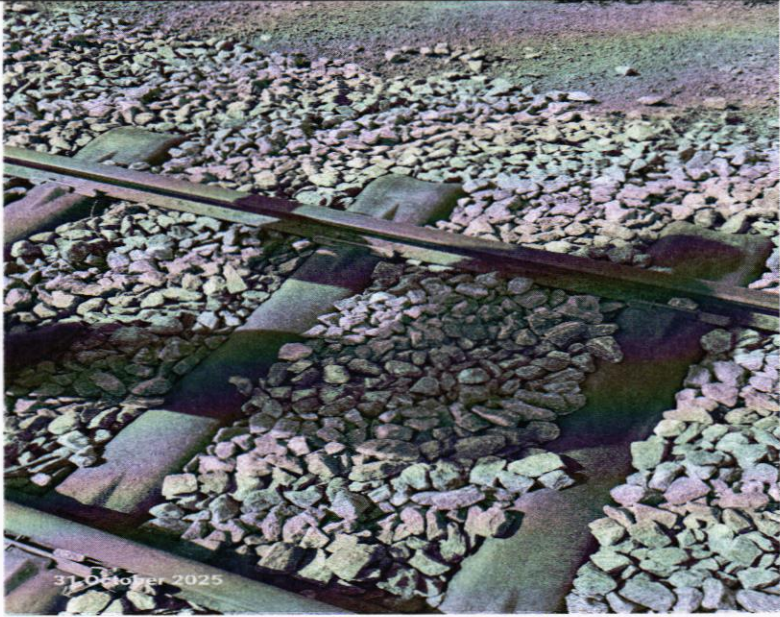
## Field Monitoring Visits

**Table 8 : Physical Verification at Field Visit**

| # | Picture                                                                             | Comments                                                                                                                                   |
|---|-------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
|   | Okole Swamp/wetland (Km 274 from Tororo)                                            |                                                                                                                                            |
|   |   | <p>Earthworks and Line levelling done over box culvert</p> <p>2 box culverts were fitted. Levelling of land done and materials on site</p> |
|   |  | <p>Completed Earth Works at Okole</p>                                                                                                      |
|   | Bridge construction                                                                 |                                                                                                                                            |

|                                  |                                                                                      |                                                                                                                                                                               |
|----------------------------------|--------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                  |    | <p>Bridge Deck Works<br/>in Progress</p>                                                                                                                                      |
|                                  |   | <p>Refurbished Bridge<br/>Deck</p>                                                                                                                                            |
| Level Crossing Kumi Municipality |                                                                                      |                                                                                                                                                                               |
|                                  |  | <p>Finished level<br/>crossing.</p> <p>Safety measures at<br/>level crossing<br/>require<br/>improvement.<br/>Warning sign fixed<br/>at the spot, no<br/>advance warning.</p> |

|                              |                                                                                      |                                                                                                      |
|------------------------------|--------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|
|                              |    | <p>Lack of routine maintenance; clogged drains, draining side not open leading to stagnant water</p> |
| Level Crossing Kumi District |                                                                                      |                                                                                                      |
|                              |  | <p>Completed level crossing</p>                                                                      |

|  |                                                                                                           |                           |
|--|-----------------------------------------------------------------------------------------------------------|---------------------------|
|  |  <p>31 October 2025</p> | <p>Seals appear rusty</p> |
|--|-----------------------------------------------------------------------------------------------------------|---------------------------|

## **2.2 REFURBISHMENT OF THE KAMPALA-NAMANVE, NAMANVE-MUKONO RAILWAY LINE (26.8KM)**

### **2.2.1 Background**

In 2020, Uganda Railways Corporation signed a contract with IMATHIA CONSTRUCCION, through direct procurement, to construct concrete sleeper railway line from Kampala to Mukono. This construction was poised to improved railway transport, especially for passengers from Kampala to Mukono.

Physical works commenced in April 2023 with removing the old steel sleeper line from Kampala to Mukono. The project was implemented in two phases, with the first phase from Kampala to Namanve and the second from Namanve to Mukono. The construction was financed using a Spanish Commercial Loan to a limit of EURO 19,840,000. The addenda of Euros 151,470.00 (Not part of the Spanish Commercial Loan) was financed by GOU.

The refurbishment of the Kampala–Namanve–Mukono Railway Line forms part of URC’s initiative to restore and upgrade railway infrastructure to enhance transport efficiency, reduce road congestion, and support national economic growth.

The project aimed to refurbish approximately 26 km of the central corridor rail line, including replacement of worn-out sleepers and rails, drainage works, station improvements, and installation of safety and signage infrastructure at level crossings.

The typical railway construction works involve the following aspects:

- i. Earthwork and formation this involves Site clearance and grading, Drainage, Embankment and subgrade.
- ii. Track laying involving works on Ballast and sleepers, Rails laid on top of the sleepers, and Fastenings
- iii. Ballasting and stabilization
- iv. Station and infrastructure construction; this was not part of this contract

Minutes of pre-contract negotiations on 19<sup>th</sup> May 2020 suggest that there were no BOQs and specifications not elaborated. These were to be agreed later. The broad requirements in the TOR are refurbishing Kampala- Namanve line, length of 12.4 Km and Malaba -Tororo length of 15.6 Km.

A summary of the scope was as indicated below:

- i. Manufacture of 47,180 Monoblock Concrete sleepers
- ii. Track refurbishment length (26.8 kms) – Kampala-Mukono section
  - Kampala Namanve railway section of length 12.4 Kms (including station line at Namanve),
  - Namanve – Mukono railway section of length 12.9kms (until the first turnout of the Station)
  - Doubling of loop lines each 600 meters (1.2 kms) at Namanve station, and 300 meters loop line at halt between Kampala and Namanve
- iii. Refurbishment of 8No. level crossings including appropriate road diversions (6No. Kampala– Namanve section and 2No. Namanve – Mukono) to concrete standard
- iv. 6No. turnouts with self-normalizing switches (supply and installation);
- v. 5No. turnouts with non-self-normalising switches (supply and installation);

- vi. Refurbishment of 5No. drainage culverts;
- vii. 8kms of lined stone aggregates gully track stabilization, and
- viii. 18No. Transition rails (supply and installation): This is to improve safety and optimise operational efficiency and reduce maintenance cost. The transition rail is 6m and will gradually go from BS80R rail section to UIC-54 rail section.

### **2.2.2 Contract Effectiveness**

The contract was signed on 29<sup>th</sup> June 2020. URC letter indicated a commencement date of 1<sup>st</sup> February 2022. Significant delay of 582 days between commencement and contract signature dates was observed.

#### **Implication**

The delays means lost project time and delayed completion.

#### **Management Response**

*The Consultant and contractor were appointed at the same time. The Consultant had to prepare specifications to allow contractor commence works.*

#### **Recommendation**

Management should always implement projects in a timely manner.

### **2.2.3 Contract Management System**

#### **2.2.3.1 Preparation of Contract Implementation Plan**

The contract implementation plan shared during the audit exercise did not include all aspects prescribed in the template. It excluded a schedule of deliverables.

#### **2.2.3.2 Contract management reports**

Monthly progress reports were issued by the Consultant with the latest report shared for the month of August 2024. However, the contract Manager's reports were not availed.

#### **Implication**

Gaps in reporting could mislead the different stakeholders involved in the contract management causing emergencies at the end of the planned delivery period, conflicts between different parties, health and safety adverse events and overall challenges to the management of the contract.

#### **Management Response**

*Audit observation noted. However, reference is made to Clauses 1.1(z) and 1.1 (za) of the General Conditions of Contract which states inter alia that, 'the Project Manager is the person named in the SCC (or any other competent person appointed by the Procuring and Disposing Entity and notified to the contractor, to act as a representative of the contract manager) who is responsible for supervising the execution of the Works and administering the contract.*

*Accordingly, the reports as submitted by the Project manager (Supervising Consultant) would suffice as one of their contract administration obligations representing the Contract Management Team on a daily basis at site.*

*Going forward, summary progress reports shall be prepared in addition to the consultant's progress reports.*

### **Recommendation**

The Contract Management Team should strengthen their oversight over the project executions so as to avoid being misled by the contractor's reports.

#### **2.2.3.3 Record keeping**

Section 44(1) of the PPDA Act, Cap. 205 states that a Procuring and Disposing Entity shall maintain records of on its procurement and disposal proceedings for a period of seven years from the date of a decision to terminate the procurement or disposal action, or the date of the contract completion, whichever comes later, except where a contract is on going or is challenged, in which case, the records shall be kept for an additional year. The Authority noted that the project meeting minutes, various correspondences between the contractor and the contract manager, consultant's reports, Interim Payment Certificates, design drawing reviews, site inspection reports, health and safety reports, NEMA certificates, and the updated work programs were kept on file.

The available records were not maintained in a central place or file. Information was obtained from the PDU, Contract Manager and Finance/Accounts. It was also observed that URC did not take full advantage of S44(3) and have an electronic format for each of the required information.

### **Implication**

The procurement file was not properly organized or indexed which affects review.

### **Management Response**

*All procurement records are domiciled in PDU Unit. Indexing of files has commenced.*

*The Entity is in the process of obtaining a software for electronic document management.*

*The procurement records and indexed files can be verified on ground. Efforts are underway to engage staff for this function (attached as Annex 6).*

### **Recommendation**

The procurement files should be properly organized in a consistent manner. The use of electronic record keeping should be encouraged.

#### **2.2.4 Obligation of the Provider(s)**

##### **2.2.4.1 Format, delivery and validity of Performance and Advance Payment Guarantees.**

The Authority noted that the Advance payment guarantee was verified by Stanbic Bank on 18<sup>th</sup> January 2022 for Euro 2,976,000. The guarantee was issued by CAIXA, SA in a format specified by URC.

##### **2.2.4.2 Delayed Delivery of performance guarantee**

The Authority noted that a Guarantee was issued on 17<sup>th</sup> January 2022, which was 567 days after contract signing date of 29<sup>th</sup> June 2020.

### **Implication**

Failure to enforce submission of performance securities leaves the Entity with no fallback position in the event that the provider does not meet their contractual obligations.

### **Management Response**

*The Audit observation has been noted. The delay submission of the performance security was due to Government of Uganda's delay in meeting its obligation for counterpart funding of 15% for contract effectiveness.*

### **Recommendation**

The Accounting Officer should ensure that where performance security is a requirement in the contract, providers submit it in accordance with Regulation 12 (1) (a) of the PPDA (Contracts) Regulations, 2023.

### **2.2.4.3 Adherence to Gender, Environmental, Health and Safety Requirements**

The Authority noted that URC obtained a NEMA certificate of approval for ESIA Ref: 16133 dated 10<sup>th</sup> May 2022 valid for an initial period of 5 years. The specific conditions were as follows in Table 8 below:

**Table 8: Environment, Health and Safety Compliance**

| <b>Requirement/Condition</b>                                                                                      | <b>Evidence of compliance</b> |
|-------------------------------------------------------------------------------------------------------------------|-------------------------------|
| a) URC to ensure proper land acquisition and compensation of PAPs                                                 | No evidence of compliance     |
| b) Use of plastics below 30 microns prohibited                                                                    | No evidence of compliance     |
| c) Ensure construction and designs in compliance with building codes and avoid adverse effects on the environment | No evidence of compliance     |
| d) Protect fragile ecosystems                                                                                     | No evidence of compliance     |
| e) Ensure cleaner production                                                                                      | No evidence of compliance     |
| f) Preserve cultural and natural heritage                                                                         | No evidence of compliance     |
| g) Traffic management                                                                                             | No evidence of compliance     |
| h) Public utilities                                                                                               | No evidence of compliance     |
| i) Soil stabilization and restoration                                                                             | No evidence of compliance     |
| j) Oil spillage containment and management                                                                        | No evidence of compliance     |
| k) Obtain Relevant approvals                                                                                      | No evidence of compliance     |
| l) Environmental compliance audits; first audit by 31 may 2023                                                    | No evidence of compliance     |

The audit noted the following:

- i. Encroachments on the railway line reserve was a challenge to progress as well as operation of trains.
- ii. Human activities (such as walking, vending, etc) on and along the track are causing ballast contamination and disperse from the line and unsafe train operations.

### **Implication**

Non-compliance with contractual obligation affects overall compliance by the Entity.

### **Management Response**

*The concerns have been noted and URC has already engaged Railway Police to conduct routine patrols of the line to minimize encroachments. Also, public sensitizations have been planned by Public Relations Office and Railway Police to create more awareness to the communities along the railway line.*

### Recommendations

- i. URC should strengthen enforcement against encroachers and illegal activities on the railway line reserve, to avoid spoiling of the newly constructed Railway line and ongoing project works.
- ii. Increase sensitization and create awareness among the public by URC for safe operation and maintenance of the new Railway line works.

#### 2.2.4.4 Adherence to Local Content Requirements

GCC 12.1 of the contract reserves 30% of materials for local service providers. The information obtained suggest that there was local content delivered under the project. The limitation was that the value could not be established due to lack of cooperation by the main contractor. The summary narrative indicates local participation in the following aspects:

- i. Main contractor declared local staff of 48 against 14 foreign workers out of a total staffing of 62.
- ii. Employment of 15 sub-contractors/ service providers in various project activities as indicated in the appendix.
- iii. Staff engaged by the various sub-contractors/service providers as indicated in the appendix.

The audit was of the opinion that URC failed to put and enforce mechanisms on how the 30% local content was to be measured.

The Entity obtained copies of a few sub contracts to demonstrate values sub contracted and these account for 5% of the original contract sum and are listed in the table 9 below:

**Table 9: Local Content Compliance**

| Contractor               | Currency | Amount           | Amount (UGX)            | Services/Supplies                   |
|--------------------------|----------|------------------|-------------------------|-------------------------------------|
| OMAP Uganda Ltd          | USD      | 1,833.10         | 6,599,160.00            | Equipment hire                      |
| Attitude Investments Ltd | USD      | 223,714.00       | 805,370,400.00          | Civil works for level crossings     |
| NATO Engineering Co. Ltd | USD      | 182,893.66       | 658,417,176.00          | Construction of drainage structures |
| SIIMA Events             | UGX      | 2,010,000,000.00 | 2,010,000,000.00        | Ballast supply                      |
| Jeluma Supplies Ltd      | UGX      | 630,000,000.00   | 630,000,000.00          | Transport for Ballast               |
| NATO Engineering Co. Ltd | USD      | 14,859.09        | 53,492,724.00           | Construction of drainage structures |
| <b>Total</b>             |          |                  | <b>4,163,879,460.00</b> | <b>5%</b>                           |
| Contract sum             | Euros    | 19,840,000.00    | 79,598,080,000.00       |                                     |

## Implication

There was non-compliance with contract terms which affects realization of broader objectives as regards local content.

### **Management Response**

*The prerequisite of 30% requirement of PPDA could not apply because of the conditions of the funding agreement. Where clause 18 -Taxes and costs of the financing agreement, states that, "Where the Borrower is obliged by law to apply any kind of deduction or retention to the payments, the amount payable by the Borrower shall be increased by the amount necessary to ensure that, once the deduction or retention has been applied, ICO receives a net amount equal to the sum which it should have received if the obligation to apply that deduction or retention had not existed. The Borrower also declares that all payments made by the borrower under this agreement shall be exempt from withholding income tax and any other Government charges that may be payable on such payments".*

### **Recommendation**

URC should always determine criteria for assessment of local content in advance.

## **2.2.5 Obligation of the Entity**

### **2.2.5.1 Site Handover**

GCC 26.1 indicated that Site possession is due 14 days from contract effectiveness. Site handover done on 31<sup>st</sup> March 2023. URC letter indicates commencement date of 1<sup>st</sup> February 2022. Significant delay between signing date, commencement and site handover was observed. The specifications were handed over on 27<sup>th</sup> April 2023. The minutes of pre contract negotiations on 19<sup>th</sup> May 2020 suggest that there were no BOQs and specifications were not elaborated. These were to be agreed later.

The broad requirements in the TOR were to refurbish Kampala- Namanve, length of 12.4 kms and Malaba -Tororo length of 15.6 kms. Key contracts dates are indicated in table 10 below:

**Table 10: Key Contract Inception Dates**

| No. | Details                            | Date                           |
|-----|------------------------------------|--------------------------------|
| 1.  | Original Contract signature Date:  | 29 <sup>th</sup> June 2020     |
| 2.  | Contract Effectiveness Date:       | 23 <sup>rd</sup> February 2022 |
| 3.  | Site handover date                 | 31 <sup>st</sup> March 2023    |
| 4.  | Designs and drawings handover      | 27 <sup>th</sup> April 2023    |
| 5.  | Original Performance Period:       | 25 months                      |
| 6.  | Revised Performance Period:        | 30 months                      |
| 7.  | Original Intended Completion Date: | 23 <sup>rd</sup> March 2024    |
| 8.  | Revised Intended Completion Date:  | 28 <sup>th</sup> August 2024   |

## Implication

- i. This leads to delayed commencement as the project cannot start on the ground while engineers and contractors argue over specifications, eating into the project timeline and delaying service delivery to the public.
- ii. Without finalized BOQs and specifications, the contract is technically incomplete. The PDE cannot legally hold a contractor accountable for specific quality standards, material types, or exact quantities if they were not agreed upon at the point of signature.

### **Management Response**

*Audit observation is noted. The contractor had promised to expeditiously handle the correction of defects. It's envisaged that the final payment will be completed before expiry of the funding 60 months of Financing agreement (the funds withdrawal period ends on 10<sup>th</sup> September 2026).*

*The contract management team wrote to the contractor via letter dated 11<sup>th</sup> September 2024, requesting for extension of the validity of the retention bond. However, this has not been addressed to date by the contractor, hence the reason to retention of the final IPC (letter correspondences attached as annex 15).*

### **Recommendation**

The key recommendation is that the PDE should always ensure that BOQs and specifications are prepared before contract signature to avoid unnecessary delays in project commencement.

#### **2.2.5.2 Inspection and approval of outputs**

The interim payment certificates were verified by both the Consultant and Contract Manager before payment.

The challenges and setbacks experienced by the project include difficulty in removing track by panels because sleepers were heavily embedded into the formation and some sleeper/rail fastenings were missing, hence removal by panels would leave the sleepers on the ground. Track removal by dismantling was recommended for sections of track where sleepers were heavily embedded into the formation.

### **Implication**

This may compromise security of the railway line.

### **Management Response**

*Audit observation is noted. The corporation has severally faced the challenge of vandalism over the years. The missing clips will be replaced as part of the maintenance regime.*

### **Recommendation**

Management should ensure that matter is corrected or confirm if this has been addressed.

#### **2.2.5.3 Certification and Payment of invoices, and Recovery of Advance Payment**

The certificates were all cleared by the Consultant and contract Manager before payment. The advance recovery was applied on all the 18 IPCs. This was considered compliant as per GCC 60.3 at 30% from each certificate.

#### **2.2.5.4 Timeliness of Payments**

The Authority noted that most of the payments were effected past the due dates of 30 days after certificate date. This may be attributable to the payment process that involved payment requests from the Ministry of Finance to the financier to honour interim payment certificates. The arrangement was beyond URCs control. The advance payment of Euro 2,9760,000 was effected on 31<sup>st</sup> January 2022 against a guarantee issued on 17<sup>th</sup> January 2022 which was timely.

#### **2.2.6 Actions Taken for Obligations not met**

We identified one area of noncompliance in respect of the expiry of the guarantee in lieu of withholding retention money.

## **2.2.7 Change Orders, Extensions and Variations**

### **2.2.7.1 Justification/ validity of Change Orders, Extensions and Variations**

The audit noted that three change orders were issued as indicated in table 11 below:

**Table 11: Change Orders and Variations**

|                         |                                                                                                                                 |
|-------------------------|---------------------------------------------------------------------------------------------------------------------------------|
| Contract Addendum No 1: | Payments of local taxes, time extension, performance security and miscellaneous matters (dated 29 <sup>th</sup> September 2022) |
| Contract Addendum No 2: | Change of works scope (dated 9 <sup>th</sup> November 2023)                                                                     |
| Contract Addendum No 3: | Five additional concrete level crossings (dated 19 <sup>th</sup> July 2024)                                                     |

### **2.2.7.2 Initiation and approval of change orders, extensions and variations**

The audit reviewed the addenda and which are summarized below:

**Addenda 1:** The scope related to 3 aspects which are:

- i. Exclusion of local taxes which was cleared by MoFPED.
- ii. Extension of time due to delays in commencement based on GCC 1.1 (j)
- iii. Restatement of provisions of performance security at 5%

The addenda were cleared by the Attorney General on 31<sup>st</sup> August 2022.

**Addenda 2:** This covered a change in description of sections resulted in a line reduction of 3.373 km. URC sought to replace this with a doubling of the line in 2 points at Interfreight section and Namanve. The justification did not include cost estimates. The Attorney General approved addenda on 30<sup>th</sup> August 2023 and the Spanish Government also approved on 17<sup>th</sup> October 2023.

The documentation relating to the additional 5 level crossings was not shared. We are therefore unable to comment on the approval process.

## **2.2.8 Contract Closure**

### **2.2.8.1 Handover of Outputs**

The handover was done in 3 phases.

- i. Partial completion certificate No.1 was issued on 6<sup>th</sup> February 2024. Defects liability ends after 265 days on 28<sup>th</sup> October 2024.
- ii. Partial completion certificates No 2 signed on 7<sup>th</sup> May 2024;
- iii. Partial completion certificate No. 3 signed on 29<sup>th</sup> July 2024; partial completion for extra work variation items on 29<sup>th</sup> August 2024.

### **2.2.8.2 Management of Defects Correction Period**

A final account and project completion report had not yet been prepared. This will assess whether any defects exist. The contractor is still in the country and may be available to rectify any snags that may be identified.

### **Delays in delivery of Clips for fastening for some sections**

The clips are necessary to secure steel rails to the underlying baseplates and sleepers preventing the rails from moving, bending or warping. This may compromise security. Management should ensure that this is corrected.

### **2.2.8.3 Issuing Completion Certificates and Payment of Retention**

Three partial certificates of completion were identified. The contract under GCC 44.1 indicates a Defects liability period 265 working days (12 calendar months) after issuance of the completion certificate.

Partial completion certificate No.1 was issued on 6<sup>th</sup> February 2024. Defects liability ends after 265 days on 28<sup>th</sup> October 2025. Partial completion certificates No 2 signed on 7<sup>th</sup> May 2024; partial completion certificate No. 3 signed on 29<sup>th</sup> July 2024; partial completion for extra work variation items on 29<sup>th</sup> August 2024. The above would suggest that the Defects Liability Period ended on 29<sup>th</sup> August 2025.

The audit noted that contract sub-clause SCC 57.1 required the Contractor to submit an on-demand insurance bond of an amount of 5% of the initial contract price (EUR 992,000.00) in lieu of retention money that would otherwise be deducted (temporarily) from all interim payments. The audit established that the Contractor provided a Bank guarantee for a sum of Euro 992,000 which expired on 1<sup>st</sup> November 2024. The available documentation, implies that the PDE's ability to exercise leverage ended at the expiry of the Guarantee.

However, the contract sub-clause SCC 57.1, suggests that "no money can be retained from the Contractor's interim payments" unless it is explicitly stated in the Special Conditions of Contract.

#### **Implication**

This was a significant contractual risk for URC on correction of defects. The correspondences with the contractor including one dated 15<sup>th</sup> April 2025 suggest existence of defects in the following areas:

- i. Fish plates improperly modified
- ii. Fastenings that were omitted
- iii. Inadequate ballast in some sections
- iv. Track geometry; poor horizontal/vertical alignments in some sections identified; unmarked survey monuments
- v. Level crossings with defective alignment and observed failure in identified spots.

The e-mails from the contractor dated 4<sup>th</sup> September 2025 suggested that all effects had been rectified. A joint inspection had been suggested for verification.

There is a possibility that the Spanish Government facility could expire. The deadline for withdrawals was set at 60 months from effectiveness date.

#### **Management Response**

*Audit observation was noted. The contractor had promised to expeditiously handle the correction of defects. It was envisaged that the final payment will be completed before expiry of the funding 60 months of Financing agreement (the funds withdrawal period ending on 10<sup>th</sup> September 2026).*

*The Contract Management Team wrote to the contractor via letter dated 11<sup>th</sup> September 2024, requesting for extension of the validity of the retention bond. However, this had not been addressed to date by the contractor, hence the reason to retention of the final IPC.*

#### **Recommendation**

The Accounting Officer should always maintain safeguards within the contracts until project completion.

#### **2.2.8.4 Provider Appraisal**

The progress reports and site meeting minutes do not suggest any major issues on the contractor's capacity and workmanship.

##### **Delayed preparation of Project completion report/final account**

Regulation 52(3)(g) of the PPDA (Contracts) Regulations 2023 which requires the Contract Manager to provide monthly progress reports, the audit noted that at the time of audit in October 2025, the last monthly progress report from the consultant shared was for the month of July 2024. The final partial completion for extra work variation items was signed on 29<sup>th</sup> August 2024. The above would suggest that the Defects Liability Period ended on 29<sup>th</sup> August 2025.

The audit noted that the current contract situation was not fully documented. The failure to prepare a completion certificate 1 year after handover is a serious omission.

##### **Implication**

The delay in approving the final payment certificate beyond the contractual timelines of 30 days may be contestable.

##### **Management Response**

*The completion report at substantive completion of the project (29<sup>th</sup> August 2024) was prepared by the supervising consultant and shared at the time of the Audit.*

*The final payment could not be issued to the contractor because some of the identified defects had not yet been addressed by the contractor. The DLP identified defects responses are attached as annex 14.*

##### **Recommendation**

The Accounting Officer should facilitate timely contract closure by ensuring that all outstanding identified defects are addressed to enable completion and close-out of the contract in accordance with Section 28 (1) of the PPDA Act Cap. 205.

#### **2.2.8.5 Unfunded Railway Maintenance and Support arrangements**

The contractor submitted a Railway track maintenance manual to URC that covers the following elements:

- i. The correct functioning of its drainage network, including the surface drainage of the platform, both transversal and longitudinal, the cuttings and the ditches protecting the embankment.
- ii. The deep drainage of the track bed and the slopes of the land on which it is located.
- iii. Transverse drainage works; pipes, passages, drains, culverts, etc.
- iv. Adequate condition of the track bed elements, including track sections free from: earth, grass, ballast, materials or tools that could hinder their passage or inspection of the track.
- v. Stable slopes in cuttings and embankments that do not allow the possibility of the track being blocked or settling due to landslides.
- vi. Correct arrangement of the ballast bed, including: its thickness, external dimensions, gradients and central groove, if any.
- vii. No weeds or vegetation on the ballast and uncontaminated ballast.
- viii. Good visual alignment of the rails with no vertical displacement.
- ix. Sleepers in good condition, with adequate spacing and good stability.
- x. Rail fastenings properly tightened.

The above was supported by an annual track maintenance plan supported by indicative budgets prepared in March 2024.

The Entity indicated that a budget provision for the line maintenance had been provided. However, a field inspection did not indicate any routine maintenance as indicated by silting, water overflows and growing vegetation around the line. This was attributed to lack of actual cashflow.

**Implication**

Neglecting routine maintenance results in a range of negative implications, including increased operating costs, frequent and unpredictable breakdowns, reduced lifespan of assets, and significant safety hazards.

**Management Response**

*The Corporation has been experiencing challenges with funding the necessary routine track maintenance activities. However, with the recently acquired funding under supplementary budget for 2025/26, maintenance activities including drainage improvement and routine maintenance have been prioritized.*

**Recommendation**

The Accounting Officer should secure funding from Ministry of Finance Planning and Economic Development to carry out planned routine maintenance.

**2.2.9 Value for Money Assessment**

**2.2.9.1 Economy**

The feasibility study report dated 11<sup>th</sup> September 2019 estimated the cost of the project at Euros 19,800,000. The original contract sum was set at Euros 19,840,000 (excluding local taxes). This has been revised to Euros 19,991,470 (excluding local taxes) to include 5 additional level crossings. The initial contract price of Euros 19,840,000.00 (excluding local taxes) was close to the feasibility study estimates of Euros 19,800,000. The revised contract price of Euro19,991,470 (excluding local taxes) was within the permissible 15% margin. The variation of Euros 151,470 was financed by GOU. The procurement was done without competitive bidding and may pose a risk to cost escalation at project execution.

**Implication**

This poses a risk to achievement of value for money in project due cost overruns as noted from the variation claim under negotiation.

**Recommendation**

The Accounting Officer should put measure in place to ensure value for money is achieved during implementation.

**Management Response**

*There was a feasibility study of Kampala-Malaba Railway line rehabilitation by a consultant that gave cost estimates which were based on to secure the funding (feasibility study report attached as annex 11)*

**Reason for direct procurement**

Notably, the direct procurement of Imathia was based on the fact that the Spanish Government accepted to provide the funding for emergency repairs for phase 1 of the project with Euro 28.9

million. The funding was as well conditioned on exportation of services related to the project from Spain through nominated firms which included Imathia construccion S.L and Consultrans S.A.

Additionally, the financing agreement categorically mentions Imathia S.L as the Spanish Exporter, which then conditioned the direct procurement of Imathia S.L as the works contractor (the financing agreement attached as annex 12).

#### **2.2.9.2 Efficiency**

The Contract period was extended as indicated below:

- i. Original Performance Period: 25 months
- ii. Revised Performance Period: 30 months
- iii. Original Intended Completion Date: 23rd March 2024
- iv. Revised Intended Completion Date: 28th August 2024

#### **Implication**

The significant delay poses a big risk to project success due to lost project time and delayed completion.

#### **Management Response**

*The Audit observation was correct. The delay in commencement was due to the delay in fulfilment of conditions precedent to the contract effectiveness (Government of Uganda's counterpart funding of 15%, performance security, advance payment guarantee, retention Bond). This was made worse by the outbreak of COVID 19 pandemic and the travel restrictions thereof.*

#### **Recommendation**

The Accounting Officer and Project Management Team should put in place mechanism aid timely project delivery.

#### **2.2.9.3 Effectiveness**

The project appears to have been fixed to fit within available resources. This required URC to focus on the most critical areas of the network leaving out other aspects that needed repairs. For instance, scope of drainage works was limited to 5 culverts while detailed designs indicate that 20 culverts required refurbishment.

The Railway line is presently used to provide 2 passenger trips in the mornings and evenings confirming that the objective was met at least in the short term. The project completion assessment will provide information on the long-term prospects.

The review observed that the lack of adequate numbers of wagons limits the capacity utilisation of the railway line.

#### **2.2.9.4 Equity**

The Authority did not find evidence of any deliberate efforts to address the needs of vulnerable groups. The lack of a resettlement action plan makes it hard to assess the PAPs and what their needs may be. The project employment had a limited involvement of females.

#### **2.2.10 Conclusion**

The handover certificates in 3 stages indicates that the short-term objectives of the assignment have been achieved. A project completion assessment will help identify if any defects that need attention exist. The major challenge relates to finance due to:

- i. The need for regular maintenance that is not funded;
- ii. Low-capacity utilization due to lack of passenger coaches; and
- iii. Operational challenges including low investment in cargo locomotives.

### 2.2.11 Physical Verification During Field Visit

The comments and Pictures are based on field visits conducted.

**Table 12: Key Findings from the Field Visits**

| Location / Section                    | Observation                                                                                                                                                       | Risk / Implication                                                               |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| <b>A. Interfreight Level Crossing</b> | Signage available only on one side; boom barriers installed on one side only                                                                                      | Safety hazard for vehicles and pedestrians; non-compliance with safety standards |
| Side Drainage (Entire Line)           | No functional drainage constructed or rehabilitated                                                                                                               | Flooding risk and potential for track erosion, affecting train stability         |
| Bridge Adjacent to Railway Crossing   | Bridge structure heavily eroded; at risk of collapse under heavy truck traffic                                                                                    | High risk of accidents and fatalities; threatens both rail and road users        |
| <b>B. Namanve Railway Station</b>     | Temporary structure; inadequate to protect passengers from weather                                                                                                | Poor passenger service quality and non-compliance with basic station standards   |
| Station Security and Fencing          | Station is not fenced; vehicles are parked within the rail vicinity, which puts passengers' property at risk and exposes URC installations to potential vandalism | Safety and security threat to passengers, their property, and URC assets         |
| Encroachment                          | Railway reserve encroached by households and businesses along multiple sections                                                                                   | Safety and operational risk to trains, passengers, and nearby residents          |
| Hygiene                               | Toilet at station unhygienic and poorly maintained                                                                                                                | Public health concern and reputational risk for URC                              |
| <b>C. Cross-Cutting Observations</b>  | Absence of routine maintenance; bush growth and littering with polythene waste                                                                                    | Neglect of maintenance obligations; poor environmental management                |

#### **Management Response**

- i. *Safety Infrastructure: URC was already undertaking the installation of guard houses and boom barriers at various level crossings for improved safety on train operations.*
- ii. *Drainage and Erosion Control: Drainage improvement works for the Kampala-Mukono section are part of the prioritised activities for Q3 of FY 2025/26 (see attached Annex 16).*
- iii. *Station Improvement: Upgrade Namanve Station with permanent passenger shelters, sanitation facilities, and fencing to meet minimum service standards is a planned activity under the EAC Railway refurbishment support project under AfDB funding.*
- iv. *Encroachment Management: this a continuous engagement. Railway police and Public Relations Officer are already handling this issue.*
- v. *Routine Maintenance: URC has the annual track maintenance plan which has been underfunded over the years (see attached annex 17). Also, URC has prioritised key track maintenance activities in the remaining quarters of this financial year.*
- vi. *Contract Supervision: these reports are available on file for verification.*
- vii. *Capacity Building: the concern has been noted for future improvement.*

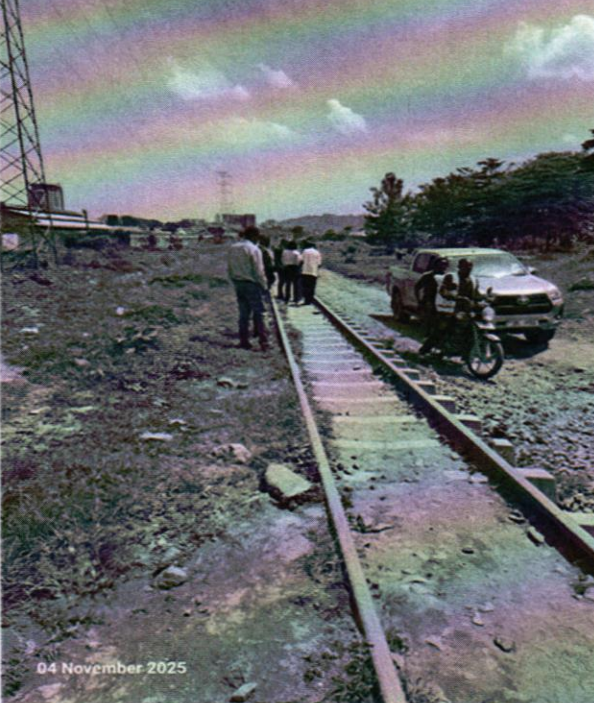
- viii. *Preparation and implementation of a resettlement action plan: the resettlement action plan is already available and is being implemented under the AfDB project which has funds allocation for this purpose.*

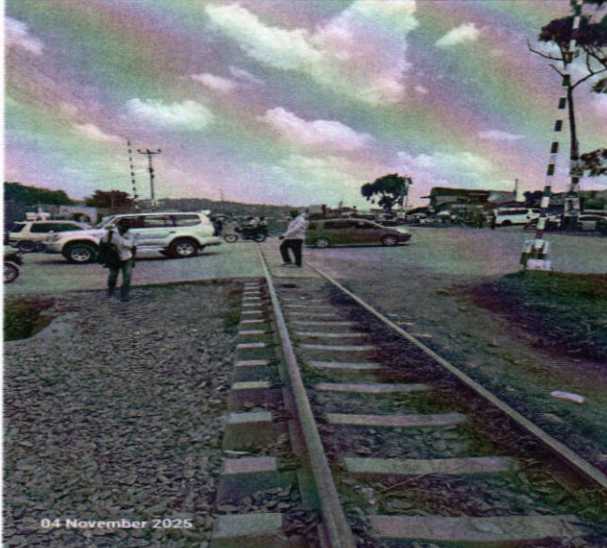
**Note: Railway station improvement was out of contract scope but impacts effectiveness of project.**

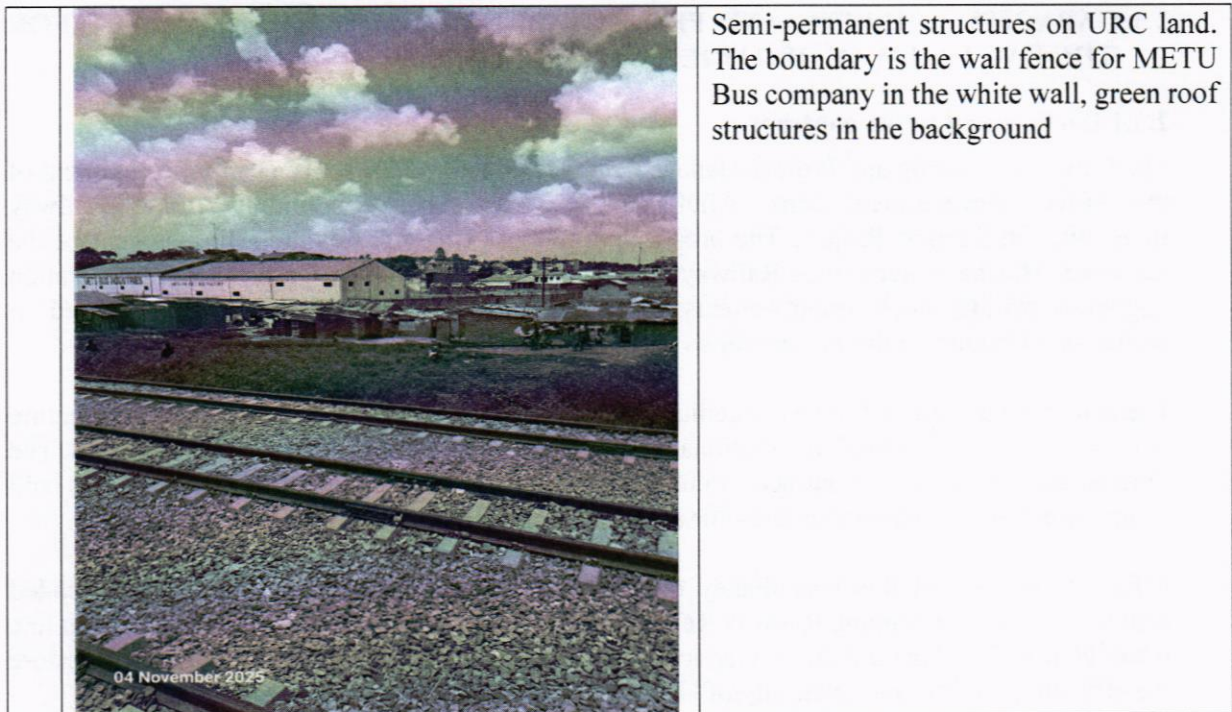
**Recommendations**

- i. Safety Infrastructure: URC should immediately install signage and boom barriers on both sides of all level crossings and strengthen public awareness of railway safety.
- ii. Drainage and Erosion Control: Complete side drainage and reinforce bridge structures to mitigate flooding and prevent erosion.
- iii. Station Improvement: Upgrade Namanve Station with permanent passenger shelters, sanitation facilities, and fencing to meet minimum service standards.
- iv. Encroachment Management: Coordinate with local authorities and NEMA to reclaim and demarcate Railway reserves.
- v. Routine Maintenance: Establish a structured maintenance plan with scheduled vegetation control, litter management, and minor works repairs.
- vi. Contract Supervision: URC Engineering Department should strengthen site supervision and document progress with its own quarterly reports. To supplement consultants' reports.
- vii. Capacity Building: Train URC field Engineers and station Managers in occupational safety and infrastructure upkeep under the ongoing capacity building framework.
- viii. Prepare and implement a resettlement action plan

**Table 2: Field Photographs**

| # | Photograph                                                                          | Comments                                                                                                                                                                                                                                                                                                                                                                   |
|---|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|   | Crossing on Access Road (Kitgum House)                                              |                                                                                                                                                                                                                                                                                                                                                                            |
|   |   | <p>This section is close to a busy road that lacks safety barriers.</p> <p>The concrete slippers are covered with mud which has not been cleared due to lack of routine maintenance.</p> <p>The effects of silting are likely to affect smooth operations.</p> <p>Lots of human activity such as pedestrians and flower seed beds were visible in the railway corridor</p> |
|   | Box culvert behind former Electoral Commission Offices                              |                                                                                                                                                                                                                                                                                                                                                                            |
|   |  | <p>The fitted culverts were fit for purpose.</p> <p>Visit was on a rainy day/season</p>                                                                                                                                                                                                                                                                                    |
|   | Interfreight Crossing and Loop line                                                 |                                                                                                                                                                                                                                                                                                                                                                            |

|                                                                                     |                                                                                                                                                                                                    |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <p>Safety barrier on one side of the road was vandalized</p> <p>The ballast gravel had been spread by the community away from the track line contrary to the technical requirements for safety</p> |
|   | <p>Warning sign clearly visible</p>                                                                                                                                                                |
|  | <p>Loop line in working condition</p>                                                                                                                                                              |
| <p>Namanve Railway Station</p>                                                      |                                                                                                                                                                                                    |



## **2.3 CAPACITY BUILDING AND PROJECT MANAGEMENT CONSULTANCY FOR THE EAC RAILWAY REHABILITATION PROJECT**

### **2.3.1 Background to the contract**

The Capacity Building and Project Management Consultancy Contract is a central component of the African Development Bank (AfDB)-financed East Africa Community (EAC) Railway Rehabilitation Support Project. The broader programme encompasses the refurbishment of the Kampala–Malaba Meter Gauge Railway (MGR), rehabilitation of the Tororo–Gulu line, station upgrades, rolling stock improvements, and institutional strengthening measures aimed at revitalising Uganda’s railway operations and enhancing regional trade competitiveness.

The contract was awarded to SSF Ingeniure AG & Consulting Engineers Group Ltd Joint Venture (JV), working with Muripak International Ltd and TRIO Consultants Ltd as sub-consultants. The time-based consultancy contract, valued at USD 4,181,900 and UGX 848,780,000 and commenced on 16<sup>th</sup> September 2024 for a period of 60 months.

Effective delivery of this consultancy directly influences the success of other AfDB-funded activities within the ongoing Railway Rehabilitation Programme, including the Tororo–Gulu line rehabilitation (382 km) and the Namanve–Mukono line refurbishment, all of which aim to restore the efficiency, safety, and reliability of Uganda’s meter-gauge railway network.

The Authority conducted a contract audit of the Capacity Building and Project Management Consultancy Contract implemented by the Uganda Railways Corporation (URC) under the East Africa Community (EAC) Railway Rehabilitation Support Project.

#### **Scope of the Audit**

The audit covered the first 12 months (September 2024 – September 2025) of the consultancy contract.

The contract audit serves two key purposes:

- i. To ensure compliance and accountability in the management of an AfDB-funded consultancy contract by assessing procurement processes, implementation arrangements, and adherence to PPDA regulations, AfDB fiduciary standards, and contractual provisions; and
- ii. To determine whether the consultancy is contributing to URC’s institutional capacity, project management effectiveness, and delivery of value for money, measured through economy, efficiency, effectiveness, and equity.

### **2.3.2 Contract Effectiveness**

The contract became effective on 16<sup>th</sup> September 2024, following the fulfilment of all key conditions’ precedent outlined in the Special Conditions of Contract and the AfDB-financed procurement framework. Effectiveness was contingent upon submission of a valid Performance Security, an Advance Payment Guarantee, personnel insurance, Attorney General clearance, and written confirmation of contract acceptance by the Consultant. All these requirements were submitted and verified by URC prior to the effective date, thereby enabling commencement of services in accordance with the signed agreement.

### **2.3.3 Contract Management System**

#### **2.3.3.1 Contract management reports**

The audit noted the following:

- i. No quarterly progress reports were availed to the audit team, despite contractual requirements and Regulation 52(3)(g), which obligates the Contract Manager to maintain periodic performance reports and documentation.
- ii. No structured performance review meetings were recorded, despite the complexity and strategic significance of the consultancy.
- iii. KPI-based performance monitoring tools outlined in the TOR were not fully implemented, limiting URC's ability to validate progress and enforce accountability.

#### **Implications**

This poses difficulty in contract reviews and assessments.

#### **Management Response**

*Albeit the above observation, there was evidence of documentation regarding formal submission and filing of quarterly reports by the Contract Manager. In addition, Monthly technical and procurement updates have been regularly presented to Heads of Departments and reviewed at Project Technical Committee (PTC) meetings which is attended by the Head PDU and these were consistently escalated as formal quarterly reports to the Accounting Officer. The area of improvement is systematic filing in the contract management register.*

*Management has further instituted the following corrective actions:*

- *Mandatory written submission and acknowledgement of reports;*
- *Introduction of a deliverables submission register;*
- *Documentation of performance review meetings through minutes and action trackers; and*

*These measures will ensure full compliance with Regulation 52(3)(g) and Regulation 52(4) of the PPDA (Contracts) Regulations, 2023.*

#### **Recommendations**

- i. Enforce timely submission, receipt, and filing of quarterly progress reports as required under the contract and Regulation 52(3)(g) of the PPDA (Contracts) Regulations, 2023.
- ii. Integrate measurable Key Performance Indicators (KPIs) for all consultancy deliverables to support transparent performance assessment.
- iii. Institute regular contract performance meetings (monthly/quarterly), documented through minutes and action trackers.
- iv. Maintain complete documentation on the Contract Manager's qualifications to comply with Regulation 52(3)(a) PPDA (Contracts) Regulations, 2023.
- v. Introduce a contract monitoring dashboard to strengthen real-time oversight.

#### **2.3.3.2 Record keeping**

There were weaknesses in record keeping and accessibility. This was particularly lacking on project progress contrary to Section 44 of the PPDA Act, Cap 205.

### **2.3.4 Obligations of the Provider(s)**

#### **2.3.4.1 Format, delivery and validity of performance and Advance Payment Guarantees.**

The Consultant, SSF Ingeniure AG & Consulting Engineers Group Ltd JV with Muripak International Ltd and TRIO Consultants Ltd, fulfilled several key contractual obligations during the first year, including:

- Submission of valid Performance Security and Advance Payment Guarantee, as required under the Special Conditions of Contract.
- Provision of personnel insurances and administrative documentation.

#### **2.3.4.2 Timeliness of Delivery**

The contract requires the Consultant to prepare and submit quarterly progress reports detailing progress against work plans, technical outputs delivered, staffing status, challenges encountered, and mitigation measures. This requirement is under clause 26.1 and appendix A 8.1 c. These reports form the primary basis for contract monitoring, decision-making, and validation of performance by URC.

Although the Consultant referenced having submitted quarterly reports, none were availed to the audit team and no evidence was found in the URC contract file.

This contravenes:

- Contract Deliverables Schedule,
- TOR Section 6 – Reporting Obligations, and Regulation 52(3)(g) of the PPDA (Contracts) requiring documentation of all performance reports.

#### **2.3.4.3 Adherence to BOQs Specifications**

The Consultant, SSF Ingeniure AG & Consulting Engineers Group Ltd JV with Muripak International Ltd and TRIO Consultants Ltd, fulfilled several key contractual obligations during the first year, including mobilisation of key experts and establishment of operational structures consistent with the TOR.

However, several areas of non-compliance and weaknesses were observed: There was Limited documentation of capacity building outputs. While mobilisation occurred, documentation of delivered capacity-building sessions was not available.

### **Recommendations**

- i. Include penalty clauses or apply existing provisions for non-compliance with reporting obligations under Special Conditions of Contract.
- ii. Require the Consultant to provide complete, timely and quality-assured deliverables, including quarterly reports and safeguards documentation.
- iii. Establish a formal tracking mechanism for deliverables, including a submission register and compliance checklist maintained by the Contract Manager.
- iv. Require resubmission of ESHS documentation and ensure that future reporting complies with AfDB ISS and national regulatory frameworks.

#### **2.3.4.4 Adherence to Gender, Environmental, Health and Safety Requirements**

There was Limited Evidence of Safeguards Compliance

No Environmental, Social, Health and Safety (ESHS) reports were provided, despite clear obligations under the AfDB Integrated Safeguards System (ISS) – OS1 & OS5 and National Environment Act 2019.

#### **2.3.4.5 Adherence to Local Content**

There is no documentation in this respect. This may be limited given the consultancy nature of the contract.

##### ***Management Response***

*Management notes the observation. Given the consultancy nature of the contract, opportunities for local content were limited. Nevertheless, Management will ensure that future consultancy contracts clearly document local participation, skills transfer, and capacity building outcomes in line with national policy and donor expectations.*

#### **2.3.5 Obligation of The Entity (URC)**

##### **2.3.5.1 Inspection and approval of outputs**

There was no evidence in this aspect as no progress report was shared.

##### **2.3.5.2 Certification and payment of invoices, and Recovery of Advance Payment**

As the Procuring and Supervising Entity, Uganda Railways Corporation (URC) is obligated under the contract, the PPDA Act, Cap 205, the PPDA (Contracts) Regulations, 2023, and AfDB fiduciary requirements to ensure proper and timely execution of its responsibilities to facilitate smooth implementation of the consultancy. These obligations include: timely processing of payments, effective communication with the funder, maintaining complete contract management records, ensuring qualified contract management personnel, and monitoring compliance with contractual, environmental, social, and safeguards requirements.

The audit reviewed URC's performance against these obligations during the first year of implementation and identified the following:

Delayed Advance Payment (Non-compliance with Contract and PPDA Regulations 2023. URC processed the advance payment of USD 836,380 (UGX 169,756,000) more than five months after contract effectiveness, exceeding the contractually required 30-day payment window. The Contract was signed 16<sup>th</sup> September 2024 and advance paid on 19<sup>th</sup> February 2025. This may, if not addressed, constitute a breach of:

- Contract Payment Clause (Special Conditions of contract)
- Regulation 49(3) of the PPDA (Contracts) Regulations, 2023 –requiring timely payments to avoid hindering performance
- AfDB Disbursement and Financial Management Requirements, which emphasise timely cash flow to consultants.

The delay adversely affected the Consultant's mobilisation and early assignment activities.  
Failure to keep records of Responses to AfDB's Request for Waiver of Performance Security

AfDB formally requested URC to consider waiving the performance security requirement. However:

- i. No written response was found on file
- ii. No internal memo or documented position was prepared or provided to audit team
- iii. No evidence was found to show consultation with the Solicitor General.

This contravenes the PPDA Regulation 53(1) requiring maintenance of full records of correspondence. Management explained that responses were provided. A copy of the Attorney Generals clearance of the waiver was availed as part of the trail.

#### ***Management Response***

*Management acknowledges the observation. The AfDB request for waiver of performance security was received; however, formal internal documentation and written response were not adequately captured in the contract file.*

*Management has since taken steps to:*

- *Retrospectively document the internal review and management position;*
  - *Engage the Solicitor General as required under the PPDA Act;*
  - *Issue a formal written response to AfDB; and*
  - *File all related correspondence in the contract register to close the audit gap.*

*Measures have also been instituted to ensure that all donor communications relating to contract conditions are formally logged, reviewed, and responded to in a timely manner.*

#### **Recommendations**

- i. The HPDU should improve on filing.
- ii. The Accounting Officer should make timely Payments (contractual terms) i.e within 30 days.
- iii. The Accounting Officer should enforce mechanisms to guarantee compliance with the contractual 30-day payment requirement, including:
  - a. Automated reminders in the IFMS or contract register
  - b. Internal approval timelines for Finance and Procurement
  - c. Inclusion of payment timeliness KPIs for responsible officers

This reduces delays that impede project performance and ensures compliance with AfDB oversight requirements and (Reg. 53(1) of the PPDA (Contracts) Regulations 2023.

#### **2.3.5.3 Timeliness of Payments**

The contract had only effected one payment as indicated above.

#### **Implication**

The delay payment adversely affected the Consultant's mobilisation and early assignment activities.

#### **Recommendations**

The Accounting Officer should make timely payments within the contractual terms i.e within 30 days. This reduces delays that impede project performance and ensures compliance with AfDB oversight requirements and Regulation 53(1) of the PPDA (contracts) Regulations 2023.

### **Management Response**

*Management acknowledges the delayed advance payment and the resulting impact on consultant mobilisation. As earlier noted, the delay was attributable to transitional administrative and fund flow arrangements at project commencement.*

*Corrective actions have been implemented to prevent recurrence, including strengthened internal coordination and enhanced monitoring of contractual payment timelines. Management commits to strict compliance with contractual payment terms going forward.*

#### **2.3.5.4 Actions Taken for Obligations Not Met**

The audit assessed URC's and the Consultant's responses to situations where contractual obligations were not met. The following issues were noted:

##### **i. Delayed Submission of Quarterly Progress Reports**

Although quarterly progress reports were required under the contract and TOR, none were availed during the audit, and URC could not provide evidence of receipt or review. URC did not provide evidence of issuance of reminders, deficiency notices, or requests for corrective action. This contravenes Regulation 52(3)(g) of the PPDA (Contracts) Regulations, 2023, Contract Manager must monitor and document performance and contract deliverables schedule.

##### **ii. No Documented Penalties or Corrective Actions Taken**

Despite non-conformance in reporting, no penalties, warnings, or enforceable corrective actions were documented. This reflects inadequate enforcement of the Contract General Conditions – Non-Performance and Remedies and Regulation 52(4) of the PPDA (Contracts) Regulations, 2023, obligation to apply remedies where non-performance is observed.

### **Management Response**

*Management acknowledges that while the Consultant indicated submission of quarterly reports, the absence of formally acknowledged and filed reports constituted a compliance gap.*

*Corrective measures implemented include:*

- *Issuance of formal reminders to the Consultant;*
- *Requirement for resubmission of all outstanding quarterly reports;*
- *Establishment of a deliverables tracking register and compliance checklist; and*
- *Enforcement of reporting obligations under the Special Conditions of Contract.*

*Future non-compliance will attract applicable contractual remedies in line with PPDA Regulations and contract provisions.*

### **Recommendation**

The Contract Manager should strictly enforce compliance clauses relating to:

- i. Late or missing reports
- ii. Under-qualified substitutions
- iii. Safeguards and ESHS reporting

The corrective actions must include:

- i. Include penalty clauses or apply existing provisions for non-compliance with reporting obligations under Special Conditions of Contract.
- ii. Require the Consultant to provide complete, timely and quality-assured deliverables, including quarterly reports and safeguards documentation.
- iii. Establish a formal tracking mechanism for deliverables, including a submission register and compliance checklist maintained by the Contract Manager.
- iv. Require resubmission of ESHS documentation and ensure that future reporting complies with AfDB ISS and national regulatory frameworks.

### **2.3.6 Change Orders, Extensions, and Variations**

#### **2.3.6.1 AfDB Request for Waiver of Performance Security Not Acted Upon**

The African Development Bank (AfDB), acting within its fiduciary oversight role, formally requested URC to consider a waiver of the performance security requirement for the consultancy contract. This type of donor-initiated adjustment constitutes a potential contract variation, requiring:

- i. Internal review by the Procurement, Legal, and Project departments;
- ii. A documented decision by URC management;
- iii. Consultation with the Solicitor General (as required under Article 119 of the Constitution and Section 58 of the PPDA Act);
- iv. A written response to AfDB; and
- v. Documentation filed in the contract register (Regulation 53(1)(c)) of the PPDA (Contracts) Regulations, 2023.

However, the audit found:

- i. No written response from URC to AfDB;
- ii. No internal memo, legal opinion, or management decision on the matter;
- iii. No entry in the contract file acknowledging receipt of the request;
- iv. No submission to the Contracts Committee for review; and
- v. No update in the contract management register.

This constitutes a significant documentation and compliance gap, particularly given that donor communications relating to contract conditions require formal and timely response.

Failure to act on the request may expose URC to:

- i. Noncompliance with AfDB Borrower Responsibilities
- ii. Loss of audit trail for future reference
- iii. Potential negative funder perception regarding responsiveness and governance
- iv. Operational delays if similar future requests remain unaddressed

#### ***Management Response***

*Management acknowledges the observation. The AfDB request for waiver of performance security was received; however, formal internal documentation and written response were not adequately captured in the contract file.*

*Management has since taken steps to:*

- *Retrospectively document the internal review and management position;*
- *Engage the Solicitor General as required under the PPDA Act;*
- *Issue a formal written response to AfDB; and*
- *File all related correspondence in the contract register to close the audit gap.*

*Measures have also been instituted to ensure that all donor communications relating to contract conditions are formally logged, reviewed, and responded to in a timely manner.*

## **Recommendations**

URC should ensure that all AfDB communications, especially those relating to contract conditions, receive:

- Prompt acknowledgement
- Internal review
- Legal evaluation
- Documented management decision
- A timely written response back to the donor

### **2.3.7 Contract Closure**

The contract remains ongoing. No closure processes or retention payments applicable yet.

#### **2.3.7.1 Issuing Completion Certificates and Payment of Retention**

This was not yet due.

#### **2.3.7.2 Provider Appraisal**

Progress was still minimal on this issue.

### **Recommendation**

URC should plan for contract closure procedures, including annual and final evaluation and provider appraisal.

### **2.3.8 Value for Money (VfM) Assessment**

#### **2.3.8.1 Economy**

The contract price of USD 4,181,900 and UGX 848,780,000 was above the initial estimate, but remained within the approved AfDB funding envelope. The higher cost was justified through competitive bidding, with no evidence of unjustified price inflation. However, a market price re-assessment was not conducted, which could have strengthened cost justification and value assurance.

#### **2.3.8.2 Efficiency**

Implementation is proceeding within the planned schedule; contract commenced as planned with no recorded extensions or delays. Despite timely progress, payment delays (advance paid beyond 30 days) indicate internal inefficiencies within URC's financial processes. Efficiency could be enhanced through better inter-departmental coordination and timely disbursement procedures.

### 2.3.8.3 Effectiveness

Planned outputs and deliverables are under implementation, though only two quarterly progress reports are said to have been produced and not yet availed for audit verification. The absence of consistent performance reporting limits visibility into actual results achieved. Stronger documentation and periodic verification of outputs are needed to substantiate progress and outcomes.

### 2.3.8.4 Equity

The gender and social inclusion elements were not clearly evidenced in contract documentation or implementation reports. Future contracts should explicitly integrate gender and social inclusion indicators, ensuring reporting captures participation and benefits for women, youth, and vulnerable groups in line with URC and AfDB guidelines.

Key Observations included documentation gaps, delayed payments, and limited attention to inclusion aspects constrain full realization of value for money, and strengthened monitoring, timely financial compliance, and evidence-based reporting will enhance transparency and donor confidence.

## Performance Assessment summary

**Table 3:** Contractual Roles, Obligations, Weaknesses and Auditor's Comments (URC & Consultant)

| Party / Officer        | Contractual Roles & Obligations ( <i>with references</i> )                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Weaknesses / Failures Identified                                                                                                                                                                                                                                                                                                                                                            | Auditor's Final Comments                                                                                                                                                                                                                                                                  |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| URC (Procuring Entity) | <ul style="list-style-type: none"><li>• Ensure procurement in line with PPDA Act, Cap. 205 and AfDB Procurement Framework (TOR Section 1.3).</li><li>• Ensure contract signing after Attorney General clearance (Art. 119 Constitution &amp; PPDA Act s.58).</li><li>• Maintain complete contract records – PPDA Contracts Regulations 2023, Reg. 53(1).</li><li>• Ensure timely payments within 30 days of invoice/advance (Contract Clause on Payment Terms; Reg. 49(3) – PPDA Contracts Regulations).</li><li>• Respond to and document</li></ul> | <ul style="list-style-type: none"><li>• Delayed advance payment – paid 5 months late, breaching contractual 30-day limit.</li><li>• Incomplete contract file – progress reports, donor communication, and staffing approvals missing (breach of Reg. 53(1)).</li><li>• No documented response to AfDB's request for waiver of performance security (breach of funder coordination</li></ul> | URC complied with procurement and initiation obligations but demonstrated systemic weaknesses in contract administration. Internal controls should be reinforced to ensure timely payments, proper documentation, improved contract file management, and mandatory compliance monitoring. |

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                              |
|-------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                       | <p>all communication with AfDB (AfDB Procurement Policy – Borrower Responsibilities; ISS Reporting Requirements).</p> <ul style="list-style-type: none"> <li>• Monitor compliance with safeguards, gender, OHS and environment (Reg. 52(3)(f); National Environment Act 2019; OSH Act 2006).</li> </ul>                                                                                                                                                                         | <p>obligations).</p> <ul style="list-style-type: none"> <li>• Lack of documented performance reviews or contract meetings (breach of Reg. 52(3)(g)).</li> <li>• No ESHS monitoring records, contrary to Reg. 52(3)(f) and AfDB ISS OS1/OS5.</li> </ul>                             |                                                                                                                                                                                                              |
| <b>URC Accounting Officer</b>                         | <ul style="list-style-type: none"> <li>• Appoint a competent Contract Manager (PPDA Contracts Reg. 52(2) &amp; Reg. 52(3)(a)).</li> <li>• Ensure entity-wide coordination and compliance with contractual deadlines.</li> <li>• Ensure donor communication accountability (AfDB Fiduciary Responsibilities).</li> </ul>                                                                                                                                                         | <ul style="list-style-type: none"> <li>• Appointed Contract Manager without documented competence profile (CV, qualifications missing)—breach of Reg. 52(3)(a).</li> <li>• Insufficient oversight over inter-departmental coordination (Finance, Legal, Contracts).</li> </ul>     | The Accounting Officer should institutionalise a competence verification process for all Contract Managers and ensure proper oversight of contract management systems.                                       |
| <b>URC Contract Manager (Mr. Steven Wakasenza)</b>    | <ul style="list-style-type: none"> <li>• Maintain complete implementation file (Reg. 53(1)).</li> <li>• Monitor performance and ensure deliverables are submitted on schedule (Reg. 52(3)(g)).</li> <li>• Track safeguards, gender, environment and social compliance (Reg. 52(3)(f)).</li> <li>• Follow up on provider reports, variations, staffing changes (Contract General Conditions).</li> <li>• Record and maintain official correspondence (Reg. 53(1)(d)).</li> </ul> | <ul style="list-style-type: none"> <li>• No evidence of quarterly progress reports in file (Reg. 52(3)(g) not fulfilled).</li> <li>• No ESHS or safeguards monitoring documented.</li> <li>• No follow-up on AfDB correspondence regarding performance security waiver.</li> </ul> | The Contract Manager did not fully fulfil statutory duties, particularly on documentation, report tracking, and compliance monitoring. Capacity building in contract administration is strongly recommended. |
| <b>Consultant (SSF Ingeniure AG &amp; Consulting)</b> | <ul style="list-style-type: none"> <li>• Provide qualified Key Experts as per Section 5 of the TOR – Staffing Requirements.</li> </ul>                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>• Quarterly progress reports not availed, unclear if submitted or not filed.</li> </ul>                                                                                                                                                     | The Consultant met mobilisation and guarantee requirements but                                                                                                                                               |

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                               |                                                                                                                                                                  |
|-------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Engineers Group Ltd JV; Muripak; TRIO)</b>         | <ul style="list-style-type: none"> <li>• Submit inception report and quarterly progress reports (Contract Deliverables Schedule; TOR Section 6).</li> <li>• Maintain valid performance and advance guarantees (Contract Special Conditions).</li> <li>• Ensure compliance with AfDB Integrated Safeguards System (ISS): OS1, OS5 on labour, environment, OHS.</li> <li>• Support URC with contract administration tools, monitoring frameworks and capacity building.</li> </ul> | <ul style="list-style-type: none"> <li>• No evidence of ESHS, gender, social safeguards reporting or monitoring.</li> <li>• Limited evidence of structured capacity-building outputs during first year.</li> </ul>                                                            | <p>underperformed in deliverable submission, safeguards compliance, and ensuring qualified staff substitutions. Contractual enforcement by URC is necessary.</p> |
| <b>Consultant Team Leader / Key Experts</b>           | <ul style="list-style-type: none"> <li>• Lead technical supervision, reporting, and liaison with URC (TOR Section 6 – Reporting).</li> <li>• Provide technical oversight on engineering, contract management, ESHS compliance.</li> <li>• Ensure continuity of qualified staff (as per TOR Qualifications).</li> </ul>                                                                                                                                                           | <ul style="list-style-type: none"> <li>• No verifiable reports submitted (quarterly or technical).</li> <li>• Weak engagement in safeguards monitoring.</li> </ul>                                                                                                            | <p>consistent reporting, and maintenance of expert qualifications is required.</p>                                                                               |
| <b>Shared Responsibilities (URC &amp; Consultant)</b> | <ul style="list-style-type: none"> <li>• Maintain structured communication (Contract Conditions – Coordination &amp; Communication Clause).</li> <li>• Conduct regular contract review meetings (PPDA Reg. 52(3)(g); Contract Conditions).</li> <li>• Maintain updated documentation and records (Reg. 53(1)).</li> <li>• Ensure compliance with AfDB fiduciary &amp; safeguards standards (Borrower &amp; Consultant Obligations).</li> </ul>                                   | <ul style="list-style-type: none"> <li>• No evidence of joint review meetings held.</li> <li>• Poor documentation trail—missing reports, absent correspondence records.</li> <li>• Inadequate coordination on variations, staffing issues, and donor requirements.</li> </ul> |                                                                                                                                                                  |

### **2.3.9 CONCLUSION**

#### **1. Rehabilitation of the Tororo –Gulu Railway Line full stretch length of 382 km including Crossings Lines (7Kms)**

While the URC Tororo-Gulu Contract met compliance and progress benchmarks, achieving true value for money requires immediate action. Enhancing documentation, robust risk management, and rigorous oversight are essential to sustain institutional capacity and maintain donor trust.

#### **2. Refurbishment of the Kampala-Namanve, Namanve-Mukono Railway Line (26.8Km)**

Overall, the audit established that the contract was executed in substantial compliance with the PPDA Act, Cap. 205, the PPDA (Contracts) Regulations, 2023, and the specific donor funding requirements of the Spanish Government. The contract review period demonstrated robust project governance, characterized by effective internal controls over project milestones and objective validation of all contractual obligations. Physical works had been successfully completed, and a formal handover been executed. The final closure of the contract remains subject only to the submission of the mandatory project completion report and the disbursement of the final payment retention.

#### **3. Uganda Railways Corporation (URC) Capacity Building and Project Management Consultancy Contract**

During its first year, the contract strictly adhered to original cost, scope, and timeline parameters, with no recorded variations or extensions. The successful completion of mobilization, deployment of key personnel, and establishment of the administrative framework demonstrate strong initial compliance under the EAC Railway Rehabilitation Support Project. However, several critical contract management and operational gaps threaten value for money and donor oversight. Key deficiencies include advance payment delays, unverified progress reports, weak filing systems, and unaddressed African Development Bank (AfDB) correspondence regarding performance security. To mitigate these risks, the Uganda Railways Corporation (URC) must immediately enforce reporting obligations, strengthen internal controls, and streamline inter-departmental coordination to protect donor confidence and secure long-term Uganda's Railway rehabilitation and transport sector reforms.