CONTRACT AUDIT REPORT ON THE REVIEW OF TEN CONTRACTS FOR THE MINISTRY OF WORKS AND TRANSPORT (MoWT)

PROJECTS UNDER DONOR AND GOVERNMENT FUNDING

SEPTEMBER 2026

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ACRONYMS AND ABBREVIATIONS

AfDB	African Development Bank
APG	Advance Payment Guarantee
BOQs	Bill of Quantities
C-ESMP	Contractor's Environmental and Social Management Plan
CAR	Contractor's All Risk
CIPI	Construction Input Price Index
COVID	Coronavirus Disease
CR18G	China Railway 18th Bureau Group Co., Ltd
CRSG	China Railway Seventh Group Company Ltd
CSI	Construction Sector Index
CSU	Construction Supervision Unit
DBST	Double Bituminous Surface Treatment
DLP	Defects Liability Period
EIA	Environmental Impact Assessment
EoT	Extension of Time
ESHS	Environmental, Social, Health and Safety
ESIA	Environmental and Social Impact Assessment
ESIP	Environmental and Social Impact Plan
ESMP	Environmental and Social Management Plan
FIDIC	International Federation of Consulting Engineers
GCC	General Conditions of Contract
GoU	Government of Uganda
HSE	Health, Safety and Environment
HVAC	Heating, Ventilation, and Air Conditioning
IACS	International Association of Classification Societies
ICT	Information and Communications Technology
IPC	Interim Payment Certificate
IRS	International Register of Shipping
IsDB	Islamic Development Bank
JV	Joint Venture
KCCA	Kampala Capital City Authority
LC	Letter of Credit
LIBOR	London Interbank Offered Rate
MEP	Mechanical, Electrical, and Plumbing
MoWT	Ministry of Works and Transport
NEMA	National Environmental Management Authority
NFA	National Forest Authority
NRDMP	National Roads Development and Maintenance Programme
NWSC	National Water and Sewerage Corporation
OHS	Occupational Health and Safety
PAP	Project Affected Person
PCC	Particular Conditions of Contract
PDE	Procuring and Disposing Entity
PDU	Procurement and Disposal Unit
PEC	Professional Engineering Consultants Ltd
PG	Performance Guarantee
PPDA	Public Procurement and Disposal of Public Assets Authority

PPE	Personal Protective Equipment
Ro-Ro	Roll-on/Roll-off
RoW	Right of Way
SBD	Standard Bidding Document
SMTL	Songoro Marine Transport Limited
TOR	Terms of Reference
UCDP	Uganda Computerised Driving Permit
UEDCL	Uganda Electricity Distribution Company Limited
UGX	Uganda Shillings
UETCL	Uganda Electricity Transmission Company Limited
UNRA	Uganda National Roads Authority
USD	United States Dollar
UTL	Uganda Telecommunications Limited
VAT	Value Added Tax
VFM	Value for Money

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EXECUTIVE SUMMARY

The Public Procurement and Disposal of Public Assets Authority carried out a procurement and Disposal audit at the Ministry of Work and Transport that covered a representative sample of ten contracts. The audit involved a review of contract implementation from contract signature to the level of implementation of the contract (Contract Management) following the provisions of the Public Procurement and Disposal of Assets Act Cap. 205, the PPDA Regulations, 2023 and PPDA Guidelines.

The overall objective of conducting the contract audits was to assess the status of contract implementation with emphasis on verification that all the parties to the contacts had complied with the requirements and standards set forth in the contracts and the provisions of the PPDA Act Cap 205, Regulations, 2023 and Guidelines.

During the audit, the Authority noted the following key findings:

1. CRITICAL OIL ROADS PACKAGE 6A (DESIGN AND BUILD OF UPGRADING OF KABWOYA – BUHUKA ROAD 43KM)

i. Delayed contract execution; As at 28th February 2026, the Contractor had achieved only 23.50% physical progress against 57.95% contract time elapsed, resulting in a schedule slippage of approximately 34.45 percentage points. The most significant lag was recorded in October 2025, when actual progress trailed planned progress by 11.66 percentage points. This may result into additional supervision costs, extension of time claims, and possible failure to achieve the project within intended completion date.

ii. Delayed site handover; The Entity delayed access to sections between Km 20+000 and Km 40+078 due to pending compensation and Right of Way constraints resulted in a 46-day Extension of Time (EOT). This resulted in an approved 46-day Extension of Time, thereby extending the timeline for achievement of the 30% physical progress milestone.

iii. Failure by the contractor to finance the works; The Authority noted that by February 2026, the Engineer had certified IPCs totalling UGX 26.17 billion and physical progress stood at 23.5% below the contractual 30% threshold which was required before Government payments could commence under the pre-financing arrangement. This may result into poor contract performance due to cashflow constraints.

iv. Non-documentation of the determinations for three outstanding claims under review contrary to Sub-Clause 20.2 of the Conditions of Contract requires the Engineer to respond to and determine contractor claims within 42 days following receipt of all supporting particulars. This leads to disputes and possible project implementation delays.

v. Non-adherence to Local Content provisions; The audit established that local subcontracting amounted to approximately UGX 4,479,260,526 billion, representing only 1.7% of the contract value worth UGX 263,890,075,361 thus limiting technology transfer, capacity building, and local economic benefits to National Firms.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should expedite the review and approval of the Contractor's Revised Work Programme and keep monitoring and reporting on a monthly basis in

accordance with Regulation 52(1)(b), 52(3)(a)(i), (iv) and (vi), and 52(3)(g) of the PPDA (Contracts) Regulations, 2023.

ii. The Accounting Officer should substantially complete the compensation and Right of Way acquisition before commencement of future contracts and that any outstanding access constraints are resolved promptly to minimise implementation delays.

iii. The Contract Manager should formally remind the Contractor of its contractual obligation to pre-finance the Works until 30% physical progress is achieved and the Contractor should be required to demonstrate adequate financial capacity failure of which the Employer should invoke the contract provisions for charging liquidated damages in accordance with the contract.

iv. The Supervising Consultant/Engineer should formally assess and determine the remaining three Contractor claims (notices dated 25th October, 5th November, and 12th November 2025) and communicate to the Contractor within the 42-day period prescribed under Sub-Clause 20.2 of the Conditions of Contract.

v. The Contract Manager through the Engineer should verify the adequacy of the local content implemented to-date (UGX 4,479,260,526 sub-contracted to local firms) against the 30% contractual threshold for both works and design services and require the Contractor to submit a local content compliance plan addressing any shortfall, including clear measures and timelines for achieving full compliance.

2. CONSTRUCTION OF ACCESS ROAD TO KABALEGA INTERNATIONAL AIRPORT FROM KABAALE–KIZIRANFUMBI ROAD

i. Delays in contract implementation; The project was originally expected to be completed within 180 days by 21st July 2024. However, due to persistent implementation challenges, the Contractor was granted eight Extensions of Time (EoTs), which collectively extended the contractual completion period to 797 days, with a revised completion date of 31st March 2026. By 31st March 2026 (the full revised contract period), cumulative physical progress had only marginally improved to 59.25%, with financial progress at just 40.13%.

ii. Delayed Acquisition of Right of Way; Full Right of Way was only achieved in February 2026, approximately 25 months after the commencement date which delayed access to the site affects productivity, causes disruption of planned activities, and may result in legitimate claims for Extension of Time and additional costs arising from idle resources, extended preliminaries, and prolonged project overheads.

iii. Partial compliance with the insurance obligations; There was no valid Third-Party Insurance coverage provide by the Contractor and maintained by the Entity.

iv. Non-adherence to Local Content provisions; The audit established that local subcontracting amounted to approximately UGX 1.31 billion, representing only 3% of the contract value worth UGX 12,775,841,133 thus limiting technology transfer, capacity building, and local economic benefits to National Firms.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should require the Contractor to submit a detailed and fully resourced recovery programme addressing the current schedule slippage (59.25% physical progress against 100% contract time elapsed), considering the pending EoT Claim No. 9 (seeking 218 additional days).

ii. The Accounting Officer should strengthen coordination with relevant agencies responsible for compensation and land acquisition to ensure timely acquisition and full handover of project sites prior to commencement of future works.

iii. The Contract Manager should verify the validity and compliance of all insurance policies held by the Contractor including the outstanding Third-Party Insurance, and confirm that all unresolved review comments have been addressed.

iv. The Contract Manager should monitor and verify the Contractor's compliance with the local content obligations to ensure achievement of the minimum 30% local subcontracting requirement before project completion.

3. DESIGN AND BUILD OF 5 SELECTED BRIDGES IN KABAROLE DISTRICT; DUNGA, MAHOMA, MPANGA, NABUSWA (NYABUSWA) AND PEREPA BRIDGES ALONG BUKUKU–RUBONA ROAD

i. Delayed contract implementation; The Contractor failed to achieve planned progress. As at February 2026, physical progress stood at only 35.89% against planned progress of 64.81%, resulting in a negative variance of 28.92 percentage points, while 92.02% of the revised contract period had already elapsed. The delay may result in deferred realization of project benefits, increased supervision and contract administration costs, additional claims, and further requests for extension of time.

ii. Delayed payment; The audit noted that Interim Payment Certificates (IPCs) 02, 05, and 06 experienced an average delay of 95 days against the required 30 days. In addition, supporting payment documentation, including payment vouchers, bank transfer confirmations, and contractor acknowledgement receipts, was not availed for audit verification. This may result into reduced contractor productivity.

iii. Lack of key Environmental, Social, Health and Safety Requirements; The Authority noted that the following documents/information was not provided namely; NEMA approvals and wetland permits, construction permit extensions referenced in progress reports, Gender-disaggregated workforce data and Land acquisition for approach roads remained unresolved. This may expose the Entity to regulatory sanctions and ineffective land use.

iv. Failure to disaggregate workforce data by gender which limits assessment of inclusiveness and compliance with social safeguard objectives.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should expedite the review and approval of the Contractor's work programme submitted on 15th June 2026 and require the Contractor to demonstrate how

the current 28.92 percentage point schedule slippage will be recovered through adequate resourcing and accelerated execution of outstanding works. Progress should be closely monitored against measurable milestones and reported monthly in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv), (vi) and (g) of the PPDA (Contracts) Regulations, 2023.

ii. The Accounting Officer should ensure timely settlement of certified IPCs in accordance with the Conditions of Contract. In addition, the Contract Manager should ensure that all payment records, including payment vouchers, bank transfer confirmations, and contractor acknowledgement receipts, are properly maintained on the contract management file for audit verification in accordance with Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

iii. The Contract Manager should verify and continuously monitor compliance with the Environmental, Social, Health and Safety (ESHS) requirements throughout the remaining contract period by ensuring that all statutory approvals, permits and licences are valid, renewed where applicable, and maintained on the contract file.

iv. The Contract Manager should ensure that the Contractor consistently submits gender-disaggregated workforce data and evidence of implementation of the Environmental and Social Management Plan (ESMP) in the monthly progress reports.

4. CIVIL WORKS FOR THE PERIODIC MAINTENANCE OF KAMPALA NORTHERN BYPASS PHASE 1 (21KM)

i. Inadequate needs assessment that resulted into two variations worth UGX 13.56 billion (25%) above the original contract sum of UGX 54,350,193,089. Whereas UGX 8.80 billion of the increase was attributable to Variation Order No. 2, which was for initially unplanned maintenance repairs on the Kireka-Namugongo Road (8km), the remaining UGX 4.76 billion increase could not be established, as the contract management file did not contain adequate documentation/variation information to justify the additional costs.

ii. Delayed Contract implementation; The project was originally scheduled for completion within 12 months by 22nd January 2024 but was extended to 30th June 2026. As at February 2026, approximately 38 months had elapsed, representing a time overrun of about 217%, while overall physical progress stood at only 83.6% against planned progress of 95.2%, resulting in a negative variance of 11.6 percentage points. The contractor did not maintain an updated work programmes with the latest dated January 2025. This weakened performance monitoring by the Entity.

iii. Incomplete documentation of contract variations; No information was availed on variation order no. 1 worth UGX 4.76 billion, Extension of Times (EOTs) 1, 2, 3 and 4, and there was no approval of variation order No. 2 worth 8.80 billion.

iv. Delayed payment; Significant delays in Employer payments are evident, with IPC No. 8 delayed by 530 days, IPC No. 9 delayed by over 543 days and still unpaid, and IPC No. 11

delayed by 280 days. The Contractor formally suspended works due to these delays, directly impacting project progress.

v. Expired Insurance permits; the Contractor obtained a Contractor's All Risks Insurance Policy (No. 58/23) from MUA Insurance (Uganda) Ltd covering 23rd January 2023 to 22nd July 2024, however, insurance permits covering the extended contract period of up to June 2026 were not provided thus limiting assurance that adequate insurance cover remained in force throughout implementation.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should ensure that all contract price adjustments, variation orders and associated cost increases are supported by adequate technical justifications, detailed cost analyses, approvals, and contract amendment documentation, and that such records are maintained on the contract management file in accordance with Regulation 52(3)(a)(v), (vii), (b) and (c) of the PPDA (Contracts) Regulations.

ii. The Contract Manager should expedite the review and approval of the Contractor's revised work programme (requested by the Engineer on 17th June 2026) and require the Contractor to submit regular updates demonstrating recovery actions, resource deployment, and measurable completion milestones for the remaining works.

iii. The Contract Manager should ensure that all variation orders, contract amendments, extensions of time, claims and related approvals are adequately documented, approved by the appropriate authority, and maintained on the contract management file in accordance with Regulation 52(3)(b), (c) and (vii), Regulation 53, and Regulation 54 of the PPDA (Contracts) Regulations, 2023.

iv. The Accounting Officer should make timely settlement of certified Interim Payment Certificates in accordance with the Conditions of Contract. In addition, the Contract Manager should maintain complete payment records, including payment vouchers, bank transfer confirmations and reconciliation records, in accordance with Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

v. The Contract Manager should task the provider to have all required insurance policies renewed before expiry, remain valid throughout the contract period, including any extensions, and that evidence of valid insurance coverage is maintained on the contract management file. Where the Contractor fails to maintain the required insurance, appropriate contractual action should be taken in accordance with the Conditions of Contract and Regulation 52(1)(a) and Regulation 52(3)(a)(ii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

5. CIVIL WORKS FOR THE UPGRADING OF KYENJOJO (KIHURA) – BWIZI – RWAMWANJA – KAHUNGE (68 KM) / MPARA – BWIZI ROAD (38 KM) INCLUDING THE CONSTRUCTION OF 20 KM OF TOWN ROADS TO PAVED (BITUMINOUS) STANDARDS

i. Delayed Contract implementation; As at February 2026, approximately 14.5% of the contract period had elapsed, while physical progress stood at only 2.13% against planned

progress of 5.64%, representing a performance lag of 3.51 percentage points. This delay may result in implementation delays, increased risk of future cost overruns, extension of time claims, and delayed realisation of project benefits.

ii. Delayed site handover; whereas 8.6% of the project length was handed over at commencement on 22nd September 2025, the contractual priority section representing 30% of the project length was only handed over on 31st December 2025, approximately three months after commencement. This disrupted the Contractor's planned sequence of works and exposed the Entity to legitimate time extension claims.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should continue to closely monitor implementation of the Contractor's revised resource-loaded programme and ensure that the remaining critical works (particularly swamp approach roads) are completed within the revised timeframe of 16th January 2027.

ii. The Accounting Officer should ensure that future projects commence only after critical utilities, encumbrances, and right-of-way constraints have been adequately addressed. Where phased site possession is unavoidable, a documented handover strategy should be developed and monitored to minimise implementation disruptions, in accordance with Section 44 of the PPDA Act, Cap. 205 and Regulation 52(1)(a), Regulation 52(3)(a)(iii) and (v) of the PPDA (Contracts) Regulations, 2023.

6. EMERGENCY RECONSTRUCTION OF SSEZIBWA BRIDGE (1.6 KM) ALONG KALAGI – KAYUNGA ROAD UNDER DESIGN AND BUILD

i. Delayed commencement of works due to delayed relocation of utilities; Whereas the commencement order was issued and works meant to commence on 20th June 2024, there was a disruption of works due to relocation of power and telecommunications infrastructure which were not completed until February 2025, approximately eight months after commencement. This resulted into an time extension of 117 days thus delaying service delivery.

ii. Delayed payment; As at February 2026, Consultant Fee Notes amounting to approximately UGX 2.87 billion remained unpaid, with several invoices overdue by between 13 and 270 days beyond the contractual payment period of 30 days. This may may undermine efficient implementation of both the works and supervision services.

iii. Non-provision of a Plant and Equipment Insurance and Workmen's Compensation Insurance by the Contractor thus exposing the Employer to potential financial liability arising from damage to construction equipment, work stoppages, and compensation claims resulting from workplace injuries.

iv. Failure to obtain borrow pit permits, compliance with waste management arrangements and there were noise exceedances reported at some borrow sites. This exposes the project to regulatory sanctions, environmental degradation, reputational risk, and increased occupational health and safety risks.

In light of the above findings, the Authority recommends that;

i. The Accounting Officer should ensure that future projects commence only after critical utilities, encumbrances, and right-of-way constraints have been adequately addressed. Where phased site possession is unavoidable, a documented handover strategy should be developed and monitored to minimise implementation disruptions, in accordance with Section 44 of the PPDA Act, Cap. 205 and Regulation 52(1)(a), Regulation 52(3)(a)(iii) and (v) of the PPDA (Contracts) Regulations, 2023.

ii. The Accounting Officer should make timely settlement of certified Contractor and Consultant payments in accordance with the Conditions of Contract, noting that Consultant Fee Notes totalling approximately UGX 2.87 billion had overdue periods of up to 270 days.

iii. The Contract Manager should require the Contractor to furnish evidence of valid Plant and Equipment Insurance and Workmen's Compensation Insurance policies for retention on the contract management file. Compliance should be verified by the Contract manager in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

iv. The Contract Manager should task the contractor to obtain all outstanding borrow pit permits and strengthens waste management and noise control measures, as formally directed. Compliance with environmental and occupational health and safety obligations should be closely monitored in accordance with the National Environment Management Act.

7. CIVIL WORKS FOR THE UPGRADING OF TORORO–BUSIA ROAD (26 KM) AND MAYUGE AND BUSIA TOWN ROADS

i. Delay to resolve claims; Although the contract was awarded within the Engineer's estimate, the project remained exposed to potential cost escalations arising from unresolved claims and requests for additional funding worth UGX 9,944,191,331 arising from a 188-day delay attributed to delayed access to and possession of the Site. As at the time of audit, the claim remained under determination by the Engineer.

ii. Delayed contract implementation; As at 28th February 2026, 88.23% of the revised contract period had elapsed, while physical progress stood at 82.13% against planned progress of 85.02%, representing a monthly slippage of 2.89% and cumulative slippage of 28.23%. Equipment utilisation was only 38%. The delays reflect inefficient utilisation of project resources and increase the risk of further schedule slippage, additional costs, and further extensions of time.

iii. Delayed land acquisition and relocation of utilities; Of the 1,173 Project Affected Persons (PAPs) identified, only 436 (37.2%) had been compensated by February 2026. Encumbrances remained in sections of Busia Town and Corner, while UTL relocations had not commenced and UMEME relocation works remained incomplete. This led to issue of Seven notices for delayed right of access and possession of site and two notices for delayed utility relocation which attracted a prolongation cost claim worth UGX 9,944,191,331.

iv. Failure to maintain copies of Interim Payment Certificates of file; It was not possible for the Authority to verify certification dates, review comments by the Engineer, or the

Contractor's responses to certification observations thus limiting transparency and accountability.

v. Delayed payment; There was outstanding payments of UGX 14,278,624,797 together with an average payment delay across paid certificates of 153 days, ranging from 12 days to 478 days. This exposed the Entity to further claims for financing charges.

vi. Failure to comply with local content provisions; There was no evidence that 30% of works were sub-contracted to Local providers which limited the project's contribution to local economic development through building capacity of local providers.

In light of the above findings, the Authority recommends that;

i. The Contract Manager, through the Engineer, should expedite final determination of the outstanding prolongation claim (UGX 9,944,191,331) as scheduled, and ensure that all proposed variations and requests for additional funding (UGX 7,052,931,433) are adequately justified, supported by technical and financial evaluations, and processed in accordance with the Conditions of Contract.

ii. The Contract Manager should strengthen monitoring of project implementation and require the Contractor to implement a realistic recovery programme with measurable milestones and adequate resources in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023 and the Conditions of Contract.

iii. The Accounting Officer should expedite acquisition of the remaining land (53.2% outstanding), compensation of outstanding PAPs (62.8% unpaid), and relocation of utilities (UTL and UMEME) once funds under the supplementary budget are released, to minimise further delays, extensions of time, and associated claims, in accordance with Section 95 of the PPDA Act, 2023 and Regulation 52 of the PPDA (Contracts) Regulations, 2023.

iv. The Contract Manager should maintain complete contract management records, including IPCs, certification records, payment documentation, advance recovery schedules, and related correspondence, on the contract management file for audit and accountability purposes, in accordance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023.

v. The Accounting Officer should prioritise settlement of outstanding certified payments and strengthen project cash-flow planning to ensure timely payment of certified amounts in accordance with the Conditions of Contract and Section 95 of the PPDA Act, 2023.

vi. The Contract Manager should require the Contractor to prepare and submit an updated Local Content Compliance Plan outlining measures to increase local participation and achieve the 30% threshold to the extent practicable during the remaining contract period. Supporting evidence, including approved subcontract agreements, payment records, workforce data, and periodic local content reports, should be maintained on the contract management file.

8. CONSTRUCTION OF THE ONE STOP CENTRE BUILDING TO ACCOMMODATE DRIVING LICENSING, MOTOR VEHICLE REGISTRATION AND OTHER REGULATORY AND LICENSING OFFICES ALONG STATION ROAD

i. Delayed contract implementation; The project experienced significant implementation delays. As at February 2026, approximately 93.5% of the revised contract period had elapsed, while actual physical progress stood at only 40% against planned progress of 67%, resulting in a progress shortfall of 27%. This shall delay commissioning of the facility and postpone the anticipated benefits of consolidating licensing, registration, and regulatory services under one roof.

ii. Delayed submission of the Performance Guarantees; The available records indicate a gap of approximately 993 days between contract signature and the effective date of the Performance Guarantee. There was no evidence that the guarantees had been authenticated with the issuing institution.

iii. Non-provision of payment records; There was no provision of payment records which hindered the Authority from verifying the adherence to the contractual payment terms.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should expedite the review and approval of the Contractor's updated work programme and procurement schedule and closely monitor implementation against measurable milestones to ensure completion by the revised deadline of 31st December 2026. The Contractor should be required to deploy adequate personnel, equipment, and financial resources to recover lost time, in accordance with Regulations 52 and 53 of the PPDA (Contracts) Regulations, 2023.

ii. The Contract Manager should require the Contractor to extend the Performance and Advance Payment Guarantees in line with the further extension of the contract period to 31st December 2026 and ensure that copies of all guarantees are retained on the contract management file.

iii. The Contract Manager should ensure that complete certification, payment, and supporting financial records are maintained on the contract management file in accordance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023.

9. PROCUREMENT OF TWO MERCHANT VESSELS (FERRIES), SEARCH AND RESCUE BOATS AND FERRY MAINTENANCE EQUIPMENT FOR LAKE BUNYONYI

i. Delayed contract implementation; Whereas the original completion date of 21st June 2024 was extended twice by a total of 22 months, as of February 2026, physical progress stood at 75.9%, with several critical activities significantly behind schedule hence delaying service delivery.

ii. Delayed handover of the contract; Whereas the contract became effective on 8th July 2022, the Contractor could not access the site because the Entity had not completed prerequisite

Environmental and Social Impact Assessment (ESIA) studies nor obtained clearance from landowners, including the National Forest Authority (NFA). These conditions were only fulfilled by 26th September 2023, and the site was formally handed over to the Contractor on 13th October 2023. This resulted into a time extension of 13 months.

iii. Delayed payment; The Authority noted that the Propulsion Units milestone payment was certified on 1st October 2024 and paid on 4th February 2025, representing a processing time of 126 days which exceeded the contractual 60-day payment-delay period prescribed under GCC 16.5, after which interest (LIBOR+1%) would become payable.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should continue to closely monitor implementation of the approved recovery programme, ensure timely resolution of factors affecting progress, and regularly track achievement of key milestones to facilitate completion of the outstanding works within the approved contract period.

ii. The Entity should ensure all land access, environmental approvals and site readiness requirements are fully addressed before contract commencement to avoid implementation delays on future projects.

iii. The Accounting Officer should strengthen payment processing controls to ensure timely settlement of certified invoices within the contractual 60-day period.

10. PROCUREMENT OF FERRIES AND DREDGING EQUIPMENT FOR LAKE KYOGA

i. Delayed contract implementation; Whereas the contract required completion by 27th March 2022 (20 months), as of April 2026, the contract was substantially incomplete with final delivery of the ferries rescue boats was at 0% progress and a maintenance boat as at 0.2% progress. This significantly reduced implementation efficiency and postponed realization of the intended transport benefits.

ii. Delayed payment; The Authority noted that some payments were made outside the contractual 30 days and these include; the Advance Payment which was processed in 70 days, Paint and Man Overboard Boats took 81 and 75 days respectively. This exposed the Entity to possible claims from the contractor for breach of payment terms in the contract.

iii. Non- Adherence to Environmental, Social, Health and Safety Requirements; There was evidence of submission of the Environment Social Impact Assessment (ESIA) report and evidence of issuance of the final NEMA Certificate of Approval were not available for review. In addition, no evidence was found regarding compliance with gender-related requirements or reporting. This limited assurance that all environmental and social obligations were fully addressed.

In light of the above findings, the Authority recommends that;

i. The Contract Manager should continue to monitor completion of the outstanding contractual deliverables, including the remaining seaworthiness certification, rescue boats, maintenance boat, and any outstanding equipment and spare parts. Before final acceptance and contract

close-out, the Contract Management Team should verify that all technical specifications and certification requirements have been fully met in accordance with Regulations 52(3)(a), (c) and (f) of the PPDA (Contracts) Regulations, 2023.

ii. The Accounting Officer should continue to strengthen payment processing to ensure all certified invoices are paid within the contractual timelines, and any payment delays are promptly addressed and documented to minimise exposure to interest claims and disruptions to contract implementation, in accordance with Regulations 52(3)(e) and 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023.

iii. The Entity should obtain and maintain the final ESIA approval documentation and require periodic reporting on gender participation, workforce composition and other social safeguards to demonstrate compliance with environmental and social commitments.

CONCLUSION

Overall, the audit established that implementation of the 10 contracts was progressing, albeit at varying and often unsatisfactory rates, with several projects achieving notable physical advancement towards their intended infrastructure objectives. However, significant and recurring weaknesses were identified across the portfolio, including persistent schedule delays and overruns, inadequate contract administration and record-keeping, delayed payments and site handovers, non-compliance with local content (subcontracting) requirements, gaps in performance securities, insurance coverage, and work programme approvals, as well as shortcomings in environmental, social, health, and safety (ESHS) monitoring.

These deficiencies undermine value for money, expose the Ministry to financial, contractual, operational, and reputational risks, and may delay the realization of critical transport infrastructure benefits. Immediate management action is required to address the highlighted exceptions, strengthen oversight, enforce contractual obligations, and implement the recommended corrective measures.

1.0 INTRODUCTION

1.1. BACKGROUND

The Public Procurement and Disposal of Public Assets Authority (PPDA), herein referred to as the Authority, is the regulatory body for public procurement and disposal of public assets in Uganda. It was established through an Act of Parliament in 2003. The key objectives of the PPDA are to ensure the application of fair, competitive, transparent, and non-discriminatory and value for money public procurement and public assets disposal standards and practices in Uganda.

Section 8 (1) (j) (ii) of the Public Procurement and Disposal of Public Assets Act, Cap 205 provides for the conduct of contract audits in the course of the execution of an awarded contract.

The Authority contracted Scaled Solutions Ltd under a framework arrangement to undertake audits for a maximum period of eighteen (18) months, beginning in the Financial Year 2025/26.

A call off order Ref PPDA/CONS/2025-2026/00054 was subsequently issued on 3rd March 2026 to Scaled Solutions Ltd to undertake audits of 10 selected contracts.

1.2. OBJECTIVES OF THE AUDITS

The overall objective of conducting the contract audits was to assess the status of contract implementation with emphasis on verification that all the parties to the contacts had complied with the requirements and standards set forth in the contracts and the provisions of the PPDA Act Cap 205, Regulations, 2023 and Guidelines.

The specific objectives of the contract audits were to:

b. Establish the level of achievement of value for money during contract implementation;
c. Assess the overall management of the projects in accordance with each party's obligations;
d. Assess the adherence to Environmental, Social, Health and Safety requirements; and;
e. Assess adherence to implementation of local content provisions.

1.3. SCOPE OF WORK

The scope involved the audit of the following ongoing contracts.

a. Critical Oil Roads Package 6 (a) (Design and build of upgrading of Kabwoya–Buhuka Road) (43 km);
b. Construction of an access road to Kabaale International Airport from Kabaale-Kiziranfumbi Road (3.2 km);
c. Design and build of five (5) selected bridges: Dunga, Mahoma, Mpanga, Nabuswa (Nyabuswa) and Perepa;
d. Civil works for the periodic maintenance of Kampala-Northern Bypass (21 km);
e. Civil Works for the upgrading of Kyenjojo (Kihura) - Bwizi - Rwamwanja - Kahunge (68 kms) and Mpara;
f. Construction of Ssezibwa Bridge and approach roads (1.6km);

g. Civil works for the upgrading of Tororo Busia Road 26km and Mayuge and Busia Town Roads (18km).
h. Construction of the one stop centre building to accommodate driving licencing, motor vehicle registration and other regulatory and licencing offices;
i. Lake Bunyonyi Ferries: Two merchant vessels (Ferries) to be constructed under the funding of African Development Bank; and
j. Buyende – Kagwara - Kaberamaido (BKK) Ferry: Two ferries and provision of one dredging equipment.

The contract audits were aimed at finding out whether:

i. The conditions precedent for effectiveness of the contract such as performance security and advance payment guarantee, if applicable, were duly fulfilled;
ii. There were mechanisms within the Entities for systematic management of contracts including the appointment of contract managers, existence of comprehensive contract management records including payment records;
iii. Providers were meeting contractual obligations as per the terms and conditions in the signed contracts including but not limited to deliverables as per the contracts by carrying out, on a sample basis, relevant technical tests of deliverables to ascertain whether or not they match the contractual obligations;
iv. That the performance security, if applicable, was valid and effective throughout contract duration;
v. Entities were meeting contractual obligations as per the terms and conditions in the signed contracts, including but not limited to payments, supervision of providers and verification of deliverables;
vi. Adequate action was taken where either party to the signed contract(s) failed to meet their contractual obligations including but not limited to invoking of performance securities, liquidated damages, arbitration and submission of firms for blacklisting by the Authority;
vii. Change orders, extensions and variations were justified and in accordance with the relevant laws, regulations and guidelines;
viii. Contract closure was adequately handled including but not limited to the issuance of certificates of completion, provider appraisals and hand over of deliverables; and
ix. Value for money considerations were taken into account during execution of the contract, including but not limited to a summary assessment considering monetised and non-monetised impacts as well as uncertainty and risks in the analysis of value for money.

1.4. METHODOLOGY

The audit was conducted in accordance with the PPDA Audit Manual. The audit involved the following:

a. The assignment commenced with an inception meeting and briefing of auditors held online chaired by the Director Performance Monitoring on 7th August 2025;
b. Contracts to be audited were selected by PPDA and a letter was issued to MoWT on 12th March 2026 informing the Entity about the audit and informing about the specific contracts selected for audit;
c. An Entry meeting was held on 24th March 2026 at the MoWT Boardroom;
d. The Contract Audit inception report was prepared, submitted on 30th March 2026 and approved by PPDA;

e. Consultants reviewed documentation for the sampled 10 projects and visited the sites between 11th and 20th May 2026. Contract management records were reviewed, contract managers interviewed, sites inspected and tests, where applicable, were carried out. Observations and findings were documented and are the subject of this report;
f. An exit meeting was held on 20th May 2026 at which preliminary audit findings are brought to the attention of the Accounting Officer;
g. After incorporating preliminary responses and additional documentation provided by MoWT, the Management Letter/Draft Report was hereby prepared and submitted to the PDE for management responses.
h. This final Contract Audit report.

1.5. DISCLAIMER

This report is intended for use by PPDA and MoWT and any parties they may expressly authorize. The circulation and use of the contents of this report is therefore limited, and any analysis and interpretation of the contents must be made within the context of the assignment, and the Terms of Reference (TORs).

2.0 FINDINGS AND RECOMMENDATIONS

2.1 CRITICAL OIL ROADS PACKAGE 6A (DESIGN AND BUILD OF UPGRADING OF KABWOYA – BUHUKA ROAD (43KM))

2.1.1 Contract Summary

Table 1: Contract Summary

Name of Entity	Ministry of Works and Transport
Financing Institution	Government of Uganda
Contract Title	Critical Oil Roads Package 6A (Design and Build of Upgrading of Kabwoya – Buhuka Road (43Km))
Name of Contractor	China Railway Seventh Group Company Ltd
Type of Contract	Design, Finance and Build
Contract Price	UGX 263,890,075,361.00 (inclusive of 18% VAT).
Contract Signature Date	13th February, 2024
Contract commencement date	4th June, 2024
Extensions	
Date for Completion	3th June, 2027
Revised Completion Date	NA
Contract Period	36 months (1,094 days)
Time Progress/Overall Time elapsed to last Report (June 2025)	634 days – 57.95% as at February 2026
Physical Progress	23.5%
Financial Progress	0%
Supervision Consultant Name	PROME Consultants Limited
Supervision Consultant Contract Details	UNRA/SRVCS/17-18/00096, 6 August 2025, UGX 7,240,311,850 (inclusive of VAT)

2.1.2 Background

The Government of Uganda, through the former Uganda National Roads Authority (UNRA), procured a contractor to finance, design and construct the Kabwoya–Buhuka Road Upgrading Project (Package 6A), a 43 km critical oil road forming part of Uganda's strategic Oil Roads Infrastructure Programme in the Bunyoro sub-region. The project is intended to support oil and gas exploration, production and commercialization while enhancing trade, agriculture and tourism.

A Design & Build Contract (No. UNRA/WRK/2022-2023/00022) was signed on 13th February 2024 between UNRA and China Railway Seventh Group Company Ltd for a contract sum of UGX 263,890,075,361 inclusive of VAT. The contract commenced on 4th June 2024 and is expected to be completed on 3rd June 2027, representing a contract duration of 36 months (1,094 days). As at February 2026, 634 days (57.95%) of the contract period had elapsed while physical progress stood at 23.5%. The project is

supervised by PROME Consultants Limited under a supervision contract valued at UGX 7,240,311,850.

2.1.3 Scope of Works

The scope of works includes:

- Topographical and cadastral surveys;
- Environmental and Social Impact Assessment (ESIA);
- Geotechnical and hydrological investigations;
- Detailed engineering design;
- Construction of the 43km road to paved standard;
- Installation of road furniture, lighting and solar-powered lights;
- Preparation of as-built drawings and associated deliverables.

2.1.4 Level of Achievement of Value for Money During Contract Implementation (Economy, Efficiency and Effectiveness)

Section 51 of the PPDA Act, CAP 205 require the Entities to procure in a manner that enhances economy, efficiency and value for money. Below were the findings the Authority noted under this objective.

2.1.4.1 Economy

The project had certified payments totalling UGX 26.17 billion across four Interim Payment Certificates (IPCs), representing approximately 10% of the contract value of UGX 263.89 billion. Although the contract is being implemented under a Design, Finance and Build arrangement, the implementation of the project remains within the contractual cost framework.

2.1.4.2 Efficiency

Section 5.2.2 of the Employer's Requirements required the Contractor to submit and maintain an updated project work programme (using Microsoft Project or Primavera) covering all key project activities and milestones for review and approval by the Engineer. Review of the contract management records established that although the Contractor submitted several revised work programmes and construction schedules during the period September 2025 to March 2026, none of the submissions complied with the contractual requirements and consequently none had been approved by the Engineer. The Engineer's Monthly Progress Reports (Nos. 1–6) consistently reported the Contractor's failure to submit a compliant work programme despite repeated notifications and requests for revision.

The absence of an approved work programme coincided with persistent implementation delays. As at 28th February 2026, the Contractor had achieved only 23.50% physical progress against 57.95% contract time elapsed, resulting in a schedule slippage of approximately 34.45 percentage points. The most significant lag was recorded in October 2025, when actual progress trailed planned progress by 11.66 percentage points. Although the Contractor attributed the delays to cashflow constraints and inclement rainfall, no approved recovery programme was available to demonstrate how the delays would be mitigated or how the project would be brought back on schedule.

Implication
Failure to maintain and implement an approved work programme undermines effective contract monitoring, progress measurement, and risk management. The continued schedule slippage increases the likelihood of delayed realization of project benefits, additional supervision costs, extension of time claims, and possible failure to achieve the intended completion date.

Management Response
The Engineer vide letter Ref: KB/PROME/CRSG/04-16/149 dated 17th April 2026 notified the Contractor of non-compliance of the revised Program with the Contract and therefore advised the Contractor to re-submit an acceptable revised work program pursuant to the provisions of Sub-Clause 8.3. The Contractor through letter Ref: CRSG-UG-PK6A-2026-487 dated 15th June 2026 submitted a revised Work Programme to the Engineer taking into consideration the Extension of Time (EoT) for completion of the 30% Works within 60% of the Contract Period which was revised from 23rd March 2026 to 25th July 2026 which is under review.

The Engineer vide letter Ref: KB/PROME/WORKS/06-26/033 dated 26th June 2026 informed MoWT that the Contractor's Revised Work Programme is under review pursuant to Sub-Clause 5.2.2 of the Employer's requirements. The Engineer further added that Contractor's Revised Work Programme is being monitored through the daily work schedules submitted to the Engineer on a daily basis. Correspondences between the Engineer and the Contractor are attached in Appendix A for reference.

Recommendation
The Contract Manager should expedite the review and approval of the Contractor's Revised Work Programme submitted on 15th June 2026 and issue a formal decision within 10 working days. If rejected, the Contractor should be required to submit a compliant recovery programme demonstrating how the 34.45 percentage point schedule slippage will be recovered. Thereafter, progress against the approved programme should be monitored and reported monthly in accordance with Regulation 52(1)(b), 52(3)(a)(i), (iv) and (vi), and 52(3)(g) of the PPDA (Contracts) Regulations, 2023.

2.1.4.3 **Effectiveness**

The project is expected to achieve its intended objectives and outcomes upon completion, as the works being implemented remain consistent with the approved scope and planned deliverables.

2.1.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.1.5.1 **Obligations of the Entity**

a. Commencement of Works and Site Handover

The Employer substantially complied with SCC 2.1 by issuing the Commencement Order on 27th May 2024 and providing phased possession of site. However, delayed access to sections between Km 20+000 and Km 40+078 due to pending compensation and Right of Way constraints resulted in a 46-day Extension of Time (EOT).

Implication
Although the Employer substantially complied with the phased site handover requirements under SCC 2.1, delayed possession of portions of the site adversely affected timely execution of the works and contributed to implementation delays. This resulted in an approved 46-day Extension of Time, thereby extending the timeline for achievement of the 30% physical progress milestone.

Management Response

The Auditor's finding is noted. MoWT has now been allocated funds towards payment of outstanding PAPs. MoWT now prioritised compensation of PAPs in continuous and priority sections in line with the Contract provisions.

Recommendation
The Accounting Officer should ensure that compensation and Right of Way acquisition are substantially completed before commencement of future contracts and that any outstanding access constraints are resolved promptly to minimise implementation delays.

b. Certification and Payment of Invoices, and Recovery of Advance Payment

The Engineer is contractually obligated to certify Interim Payment Certificates (IPCs) based on verified quantities of conforming works, and the Employer is required to pay certified amounts within the agreed period. The Contractor is also required to pre-finance works for 12 months or until 30% physical progress is achieved, whichever is later, after which the Government of Uganda would have acquired funding for payments.

A review of the Engineer's Monthly Progress Reports and payment records revealed the following:

Table 2: IPC Payment Status & Physical Progress as at February 2026

IPC No.	Submission Date	Total Amount Certified (UGX)	Payment Status	Physical Progress at Certification
IPC No. 1	29/09/2025	8,019,814,554	Not Due	11.60%
IPC No. 2	15/11/2025	5,798,905,124	Not Due	13.08%
IPC No. 3	10/12/2025	5,631,656,063	Not Due	15.05%
IPC No. 4	10 January 2026	6,718,972,807	Not Due	18.39%
Total Certified	**As of February 2026**	**26,169,348,548**	**Not Due**	**23.50%**

By February 2026, the Engineer had certified IPCs totalling UGX 26.17 billion. However, physical progress stood at 23.5%, below the contractual 30% threshold required before Government payments could commence under the pre-financing arrangement. Despite this, the Contractor consistently cited cash flow constraints as a cause of delays as a reason for delays in every monthly report from September 2025 to

February 2026, directly linking payment delays to poor physical progress yet the contract clause on payment is clear.

Implication
The Contractor's persistent citation of "cashflow constraints" as a reason for delays, despite the clear contractual provision requiring pre-financing until 30% physical progress is achieved, indicates either a misunderstanding of contractual obligations or an attempt to excuse poor performance.

Management Response

The Employer vide letter Ref: UNRA/WORKS/2022-2023/00022 dated 9th December 2024 (See attached letters in Appendix D) reminded the Contractor of his obligation to pre-finance the Works until 30% physical progress of the Works have been attached.

Should the Contractor fail to substantially complete the 30% Works in 60% Contract Period (by 25th July 2026), the Employer will invoke the Contract provision for charging liquidated damages.

Recommendation
The Contract Manager should formally remind the Contractor of its contractual obligation to pre-finance the Works until 30% physical progress is achieved, as already communicated by the Employer vide letter Ref: UNRA/WORKS/2022-2023/00022 dated 9th December 2024. The Contractor should be required to demonstrate adequate financial capacity and implement recovery measures to achieve the 30% milestone by the revised date of 25th July 2026, failing which the Employer should invoke the contract provisions for charging liquidated damages in accordance with the contract.

c. Justification / validity of Change Orders, Extensions and Variations

The Contract requires that any variation order, extension of time (EOT), or change to the scope of works be properly justified, documented, and approved by the Engineer before implementation. As at the time of the audit, no variation orders had been issued on the project.

The Contractor submitted Interim EOT Notification Claim No. 1 (Letter Ref. CRSG-UG-PK6A-2026-01-0324) on 6th February 2026, citing restricted site access, approval of revised quotations for power line relocation, community interference, and cashflow constraints. Following review of the claim, the Engineer determined that the delay attributable to the Employer related to delayed provision of Right of Access to and Possession of Site. Consequently, the Engineer recommended a 46-day Extension of Time for achievement of the 30% works milestone.

The Employer approved the recommendation, extending the completion date for the 30% milestone from 23rd March 2026 to 7th May 2026. Whereas the Contractor cited multiple causes of delay in its claim, the Engineer's determination attributed the extension solely to delayed provision of Right of Access to and Possession of Site by the Employer. No evidence was found on the contract file to demonstrate that the other grounds advanced by the Contractor had been formally assessed and determined as part of the EOT evaluation process.

Implication
Failure to comprehensively assess and document all grounds advanced in EOT claims may result in future disputes regarding entitlement, undermine transparency in contract administration, and expose the Entity to additional claims and contractual liabilities.

Recommendation
The Supervising Consultant (Engineer) should ensure that all EOT claims are fully evaluated against each contractual ground raised by the Contractor and that detailed determinations are documented and maintained on the contract management file in accordance with the contract provisions.

d. Contractor Claims Relating to Delayed Land Compensation

The Contractor submitted four separate Intention to Claim notices between October and November 2025 relating to pending land compensation along various sections (Km 20+000 to Km 40+078).

Table 3: Contractor Intention to Claim Notices

Notice No.	Date of Notice	Section / Chainage	Basis of Claim	Claim (UGX)	Status as of Feb 2026
1	06 October 2025	Km 20+000 to Km 25+000	Pending land compensation	Not specified	Rejected (Contractor set out works outside recommended ROW)
2	25 October 2025	Km 25+000 to Km 30+000	Pending land compensation	Not specified	Under review
3	05 November 2025	Km 30+000 to Km 35+000	Pending land compensation	Not specified	Under review
4	12 November 2025	Km 35+000 to Km 40+078	Pending land compensation	Not specified	Under review

The Engineer rejected the first claim on the basis that the Contractor had carried out setting out works outside the recommended Right of Way. EOT Claim No. 1 documentation, Engineer's determination records, and Intention to Claim notices submitted by the Contractor were on the contract management file. However, no evidence was availed confirming formal determinations for the outstanding claims under review. Sub-Clause 20.2 of the Conditions of Contract requires the Engineer to respond to and determine contractor claims within 42 days following receipt of all supporting particulars. However, three contractor claims remained under review as at February 2026 without evidence of formal determination on file.

Implication
Failure to determine contractor claims within the contractual timelines may lead to accumulation of unresolved claims, increase the likelihood of disputes, delay project

implementation, and expose the Entity to additional financial liabilities arising from prolonged claim processing.

Management Response

The Engineer through Determination Ref. No. AR/KNKB/KB/MOWT-CRSG/2026/001 dated 11th March 2026 assessed the Contractor's claim for Extension of Time (EOT) on all grounds cited in the Claim. The Determination recommended EOT of 46 days arising from delay in granting Right of Access to and Possession of Site. The Engineer found the other grounds of the Claim inadmissible and subsequently awarded 0 days of EOT against them. A copy of the Determination is attached in Appendix E for reference.

Recommendation

The Supervising Consultant/Engineer should ensure that the remaining three Contractor claims (notices dated 25th October, 5th November, and 12th November 2025) are formally assessed, determined, and communicated to the Contractor within the 42-day period prescribed under Sub-Clause 20.2 of the Conditions of Contract, given that the Engineer has already issued a determination on EOT Claim No. 1. Complete records of all claim assessments, determinations, and related correspondence should be maintained on the contract management file to support effective contract administration.

2.1.5.2 **Obligations of the Contractor**

a. Format, Submission and Authentication of Performance and Advance Payment Guarantees

In accordance with the Conditions of Contract, the Contractor was required to provide the securities indicated in Table 4 below:

Table 4: Securities Submitted by the Contractor

Instrument	Amount	Issuer	Guarantee No.	Issue Date	Expiration Date
Performance Guarantee	UGX 26,389,007,536 (10% of the Contract Price)	Not known	IG24032UG0101656	02/02/2024	31/01/2029
Advance Payment Guarantee	N/A	N/A	N/A	N/A	N/A

Review of the contract management records established that the Performance Guarantee was issued on 2nd February 2024, which was 16 days after the contractual deadline of 17th January 2024 (being 28 days from the Contractor's receipt of the Notification of Award on 20th December 2023). No Advance Payment Guarantee was required under the contract as no advance payment provision existed.

Furthermore, although a copy of the Performance Guarantee was maintained on the contract management file, there was no documented evidence that the guarantee had been independently authenticated with the issuing financial institution.

Implication
Late submission and failure to authenticate the Performance Guarantee weaken contract safeguards and expose the Entity to financial, legal, and operational risks, as the validity and enforceability of the security cannot be conclusively confirmed.

Management Response
The Audit recommendation is noted. A request has been made to PDU to verify the amended Performance Guarantee.

Recommendation
The Accounting Officer should ensure that the Performance Guarantee Number IG24032UG0101656 is authenticated with the issuing financial institution and evidence of such verification maintained on the contract management file within 14 working days from receipt of this Management Letter. Going forward, all contract securities should be submitted and verified promptly upon receipt in line with Regulation 52(3)(a)(ii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

b. Adherence to Local Content Requirements

Section 4.4 of the Particular Conditions of Contract requires the Contractor to sub-contract to local firms at least 30% of the value of the works and 30% of the design services as agreed upon with respect to rates, scope, and value. A review of the contract management file and the Engineer's Monthly Progress Reports (Nos. 1–6) found no evidence to demonstrate compliance with the contractual requirement to sub-contract at least 30% of works and design services to local firms.

Implication
Failure to implement local content requirements limits opportunities for local firms, skills transfer and broader economic benefits envisaged under public procurement.

Management Response
The Auditor's finding is noted. The Contractor is implementing local content through engagement of local sub-contractors to undertake permanent works and relocation of utilities. The local sub-contractors engaged include M/s Habicho Technical Services, M/s Leamington Engineering Services Ltd. and M/s AIDS Information Centre. The total amount sub-contracted to-date is Ugx 4,479,260,526. The subcontract agreements are attached in appendix F for reference.

The Engineer has also approved the following proposed subcontractors for permanent works; M/s Strakon Ltd, M/s Inkfolds Ventures Ltd and M/s Hua Lin Construction and Engineering Co. Ltd. The Contract Management team will monitor implementation of the local content requirement to ensure compliance. Please refer to Appendix C

Recommendation
The Contract Manager through the Engineer should verify the adequacy of the local content implemented to-date (UGX 4,479,260,526 sub-contracted to local firms) against the 30% contractual threshold for both works and design services and require the

Contractor to submit a local content compliance plan addressing any shortfall, including clear measures and timelines for achieving full compliance. The Engineer should monitor, verify, and report local content performance in the monthly progress reports, supported by evidence of subcontract awards, contract values, and participation of local firms.

2.1.6 Physical Verification



Figure 1: Various construction Equipment on site



Figure 2: Earthworks along the Project Corridor



Figure 3: Traffic control by Flagmen along active zones on site



Figure 4: Road base laid in selected road sections



Figure 5: Project Signage clearly displayed and indicates stakeholders



Figure 6: The road corridor passes through the Bugoma Forest National Park

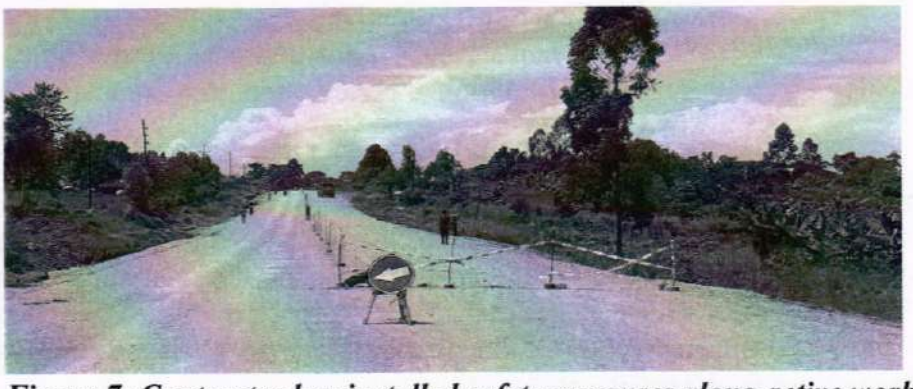


Figure 7: Contractor has installed safety measures along active work zones

2.2 CONSTRUCTION OF ACCESS ROAD TO KABALEGA INTERNATIONAL AIRPORT FROM KABAALE–KIZIRANFUMBI ROAD

2.2.1 Contract Summary

Table 5: Contract Summary

Name of Entity	Ministry of Works and Transport (MoWT)
Financing Institution	Government of Uganda
Contract Title	Construction of Access Road to Kabaale International Airport from Kabaale Kiziranfumbi Road
Name of Contractor	China Railway Seventh Group Co. Ltd. (CRSG)
Type of Contract	Works Contract (Design and Build
Contract Price	UGX 42,586,137,111 (inclusive of 18% VAT and all applicable taxes)
Contract Signature Date	30th August 2023
Contract Commencement Date	24th January 2024
Extensions	EOT Claims No. 1–8 granted (total 797 days from original 180 days)
Date for Completion	21st July 2024 (original)
Revised Completion Date	31st March 2026 (after EOT No. 8)
Contract Period	180 days (original) / 797 days (revised, approximately 26 months)
Time Progress / Overall Time Elapsed to Last Report (February 2026)	766 days – 96.1% of revised contract period (797 days)
Physical Progress	57.45% (excluding security search park) as of February 2026
Financial Progress	37.04% (UGX 15.77 billion certified of UGX 42.59 billion) as of February 2026
Supervision Consultant Name	Net Consult Plc (JV with KKATT Consult Ltd and Stadia Engineering Works Consultant Plc) – Contract completed 8th November 2025; thereafter MoWT in-house Construction Supervision Unit
Supervision Consultant Contract Details	Signed 5th January 2024; Commencement Date 10th January 2024; Original period 6 months; Completed 8th November 2025

2.2.2 Background

The Government of Uganda is implementing strategic infrastructure projects to support oil and gas development in the Albertine Graben, including the upgrading of key oil roads and the development of Kabalega International Airport in Kikuube District. One of these projects is the construction of the Access Road to Kabalega International Airport from the Kabaale–Kiziranfumbi Road.

The Ministry of Works and Transport (MoWT) entered into a contract with China Railway Seventh Group Co. Ltd (CRSG) on 30th August 2023 for the construction of the access road at a contract sum of UGX 42,586,137,111 inclusive of 18% VAT and all applicable taxes. The contract commenced on 24th January 2024 with an original completion period of 180 days, implying a completion date of 21st July 2024.

Due to implementation challenges, the contract was extended through eight (8) Extensions of Time (EOTs), resulting in a revised completion date of 31st March 2026 and a revised contract duration of 797 days. As at February 2026, 766 days (96.1%) of the revised contract period had elapsed, while physical progress stood at 57.45%. Certified payments amounted to UGX 15.77 billion, representing 37.04% of the contract sum.

The project was initially supervised by Net Consult Plc (JV with KKATT Consult Ltd and Stadia Engineering Works Consultant Plc). Following expiry of the Consultant's contract on 8th November 2025, supervision responsibilities were assumed by the MoWT in-house Construction Supervision Unit.

2.2.3 Scope of Works

The contract scope comprised of the following:

- Upgrading approximately 3.5 km of the existing gravel road to asphalt concrete standard;
- Construction of a dual carriageway with a 24-metre road reserve (including shoulders and a central median);
- Construction of drainage facilities (culverts, kerbing, drains, chutes, and linings);
- Construction of a security search park near the airport terminal;
- Installation of street lighting; and
- Landscaping and associated ancillary works (markings, guardrails, fencing, gate).

2.2.4 Level of Achievement of Value for Money During Contract Implementation (Economy, Efficiency, Effectiveness)

2.2.4.1 Economy

The project cost as awarded was within the Engineer's estimate and is being executed within the contract sum of UGX 42,586,137,111 inclusive of 18% VAT and all applicable taxes.

2.2.4.2 Efficiency

a. Significant delays in contract implementation

The project was originally expected to be completed within 180 days by 21st July 2024. However, due to persistent implementation challenges, the Contractor was granted eight Extensions of Time (EoTs), which collectively extended the contractual completion period to 797 days, with a revised completion date of 31st March 2026.

Despite this extended timeline, performance remained severely deficient. At the time of the audit (February-March 2026), the Contractor had achieved only 57.45% physical progress against 96.1% elapsed contract time (766 of 797 days). By 31st March 2026 (the full revised contract period), cumulative physical progress had only marginally

improved to 59.25%, with financial progress at just 40.13%. The Contractor has since submitted EoT Claim No. 9, seeking a further 218-day extension to 3rd November 2026.

Table 6 below shows the slippage between the original and updated finish dates from the Contractor's work programmes, highlighting widespread and substantial delays across all major areas.

Table 6: Slippage Between Original and Updated Finishes

Major Area & Subsets	Original Finish	Updated Finish	Delay
General	21.07.2024	06.09.2026	+295 days
Earthworks & Pavement Layers	31.08.2024	30.11.2025	14–18 months
Bituminous Layers & Seals	31.10.2024	30.11.2025	12–13 months
Drainage	31.10.2024	30.11.2025	8–13 months
Ancillary Works	31.07.2024	31.05.2026	19–21 months
Testing, Commissioning & Handover	21.07.2024	06.10.2026	+675 days (~27 months)

The audit further established that the Contractor failed to maintain and submit a compliant, activity-level work programme. The latest programme, dated 18th June 2025, already extended beyond the revised completion date of 31st March 2026. Although the Engineer instructed the Contractor to revise and re-submit a compliant programme, no updated submission had been received by the end of the reporting period. This lack of an updated programme undermines effective contract monitoring, risk management, and timely decision-making. The principal factors contributing to implementation delays are summarised in the table 7 below.

Table 7: Implementation Delay Causes

Category	Specific Factors
Employer Related	Delayed acquisition and handover of Right of Way (25 months vs 3 months contractual requirement); delayed settlement of certified IPCs; delayed decision-making and approvals.
Contractor Related	Slow mobilization of resources; slow execution of works; prolonged suspension of activities; weak planning and coordination and failure to maintain compliant updated work programmes.

Implication

The failure to achieve planned progress delays the realisation of project benefits, particularly airport-related infrastructure improvements and increases implementation risks.

Management Response

Following full acquisition of site access, the Contractor was requested to update the work programme and ensure it is fully resourced with adequate inputs to improve productivity and accelerate completion of the remaining works.

The revised programme is being monitored through regular progress review meetings, engagement with the Contractor and the Supervision Team, and site inspections to assess compliance with agreed milestones and to identify and implement corrective measures where necessary.

Recommendation
The Contract Manager should require the Contractor to submit a detailed and fully resourced recovery programme addressing the current schedule slippage (59.25% physical progress against 100% contract time elapsed), considering the pending EoT Claim No. 9 (seeking 218 additional days). The programme should demonstrate clear recovery measures and accelerated completion of remaining works, particularly for ancillary works and testing/commissioning which show significant delays. Progress against the programme should be closely monitored through regular review meetings and reported monthly in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv), (vi) and (g) of the PPDA (Contracts) Regulations, 2023.

b. Delayed Acquisition of Right of Way

The audit established that delays in acquisition and handover of portions of the Right of Way affected commencement and progress of project activities. The Employer granted initial access to the site on 25th January 2024 for the existing road corridor only. However, full Right of Way was only achieved in February 2026, approximately 25 months after the commencement date as shown in Table 8 below. This significantly exceeded the three-month timeline stipulated under Clause 2.1 of the Particular Conditions of Contract.

Table 8: Project Delay Cause Analysis

Milestone	Date	Details
Commencement Date	24 January 2024	Works instructed to start
Initial Site Access Granted	25 January 2024	Existing road corridor only
Contractor Notices on RoW delays	April 2024 – Juyl 2025	six notices citing pending land compensation
Full RoW Availability Achieved	10 February 2026	Final section (Km 0+000–0+200) handed over
Total Delay	25 months	Against three-month contractual requirement

Implication
Delayed access to the site affects productivity, causes disruption of planned activities, and may result in legitimate claims for Extension of Time and additional costs arising from idle resources, extended preliminaries, and prolonged project overheads.

Management Response
Full access to the project corridor was achieved on 10th February 2026 following completion of compensation activities.

Management will strengthen coordination with relevant stakeholders to ensure timely acquisition and availability of the Right of Way prior to commencement of future projects to minimise delays and associated contractual implications.

Recommendation

The Accounting Officer should strengthen coordination with relevant agencies responsible for compensation and land acquisition to ensure timely acquisition and full handover of project sites prior to commencement of future works. This will minimise delays and mitigate associated contractual implications, considering that the current project's full Right of Way was only achieved 25 months after commencement against the contractual three-month requirement.

2.2.4.3 **Effectiveness**

The project's effectiveness in delivering the intended outputs and outcomes save for delayed implementation.

2.2.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.2.5.1 **Obligations of the Entity**

a. Commencement of Works and Site Handover

The Engineer issued a Commencement Notice on 10th January 2024, instructing the Contractor to commence works on 24th January 2024. The Employer granted initial access to the site on 25th January 2024 for the existing road corridor only. However, full Right of Way was only achieved in February 2026, approximately 25 months after the commencement date, exceeding the three-month timeline stipulated under Clause 2.1 of the Particular Conditions of Contract.

Implication

The Employer's prolonged delay in providing full Right of Way constitutes a breach of Clause 2.1 of the PCC of the contract.

Management Response

Completion of compensation for some affected properties extended beyond the contractual timeline, mainly due to budgetary constraints arising from insufficient funding for compensation of Project Affected Persons (PAPs). However, full access to the project corridor has since been secured.

Pre-construction planning will be strengthened to ensure adequate budgeting and timely completion of land acquisition and compensation prior to commencement of future contracts, in order to minimise implementation delays.

Recommendation

The Accounting Officer should ensure that compensation and Right of Way acquisition are substantially completed before commencement of future contracts to minimise implementation delays.

b. Certification and Payment of Invoices, and Recovery of Advance Payment

The Special Conditions of Contract required the Engineer to certify Interim Payment Certificates (IPCs) based on verified works completed, and the Employer to pay within

agreed timeframes. No advance payment was made to the Contractor, so no recovery is required.

Table 9: Detailed IPC Certification and Payment Status

IPC No.	Amount Certified (UGX)	Submission Date	Certification Date	Payment Status
01	4,993,793,031	25 April 2024	6 May 2024	Paid
02	1,815,695,327	25 July 2024	10 Aug 2024	Paid
03	949,222,486	05 September 2024	19 Sept 2024	Paid
04	1,045,627,841	25 February 2025	20 Mar 2025	Paid
05	2,244,882,353	15 October 2025	8 Nov 2025	Paid
06	2,160,694,282	24 November 2025	11 Dec 2025	Not paid as of Feb 2026
07	893,768,988	16 December 2025	22 Dec 2025	Not paid as of Feb 2026
08	1,668,136,348	10 February 2026	Not certified by end Feb 2026	Not paid
09	1,316,639,295	March 2026	Under review by end Mar 2026	Not paid, under review
Total	17,088,459,951			

The review noted that IPCs Nos. 1–5, amounting to UGX 11.05 billion, had been certified and paid, while IPCs Nos. 6 and 7, amounting to UGX 3.05 billion, had been certified but remained unpaid as of February 2026. IPC No. 8 had not been certified by the end of February 2026, while IPC No. 9 was under review as of March 2026.

However, complete payment support documentation, including payment vouchers, bank transfer confirmations, and contractor acknowledgement receipts, was not availed for audit verification. Consequently, the audit could not independently confirm the timeliness and accuracy of payments made under the contract.

Implication

The absence of complete payment records limits transparency and auditability of contract payments and increases the risk that payment delays, inaccuracies, or irregularities may remain undetected.

Management Response

Payment vouchers will be compiled and duly filed. Supporting evidence, including URA EFRIS receipts, was shared with PPDA during the audit. The Contractor has been requested to submit acknowledgement of payment for filing on the project file.

Recommendation

The Contract Manager should ensure that all payment records, including payment vouchers, bank transfer confirmations and contractor acknowledgement receipts, are

maintained on the contract management file to facilitate accountability, transparency and verification of payments, in accordance with Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

c. Project Insurance Requirements

The Contractor has demonstrated partial compliance with the insurance obligations under Clause 18; however, overall compliance remains unsatisfactory due to unresolved review comments, delayed rectifications, and absence of valid Third-Party Insurance coverage. Despite repeated reminders by the Engineer, including letter Ref. NSK-UG-AAR-238 dated 16th June 2025 and subsequent notices, several policies remain either unvalidated or non-responsive to Engineer/Employer comments.

Table 10: Insurance Policy Status as at March 2026

Insurance Type	Latest Status (March 2026)	Validity	Observation
Contractor's All Risk (CAR) – GCC 18.2	Renewed policy submitted via Ref. CRSG/AR/2025/0394 dated 21 Nov 2025	Up to 25th September 2026	Renewal submitted; Engineer/Employer comments from earlier reviews remain unresolved
Plant & Equipment – GCC 18.2	Renewed policy submitted via Ref. CRSG/AR/2025/405 dated 6 Dec 2025	Upto 17th September 2026	Earlier submission unsatisfactory; renewed policy yet to be validated by Engineer
Third-Party Insurance – GCC 18.3	No renewed policy submitted	N/A	Mandatory third-party liability insurance remains outstanding
Personnel / Workmen's Compensation – GCC 18.4	Renewed policy submitted	Upto September 2026	Initial submission unsatisfactory and inconsistently referenced

At the time of audit (May 2026) there was no evidence that the above had been resolved by the Contractor.

Implication

The absence of valid and fully approved insurance coverage exposes the Employer to potential financial liabilities arising from accidents, damage to works and equipment, or third-party claims. Continued non-compliance with Clause 18 of the insurance obligations of the contract may also affect risk allocation under the Contract and increase exposure to uninsured losses.

Management Response

The Contractor has valid insurance policies for Contractor's All Risk, Plant and Equipment, Third-Party Liability, and Workmen's Compensation Insurance, which have now been put on the contract file. The Contractor has also been reminded of the contractual obligation to maintain valid insurance coverage throughout the contract period.

Recommendation:
The Contract Manager should verify the validity and compliance of all insurance policies held by the Contractor including the outstanding Third-Party Insurance, and confirm that all unresolved review comments have been addressed. Evidence of valid policies and premium payment should be maintained on the contract file in accordance with Clause 18 of the Conditions of Contract.

2.2.5.2 **Obligations of the Contractor**

a. Format, Delivery, Authentication and Validity of Performance and Advance Payment Guarantees

Review of the contract management file established that the Contractor submitted the required Performance Guarantee No. IG23230UG0101594 for UGX 4,258,613,711 and subsequently obtained an extension under Guarantee No. IG19087UG1000411 valid up to 28 February 2026. The Contractor also submitted an Advance Payment Guarantee No. IG23263UG0101603 for UGX 6,387,920,567 issued by Stanbic Bank.

However, there was no documented evidence on the contract management file to confirm that the Performance Guarantee, its extension, and the Advance Payment Guarantee had been independently authenticated with the issuing financial institution. Furthermore, a valid Performance Guarantee extension beyond 28th February 2026 was not available on the contract management file, making it impossible to confirm that the required security remains in force for the remainder of the contract period.

Table 11: Performance and Advance Payment Guarantee Status

Instrument	Amount (UGX)	Issuer	Guarantee No.	Issue Date	Expiration Date
Performance Guarantee	4,258,613,711	Stanbic Bank	IG23230UG 0101594	22/08/2023	28/02/2025
Performance Guarantee (Extension)	4,258,613,711	Stanbic Bank	IG19087UG 1000411	19/02/2025	28/02/2026
Advance Payment Guarantee	6,387,920,567	Stanbic Bank	IG23263UG 0101603	20/09/2023	31/03/2024

Implication
Failure to authenticate contract securities and maintain valid performance security throughout the contract period exposes the Entity to financial and legal risks in the event of contractor default, non-performance, or disputes, as the validity and enforceability of the securities cannot be readily confirmed.

Management Response
The Contractor has extended the validity of the Performance Security Guarantee up to 30th April 2027, under Guarantee No. IG26152UG0102193 issued by Stanbic Bank. The validity of the guarantee will be verified through the Bank of Uganda.

Recommendation

The Contract Manager should verify the validity of the Performance Guarantee extension (No. IG26152UG0102193) through the Bank of Uganda and ensure that evidence of such authentication is maintained on the contract management file. The Accounting Officer should ensure that all contract securities are renewed before expiry in accordance with Regulation 52(3)(a)(ii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

b. Adherence to Local Content Requirements

The audit reviewed compliance with local content obligations. The contract required a minimum local subcontracting level of 30% of the contract value. The audit established that local subcontracting amounted to approximately UGX 1.31 billion, representing only 3% of the contract value.

Table 12: Local Content Performance vs Requirement

Indicator	Requirement	Actual
Local Subcontracting	30% of contract value	3%
Local Subcontract Value	12,775,841,133	UGX 1.31 Billion

The audit further noted:

- Limited evidence of gender compliance monitoring;
- Absence of gender-disaggregated workforce records;
- Worker welfare deficiencies (inadequate sanitation facilities, inconsistent PPE provision);
- The Engineer's reports do not monitor or report on this requirement.

Implication

Failure to achieve local content targets limits participation of Ugandan firms, technology transfer, capacity building, and local economic benefits.

Management Response

Currently, 12.08% of the works have been subcontracted to local firms. The Contractor is undertaking further engagements with local subcontractors for drainage, Search Park, road marking, and signage works to achieve compliance with the minimum 30% local content requirement. The Contractor has been directed to submit updated records of local subcontracting arrangements, together with supporting evidence.

The Contract Manager will continue to closely monitor, verify, and report on local content performance throughout the project implementation to ensure progressive compliance with contractual requirements and timely achievement of the 30% compliance.

Recommendation

The Contract Manager should monitor and verify the Contractor's compliance with the local content obligations to ensure achievement of the minimum 30% local subcontracting requirement before project completion. This should include requiring the Contractor to submit periodic, verifiable reports on local subcontracting and ensuring that the Engineer regularly monitors and reports on local content performance in

accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (v) and (g) of the PPDA (Contracts) Regulations, 2023.

2.2.6 Physical Verification

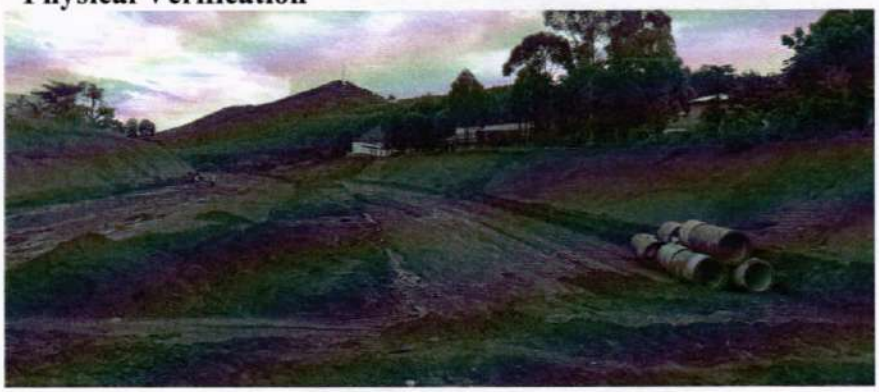


Figure 9: Earthworks in progress at chainage 0+000.



Figure 10: Paved road section



Figure 11: Drainage works in progress along the project section



Figure 12: Utility Duct under construction



Figure 13: Search Park Section

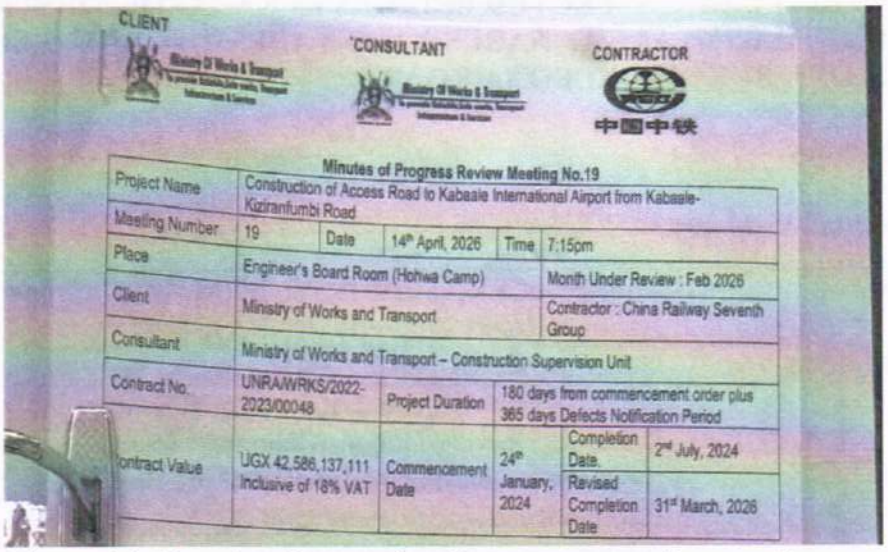


Figure 14: Road Corridor landscaping



Figure 15: Section of the airport where the contractor has not yet gained access/right

of way (ROW) to proceed with construction works.



CLIENT

CONSULTANT

CONTRACTOR

中国中铁

Minutes of Progress Review Meeting No.19

Project Name	Construction of Access Road to Kabaale International Airport from Kabaale-Kiziranfumbi Road					
Meeting Number	19	Date	14th April, 2026	Time	7:15pm	
Place	Engineer's Board Room (Hohwa Camp)				Month Under Review : Feb 2026	
Client	Ministry of Works and Transport				Contractor : China Railway Seventh Group	
Consultant	Ministry of Works and Transport – Construction Supervision Unit					
Contract No.	UNRA/WRKS/2022-2023/00048		Project Duration	180 days from commencement order plus 365 days Defects Notification Period		
ontract Value	UGX 42,586,137,111 Inclusive of 18% VAT		Commencement Date	24th January, 2024	Completion Date	2nd July, 2024
					Revised Completion Date	31st March, 2026

Figure 16: Sample minutes of project progress review meeting

2.3 DESIGN AND BUILD OF 5 SELECTED BRIDGES IN KABAROLE DISTRICT; DUNGA, MAHOMA, MPANGA, NABUSWA (NYABUSWA) AND PEREPA BRIDGES ALONG BUKUKU–RUBONA ROAD

2.3.1 Contract Summary

Table 13: Contract Summary

Name of Entity	Ministry of Works and Transport (MoWT) / Uganda National Roads Authority (UNRA)
Financing Institution	Government of Uganda (GoU)
Contract Title	Lot 1: Design and Build of 5 Selected Bridges in Kabarole District; Dunga, Mahoma, Mpanga, Nabuswa (Nyabuswa) and Perepa Bridges along Bukuku - Rubona Road
Name of Contractor	Armpass Technical Services Ltd
Type of Contract	Design and Build (Lump Sum)
Contract Price	UGX 29,633,125,830 (inclusive of VAT)
Contract Signature Date	17th May 2022
Contract Commencement Date	1st July 2022
Extensions	357 days (Extension of Time granted based on abnormal rainfall, delayed payments of IPCs 2,4,5, and additional Bwera works)
Date for Completion (Original)	1st July 2025
Revised Completion Date	26th June 2026
Contract Period (Original)	36 months (1,097 days) for Design & Build + 24 months Defects Liability Period
Time Progress / Overall Time Elapsed to Last Report (February 2026)	92.02% (of revised contract period)
Physical Progress (as at February 2026)	35.89% (overall achieved) vs 64.81% planned
Financial Progress (as at February 2026)	Certified: 61.03% (IPCs 1–13 + advance payment); Paid: 61.03% (IPCs 1–13 + advance payment)
Supervision Consultant Name	In-house supervision by Ministry of Works and Transport, Division of Bridges (under Department of National Roads)
Supervision Consultant Contract Details	N/A (Project under in-house supervision – no external consultancy contract)

2.3.2 Background

The Government of Uganda, through the Ministry of Works and Transport (MoWT), is implementing the Design and Build of five selected bridges namely Dunga, Mahoma, Mpanga, Nabuswa (Nyabuswa) and Perepa Bridges along the Bukuku–Rubona Road in Kabarole District.

The project was initiated to replace five structurally and functionally obsolete bridges with permanent double-lane bridge structures incorporating pedestrian walkways and designed for a 120-year design life. The intervention is intended to improve connectivity, enhance safety, and support socio-economic development within the region.

The Government of Uganda, represented by the Uganda National Roads Authority (UNRA), signed a Design and Build Contract with Armpass Technical Services Ltd on 17th May 2022 at a contract sum of UGX 29,633,125,830 inclusive of all taxes. The contract commenced on 1st July 2022 with an original completion period of 36 months (1,097 days) plus a 24-month Defects Liability Period.

Due to implementation challenges, an Extension of Time of 357 days was granted, resulting in a revised completion date of 26th June 2026. As at February 2026, 92.02% of the revised contract period had elapsed, while physical progress stood at 35.89% against a revised planned progress of 64.81%. Certified payments amounted to UGX 13.64 billion, representing 61.03% of the contract sum (including advance payment recovery).

The works are supervised by the Ministry of Works and Transport, Division of Bridges under the Department of National Roads (in-house supervision).

2.3.3 Scope of Works

The contract scope comprised of the following:

- Detailed engineering design for five bridge sites;
- Construction of permanent double-lane box culvert bridge structures;
- Construction of approach roads, backfilling, and river training works;
- Gabion protection works and rip rap;
- Bituminous painting and embankment protection;
- Traffic diversions and associated ancillary works; and
- Emergency additional works at Bwera Bridge (failed crossing along Kikorongo-Bwerampondwe Road).

2.3.4 Level of Achievement of Value for Money During Contract Implementation

2.3.4.1 Economy

The project is poised to deliver economy upon completion, as the contract price of UGX 29,633,125,830 (inclusive of all taxes) for the design and construction of the five bridges is below the Engineer's estimate of UGX 33,001,352,906. This indicates that the contract was awarded within the range of the approved cost estimates and is expected to achieve value for money, provided the works are completed as contracted.

2.3.4.2 Efficiency

The Contractor was originally required to complete the project by 1st July 2025. However, implementation challenges resulted in the grant of a 357-day Extension of Time, revising the completion date to 26th June 2026.

Despite the extension, the Contractor failed to achieve planned progress. As at February 2026, physical progress stood at only 35.89% against planned progress of 64.81%, resulting in a negative variance of 28.92 percentage points, while 92.02% of the revised

contract period had already elapsed. Progress at most bridge sites remained significantly behind programme, with only Bwera Bridge nearing completion.

Table 14: Actual vs Planned Progress Per Bridge

Bridge	Actual Progress	Planned Progress	Variance
Mpanga	31.87%	58.38%	-26.51%
Nyabuswa	33.16%	59.91%	-26.75%
Dunga	30.67%	58.72%	-28.05%
Mahoma	28.06%	57.48%	-29.42%
Bwera	99.80%	99.90%	-0.10%
Overall Project	35.89%	64.81%	-28.92%

The audit further established that although box culvert structures had been completed at Mpanga, Nyabuswa, Dunga and Mahoma bridge sites, substantial works including backfilling, river training, approach works and ancillary works remained outstanding. In addition, Perepa Bridge was significantly delayed, with implementation lagging approximately 559 days behind the baseline programme. The delays were attributed to both Employer and Contractor-related factors, including delayed settlement of certified Interim Payment Certificates (IPCs), inadequate contractor mobilization, slow execution of works, and weak implementation of recovery measures.

Implication

The continued slippage against both the original and revised work programmes indicates inadequate contractor mobilization and ineffective recovery measures, creating a high risk of failure to complete the project within the revised contract period. The delays may result in deferred realization of project benefits, increased supervision and contract administration costs, additional claims, and further requests for extension of time.

Management Response

The Contractor submitted a work program (vide letter Ref. No. 2026/S05541/P21-03-155/CL-148 dated 15/06/2026) that shows how it intends to make up for lost time and complete the outstanding works within the approved completion period. Works are ongoing as per the updated program (attached).

Recommendation

The Contract Manager should expedite the review and approval of the Contractor's work programme submitted on 15th June 2026 and require the Contractor to demonstrate how the current 28.92 percentage point schedule slippage will be recovered through adequate resourcing and accelerated execution of outstanding works. Progress should be closely monitored against measurable milestones and reported monthly in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv), (vi) and (g) of the PPDA (Contracts) Regulations, 2023.

2.3.4.3 **Effectiveness**

Save for the time constraint on the project, the project scope remains relevant and it's full value will be realized upon completion.

2.3.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.3.5.1 Obligations of the Entity

a. Timeliness and Accuracy of Payments

The audit established that although all certified Interim Payment Certificates (IPCs) were eventually paid, substantial delays occurred in the settlement of several certificates. The Contractor formally notified the Employer on multiple occasions regarding delayed payments and their impact on project implementation. In particular, notices were issued on 8th February 2024, 14th May 2024, and 1st October 2024 regarding outstanding certified IPCs, culminating in a notice of intention to suspend works issued on 22nd October 2025 pursuant to Sub-Clause 16.1 [Contractor's Entitlement to Suspend Works].

The review further established that IPCs 02, 05, and 06 experienced significant delays of up to 153 days. In addition, supporting payment documentation, including payment vouchers, bank transfer confirmations, and contractor acknowledgement receipts, was not availed for audit verification.

Table 15: IPC Payment Status

IPC No.	Amount Certified (UGX)	Certification Date	Payment Status
01	882,654,750.00	17/04/2023	Paid
02	1,844,103,421.80	06/10/2023	Paid (153-day delay)
03	1,319,353,344.90	18/10/2023	Paid
04	2,140,172,513.01	27/11/2023	Paid
05	1,616,857,383.96	15/01/2024	Paid (77-day delay)
06	1,082,090,512.44	20/02/2024	Paid (55-day delay)
07	547,004,350.62	14/05/2024	Paid
08	1,455,237,057.00	17/07/2024	Paid
09	652,815,594.90	16/10/2024	Paid
10	490,955,164.94	28/11/2024	Paid
11	161,623,528.53	25/03/2025	Paid
12	591,212,366.81	11/08/2025	Paid
13	854,878,809.65	07/11/2025	Paid

The delayed settlement of certified IPCs adversely affected the Contractor's cash flow and implementation capacity, contributing to slow mobilization, reduced work progress, disruption of construction activities, and eventual suspension or slowdown of works. The absence of complete payment support documentation also limited independent verification of the timeliness and accuracy of payments made under the contract.

Implication
Delayed payment of certified IPCs may result in reduced contractor productivity, work suspension, extension of time claims, increased project implementation costs, and delayed realization of project benefits. Furthermore, inadequate payment records limit transparency, accountability, and auditability of contract payments.

Management Response
The Ministry continuously engages MoFPED on adequate and timely budget releases to ensure IPCs are settled within Contract provisions.

Recommendation
The Accounting Officer should ensure timely settlement of certified IPCs in accordance with the Conditions of Contract. In addition, the Contract Manager should ensure that all payment records, including payment vouchers, bank transfer confirmations, and contractor acknowledgement receipts, are properly maintained on the contract management file for audit verification in accordance with Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

b. Justification / Validity of Change Orders, Extensions and Variations
A review of the change orders, extensions, and variations shows that the 357-day Extension of Time was supported by documented compensation events, including abnormal rainfall, delayed payments and additional Bwera works. The Contractor did not seek additional costs. The additional Bwera works were approved and implemented within the original contract sum. However, the review confirmed that delayed payments directly contributed to programme slippage and eventual suspension of works.

Implication
The 357-day Extension of Time (EoT) was granted largely due to the Employer's delayed payments of IPCs 2, 4, 5, 6, 7, and 8. The Contractor issued four progressive notices, culminating in a full work suspension on 22nd October 2025. This demonstrates that persistent payment failures directly caused schedule slippage and contract disruption, despite the EoT shielding the Contractor from delay penalties.

Management Response:
Claims are handled in a timely manner well within provisions of the Contract. Issues of payment delays and their impact on projects have been brought to the attention of the Ministry of Finance, Planning and Economic Development (MoFPED) for consideration.

Recommendation
The Engineer should ensure that all contractor claims are formally assessed, determined, and documented within the timeframes provided under the contract, with records maintained on the contract management file. The Accounting Officer should address root causes of payment delays.

2.3.5.2 **Obligations of the Contractor**

a. Format, Delivery, Authentication and Validity of Performance and Advance Payment Guarantees

Review of the contract management records established that the Contractor submitted the required Performance Security and Advance Payment Guarantee. However, there was no documented evidence on the contract management file to confirm that the Performance Securities or the Advance Payment Guarantee had been independently authenticated with the issuing bank.

The audit further established that the initial Performance Security expired on 3rd February 2025 and was only replaced on 27th March 2025, leaving the contract without valid performance security for at least 52 days. In addition, the renewed Performance Security expired on 27th February 2026 and no subsequent valid bank-backed security was available on the contract management file. Instead, the Contractor submitted a Performance Securing Declaration on 23rd March 2026, which was not provided for under the contract and therefore did not constitute a compliant replacement for the required Performance Security.

Table 16: Guarantee Status

Instrument	Amount (UGX)	Issuer	Issue Date	Expiry / Status
Performance Security (Initial)	2,963,312,583	KCB Bank	03/02/2022	Expired 03/02/2025
Performance Security (Updated)	2,963,312,583	KCB Bank	27/03/2025	Expired 27/02/2026
Advance Payment Guarantee	4,444,968,875	KCB Bank	14/03/2023	Expired 14/03/2025 (fully recovered)

Implication
Failure to authenticate contract securities and maintain valid Performance Security throughout the contract period exposes the Employer to significant financial and legal risks. The Contractor's inability to maintain valid bank-backed securities, reportedly due to cash flow constraints, may indicate financial distress and weakens the Employer's protection against contractor default, non-performance, or other contractual breaches.

Management Response
The Contractor has been informed that the Performance Securing Declaration does not meet its Contractual requirements and therefore instructed to provide a compliant Performance Security in a letter dated 19/06/2026. See attached.

Recommendation
The Contract Manager should immediately require the Contractor to provide a valid and compliant Performance Security covering the remaining contract period, noting that the Performance Securing Declaration submitted on 23rd March 2026 does not satisfy contractual requirements. All securities should be independently verified with the issuing financial institution and evidence of authentication maintained on file in accordance with Regulation 52(1)(a) and Regulation 52(3)(a)(ii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

b. Adherence to Gender, Environmental, Health and Safety Requirements

The project demonstrated several positive ESHS practices, including implementation of the ESIP, environmental reporting, provision of PPE, first aid facilities, HIV/AIDS awareness activities, traffic management measures and registration of the workplace under occupational safety requirements. However, the audit noted the following exceptions:

- NEMA approvals and wetland permits were not available on file;

- Construction permit extensions referenced in progress reports were not provided for verification;
- Gender-disaggregated workforce data was not maintained; and
- Land acquisition for approach roads remained unresolved.

Implication
Operating with potentially expired construction permits and without full NEMA documentation exposes the Employer to regulatory sanctions. Absence of gender-disaggregated data limits assessment of inclusiveness and social safeguard compliance.

Management Response
Management acknowledges the observations and takes note of the exceptions raised. The following actions are being undertaken:

1. *Outstanding NEMA approvals and wetland permits to be obtained and maintained on file throughout project implementation.*
2. *The Contractor was instructed to renew and maintain all applicable permits throughout the Construction Period.*
3. *Gender-Disaggregated Workforce Data: The current workforce stands at 35 male and 5 female workers. The Contractor will henceforth submit gender-disaggregated data in all monthly progress reports.*
4. *No Land acquisition issues have been noted on site as of to date (the Land acquisition team to be engaged once the land take issues are identified)*

The Contract Manager will ensure all ESHS requirements, permits, and documentation are maintained and complied with throughout project implementation.

Recommendation
The Contract Manager should verify and continuously monitor compliance with the Environmental, Social, Health and Safety (ESHS) requirements throughout the remaining contract period by ensuring that all statutory approvals, permits and licences are valid, renewed where applicable, and maintained on the contract file. In addition, the Contract Manager should ensure that the Contractor consistently submits gender-disaggregated workforce data and evidence of implementation of the Environmental and Social Management Plan (ESMP) in the monthly progress reports.

c. Adherence to Local Content Requirements
The Contractor is a Ugandan registered company and no significant local content issues were identified. However, workforce data was not disaggregated by gender and there was limited reporting on participation indicators.

Implication
Absence of gender-disaggregated data limits assessment of inclusiveness and compliance with social safeguard objectives under the PPDA framework.

Management Response
Management acknowledges the observation. The current site workforce comprises 35 male and 5 female workers (12.5% female participation) out of a total of 40 workers. Going forward, all periodic progress reports will include disaggregated workforce data by gender and other local content indicators in compliance with contract requirements and applicable PPDA guidelines.

Recommendation

The Contract Manager should require periodic reporting on workforce composition, gender participation, and other local content indicators in accordance with the contract and applicable PPDA guidelines on reservation schemes and local content.

2.3.6 Physical Verification



Figure 17: Mpanga Bridge



Figure 19: Dunga Bridge



Figure 20: Mahoma Bridge



Figure 21: Ongoing construction of Perepa bridge. The workers have been provided with the required PPE; however, there is a need for stronger enforcement to ensure consistent and proper usage on site.



Figure 22: The Contractor has deployed various pieces of equipment on site to support ongoing works, including trucks, excavators, and mixers.



Figure 23: Proper signage has been installed around the site to enhance safety and site organization.

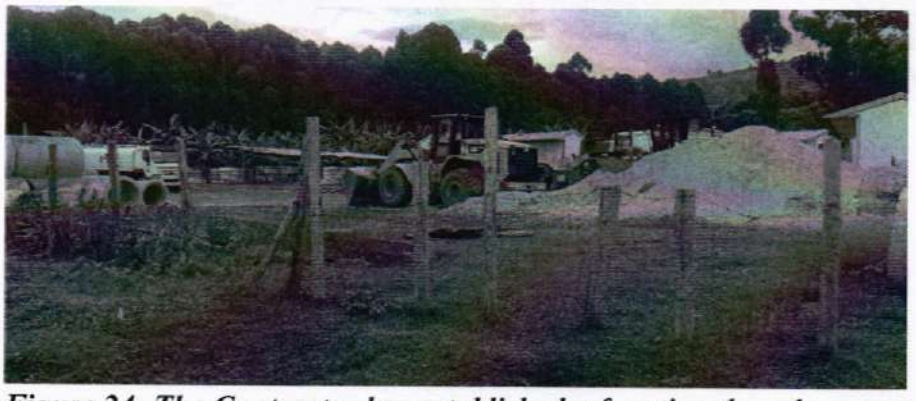
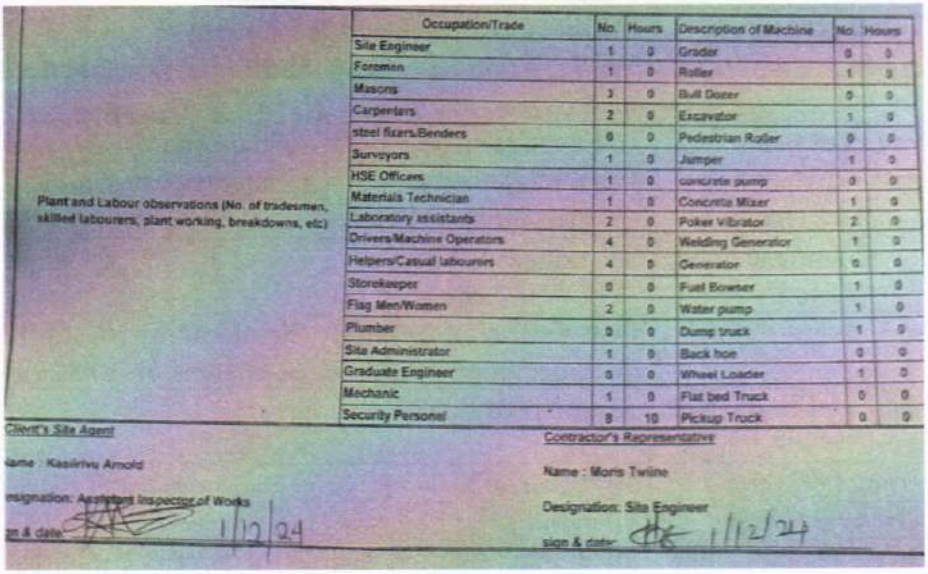


Figure 24: The Contractor has established a functional work camp to facilitate the

safe storage of equipment and materials.



Figure 25: Work Camp Layout



Plant and Labour observations (No. of tradesmen, skilled labourers, plant working, breakdowns, etc)

Occupation/Trade	No.	Hours	Description of Machine	No.	Hours
Site Engineer	1	0	Grader	0	0
Foremen	1	0	Roller	1	0
Masons	3	0	Bull Dozer	0	0
Carpenters	2	0	Excavator	1	0
steel fixers/Benders	0	0	Pedestrian Roller	0	0
Surveyors	1	0	Jumper	1	0
HSE Officers	1	0	concrete pump	0	0
Materials Technician	1	0	Concrete Mixer	1	0
Laboratory assistants	2	0	Poker Vibrator	2	0
Drivers/Machine Operators	4	0	Welding Generator	1	0
Helpers/Casual labourers	4	0	Generator	0	0
Storekeeper	0	0	Fuel Bowser	1	0
Flag Men/Women	2	0	Water pump	1	0
Plumber	0	0	Dump truck	1	0
Site Administrator	1	0	Back hoe	0	0
Graduate Engineer	0	0	Wheel Loader	1	0
Mechanic	1	0	Flat bed Truck	0	0
Security Personel	8	10	Pickup Truck	0	0

CRWE's Site Agent

ame : Kasirivu Arnold

esignation: Assistant Inspector of Works

n & date: 1/12/24

Contractor's Representative

Name : Moris Twine

Designation: Site Engineer

sign & date: 1/12/24

Figure 26: Sample Site Diary Sheet

2.4 CIVIL WORKS FOR THE PERIODIC MAINTENANCE OF KAMPALA NORTHERN BYPASS PHASE 1 (21KM)

2.4.1 Contract Summary

Table 17: Contract Summary

Name of Entity	Ministry of Works and Transport (on behalf of the Government of Uganda)
Financing Institution	Government of the Republic of Uganda
Contract Title	Civil Works for the Periodic Maintenance of Kampala Northern Bypass Phase 1 (21km)
Name of Contractor	Stirling Civil Engineering Limited
Type of Contract	Works Contract (Lump Sum / Re-measurement based on BOQ)
Contract Price (Original)	UGX 54,350,193,089 (VAT inclusive)
Contract Price (Revised)	UGX 67,906,114,458 (VAT inclusive)
Contract Signature Date	2nd December 2022
Contract Commencement Date	23rd January 2023
Extensions	One extension granted (29 months). No formal EoT documentation on file for extensions to June 2026.
Date for Completion (Original)	22nd January 2024
Revised Completion Date	30th June 2026
Contract Period (Original)	12 months
Time Progress / Overall Time Elapsed to Last Report (February 2026)	38 months elapsed against original 12 months (217% overrun). 4 months remaining to revised completion date of 30th June 2026.
Physical Progress (as at February 2026)	79.4% overall (Kampala Northern Bypass: 74%; Kireka-Namugongo Road: 86%)
Financial Progress (as at February 2026)	UGX 46,585,078,679 certified (approx. 69% of revised contract sum). UGX 14.28 billion outstanding in unpaid IPCs.
Supervision Consultant Name	Ministry of Works and Transport (formerly UNRA)
Supervision Consultant Contract Details	Inhouse

2.4.2 Background

The Government of Uganda, through the Ministry of Works and Transport (formerly the Uganda National Roads Authority), is implementing the Civil Works for the Periodic Maintenance of the Kampala Northern Bypass Phase 1 (21km).

The project involves reconstruction of damaged shoulders, an asphalt concrete overlay over the entire carriageway, drainage improvements, repair of a failed embankment (Km 14+000 – 14+273), landscaping, installation of street lighting, and road furniture. The road corridor extends from Busega Roundabout in Lubaga Division to Namboole

Roundabout in Kira Municipal Council, Wakiso District. The works also include periodic maintenance of the Kireka–Namugongo Road section.

The Government of Uganda, represented by the Uganda National Roads Authority (UNRA), contracted Stirling Civil Engineering Limited on 2nd December 2022 at an original contract sum of UGX 54,350,193,089 inclusive of VAT and all applicable taxes. The contract commenced on 23rd January 2023 and was expected to be completed within 12 months plus a 12-month Defects Liability Period.

Due to implementation challenges, the contract sum was revised to UGX 67,906,114,458, and the completion date was extended to 30 June 2026, representing an extension of approximately 29 months. As at February 2026, 38 months had elapsed against the original 12-month duration (217% overrun), while physical progress stood at 79.4%. Certified payments amounted to UGX 46.59 billion, representing approximately 69% of the revised contract sum, with UGX 14.28 billion in certified payments outstanding. The project is supervised in-house by the Ministry of Works and Transport (formerly UNRA Construction and Supervision Unit).

2.4.3 Scope of Works

The contract scope comprised of the following:

- Asphalt concrete overlay over the entire 21km carriageway;
- Reconstruction of damaged shoulders;
- Drainage cleaning, repairs, and improvements;
- Repair of failed embankment (Km 14+000 – 14+273);
- Concrete kerbing, gabions, and side drains;
- Installation of street lighting (including gantry structures and lighting poles);
- Installation of road signs, guidance signs, cantilever signs, and limit height gates;
- Installation of guardrails and road studs;
- Landscaping and associated ancillary works;
- Periodic maintenance of Kireka–Namugongo Road (8km).

2.4.4 Level of Achievement of Value for Money During Contract Implementation

2.4.4.1 Economy

The contract sum of the project was within the Engineer's estimated sum of UGX 56,349,056,544. The economy of the contract was partially undermined however by an increase in the contract sum from UGX 54.35 billion to UGX 67.91 billion, representing an increase of approximately UGX 13.56 billion (25%) above the original contract price. Review of contract records showed that UGX 8.80 billion of the increase was attributable to Variation Order No. 2, which was for initially unplanned maintenance repairs on the Kireka-Namugongo Road (8km). This was because the road had deteriorated significantly, with potholes, uneven surfaces, damaged walkways, faded road markings, and inadequate signage posing safety risks to road users. Consequently, additional works, including resurfacing, pothole patching, walkway repairs, road marking reinstatement, and installation of signage, were undertaken.

However, the basis for the remaining UGX 4.76 billion increase could not be established, as the contract management file did not contain adequate documentation/variation information to justify the additional costs.

Implication
The unexplained increase of UGX 4.76 billion limits assurance that the additional expenditure was necessary, reasonable, and achieved value for money.

Management Response
All detailed approvals and contract amendment documentation are on the contract management file. The increase of UGX 4.76 billion was as a result of a need to address critical road safety requirements identified during the meeting held on 1st August 2023 between the Executive Director, Director Road Maintenance, Director Network Planning & Engineering, and Director Procurement.

The assessment undertaken established that the original contract provided for only 14.570 km of guardrails, whereas the actual safety requirement along the Kampala Northern Bypass was 40.614 km. Consequently, an additional 26.044 km of guardrails was required to address sections with insufficient or no safety barrier coverage. The resulting increase of UGX 4.76 billion therefore directly corresponds to the additional quantities necessary to achieve the required level of road safety and ensure compliance with the project's operational and safety objectives.

Accordingly, the additional expenditure was based on a documented technical assessment, was necessary to mitigate identified safety risks, and was intended to provide adequate protection for road users along the affected sections of the Kampala Northern Bypass.

Recommendation
The Contract Manager should ensure that all contract price adjustments, variation orders and associated cost increases are supported by adequate technical justifications, detailed cost analyses, approvals, and contract amendment documentation, and that such records are maintained on the contract management file in accordance with Regulation 52(3)(a)(v), (vii), (b) and (c) of the PPDA (Contracts) Regulations, 2023.

2.4.4.2 Efficiency

The efficiency of the contract was adversely affected by significant implementation delays. The project was originally scheduled for completion within 12 months by 22 January 2024 but was extended to 30th June 2026. As at February 2026, approximately 38 months had elapsed, representing a time overrun of about 217%, while overall physical progress stood at only 83.6% against planned progress of 95.2%, resulting in a negative variance of 11.6 percentage points.

In addition, the contractor did not maintain an updated work programmes as required under Sub-Clause 8.3 of the Contract The latest revised work programme available on the contract management file was dated January 2025. Despite continued delays, substantial slippages in key activities and suspension of works in November 2025, no subsequent updated programme was submitted by the Contractor. Consequently, the Engineer and Employer lacked an updated planning and monitoring tool to assess the impact of delays, monitor recovery actions, and forecast completion of the remaining works.

The January 2025 programme update itself showed substantial delays across major work activities with averages for the sub-activities being as follows:

Table 18: Activity Time Variances

Activity	Baseline Duration	Updated Duration	Variance (Delay)	Key Drivers of Delay
Pre-Construction Activities	73 days	73 days	0 days	No major change; activities completed as planned
Construction Activities (Overall)	341 days	725+ days	+380 days	Major expansion of scope and sequencing constraints
Drainage Cleaning & Repairs	*320–330 days*	*700+ days (phased/extended)*	*+350 days*	*Extended working sections, traffic management constraints*
Shoulder Repairs & Surfacing	*300 days*	*600+ days*	*+300 days*	*Late instructions, phased execution, material logistics*
Carriageway Works (Milling, Asphalt, DBM)	*250–300 days*	*500–600 days*	*+250 days*	*Sequential lane closures, plant/resource limits*
Concrete Works (side drains, edge beams)	*200–230 days*	*350–500 days*	*+150–250 days*	*Design approvals & staged construction*
Ancillary Works (signs, guardrails, lighting)	*120–200 days*	*300–500 days*	*+200–300 days*	*Late approvals and add-on scope*
Addendum Works (New Scope)	Not in baseline	400+ days	+400 days (new)	Entirely new drainage, culverts, road markings, etc.
Total Project Duration	414 days (1.1 yrs)	800–900+ days (2.2–2.5 yrs)	+400–500 days	Scope growth, delays in approvals & execution constraints

The delays were attributed to a combination of Employer and Contractor-related factors, including delayed payment of IPCs, delayed provision of UEDCL meters for street lighting, suspension of works in November 2025, weak implementation of recovery measures, vandalism of street lighting components, adverse weather conditions, and the Contractor's failure to regularly update and submit compliant work programmes.

Implication

Failure to maintain updated work programmes weakened performance monitoring, hindered effective planning and recovery of lost time, and contributed to inefficient utilization of project resources. The continued delays increase the risk of further

contract extensions, increased supervision and contract administration costs, delayed realization of project benefits, and possible completion of the road without critical safety and ancillary infrastructure. With only a short period remaining to the revised completion date of 30th June 2026, there is a significant risk that the remaining works may not be completed on time.

Management Response
The delayed payment of IPCs adversely affected the Contractor's cash flow and consequently impacted the progress of the works.

Furthermore, the Engineer, through a letter dated 17th June 2026, requested the Contractor to submit an acceptable revised work programme in accordance with the provisions of Sub-Clause 8.3 of the Contract. This action demonstrates that the Contract Manager and the Engineer actively monitored project performance and took appropriate contractual measures to address the delays and facilitate recovery of lost time.

The Contract Manager continues to closely monitor the Contractor's performance and implementation of the revised programme to ensure that the outstanding works are completed at the earliest opportunity. Measures have been instituted to mitigate further delays and to ensure that the remaining works, including the critical safety and ancillary infrastructure, are completed in accordance with the Contract requirements.

Recommendation
The Contract Manager should expedite the review and approval of the Contractor's revised work programme (requested by the Engineer on 17th June 2026) and require the Contractor to submit regular updates demonstrating recovery actions, resource deployment, and measurable completion milestones for the remaining works. Progress should be closely monitored and reported monthly in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv), (vi) and (g) of the PPDA (Contracts) Regulations, 2023.

2.4.4.3 **Effectiveness**
Despite the delays experienced during implementation, the project scope remains relevant with both the original road sections and the Kireka–Namugongo sections being currently utilised as intended.

2.4.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.4.5.1 **Obligations of the Entity**

a. Weak Documentation of Variations and Extensions of Time
The audit established that documentation supporting variation orders and extensions of time was not available on file:

Table 19: Variation Orders and Extensions of Time

Item	Description	Amount (UGX)	Status
Variation Order	No information on file	Not indicated	Unknown

Item	Description	Amount (UGX)	Status
No. 1			
Variation Order No. 2	Maintenance repairs of Kireka–Namugongo Road (8km)	8,800,693,330	Approval not evidenced (requested 17th Jan 2024)
EOTs Nos. 1 & 2	No documentation on file	N/A	Unknown
EOT No. 3	Contractor requested 183 days; Engineer recommended 137 days (November 2025)	N/A	Employer approval not evidenced
Extension to June 2026	No supporting EoT documentation on file	N/A	Unknown

Implication
The contractual basis for changes to scope, contract value, and completion dates could not be fully verified. Variation Order 1 was not on File and there was inadequate information on Variation Order No. 2 (UGX 8.8 billion) save for the Request dated 17th January 2024.

Management Response
Variation order 1 and 2 and all Extensions of Time (EOT) were approved by the accounting officer. Copies are hereby attached.

Recommendation
The Contract Manager should ensure that all variation orders, contract amendments, extensions of time, claims and related approvals are adequately documented, approved by the appropriate authority, and maintained on the contract management file in accordance with Regulation 52(3)(b), (c) and (vii), Regulation 53, and Regulation 54 of the PPDA (Contracts) Regulations, 2023.

b. Certification of Invoices, and Recovery of Advance Payment

The Contractor submitted thirteen IPCs with total certified payments of UGX 46.59 billion. The advance payment of UGX 6.28 billion was fully recovered through the agreed recovery mechanism. However, certification durations for some IPCs were lengthy, while IPCs Nos. 9 and 13 were not available on file.

Table 18: IPC Submission and Certification Status

IPC No.	Submission Date	Amount Certified (UGX)	Certification Date	Certification Duration (days)
Advance	14-Dec-22	6,280,838,955	Not indicated	-
1	14-Jun-23	1,530,311,893	14/06/2023	0
2	1-Jul-23	1,859,133,371	20/09/2023	81
3	8-Aug-23	3,210,084,286	4/10/2023	57
4	4-Oct-23	2,371,957,649	23/01/2024	111
5	11-Nov-23	2,092,707,332	23/01/2024	73

IPC No.	Submission Date	Amount Certified (UGX)	Certification Date	Certification Duration (days)
6	9-Jan-24	3,151,931,623	20/02/2024	42
7	12-Mar-24	2,413,536,161	24/04/24	43
8	14-Apr-24	1,374,005,416	29/04/2024	15
9	9-Jul-24	705,657,519	Not indicated	-
10	28-Oct-24	6,239,669,872	24/02/2025	119
11	25-Aug-25	10,428,235,150	04/12/2025	101
12	28-Oct-25	4,927,009,452	04/12/2025	37
13	28-Feb-26	535,685,236	Not indicated	-
Total		**46,585,078,679**		**Average: 62 days**

The maintenance of IPC documentation, Engineer's review comments, and evidence of full recovery of the Advance Payment demonstrates substantial compliance with contract administration requirements.

Implication

he absence of IPCs Nos. 9 and 13 on the contract file limits completeness of records. The prolonged certification durations for some IPCs (119 days for IPC 10, 101 days for IPC 11) may have affected timely processing of payments.

Management Response

All Interim Payment Certificates, supporting reviews, certification records and advance payment recovery documentation are duly maintained in the contract management file, and that certification timelines are actively monitored to avoid unnecessary delays, in accordance with the Contract Specifications.

Recommendation

The Contract Manager should ensure that all Interim Payment Certificates, supporting reviews, certification records and advance payment recovery documentation are maintained on the contract management file and that certification timelines are monitored to avoid unnecessary delays, in accordance with Regulation 52(2), Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

c. Timeliness and Accuracy of Payments

Substantial delays occurred in payment of certified IPCs, resulting in outstanding certified payments of approximately UGX 14.28 billion as at February 2026. The Contractor subsequently suspended works citing delayed payments.

Table 19: IPC Payment Status

IPC No.	Certificate Date	Amount Certified (UGX)	Payment Date	Delay (Days)	Outstanding (UGX)
Advance	14-Dec-22	6,280,838,955	15-Mar-23	61	0
1	14-Jun-23	1,530,311,893	31-Oct-23	83	0
2	1-Jul-23	1,859,133,371	31-Oct-23	66	0
3	8-Aug-23	3,210,084,286	31-Oct-23	28	0
4	4-Oct-23	2,371,957,649	20-Jun-24	204	0

IPC No.	Certificate Date	Amount Certified (UGX)	Payment Date	Delay (Days)	Outstanding (UGX)
5	11-Nov-23	2,092,707,332	27-May-24	142	0
6	9-Jan-24	3,151,931,623	20-Jun-24	107	0
7	12-Mar-24	2,413,536,161	20-Nov-24	197	0
8	14-Apr-24	1,374,005,416	21-Nov-25	530	0
9	9-Jul-24	705,657,519	Unpaid as at Feb 2026	543+	705,657,519
10	28-Oct-24	6,239,669,872	Partial: 4-Apr-25; 16-May-25	102/144	0
11	10-Feb-25	10,428,235,150	Partial: 12-Jan-26; 20-Jan-26	280/288	2,790,000,000+
12	28-Oct-25	4,927,009,452	Unpaid as at Feb 2026	67+	4,927,009,452
13	28-Feb-26	535,685,236	Unpaid as at Feb 2026	Not yet due	535,685,236

Significant delays in Employer payments are evident, with IPC No. 8 delayed by 530 days, IPC No. 9 delayed by over 543 days and still unpaid, and IPC No. 11 delayed by 280 days.

Implication
The Contractor formally suspended works due to these delays, directly impacting project progress.

Management Response
The Accounting Officer has ensured that there is timely settlement of certified Interim Payment Certificates in accordance with the Conditions of Contract. In addition, the Contract Manager is maintaining complete payment records, including payment vouchers, bank transfer confirmations and reconciliation records, in accordance with the contract specifications.

Recommendation
The Accounting Officer should ensure timely settlement of certified Interim Payment Certificates in accordance with the Conditions of Contract. In addition, the Contract Manager should maintain complete payment records, including payment vouchers, bank transfer confirmations and reconciliation records, in accordance with Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

d. Project Insurance Requirements
As detailed in Section 4.1.1, the Contractor obtained a Contractor's All Risks Insurance Policy (No. 58/23) from MUA Insurance (Uganda) Ltd covering **23 January 2023 to 22 July 2024**. The policy covered:

Table 20: Project Insurance Status

Coverage	Sum Insured (UGX)
Contract Works	54,350,193,089

Coverage	Sum Insured (UGX)
Contractor's Plant & Equipment	2,000,000,000
Third-Party Liability	450,000,000

However, insurance records covering the extended contract period were not available on the contract management file, limiting assurance that adequate insurance cover remained in force throughout implementation.

Implication
The Employer may be exposed to financial liabilities arising from accidents, injuries, or third-party claims where insurance coverage cannot be demonstrated.

Management Response
The Engineer formally wrote to the Contractor requesting renewal of the Contractor's All Risks Insurance Policy (No. 58/23) from MUA Insurance (Uganda) to ensure full coverage for the contract period in accordance with the contract specifications. The Contractor acknowledged this requirement and committed to renew all relevant insurance policies by 30th June 2026, and this process is being actively monitored to ensure compliance. (See attachment)

Recommendation
The Contract Manager should ensure that all required insurance policies are renewed before expiry, remain valid throughout the contract period, including any extensions, and that evidence of valid insurance coverage is maintained on the contract management file. Where the Contractor fails to maintain the required insurance, appropriate contractual action should be taken in accordance with the Conditions of Contract and Regulation 52(1)(a) and Regulation 52(3)(a)(ii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

2.4.5.2 Obligations of the Contractor
No key exceptions noted.

2.4.6 Physical Verification



Figure 27: Guardrail installation is currently in progress on site.



Figure 28: Road marking has been completed along the sections under maintenance.



Figure 29: Continued damage to recently replaced guardrails has been reported.

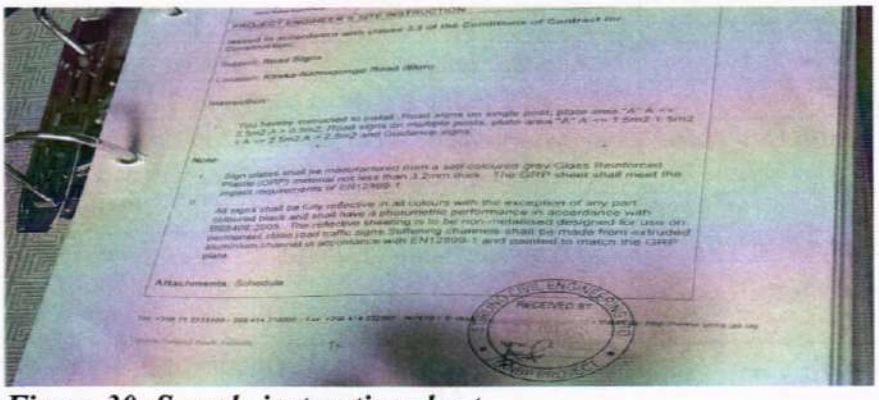


Figure 30: Sample instruction sheet

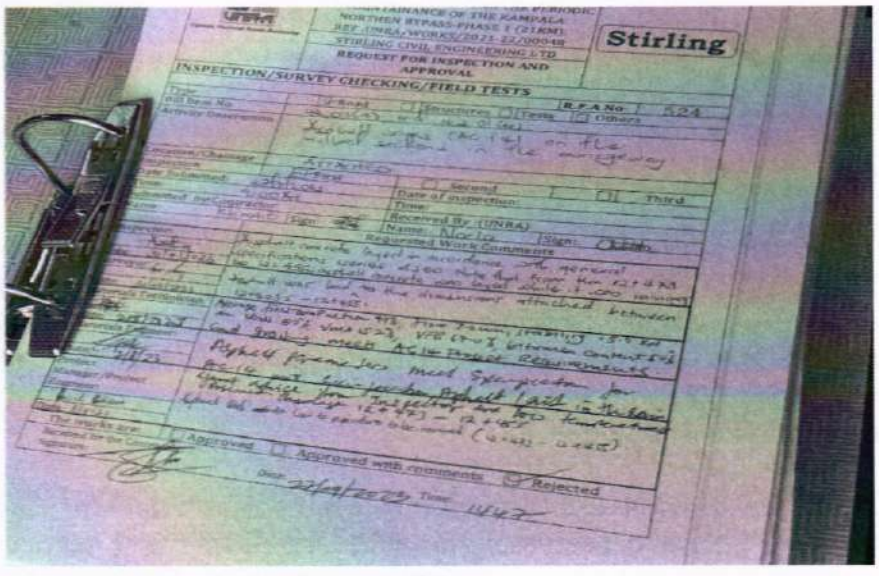


Figure 31: Sample Inspection Sheet

2.5 CIVIL WORKS FOR THE UPGRADING OF KYENJOJO (KIHURA) – BWIZI – RWAMWANJA – KAHUNGE (68 KM) / MPARA – BWIZI ROAD (38 KM) INCLUDING THE CONSTRUCTION OF 20 KM OF TOWN ROADS TO PAVED (BITUMINOUS) STANDARDS

2.5.1 Contract Summary

Table 21: Contract Summary

Name of Entity	Government of the Republic of Uganda – Ministry of Works and Transport (MoWT)
Financing Institution	Islamic Development Bank (IsDB)
Contract Title	Consultancy Services for the Design Review and Construction Supervision of Kihura - Kahunge and Mpara - Bwizi Road Upgrading Project (105km)
Name of Contractor	Arab Contractors (Osman Ahmed Osman & CO.)
Type of Contract	Admeasure (Re-measurement)
Contract Price	UGX 463,798,895,154 (Incl. 18% VAT)
Contract Signature Date	18th December 2024
Contract Commencement Date	22nd September 2025
Extensions	None awarded as of February 2026
Date for Completion	22nd September 2028
Revised Completion Date	Not established – revised work programme under review as of February 2026
Contract Period	36 months (1,095 days)
Time Progress / Overall Time Elapsed to Last Report (February 2026)	159 days elapsed – 14.5%
Physical Progress	Cumulative actual: 2.13% (planned: 5.64%, variance: -3.51%)
Financial Progress	Certified to date: UGX 20,271,520,395 – 4.37% of contract value
Supervision Consultant Name	ACE Consulting Engineers in Joint Venture with KKATT Consult Ltd
Supervision Consultant Contract Details	USD 1,309,500 and UGX 4,860,089,430 (signed 10 April 2025)

2.5.2 Background

The Government of Uganda through the Ministry of Works and Transport (MoWT), with financing from the Islamic Development Bank (IsDB), is implementing the upgrading of the Kyenjojo (Kihura) – Bwizi – Rwamwanja – Kahunge Road (68 km) and the Mpara – Bwizi Road (38 km), including the construction of 20 km of town roads to paved (bituminous) standards.

The roads traverse the districts of Kyenjojo, Kyegegwa and Kamwenge and are intended to improve regional connectivity, facilitate access to social services and markets, reduce travel time and vehicle operating costs, and contribute to socio-economic development in the project area.

The Government of Uganda awarded the civil works contract to Arab Contractors (Osman Ahmed Osman & Co.) on 18th December 2024 at a contract sum of UGX 463,798,895,154 inclusive of taxes. The contract commenced on 22nd September 2025 and is expected to be completed within 36 months.

Construction supervision is being undertaken by ACE Consulting Engineers in Joint Venture with KKATT Consult Ltd under a consultancy contract signed on 10th April 2025.

2.5.3 Scope of Work

The scope of works comprises upgrading approximately 106 km of roads to Class II bituminous standard, construction of 20 km of town roads, upgrading selected urban sections to dual carriageway standards, construction of a 30-metre bridge across River Mpanga, culverts, drainage infrastructure, swamp crossing treatments, road safety facilities, solar street lighting, utility ducts, and associated ancillary works. The Contractor is also required to undertake selected social infrastructure projects, including markets, water facilities, classroom and sanitation blocks, school fencing, and a mini-cold milk storage facility, together with implementation of environmental, social, health and safety safeguards.

2.5.4 Level of Achievement of Value for Money During Contract Implementation

2.5.4.1 Economy

The contract was awarded within the Engineer's estimate and, at the time of audit, implementation remained within the approved contract sum of UGX 463,798,895,154, which includes provisional sums, a 10% works contingency, a 10% price contingency, and VAT. No contract amendments or cost variations had been processed as at the date of audit. Accordingly, the project was assessed as being on course to achieve economy, subject to effective management of implementation risks and avoidance of future cost escalations.

2.5.4.2 Efficiency

Project implementation was progressing behind planned targets during the review period as shown below:

Table 22: Project Actual vs Planned Progress

Month	Planned Progress (%)	Actual Progress (%)	Variance (%)
October 2025	0.46	0.13	(0.33)
November 2025	1.03	0.05	(0.98)
December 2025	1.36	0.70	(0.66)
January 2026	1.74	0.35	(1.39)
February 2026	1.05	0.90	(0.15)
Cumulative	**5.64**	**2.13**	**(3.51)**

As at February 2026, approximately 14.5% of the contract period had elapsed, while physical progress stood at only 2.13% against planned progress of 5.64%, representing a performance lag of 3.51 percentage points. The slow progress was mainly attributed to delayed site possession, unresolved encumbrances within the right-of-way, delayed

approval of work fronts, and the resulting disruptions to the Contractor's planned sequence of works.

Implication
Continued underperformance against planned targets may result in implementation delays, inefficient utilisation of resources, and increased risk of future cost overruns, extension of time claims, and delayed realisation of project benefits.

Management Response
The Contract Manager is closely monitoring contract implementation and the Contractor has deployed more personnel and equipment to improve progress. The progress lag has been majorly due to heavy rains in the previous months and incumbrances on available sections of the project road.

The Contractor has engaged several sub-contractors to improve progress as the government acquires more land and removes encumbrances on the available sections of the project. Also, the Engineer has granted the Contractor permission to work beyond normal working hours so as to improve on progress which now stands at cumulative physical progress is 6.75% against planned 8.14% (see attached updated project brief).

Recommendation
The Contract Manager should continue to closely monitor contract implementation and ensure that the Contractor sustains the improved progress (currently 6.75% against 8.14% planned) through adequate deployment of personnel, equipment, and resources. Progress should be reviewed against agreed milestones and corrective measures implemented promptly where slippages occur, in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv), (vi) and (g) of the PPDA (Contracts) Regulations, 2023.

2.5.4.3 **Effectiveness**
The project is envisaged to meet the planned scope of work as contracted once completed.

2.5.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.5.5.1 **Obligations of Provider(s)**

a. Delayed Work Programme Approval
Section 1204 of the Technical Specifications and Clause 8 of the Contract require the Contractor to prepare, maintain, and update an approved work programme to facilitate planning, monitoring, and management of implementation.

The review established that although the Contractor submitted a baseline programme on 27th October 2025 and revised programmes on 16th February 2026 and 25th March 2026, no final approved programme had been issued by the Engineer as at the time of audit. The delays in approval were largely attributed to the phased handover of sites and the need to continuously revise the sequencing of activities as additional sections became available for construction.

Implication
The absence of an approved work programme limits effective monitoring of progress, resource planning, delay analysis, performance assessment, and implementation of recovery measures.

Management Response
The Engineer approved the Contractor's Baseline work program on 26th March 2026 (see attached the approval letter and the Baseline work program).

Furthermore, we note that whereas the Engineer had previously raised comments on the baseline program, these program of works had been provisionally approved awaiting provision of land to the Contractor in accordance with the Contract.

Recommendation
The Contract Manager should ensure that all subsequent revisions to the work programme are reviewed and approved within the timelines stipulated in the contract, and that implementation is monitored against the approved baseline programme in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv) and (g) of the PPDA (Contracts) Regulations, 2023.

2.5.5.2 **Obligations of Contracting Authority**

a. Commencement of Works and Site Handover
The Employer issued the Commencement Notice on 18th September 2025, establishing 22nd September 2025 as the commencement date. However, only 8.6 km of the road corridor and the bridge section were handed over at commencement, representing approximately 8.5% of the total project length.

The contractual priority section representing 30% of the project length was only handed over on 31st December 2025, approximately three months after commencement. Furthermore, additional swamp sections measuring approximately 1,575 metres were only handed over on 29th April 2026. Several sections also remained affected by structures, utilities, graves, and other right-of-way encumbrances.

Implication
Delayed and partial site handovers disrupted the Contractor's planned sequence of works, affected mobilisation and productivity, and may expose the Employer to legitimate Extension of Time claims and associated cost implications.

Management Response

The Accounting Officer is closely working with the responsible government offices such as the Office of the CGV and the local authorities in Kyenjojo, Kamwenge and Kyegegwa DLG to remove all incumbrances on the available sections of the project roads and avail more sections of the project roads.

Following release of the Supplementary Budget by MOFPED, the Ministry is currently preparing payments for additional site from Km. 31+500 to Km. 67+000 (Kihura – Kahunge link) and from Km. 0+000 to Km. 20+000 on the Mpara – Bwizi section.

Recommendation
The Accounting Officer should expedite resolution of outstanding right-of-way encumbrances and ensure timely provision of unencumbered access to all project sites, particularly the Mpara–Bwizi section and Kihura–Kahunge link, to minimise implementation disruptions and avoid potential claims, in accordance with Section 44 of the PPDA Act, Cap. 205 and Regulation 52(1)(a) and 52(3)(a)(v) of the PPDA (Contracts) Regulations, 2023.

b. Adherence to Local Content Requirements

The contract requires the Contractor to comply with local content obligations, including subcontracting at least 30% of the value of the works to local firms, employing qualified Ugandans where available in accordance with GCC Sub-Clause 6.13, and undertaking skills transfer and capacity-building initiatives.

However, the audit did not find evidence of a Local Content Compliance Plan, approved subcontracting arrangements, or any documented strategy demonstrating how the Contractor intended to achieve the contractual requirement to subcontract at least 30% of the works to local firms.

Implication
Failure to demonstrate a clear and measurable approach to achieving local content obligations may result in non-compliance with contractual requirements and undermine the project's contribution to local economic development, employment creation, skills transfer, and growth of indigenous contractors.

Management Response

The project is fully financed by a loan from the Islamic Development Bank and the procurement arrangements for the project followed the ISDB procurement guidelines as stipulated in the signed Financing Agreement and the Project Appraisal Document. The local content reservation scheme to sub-contract 30% of the works to local firms is not applicable to the project as stated by the auditors above.

Nevertheless, the Contractor is implementing loal content through engagement of local contractors in execution of permanent works as well as relocation of utilities. Some of the engaged local companies include C&B United Engineers undertaking earthworks, Volcom Technical Services, Terzaghi's soils and materials laboratory Ltd, Habicho Technical services, Thaji Logistics, JSG onstruction Company Ltd and Geotropic Consultants among others. Employment of personnel from the neighboring communities has been implemented as well.

Recommendation
The Contract Manager should ensure that the Contractor documents and periodically reports on the local content initiatives implemented under the project, including engagement of local contractors, employment of Ugandans, and skills transfer activities, and maintain supporting records on the contract management file to facilitate monitoring and demonstrate compliance with the applicable contractual and financing

requirements. Supporting documentation should be maintained on the contract management file and compliance monitored throughout implementation in accordance with Regulation 52(1)(b), Regulation 52(3)(a)(i), (v) and (g) of the PPDA (Contracts) Regulations, 2023.

2.5.6 Physical Verification

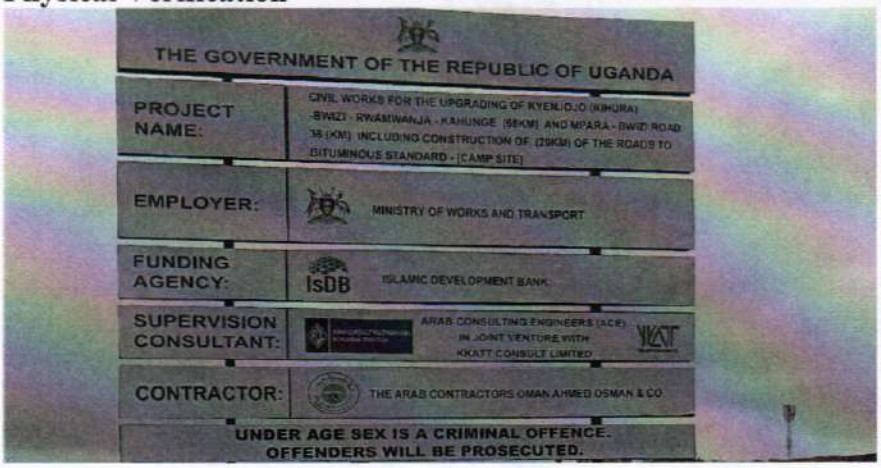


Figure 32: Project signage is clearly displayed, indicating the various project stakeholders



Figure 33: Earthworks are currently in progress on site



Figure 34: Safety barricades have been installed at hazardous sections of the site



Figure 35: Culvert installation along the corridor is currently underway



Figure 36: Quality control measures observed on site

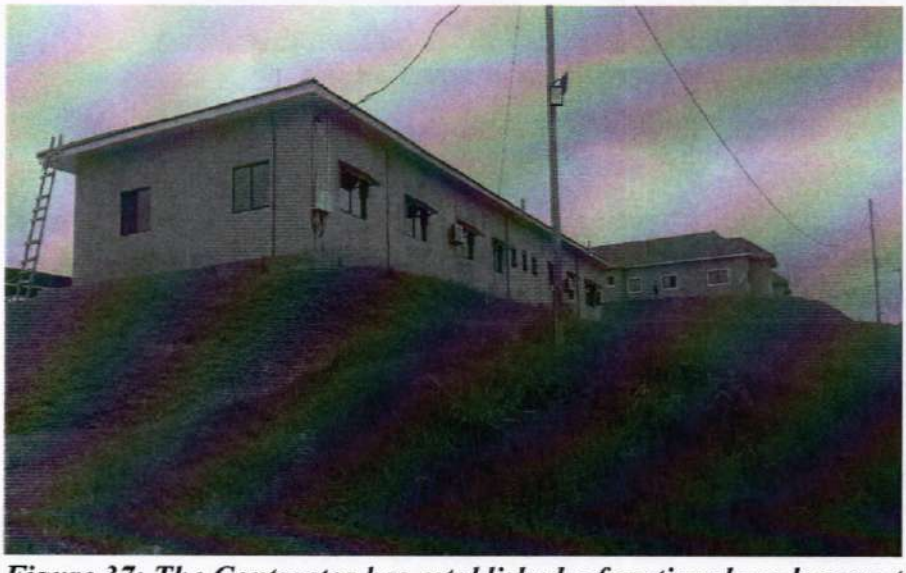


Figure 37: The Contractor has established a functional work camp to facilitate the safe storage of equipment and materials

2.6 EMERGENCY RECONSTRUCTION OF SSEZIBWA BRIDGE (1.6 KM) ALONG KALAGI – KAYUNGA ROAD UNDER DESIGN AND BUILD

2.6.1 Contract Summary

Table 23: Contract Summary

Name of Entity	Government of Uganda represented by the Ministry of Works and Transport (MoWT)
Financing Institution	Government of Uganda
Contract Title	Emergency Reconstruction of Ssezibwa Bridge (1.6Km) along Kalagi – Kayunga Road under Design and Build
Name of Contractor	Dynaco Limited
Type of Contract	Design and Build (Lump Sum)
Contract Price	UGX 54,051,617,179.99 (inclusive of 3% Employer's Contingency, 2.5% discount on civil works, and 18% VAT)
Contract Signature Date	3rd May 2024
Contract Commencement Date	20th June 2024
Extensions	117 calendar days (3.85 months) – granted 18 December 2025
Date for Completion (Original)	20th December 2025
Revised Completion Date	16th April 2026
Contract Period (Original)	18 months (6 months design + 12 months construction) + 12 months Defects Notification Period
Time Progress / Overall Time Elapsed to Last Report (February 2026)	92.93% of revised time for completion (618 days of 665 total days)
Physical Progress (as at February 2026)	55.15%
Financial Progress (as at February 2026)	52.63%
Supervision Consultant Name	Professional Engineering Consultants Ltd (PEC)
Supervision Consultant Contract Details	Contract Price: UGX 4,138,975,753 (inclusive of 18% VAT) Contract Signature: 17th May 2024 Commencement Date: 10th June 2024

2.6.2 Background

The Kampala-Gayaza-Kayunga Road is a major national transport corridor linking Kampala to eastern Uganda. The road crosses River Ssezibwa, which has in recent years experienced severe flooding arising from prolonged and intense rainfall events. These flooding events have repeatedly damaged the Kalagi–Kayunga Road and exposed the inadequacy of the existing bridge structure.

The existing 43-metre steel truss bridge had deteriorated significantly due to corrosion of steel members and deterioration of the concrete deck. In addition, the hydraulic capacity of the crossing was insufficient to accommodate increasing flood flows, resulting in frequent overtopping and disruption of traffic.

To address these challenges, the Government of Uganda through the Ministry of Works and Transport awarded a Design and Build Contract to Dynaco Limited on 3rd May 2024 for the emergency reconstruction of Ssezibwa Bridge and associated road works. The project is being supervised by Professional Engineering Consultants Ltd (PEC).

2.6.3 Project Scope

The project scope of work includes the following:

- Demolition: Remove old bridge (salvage steel to UNRA) and existing pipe culverts.
- Road Geometry: 7.0 m carriageway + 2.0 m shoulders; profile above flood line. Bridge: two 3.5 m lanes + 2.0 m shoulders + 1.5 m raised walkway.
- Embankment: Raise and protect (stone pitching, concrete, geogrids, rock-fill); swamp treatment.
- Cross Drainage: Freeboard: bridges 1.5 m, box culverts 0.5 m; outflow velocity <2.0 m/s. Minimum structures: 60×7 m bridge; nine 3×3 m & two 3×2 m box culverts (no pipe culverts).
- River Training: 10 m upstream/downstream channels (width matching structure); toe drain (min. 2.0 m wide) for low flow.
- Bridge: Reinforced concrete (deck, girders, raised walkways, safety rails, pier columns with deep pile foundations & scour protection). Design: BS 5400–2006 (45-unit HB) or Eurocode (SV100); 120-year life. Concrete: substructures 30 MPa, superstructures 40 MPa (precast girders/deck slab min. 40 MPa, blinding 20 MPa). UNRA marker posts; bridge engravings.
- Pavement: Asphalt Concrete preferred.
- Side Drainage: Openings at edges; ducts for high-fill (>3.0 m).
- Road Safety: Landscaping, bus bays, breakdown parking, signage, handrails/guide rails.
- Erosion Protection: Gabion walls + stone pitching near bridge/culverts; rock riprap mattress; scour protection at abutments and piers.

2.6.4 Level of Achievement of Value for Money during Contract Implementation

2.6.4.1 Economy

The contract sum remains consistent with the Engineer's estimate and has not been amended since contract award. Consequently, the project is expected to achieve economy. However, prolonged implementation delays may increase supervision and contract administration costs and potentially affect overall value for money if not adequately managed.

2.6.4.2 Efficiency

Although the Contractor submitted the required work programmes, implementation experienced substantial delays across most critical activities.

Analysis of the baseline and latest work programme indicated an overall slippage of approximately 411 days, affecting key activities including design, bridge construction, approach road works, drainage works, and ancillary works.

Table 24: Project Work Plan Analysis

S/N	Activity	Baseline Finish	Current WP Finish	Variance (Days)
0	COMMENCEMENT			
1	DESIGN	20/10/2024	28/09/2025	343
2	CONSTRUCTION	19/12/2025	02/02/2027	410
2.1	Pre-Construction Activities	28/04/2025	20/03/2025	-39
2.1.1	QHSSSE Obligations	19/12/2025	26/01/2027	403
2.1.2	Bridge Construction	30/08/2025	20/07/2026	324
2.1.2.1	*Reinforced Concrete Piling*	*18/12/2024*	*03/09/2025*	259
2.1.2.2	*Bridge Sub Structure*	*21/05/2025*	*16/11/2025*	179
2.1.2.3	*Bridge Super Structure*	*30/08/2025*	*20/07/2026*	324
2.1.3	Box Culvert Construction	04/11/2025	23/11/2025	19
2.1.4	Approach Road Construction	27/11/2025	17/12/2026	385
2.1.4.1	*Setting Out, Site Clearance & Swamp Treatment*	*18/12/2024*	*28/08/2026*	618
2.1.4.2	*Pavement Layers in Gravel and Crushed Stone*	*18/11/2025*	*23/11/2026*	370
2.1.4.3	*Asphalt Concrete Wearing Course*	*27/11/2025*	*17/12/2026*	385
2.1.5	Drainage & Ancillary Works	18/12/2025	02/02/2027	411
3	FINAL INSPECTION & APPROVAL OF PROJECT WORKS	19/12/2025	03/02/2027	411

By the original completion date of 31st December 2025, physical progress stood at only 48.75% against 100% elapsed contract time. Furthermore, as at February 2026, approximately 92.93% of the revised contract period had elapsed, while physical and financial progress stood at only 55.15% and 52.63% respectively.

The delays were attributed to a combination of factors, including delayed design approvals, delayed relocation of utilities, poor ground conditions requiring prolonged consolidation periods, and slow implementation of certain construction activities. Although the Engineer granted a 117-day Extension of Time (EOT) arising from delayed design approvals, the project remained significantly behind schedule and at risk of failing to achieve completion within the revised timeframe.

Implication
The continued implementation delays may postpone realization of project benefits, increase supervision and contract administration costs, expose the Employer to additional extension of time and prolongation claims, and increase the risk of further time overruns.

Management Response
Management notes the observation. The recorded slippage is acknowledged but is largely attributable to factors constituting excusable delay under the Conditions of Contract rather than a deficiency in contract management, principally the timing of design approvals for the road works, the poor swamp ground conditions requiring prolonged consolidation, and prolonged seasonal rainfall. The existing utilities were cleared at commencement and did not obstruct the works; and in any event, any such utility-related delay would itself be excusable under the Conditions of Contract.

Accordingly, the Engineer granted a 117-day Extension of Time, and the Employer has since approved a further no-cost Extension of Time, establishing a revised completion date of 16th January 2027. The time position has therefore been formally regularised and is being managed against the revised programme.

These measures are yielding results. As at 31st May 2026, the main bridge structure and all four relief box culverts had been completed, physical progress stood at 67.1% against a planned 74%, and time utilisation was 74.1%, the critical remaining works being the swamp approach roads now in progress. The Contractor has been required to implement a revised, resource-loaded programme with intensified monthly monitoring, and management will continue to invoke the available contractual remedies should performance not improve.

Recommendation
The Contract Manager should continue to closely monitor implementation of the Contractor's revised resource-loaded programme and ensure that the remaining critical works (particularly swamp approach roads) are completed within the revised timeframe of 16th January 2027. Progress should be reviewed monthly against measurable milestones and corrective measures enforced where slippages occur, in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv), (vi) and (g) of the PPDA (Contracts) Regulations, 2023.

2.6.4.3 Effectiveness

The project remains aligned with its intended scope and objectives. Once completed, the reconstructed bridge and associated road works are expected to improve flood resilience, restore reliable connectivity along the corridor, and enhance the safety and efficiency of transportation within the project area.

2.6.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.6.5.1 Obligations of the Provider

No exceptions were noted.

2.6.5.2 **Obligations of the Entity**

a. Commencement of Works and Site Handover

The Commencement Order was issued on 13th June 2024, establishing 20th June 2024 as the commencement date. However, critical utility relocations, including power and telecommunications infrastructure, were not completed until February 2025, approximately eight months after commencement.

The Contractor subsequently issued delay notices attributing disruption to the delayed relocation of utilities, which formed part of the basis for the Engineer's grant of a 117-day Extension of Time.

Implication

Delayed clearance of utilities prevented access to critical work fronts, disrupted planned construction activities, contributed to implementation delays, and may expose the Employer to additional time and cost claims.

Management Response

Management notes the observation. The Commencement Order was duly issued and the site handed over on the established commencement date, with the Contractor enjoying access to the work fronts throughout.

The existing utilities were removed and cleared at commencement and did not obstruct the works. The few utilities yet to be relocated, such as cameras, do not interfere with the works, and their owners have committed to relocate them, which is in any event best done to match the new road levels and alignment for their own purposes; what otherwise remains is reconnection of the affected services after completion. Contrary to the implication, utility matters did not prevent access to work fronts, as evidenced by the completion of the main bridge structure and all relief box culverts.

In any event, and without prejudice to the foregoing, the relocation of utilities rests with the statutory providers and falls within the Employer's risk under the Conditions of Contract; any delay on that account would constitute an excusable (and where applicable compensable) delay event entitling the Contractor to an appropriately assessed Extension of Time, rather than evidencing any failure by the Employer or the Contract Manager.

For future projects, utility, encumbrance and right-of-way matters will, so far as practicable, be addressed prior to commencement, and a documented handover strategy prepared where phased possession is unavoidable, consistent with Section 44 of the PPDA Act, Cap. 205.

Recommendation

The Accounting Officer should ensure that future projects commence only after critical utilities, encumbrances, and right-of-way constraints have been adequately addressed. Where phased site possession is unavoidable, a documented handover strategy should be developed and monitored to minimise implementation disruptions, in accordance with Section 44 of the PPDA Act, Cap. 205 and Regulation 52(1)(a), Regulation 52(3)(a)(iii) and (v) of the PPDA (Contracts) Regulations, 2023.

b. Inspection and Approval of Outputs

The Employer appointed Professional Engineering Consultants Ltd (PEC) as the Engineer on 5th June 2024. While the Engineer actively supervised implementation, significant delays were noted in the review and approval of key deliverables.

The Draft Detailed Design Report remained under review for approximately seven months, while approval of the Final Detailed Design Report remained pending as at February 2026. Additionally, the Contractor had not established the required site laboratory throughout the implementation period.

Table 25: Inspection and Approval Exceptions

Observation	Key Observation	Status
Design Approval	Draft Detailed Design Report submitted 25th Sept 2024; Employer stayed acceptance until 13th May 2025 (delayed 7 months).	Delayed
Final Design Approval	FDDR submitted 5th Aug 2025; Engineer recommended approval with comments on 22nd Sept 2025; Employer approval still awaited as of Feb 2026.	Pending
Material Approvals	Quarry NEMA certificate not obtained; Contractor purchasing from Roko and BCIC without supplier NEMA evidence.	Pending
Engineer's Laboratory	Not provided by Contractor throughout project; Engineer unable to conduct independent testing.	Pending

Implication

Delayed approvals and inadequate enforcement of contractual requirements contributed to implementation delays and weakened the effectiveness of contract administration and quality assurance processes.

Management Response

Management notes the observation. The Engineer was duly appointed and maintained active supervision throughout implementation.

The design review did not delay the works. The Detailed Design Report for the bridge was reviewed and approved, and bridge construction proceeded on that basis and was completed by 14th February 2026. The design was approved with comments for the Contractor to address upon commencing the road works; approval of the road-works design was outstanding only because the Contractor had not yet submitted it, the road works not having started, and it therefore did not delay any works in progress as at February 2026. The Contractor advanced that design after completing the bridge.

In respect of the site laboratory, the Contract Manager has, through the Engineer, formally instructed the Contractor to establish and maintain the contractual quality-assurance facilities, and compliance is being enforced.

Management will ensure that submissions are reviewed and approved within the contractual timelines as they fall due, and that the required facilities are maintained, as required under the cited Regulations.

Recommendation

The Contract Manager should ensure that the Contractor establishes and maintains the contractual site laboratory and other quality assurance facilities, as formally instructed by the Engineer. The Engineer should also ensure timely review and approval of designs, materials, and contractor submissions within the contractual timelines, in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (iv) and (v) of the PPDA (Contracts) Regulations, 2023.

c. Timeliness and Accuracy of Payments

The audit was unable to fully verify payment timelines and accuracy because supporting payment documentation was not available on the contract management file. However, available Monthly Progress Reports indicated delays in settlement of some Contractor and Consultant payments.

Table 26: Contractor Payment Status

IPC No.	Certified (UGX)	Certification Date	Payment Status (as of Feb 2026)
Advance Payment	9,971,651,815	14/08/2024	Paid 14/08/2024
IPC 01	7,071,454,682	11/06/2025 (submitted)	Paid November 2025
IPC 02	7,330,720,226	2/10/2025 (submitted)	Paid November 2025
IPC 03	3,764,197,690	22/01/2026 (submitted)	Paid as of April 2026
IPC 04	2,152,381,226	10/04/2026 (submitted)	Not paid as of April 26

In addition, as at February 2026, Consultant Fee Notes amounting to approximately UGX 2.87 billion remained unpaid, with several invoices overdue by between 13 and 270 days beyond the contractual payment period as shown in the Table below.

Table 27: Project Consultant Payment Status

Fee Note	Period	Amount (UGX)	Submitted (Assumed Cert)	Due Date (60 Days Later)	Days Overdue
1	Jun–Aug 2024	175,703,967	8 Oct 2024	7 Dec 2024	92
2 (Rev)	Sep 2024–Feb 2025	783,926,422	4 Apr 2025	3 Jun 2025	270
3	Mar–May 2025	572,184,472	10 Jun 2025	9 Aug 2025	202
4	Jun 2025	195,887,268	9 Jul 2025	7 Sep 2025	173
5	Jul 2025	194,505,651	6 Aug 2025	5 Oct 2025	146

Fee Note	Period	Amount (UGX)	Submitted (Assumed Cert)	Due Date (60 Days Later)	Days Overdue
6	Aug 2025	160,040,155	10 Sep 2025	9 Nov 2025	110
7	Sep 2025	160,045,400	14 Oct 2025	13 Dec 2025	77
8	Oct 2025	158,981,707	12 Nov 2025	11 Jan 2026	48
9	Nov 2025	179,245,109	17 Dec 2025	15 Feb 2026	13

Implication

Delayed payments adversely affect project cash flow, increase the risk of claims for interest and extensions of time, and may undermine efficient implementation of both the works and supervision services.

Management Response

Management notes the observation. Contractor payments are effected through Interim Payment Certificates (IPCs) and Consultant payments through Fee Notes; these, with the related bank payment confirmations, are processed and held within the entity's established financial management systems.

The Contractor's payments are up to date as at June 2026, with cumulative certified payments through Interim Payment Certificate No. 5 (for the period ending 17th June 2026) of approximately UGX 34.58 billion effected on a timely basis. There is no overdue Contractor payment.

Not all copies of supporting documentation had been consolidated onto the contract management file at the time of the audit; this is a records-collation matter and does not indicate that payments were unmade or unsupported. The file is continuously updated accordingly.

In respect of the Consultant Fee Notes, settlement follows the budgetary release cycle. The delays arose from the timing of releases and not from any dispute as to the certified sums, and the outstanding amounts are being processed as funds are released. No interest or prolongation claim has crystallised against the Employer on this account.

Management accepts the finding and will ensure that certified payments are settled in accordance with the Conditions of Contract as funds are released, and that complete payment records (IPCs, Fee Notes and bank confirmations) are maintained on the contract management file, in accordance with Section 44 of the PPDA Act, Cap. 205 and Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

Recommendation

The Accounting Officer should ensure timely settlement of certified Contractor and Consultant payments in accordance with the Conditions of Contract, noting that Consultant Fee Notes totalling approximately UGX 2.87 billion had overdue periods of up to 270 days. The Contract Manager should also maintain complete payment records, including payment vouchers, bank confirmations, certificates, and supporting reconciliations, on the contract management file for accountability and audit purposes, in accordance with Section 44 of the PPDA Act, Cap. 205 and Regulation 52(3)(a)(iii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

d. Authentication of Performance & Advance Payment Guarantees

Although the Contractor submitted the required securities, there was no evidence on the contract management file that the Performance Securing Declaration and Advance Payment Guarantee had been independently authenticated. Furthermore, evidence of formal cancellation of the original Ecobank guarantee was not available.

Implication

Failure to authenticate guarantees increases the risk of reliance on invalid, unenforceable, or fraudulent security instruments, potentially exposing the Employer to financial loss in the event of Contractor default.

Management Response

Management notes the observation. The Contractor submitted all securities required under the contract, namely the Performance Securing Declaration and the Advance Payment Guarantee, which were in force during the relevant period.

Under the entity's established procedures, original financial securities are received, verified and held in custody by the Legal Department as the designated custodian, and are therefore held on its records rather than on the contract management file. Independent authentication of financial instruments falls within the Legal Department's mandate and not that of the Contract Manager. The matter raised therefore reflects the entity's allocation of these functions rather than an absence of valid securities, which remain valid and enforceable; the original Ecobank guarantee was superseded by the replacement security, with cancellation handled through the Legal Department.

Management will obtain written confirmation of verification from the Legal Department for placement on the contract management file, and ensure that records of issuance, amendment, cancellation and renewal are appropriately maintained, in line with the Regulations.

Recommendation

The Contract Manager should ensure that written confirmation of verification of all performance and advance payment securities is obtained from the Legal Department and maintained on the contract management file. Complete records relating to guarantee issuance, amendments, cancellations, and renewals should also be maintained throughout the contract period in accordance with Regulation 52(1)(a) and Regulation 52(3)(a)(ii), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

e. Project Insurance Requirements

The Contractor obtained and maintained a Contractor's All Risks Insurance Policy covering the works and third-party liability. However, Plant and Equipment Insurance and Workmen's Compensation Insurance were not available on the contract management file as at February 2026.

Implication

The absence of mandatory insurance coverage exposes the Employer to potential financial liability arising from damage to construction equipment, work stoppages, and compensation claims resulting from workplace injuries.

Management Response

Management notes the observation. The Contractor obtained and maintained the Contractor's All Risks Insurance covering the permanent and temporary works and third-party liability, which constitutes the principal insurance protecting the Employer's interest in the works.

In respect of the Plant and Equipment and Workmen's Compensation Insurance, the Contract Manager has required the Contractor to furnish evidence of valid policies for retention on the file. No event giving rise to a claim under these heads has occurred, and no liability has been occasioned to the Employer.

Management accepts the observation and will require the Contractor to maintain all insurances under the contract, with evidence verified before continuation of the affected works, as required by the contract and the applicable Regulations.

Recommendation

The Contract Manager should require the Contractor to furnish evidence of valid Plant and Equipment Insurance and Workmen's Compensation Insurance policies for retention on the contract management file. Compliance should be verified by the Contract manager in accordance with Regulation 52(1)(b) and Regulation 52(3)(a)(i), (v) and (vii) of the PPDA (Contracts) Regulations, 2023.

f. Justification / validity of Change Orders, Extensions and Variations

One Extension of Time of 117 days was approved in December 2025 due to delayed design approvals. A subsequent claim relating to poor ground conditions remained under review, although the Engineer later recommended a further no-cost Extension of Time of 293 days.

Table 28: Project Extension of Time Claims

No.	Date	Basis	Status	Observations
1	24/09/2025 (initial); 30/10/2025 (resubmitted)	Delayed design approval; poor ground conditions (peat); Employer's inadequate financial arrangements	Engineer's determination 12/12/2025; approved by Employer 18/12/2025	**117-day EoT granted** (completion extended to 16/04/2026) – **solely for delayed design approval**. Other two grounds dismissed for lack of contractual entitlement.
2	4/03/2026 (contestation); 31/03/2026 (appeal)	Poor ground conditions (180+ days consolidation period for embankment)	Under review; interim 30-day EoT granted 15/04/2026; Engineer recommended **293-day no-cost EoT (ex-gratia)** on 13/05/2026 (new completion 3/02/2027)	Contractor contested partial determination. Employer intervened to avoid dispute. Final determination pending.

Table 29: Project Addenda

Addenda	Date	Basis	Key Provisions	Status
1	14/08/2024	Original contract lacked advance payment	Advance payment **20%** of Accepted Contract Amount (~UGX 9.97B). Design milestone payments: **50%** of UGX 1.06B (VAT excl.) upon Draft Design approval; balance upon Final Report approval.	Cleared by Solicitor General; approved by Contracts Committee; documented on file.

Implication
The absence of a final determination on the outstanding Extension of Time claim creates uncertainty regarding project completion timelines and may expose the Employer to future disputes and prolongation claims.

Management Response
Management notes the observation. Extensions of Time and variations are being assessed and determined strictly in accordance with the Conditions of Contract.

The 117-day Extension of Time was granted on a properly assessed and justified basis arising from delayed design approvals. The subsequent ground-conditions claim has since been evaluated and determined on a no-cost basis, and the Employer has extended the contract period, establishing a revised completion date of 16 January 2027. Both extensions are time-only and carry no additional cost to the Employer.

The determination has been formally communicated to the Contractor and the supporting assessments, approvals and correspondence maintained on the contract management file, in accordance with Regulation 52(3)(b), (c) and (vii) and Regulation 54(6) and (7) of the PPDA (Contracts) Regulations, 2023. This resolves the uncertainty referenced regarding the project completion timeline.

Recommendation
The Accounting Officer should ensure that all supporting assessments, approvals, and correspondence relating to Extension of Time determinations and variations are properly documented and maintained on the contract management file in accordance with Regulation 52(3)(b), (c) and (vii), and Regulation 54(6) and (7) of the PPDA (Contracts) Regulations, 2023.

g. Adherence to Gender, Environmental, Health and Safety Requirements
The Contractor obtained key statutory approvals and maintained active monitoring of health, safety, and environmental requirements. Female participation improved to 18% of project staff by April 2026, while no Lost Time Injuries were recorded during the month of April 2026.

However, borrow pit permits remained outstanding, waste management arrangements were not fully compliant, and noise exceedances were reported at some borrow sites.

The project had cumulatively recorded one Lost Time Injury, one Medical Treatment Case, one Dangerous Occurrence, and thirty-eight First Aid Cases.

Implication
Outstanding environmental compliance issues may expose the project to regulatory sanctions, environmental degradation, reputational risk, and increased occupational health and safety risks.

Management Response
Management notes the observation and welcomes the acknowledgement of the project's compliance achievements, including the statutory approvals obtained, the active health, safety and environmental monitoring, the improvement in female participation to 18% of project staff, and the absence of Lost Time Injuries during April 2026.

On the outstanding matters, the Contractor has been formally directed to obtain the remaining borrow-pit permits and to strengthen waste-management and noise-control measures, and corrective actions are being implemented and monitored. The recorded safety statistics are commensurate with a project of this scale and are being actively managed.

Management will continue to monitor compliance, including close-out of the outstanding permits and measures, in accordance with the National Environment Act, 2019, the Occupational Safety and Health Act, 2006, and Regulation 52(3)(a)(v) of the PPDA (Contracts) Regulations, 2023.

Recommendation
The Contract Manager should ensure that the Contractor obtains all outstanding borrow pit permits and strengthens waste management and noise control measures, as formally directed. Compliance with environmental and occupational health and safety obligations should be closely monitored in accordance with the National Environment Act, 2019, the Occupational Safety and Health Act, 2006, and Regulation 52(3)(a)(v) of the PPDA (Contracts) Regulations, 2023.

2.6.6 Physical Verification



Figure 38: Equipment and Materials at Site



Figure 39: Equipment and Materials at Site

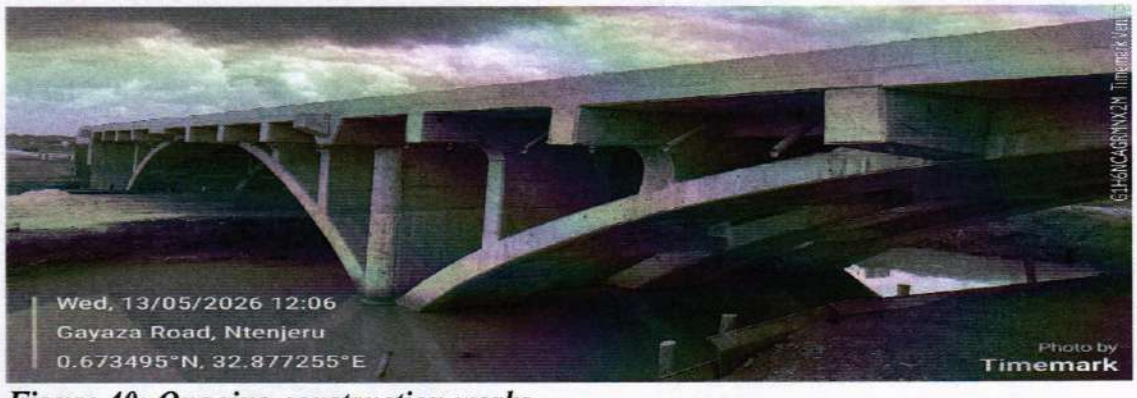


Figure 40: Ongoing construction works



Figure 41: Ongoing construction works



Figure 42: Ongoing construction works



Figure 43: Ongoing construction works

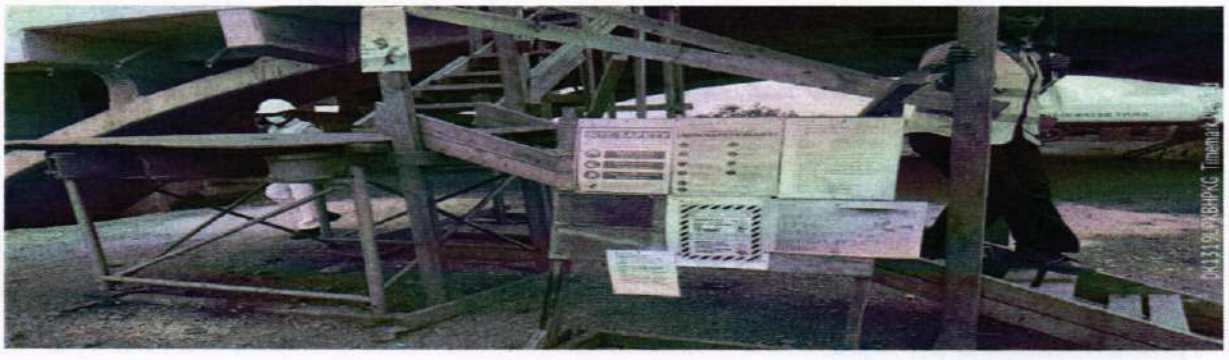


Figure 45: Environmental and Social safeguards at site

2.7 CIVIL WORKS FOR THE UPGRADING OF TORORO–BUSIA ROAD (26 KM) AND MAYUGE AND BUSIA TOWN ROADS

2.7.1 Contract Summary

Table 30: Contract Summary

Name of Entity	Government of Uganda (represented by the former Uganda National Roads Authority – UNRA; now Ministry of Works and Transport)
Financing Institution	Government of Uganda (National Roads Development and Maintenance Programme – NRDMP)
Contract Title	Civil Works for the Upgrading of Tororo-Busia Road (26km) and Mayuge and Busia Town Roads (18km)
Name of Contractor	China Railway 18th Bureau Group Co., Ltd (CR18G)
Type of Contract	Works Contract (Lump Sum / Re-measurement based on BOQ)
Contract Price	UGX 136,857,027,680 (inclusive of 18% VAT)
Contract Signature Date	24th December 2021
Contract Commencement Date	1st June 2022
Extensions	EoT No.1: 188 days; EoT No.2: 302 days; EoT No.3: 320 days (Total: 810 days)
Date for Completion (Original)	31st May 2024
Revised Completion Date	19th August 2026 (after EoT No.3)
Contract Period (Original)	24 months
Time Progress / Overall Time Elapsed to Last Report (February 2026)	88.23% of revised project duration elapsed (as at 28th February 2026)
Physical Progress (as at February 2026)	82.13% cumulative physical progress (against planned 85.02%)
Financial Progress (as at February 2026)	83.62% cumulative financial progress (against planned 85.88%)
Supervision Consultant Name	Ministry of Works and Transport (MoWT) – Construction Supervision Unit (CSU) (former UNRA in-house supervision team)
Supervision Consultant Contract Details	In-house supervision by Ministry of Works and Transport; mobilisation started 1st May 2022; fully mobilised by 1st June 2022; Resident Engineer: Charles Kalinaki

2.7.2 Background

The Tororo–Busia Road is a strategic national and regional transport corridor linking Uganda to Kenya through the Busia Border Post. The road serves as a key trade and transit route connecting the Northern Corridor to eastern Uganda and supports movement of goods and passengers between Uganda and neighbouring countries.

To improve connectivity, reduce transport costs and facilitate regional trade, the Government of Uganda, through the former Uganda National Roads Authority (UNRA), now Ministry of Works and Transport, awarded a contract to China Railway 18th Bureau Group Co., Ltd (CR18G) on 24th December 2021 for the upgrading of the Tororo–Busia Road (26 km) and Mayuge and Busia Town Roads (18 km).

2.7.3 Project Scope

The scope of the project comprises the following:

- Preliminary & Support Works: Route survey and mapping; establishing contractor's camp with support facilities; clearing material supply sites; transporting materials in tarpaulin-covered trucks; and setting up stone quarries.
- Road Upgrading Works: Grading and compaction in layers; upgrading 26 km of Tororo-Busia Road and 18 km of Mayuge and Busia Town roads; constructing 250mm G15 upper improved subgrade, 250mm cemented subbase, 200mm crushed stone base (CRR), and 30mm DBST.
- Structures & Ancillary Works: Building two bridges (15m and 40m); constructing the 1 km Busia Border Link Road; installing road furniture; providing traffic management; implementing health, safety, and environmental protection plans; and executing dayworks.
- Compliance & Support Obligations: Erecting road signs; providing side drains; and supplying accommodation, office facilities, vehicles, survey and laboratory equipment for the Client and Engineer (the Engineer may substitute some works without materially altering the overall scope).

The project is financed by the Government of Uganda under the National Roads Development and Maintenance Programme (NRDMP) and is supervised by the Ministry of Works and Transport through its Construction Supervision Unit.

2.7.4 Level of Achievement of Value for Money during Contract Implementation

2.7.4.1 Economy

Although the contract was awarded within the Engineer's estimate, the project remains exposed to potential cost escalation arising from unresolved claims and requests for additional funding. Through Letter Ref. CR18G-UNRA-TB-ISC-2024-001 dated 19th December 2024, the Contractor submitted Interim Substantiation of Claim No. 1 seeking UGX 9,944,191,331 in prolongation costs arising from a 188-day delay attributed to delayed access to and possession of the Site. As at the time of audit, the claim remained under determination by the Engineer.

Following a design review, the Employer directed changes to the approved design, including replacement of a proposed staggered junction with a roundabout at Km 24+122 to address anticipated road safety and traffic capacity concerns. The Engineer estimated that the roundabout would require additional funding of UGX 4,393,595,350 (3.21% of the contract price) and a contract amendment. The proposal remained pending approval.

Subsequently, the Engineer requested additional funding of UGX 7,052,931,433 to cater for the proposed roundabout, a more durable wearing course, underestimated quantities, and prolongation-related costs.

As such, while the original contract price was within the Engineer's estimate, the unresolved prolongation claim and proposed additional funding, if approved, may materially increase the final project cost.

Implication
Unresolved prolongation claims, pending contract amendments, and requests for additional funding pose a potential project cost escalation. Delayed determination and resolution of these matters may result in disputes, further claims, and uncertainty regarding the final project cost.

Management Response
The contract requires the engineer to consult with the parties to reach an agreement before issuing a determination. This consultation occurred after the engineer provided the draft assessment report to both the contractor and the employer. The consultation has now concluded, and the final determination is scheduled to be issued by June 30, 2026. The variations and requests for additional funding are under review by the Employer.

Recommendation
The Contract Manager, through the Engineer, should expedite final determination of the outstanding prolongation claim (UGX 9,944,191,331) by 30th June 2026 as scheduled, and ensure that all proposed variations and requests for additional funding (UGX 7,052,931,433) are adequately justified, supported by technical and financial evaluations, and processed in accordance with the Conditions of Contract.

2.7.4.2 **Efficiency**
The Contractor submitted and periodically updated work programmes, with the latest approved programme dated 30 October 2025 revising the completion date from 31 May 2024 to 19th August 2026. As at 28th February 2026, 88.23% of the revised contract period had elapsed, while physical progress stood at 82.13% against planned progress of 85.02%, representing a monthly slippage of 2.89% and cumulative slippage of 28.23%. Equipment utilisation was only 38%.

Outstanding works included 1.31 km of clearing and grubbing, 1.58 km of sub-base and base preparation, 0.88 km of first seal surfacing, and the entire 24.12 km of second seal surfacing. Bridge deck works were still ongoing, although all five swamp sections and the 18 km of town roads had been completed. The Contractor attributed the delays to delayed acquisition of Right of Way (RoW), utility relocations, and delayed payments. Three Extensions of Time (EoTs) of 188, 302, and 320 days were granted, revising the completion date to 19th August 2026.

Implication
The delays reflect inefficient utilisation of project resources and increase the risk of further schedule slippage, additional costs, and further extensions of time.

Management Response
The Contract Manager shall closely and proactively monitor the implementation of the recovery plan submitted by the Contractor.

Recommendation
The Contract Manager should strengthen monitoring of project implementation and require the Contractor to implement a realistic recovery programme with measurable milestones and adequate resources in accordance with Regulation 52 of the PPDA (Contracts) Regulations, 2023 and the Conditions of Contract.

2.7.4.3 **Effectiveness**
The project implementation which was at 88% physical progress as at February 2026 is aligned with the initial scope and specifications and is expected to achieve the expected objectives once completed.

2.7.5 Overall Management of the Project In Accordance with Each Party's Obligations

2.7.5.1 **Obligations of the Provider**

No key exceptions noted.

2.7.5.2 **Obligations of the Entity**

a. Commencement of Works and Site Handover
The Employer issued a Commencement Order on 25th April 2022 and granted access to the Site on 27th May 2022. However, significant land acquisition and utility relocation challenges persisted throughout implementation.

Of the 1,173 Project Affected Persons (PAPs) identified, only 436 (37.2%) had been compensated by February 2026. Similarly, only 85.75 acres (46.8%) of the required 183.19 acres had been acquired, while UGX 10.72 billion (32.7%) of the total compensation budget of UGX 32.77 billion had been paid.

Encumbrances remained in sections of Busia Town and Corner, while UTL relocations had not commenced and UMEME relocation works remained incomplete.

The Contractor issued seven notices relating to delayed access and possession of the Site and two notices relating to delayed utility relocations. These delays contributed to the grant of three Extensions of Time totalling 810 days and a prolongation claim of UGX 9.94 billion, which remained under determination.

Table 31: Land Acquisition, PAP Compensation & Pending Encumbrances

Item	Status / Detail
Total PAPs captured	1,173
PAPs paid	436 (as of February 2026)
Total land to be acquired	183.188 acres
Land fully acquired	85.748 acres (46.8%)
Total compensation value	UGX 32,769,886,828
Amount paid to PAPs	UGX 10,723,899,434 (32.7%)
Sections with encumbrances	Busia town (Km 0+000 – Km 2+000) and Corner (Km 23+800 – Km 24+100) due to non-compensation of structures
Utility relocations pending	UTL (telecom) not started; UMEME (power) ongoing

Item	Status / Detail
	but impeded by RoW; water relocation at 95% but inhibited by RoW
Contractor delay notices issued	Seven notices for delayed right of access and possession of site; two notices for delayed utility relocation
Extensions of Time granted	EoT No.1: 188 days; EoT No.2: 302 days; EoT No.3: 320 days Total 810 days, revised completion date: 19th August 2026
Prolongation cost claim	UGX 9,944,191,331 submitted by Contractor (under determination as of February 2026)

Implication
Delayed land acquisition and utility relocation have been a major cause of project delays and expose the Employer to a prolongation claim of UGX 9.94 billion, which may increase the final project cost if determined in favour of the Contractor.

Management Response
Management undertakes to expedite acquisition of the remaining land immediately funds secured under the approved supplementary budget are released. Additionally, all outstanding relocation works shall be expedited once access issues are resolved through RoW acquisition.

Recommendation
The Accounting Officer should expedite acquisition of the remaining land (53.2% outstanding), compensation of outstanding PAPs (62.8% unpaid), and relocation of utilities (UTL and UMEME) once funds under the supplementary budget are released, to minimise further delays, extensions of time, and associated claims, in accordance with Section 95 of the PPDA Act, 2023 and Regulation 52 of the PPDA (Contracts) Regulations, 2023.

b. Certification and Payment of Invoices, and Recovery of Advance Payment

It was observed that copies of Interim Payment Certificates (IPCs) were not maintained on the contract management file. Consequently, it was not possible to verify certification dates, review comments by the Engineer, or the Contractor's responses to certification observations. The advance payment, equivalent to 15% of the accepted contract amount excluding contingencies and provisional sums, had been fully recovered by February 2026. However, the detailed recovery schedule, including applicable recovery percentages and commencement dates, was not available on the file.

Although Monthly Progress Report No. 40 indicated that IPCs up to No. 25 had been certified, the absence of the actual certificates prevented verification of compliance with contractual certification timelines.

Implication
The absence of IPC documentation constitutes non-compliance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023 and limits transparency and auditability of the records.

Management Response

Management takes note of the Audit finding and hereby confirm that All Contract Management records and metrics highlighted in the recommendations above are available and captured in the CMR and on the IPC processed. However, due to the limited copies of some of the documents (IPCs) the submitted hardcopy is kept in accounts pending payments. Such copies are available for review on request.

Recommendation
The Contract Manager should maintain complete contract management records, including IPCs, certification records, payment documentation, advance recovery schedules, and related correspondence, on the contract management file for audit and accountability purposes, in accordance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023.

c. Timeliness and Accuracy of Payments

As at February 2026, certified payments amounted to UGX 105,768,945,601, while payments made totalled UGX 95,382,956,473, leaving an outstanding balance of UGX 14,278,624,797. Average payment delay across paid certificates was 153 days, ranging from 12 days to 478 days.

The Contractor formally notified the Employer of its intention to slow down or suspend works through letters dated 10th February 2025 and 28th April 2025 due to delayed payment of certified amounts.

Table 32: IPC Analysis as at February 2026

No.	Payable (UGX)	Due Date	Amount Paid (UGX)	Received Date	Delay Days	Outstanding (UGX)
Ad. P	15,635,550,126	-	15,635,550,126	24/07/22	0	0
1	14,805,481,084	26/10/22	12,186,789,424	12/12/22	47	2,618,691,660
2	5,457,476,297	13/02/23	5,457,476,297	31/05/23	107	0
3	6,943,597,163	01/05/23	6,943,597,163	20/11/23	203	0
4	4,863,419,231	23/06/23	4,863,419,231	27/10/23	126	0
5	2,901,838,594	09/09/23	2,901,838,594	20/11/23	72	0
6	2,622,555,219	29/09/23	2,503,216,622	27/10/23	28	119,338,597
7	2,834,425,136	28/10/23	2,834,425,136	20/05/24	205	0
8	2,806,078,762	13/01/24	2,806,078,762	20/05/24	128	0
9	2,231,302,177	13/03/24	2,028,085,897	20/05/24	68	203,216,280
10	2,122,070,350	11/04/24	2,122,070,350	04/11/24	207	0
11	2,996,538,221	03/05/24	2,996,538,221	04/11/24	185	0
12	2,082,246,602	22/06/24	2,082,246,602	04/11/24	135	0
13	2,192,214,281	23/07/24	595,927,548	04/11/24	104	1,596,286,733
14	2,100,040,433	07/09/24	403,713,267	29/04/25	234	1,696,327,166
15	2,831,986,814	21/09/24	2,831,986,814	12/01/26	478	0
16	2,962,972,256	07/11/24	2,962,972,256	12/01/26	431	0
17	2,168,443,743	12/02/25	2,168,443,743	19/11/25	280	0

No.	Payable (UGX)	Due Date	Amount Paid (UGX)	Received Date	Delay Days	Outstanding (UGX)
18	3,521,949,095	05/04/25	2,075,382,788	26/06/25	82	1,446,566,307
19	2,467,398,214	08/05/25	2,467,398,214	26/06/25	49	0
20	2,386,707,928	05/08/25	2,386,707,928	19/11/25	106	0
21	2,598,394,492	22/10/25	2,598,394,492	19/11/25	28	0
22	3,291,243,262	17/12/25	3,291,243,262	12/01/26	26	0
23	2,255,354,160	31/12/25	2,255,354,160	12/01/26	12	0
24	4,634,033,217	10/02/26	0	-	18 (as at Feb 26)	4,634,033,217
25	2,125,980,237	24/03/26	0	-	Not yet due	2,125,980,237
Total	**105,768,945,601**		**95,382,956,473**		**153 (average)**	**14,278,624,797**

Implication
Delayed payments have adversely affected project cash flow and implementation and may expose the Employer to further claims for financing charges, prolongation costs, and additional extensions of time.

Management Response

Management takes note of the Audit finding and pledges to prioritizes payment of IPC. However, payments effected are dependent on the available funds received from MoFPED.

Recommendation
The Accounting Officer should prioritise settlement of outstanding certified payments and strengthen project cash-flow planning to ensure timely payment of certified amounts in accordance with the Conditions of Contract and Section 95 of the PPDA Act, 2023.

d. Authentication of Performance & Advance Payment Guarantees
Although the Performance Security had been extended to 19th August 2026 and the advance payment fully recovered, there was no evidence on file confirming that the guarantee had been independently authenticated with the issuing financial institution.

Implication
Unauthenticated guarantees may be invalid, unenforceable, or fraudulent, exposing the Employer to financial loss in the event of Contractor default.

Management Response
Management takes note of the Audit finding and pledges to keep copies of All relevant Contractual securities (Performance and Advance Payment guarantees) including record of independent verification on the Contract File in PDU in addition to the current practice of keeping such records in the Legal Section.

Recommendation
The Contract Manager should obtain and retain documentary evidence of independent verification of all performance securities and advance payment guarantees with the issuing financial institutions and maintain such records on the contract management file in accordance with Regulation 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023.

e. Justification / validity of Change Orders, Extensions and Variations

The Conditions of Contract require that Extensions of Time (EoTs), Variation Orders, and Change Orders are supported by valid contractual events, substantiated with adequate evidence, and formally determined by the Engineer, with all supporting records maintained on the contract file.

A review of project records showed that three (3) EoTs were approved, resulting in a cumulative extension of 810 days and revising the completion date from 31st May 2024 to 19th August 2026, as summarised below.

Table 33: Project Extension of Time Claims

No.	Date of Claim	Main Grounds	Days Awarded	Revised Completion Date
1	19 February 2024	Delayed site access and adverse climatic conditions	188 days	05 December 2024
2	01 October 2024	Delayed site access and adverse climatic conditions	302 days	03 October 2025
3	13 August 2025	Delayed relocation of services, site access and adverse weather	320 days	19 August 2026

The Contractor also issued seven notices relating to delayed access and possession of the Site and two notices relating to delayed utility relocations.

In December 2024, the Contractor submitted Interim Substantiation of Claim No. 1 seeking UGX 9,944,191,331 in prolongation costs associated with the first 188-day extension. As at February 2026, the claim remained under determination by the Engineer.

Following a design review, the Engineer proposed a roundabout at Km 23+800–Km 24+122 and other design adjustments relating to the wearing course and underestimated quantities. The associated funding requirements are summarised below.

Table 34: Proposed Variations and Additional Funding

Description	Estimated Cost (UGX)	Impact on Contract Price
Proposed Roundabout	4,393,595,350	3.21%
Total Additional Funding Requested	7,052,931,433	5.20%

As at February 2026, the proposed variations had not been approved and no amendment to the contract sum had been effected.

Price adjustment under Clause 13 of the Conditions of Contract became applicable after 18 months from contract signature, with cumulative price adjustment paid amounting to UGX 5,522,882,473 as at February 2026. Approval of revised base indices following replacement of the Construction Sector Index (CSI) with the Construction Input Price Index (CIPI) remained pending.

The utilisation of provisional sums was as follows:

Table 35: Project Provision Sums Analysis

Description	Original Amount (UGX)	Revised Amount (UGX)	Consumed Amount (UGX)	% Consumed
Total Provisional Sums	16,861,320,000	23,529,072,790	24,324,185,375	**103.65%**

Of the total amount utilised, UGX 13,368,793,709 related to the Mayuge and Busia Town Roads.

Implication
The absence of adequate documentation supporting the Engineer's determination of the three EoTs limits verification of the basis for the extensions granted and weakens the audit trail. In addition, the unresolved prolongation claim of UGX 9.94 billion, pending variation proposals worth UGX 7.05 billion, cumulative price adjustments, and full utilisation of provisional sums create uncertainty regarding the final project cost and completion obligations, exposing the Employer to potential disputes, additional claims, and funding pressures.

Management Response
Management takes note of the Audit finding. However, management implores The Auditor to take comfort in the fact that all EoT determinations were supported by appropriate delay analysis (Copies now attached), although these were not available on the Contract File in PDU at the Time of the Audit. Manage pledges to rectify this omission.

Recommendation
The Contract Manager should ensure that all EoT determinations are supported by appropriate delay analyses, technical assessments, approvals, and correspondence, and that such records are maintained on the contract management file going forward, in accordance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023. In addition, the outstanding prolongation claim (UGX 9.94 billion) and proposed variations (UGX 7.05 billion) should be determined and processed promptly, and utilisation of provisional sums should be closely monitored.

f. Adherence to Local Content Requirements
A review of the contract management file and Monthly Progress Reports (Nos. 39 and 40) did not show any evidence of the cumulative sum of subcontracting agreements meeting the 30% threshold.

Implication
Failure to demonstrate compliance with local content requirements may constitute a breach of contractual and statutory obligations and limits the project's contribution to local economic development.

Management Response

Management notes the audit observation. As at the date of review, the cumulative value of subcontracted works awarded to local firms amounts to UGX 23,123,625,437.15, representing 16.90% of the Contract Price, which is below the contractual local content threshold of 30%.

Management further notes that additional local content contributions have been achieved through engagement of local suppliers, employment of Ugandan personnel, and procurement of goods and services from local entities. The Contractor has been advised to prepare and submit an updated Local Content Compliance Plan outlining measures to increase local participation and achieve the required threshold to the extent practicable during the remaining contract period.

Recommendation

The Contract Manager should require the Contractor to prepare and submit an updated Local Content Compliance Plan outlining measures to increase local participation and achieve the 30% threshold to the extent practicable during the remaining contract period. Supporting evidence, including approved subcontract agreements, payment records, workforce data, and periodic local content reports, should be maintained on the contract management file.

2.7.6 Physical Verification



Figure 46: Road expansion along the Busia Border Link Road



Figure 47: Road Surfacing, 2nd Seal



Figure 48: Land acquisition remains a major huddle to progress

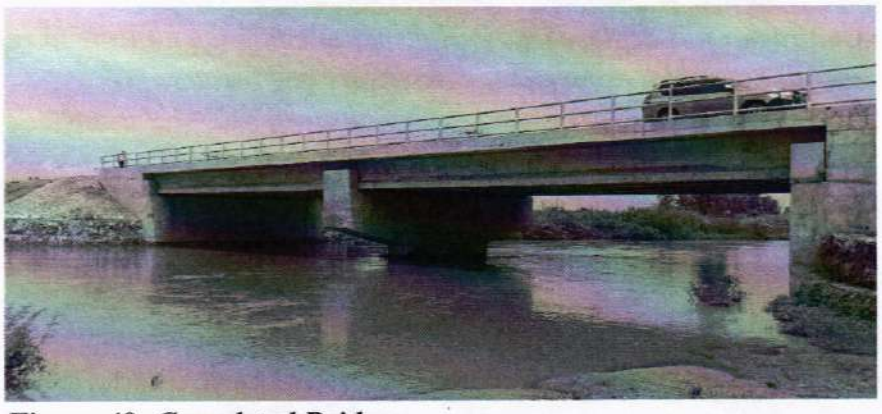


Figure 49: Completed Bridge



Figure 50: The Contractor has established a functional work camp to facilitate the safe storage of equipment and materials.



Figure 51: Material Storage



Figure 52: The Contractor has deployed various pieces of equipment on site to support ongoing works, including trucks, excavators, compactors and mixers.

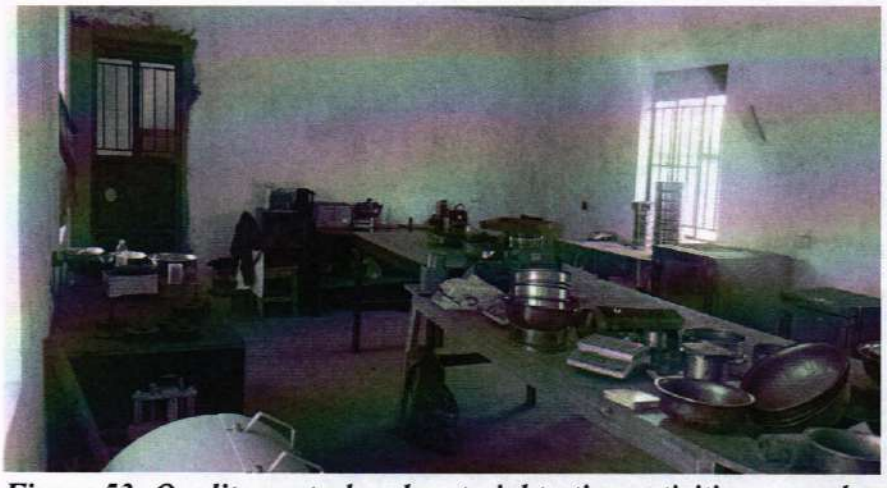


Figure 53: Quality control and material testing activities were observed on site.

2.8 CONSTRUCTION OF THE ONE STOP CENTRE BUILDING TO ACCOMMODATE DRIVING LICENSING, MOTOR VEHICLE REGISTRATION AND OTHER REGULATORY AND LICENSING OFFICES ALONG STATION ROAD

2.8.1 Contract Summary

Table 36: Contract Summary

Name of Entity	Ministry of Works and Transport (MoWT), Government of Uganda
Financing Institution	Government of Uganda (direct budget funding)
Contract Title	Construction of a One Stop Centre Building (to house UCDP system, Motor Vehicle Registration, and regulatory offices)
Name of Contractor	VCON CONSTRUCTION UGANDA LIMITED
Type of Contract	Works contract (Lump sum / Re-measurement – standard GCC based on PPDA regulations)
Contract Price	UGX 55,000,000,000 (inclusive of taxes)
Contract Signature Date	22 June 2022
Contract Commencement Date	Expected: 29 June 2022 (one week after signing per GCC 26.1); Actual site possession granted: 24 August 2022 (56 days late)
Extensions	Two approved Change Orders: Change Order No. 1 (Dec 2022, UGX 315.9 million for storm water drainage, no time extension); Change Order No. 2 (Aug 2024, 22-month extension due to employer budget constraints and delayed payments)
Date for Completion	Original: 31 August 2024 (24 months from commencement)
Revised Completion Date	30th June 2026 (per Change Order No. 2, effective August 2024) – though contractor's programme as of March 2026 shows 14th October 2026
Contract Period	Original: 24 months; Revised: 46 months (including 22-month extension)
Time Progress / Overall Time Elapsed to Last Report (February 2026)	43 months elapsed since contract signature (June 2022 to February 2026) against revised 46-month period = 93.5% of revised period elapsed; cumulative delay of 446 days claimed; actual progress 40% vs planned 67% as of February 2026
Physical Progress	29.56% (based on cost progress relative to contract sum) / 40% (as reported by contractor for February 2026 against planned 67%)
Financial Progress	UGX 21,063,251,767 certified (38.30% of contract sum) as at February 2026, including UGX 11 billion advance payment
Supervision Consultant Name	Symbion Uganda Limited
Supervision Consultant	Not specified in report; functions as Engineer

Contract Details	responsible for inspection, approval of submittals, certification of payments, and programme review under the GCC contract

2.8.2 Background

The Government of Uganda, through the Ministry of Works and Transport (MoWT), is implementing the construction of a One Stop Centre Building along Station Road, Kampala. The facility is intended to consolidate the Uganda Computerised Driving Permit (UCDP) system, Motor Vehicle Registration services and other regulatory and licensing functions under one roof to improve efficiency and service delivery.

The works contract was awarded to VCON Construction Uganda Limited on 22nd June 2022 at a contract sum of UGX 55 billion. Although the original completion period was 24 months ending 31st August 2024, the project was subsequently extended by 22 months, resulting in a revised completion date of 30th June 2026.

2.8.3 Scope of Work

The project entails the construction of an ultra-modern, 9-storey office building (comprising 2 basement floors, 7 stories above ground, including a roof terrace). The total gross floor area is 13,676 square meters.

The detailed scope of work includes the following major elements:

- **Building Area Breakdown:** The project includes B1 (1,819 m²), B2 (2,923 m²), Ground (3,012 m²), Floors 1–5 (ranging from 1,041 to 1,196 m²), and a 399 m² Roof Terrace.
- **Key Construction & Finishes:** Involves 20,000 m³ excavation, 6,000+ m³ concrete, 800+ tons structural steel, block/gypsum partitioning, aluminium/timber doors/windows/cladding, and full floor/wall/ceiling finishes.
- **Specialist MEP & ICT Installations:** Includes full electrical, centralized HVAC, structured cabling/ICT, fire suppression systems, and passenger lifts.

2.8.4 Level of Achievement of Value for Money during contract implementation

2.8.4.1 Economy

The project is expected to achieve economy as the contract price of UGX 55,000,000,000 and the major project Bills of Quantity are within than the Initial project Engineer's estimate sum of UGX 61,315,470,434.

2.8.4.2 Efficiency

The project has experienced significant implementation delays. As at February 2026, approximately 93.5% of the revised contract period had elapsed, while actual physical progress stood at only 40% against planned progress of 67%, resulting in a progress shortfall of 27%.

Table 37: Project Implementation Indicators

Indicator	Status
Time Progress	93.5%
Planned Progress	67%

Indicator	Status
Actual Progress	40%
Progress Shortfall	27%
Claimed Delay	446 Days
Contract Extension Granted	22 Months

The Contractor attributed the delays to delayed site handover, budgetary constraints, delayed payments, client-initiated changes, delayed approvals and contractor underperformance. As at February 2026, several critical activities remained either incomplete or had not commenced.

Table 38: Project Activity Progress

Activity	% Complete
Structural Roof Works	79%
Phase II Finishes	6%
MEP Installations	0%
External Works & Landscaping	0%
Snagging & De-snagging	0%
Commissioning & Testing	0%
Handover	0%

The audit further noted numerous pending and rejected submittals including fire doors, timber doors, HVAC drawings, plumbing drawings, ICT drawings and electrical drawings.

To address implementation challenges, the contract was amended through two approved Change Orders. Change Order No. 1 authorised storm water drainage diversion works funded from the contingency sum, while Change Order No. 2 extended the contract period by 22 months due to budgetary constraints and delayed payments without changing the contract sum of UGX 55 billion.

Table 39: Summary of Change Orders

Change Order	Key Effect
No. 1 (December 2022)	Storm water diversion works funded from contingency; no impact on contract duration or contract price.
No. 2 (August 2024)	Extension of contract duration by 22 months; contract sum remained unchanged.

Despite the extension, the Contractor's latest programme projected completion on 14th October 2026, which is 106 days beyond the revised completion date of 30th June 2026. The Contractor reported cumulative delays of 446 days arising from storm water diversion works, adverse weather, design clarifications, delayed drawings and delays associated with Change Order No. 2.

Implication

Persistent implementation delays, low physical progress relative to elapsed time, and outstanding technical submissions place the revised completion date at risk. Failure to recover lost time may further delay commissioning of the facility and postpone the

anticipated benefits of consolidating licensing, registration and regulatory services under one roof.

Management Response

The outstanding submissions mentioned were pending additional information from the Contractor, which was subsequently received and action taken. The Contractor subsequently submitted an updated work program which is being used for monitoring the implementation of the project.

The Contract Management Team participates in monthly Site Meetings and Site Inspections convened by the Consultant/Project Manager during which any pending issues raised by the Contractor are reviewed and actioned; this enables the fast-tracking of approvals and, where necessary additional required information or submittals pointed out with clear deadlines.

The Ministry granted a time extension of an additional six months to the Contractor, from 30th June 2026 to 31st December 2026, and the Contractor has been instructed to strictly comply with this timeline for completion. The Contractor is also expected to submit a revised work program and an updated procurement schedule for review by the Consultant and subsequent approval by the Contract Management Team.

Recommendation

The Contract Manager should expedite the review and approval of the Contractor's updated work programme and procurement schedule and closely monitor implementation against measurable milestones to ensure completion by the revised deadline of 31st December 2026. The Contractor should be required to deploy adequate personnel, equipment, and financial resources to recover lost time, in accordance with Regulations 52 and 53 of the PPDA (Contracts) Regulations, 2023.

2.8.4.3 **Effectiveness**

The project remains aligned with the approved scope and technical specifications and is expected to achieve its intended objectives upon completion.

2.8.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.8.5.1 **Obligations of the Provider**

a. Format, Delivery and Validity of Guarantees

The contract required the Contractor to provide a Performance Security equivalent to 10% of the Contract Price under GCC 61.1 and an Advance Payment Guarantee issued by a bank acceptable to the Employer under GCC 60.1.

A review of the contract management file and Monthly Progress Report No. 24 showed the following guarantees:

Table 40: Project Guarantee Status

Instrument	Amount	Issuer	Term
Performance Guarantee	Not stated	Goldstar Insurance Co. Ltd	01/04/2025 - 30/06/2026

Instrument	Amount	Issuer	Term
Advance Payment Guarantee	UGX 11,000,000,000	Goldstar Insurance Co. Ltd	01/04/2025 - 30/06/2026

The following irregularities were observed:

- Both guarantees were issued by an insurance company rather than a bank as required by the contract.
- Copies of the guarantees were not available on the contract management file for verification.
- There was no evidence that the Performance Guarantee was provided within 21 days of contract signature.
- The available records indicate a gap of approximately 993 days between contract signature and the effective date of the Performance Guarantee.
- There was no evidence that the guarantees had been authenticated with the issuing institution.

Implication

The use of guarantees issued by an institution not contemplated under the contract may affect enforceability. In addition, the absence of the guarantee instruments and evidence of authentication limits assurance regarding their validity and exposed the Entity to potential risk during the early stages of contract implementation.

Management Response

The Advance Payment Guarantee and the Performance Guarantee submitted by the Contractor were issued by I & M Bank not an insurance company as stated in the Management Letter. These Guarantees were issued in line with the First Revised Completion Date of 30th June 2026 and were authenticated by the Entity with I & M Bank before they could be referred to in subsequent payments to the Contractor. On the other hand, the PS/ST, MoFPED issued a Circular on Management of Performance Securities and Advance Payment Guarantees, Ref. FAD/019/068/01 dated 27th November 2024, which allows for use of insurance bonds as an alternative to bank guarantees as an acceptable form of security. This provision has not been utilised for this project but remains an option for consideration in future if the Contractor elects to apply it.

Following the further extension of the contract period to 31st December 2026, the Contractor has been notified to extend the Guarantees in accordance with the time extension and the contractual provisions. The Ministry will comply with the recommendation about filing stated above.

Recommendation

The Contract Manager should require the Contractor to extend the Performance and Advance Payment Guarantees in line with the further extension of the contract period to 31st December 2026 and ensure that copies of all guarantees are retained on the contract management file. All guarantees should be independently authenticated with the issuing institution and evidence of such verification maintained on file in accordance with Regulation 53(2)(vii) and Regulation 52(3)(a) of the PPDA (Contracts) Regulations, 2023.

b. Progress Reporting and Meetings

Although two site meetings were held on 3rd and 17th February 2026 involving the Client, Consultant and Contractor, signed minutes and action trackers were not available on the contract management file. In addition, monthly progress reports submitted by the Contractor and most Engineer's reports (except for Report No. 34) were not maintained on file.

Implication

Weak record management undermines accountability, limits effective monitoring of agreed actions and increases the risk of disputes regarding project performance and responsibilities.

Management Response

Regarding progress reporting and meetings, the Contract Management Team has updated the contract management file with the relevant records and reports and will ensure proper record keeping for all site meetings, progress reports and action trackers and Engineer's reports in accordance with Regulation 53(2) (vii) of the PPDA (Contracts) Regulations 2023.

Recommendation

The Contract Management Team should maintain complete records of all site meetings, progress reports, action trackers and Engineer's reports in accordance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023.

2.8.5.2 **Obligations of the Entity**

a. Commencement of Works and Site Handover

GCC 26.1 requires the Site Possession Date to be one week after contract signature and to be communicated through a Commencement Order. However, the confirmation of site possession was issued on 18th August 2022, setting the Site Possession Date as 24th August 2022, resulting in a delay of 56 days beyond the expected commencement date of 29th June 2022.

The Employer attributed the delay to the need to vacate the site before demolition and construction activities could commence. No formal site handover certificate was available on the contract management file.

Implication

Delayed site possession and the absence of formal handover documentation weaken accountability and may have contributed to subsequent implementation delays.

Management Response

Regarding commencement of works and site handover, the initial delays that the project encountered at the beginning of the project were due to presence of a UPDF Detach that was camped at the site for the purpose of controlling insecurity that was rampant at that time within the neighbourhood. This took some time to relocate and was beyond the control of the Entity hence the lapse of days from contract signing to commencement of the works. However, subsequently this was addressed and the Contractor was able to get full possession of the site. This timeline was taken into

consideration when granting the Contractor the extension of time to the original construction period.

Attached is a letter about the relocation of the camp and also a letter on the formal site handover to the Contractor.

The Entity notes the finding in the Management Letter and will ensure timely site handover on future projects.

Recommendation
The Accounting Officer should ensure timely site handover and maintenance of complete site possession and handover records on the contract management file for future projects, in accordance with Section 95 of the PPDA Act, 2023 and Regulation 52 of the PPDA (Contracts) Regulations, 2023.

b. Certification and Payment of Invoices, and Recovery of Advance Payment
By February 2026, the Contractor had been certified a total of UGX 21.06 billion, representing 38.3% of the contract sum. An advance payment of UGX 11 billion had been made, of which UGX 3.87 billion (35.19%) had been recovered, leaving an outstanding balance of UGX 7.13 billion.

Table 41: Project IPCs

Certificate No.	Amount Certified (UGX, VAT incl)	Date Certified	Status
Certificate 1 (Advance Payment)	11,000,000,000	–	Paid
Certificate 2	365,543,273	19.12.2022	Paid
Certificate 3	2,965,566,901	12.04.2023	Paid
Certificate 4	2,149,063,021	10.08.2023	Paid
Certificate 5	1,135,354,163	31.10.2023	Paid
Certificate 6	1,800,253,973	21.02.2024	Paid
Certificate 7	974,600,141	08.07.2024	Paid
Certificate 8	672,870,295	15.08.2024	Paid
Certificate 9	*1,525,677,088*	*15.04.2026*	*Not yet paid*
Certificate 10	*1,460,271,468*	*1905.2026*	*Not yet paid*
Total as at Certificate 8	**21,063,251,767**	**38.30**	**% of Contract Sum**

The Contractor subsequently requested an additional 20% advance payment to facilitate procurement of long-lead items, including lifts, HVAC systems, firefighting equipment, generators, aluminium cladding, doors and windows.

Implication
The proposed additional advance payment would increase total advances to 40% of the contract sum and significantly increase the Employer's financial exposure, particularly given the substantial delays and low physical progress achieved to date.

Management Response

Currently this is not an issue on the project since the application for additional advance that the Contractor had requested to fast-track procurement of finishes, fittings and installations was not approved and the Contractor has proceeded with implementation of the project without it. Therefore, the original advance payment of 20% as per contract provision is the only advance the Contractor received and this is being progressively recovered from IPC's being settled in accordance with the contract.

Recommendation

The Accounting Officer should ensure that the outstanding advance payment balance of UGX 7.13 billion continues to be progressively recovered from certified Interim Payment Certificates in accordance with the contract provisions.

c. Timeliness and Accuracy of Payments

Verification of payment timelines was not possible because IPCs and supporting payment records were not maintained on the contract management file.

Implication

The absence of payment records limits transparency and prevents verification of compliance with contractual payment obligations.

Management Response

Regarding timeliness and accuracy of payments, the relevant payment documents for each IPC have been compiled as requested and are hereto attached. The Contract Management Team will ensure that a copy of the complete payments documents is maintained on file.

Recommendation

The Authority notes the Entity's response, however, no attachments were provided with the management responses.

The Contract Manager should ensure that complete certification, payment, and supporting financial records are maintained on the contract management file in accordance with Regulation 53(2)(vii) of the PPDA (Contracts) Regulations, 2023.

2.8.6 Physical Verification



Figure 54: Construction activities such as concreting and landscaping ongoing

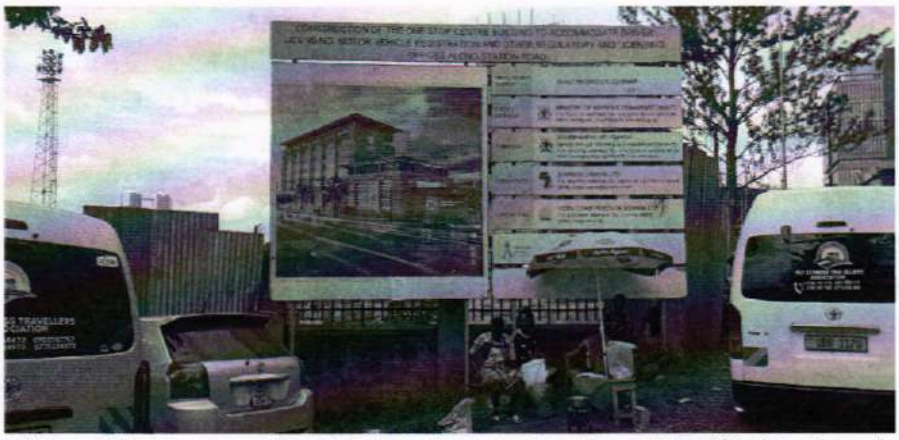


Figure 55: Appropriate project signage has been installed and is clearly displayed on site.



Figure 56: Partitioning of spaces has commenced in some sections of the building.



Figure 57: Surface waterproofing works for exposed sections of the building are also in progress.



Figure 58: Appropriate PPE has been provided and is being used on site.

2.9 PROCUREMENT OF TWO MERCHANT VESSELS (FERRIES), SEARCH AND RESCUE BOATS AND FERRY MAINTENANCE EQUIPMENT FOR LAKE BUNYONYI

2.9.1 Contract Summary

Table 42: Contract Summary

Name of Entity	Ministry of Works and Transport (MoWT)
Financing Institution	African Development Bank (AfDB) – African Development Fund (ADF)
Contract Title	Procurement of Two Merchant Vessels (Ferries), Search and Rescue Boats, and Ferry Maintenance Equipment for Lake Bunyonyi
Name of Contractor	African Marine & General Engineering Company Limited (AMGECO)
Type of Contract	Design and Build/Supply and Installation (Milestone-based payments)
Contract Price	USD 9,598,749 (excl. VAT of USD 1,727,775)
Contract Signature Date	10th June 2022
Contract Commencement Date	27th June 2022
Extensions	Two (2) extensions granted: (1) 13 months (8th July 2024), (2) 9 months (31st December 2025)
Date for Completion	Original: July 2024 (24 months from commencement)
Revised Completion Date	3rd May 2026 (after cumulative 22-month extension)
Contract Period	Original: 24 months. Revised: 46 months (24 + 22 months extension)
Time Progress / Overall Time Elapsed to Last Report (February 2026)	Approximately 43 months elapsed out of 46 months revised period = 93.5% of revised contract period elapsed
Physical Progress	75.9% (as of February 2026 Progress Report). Land-based equipment at 100%; ferries construction significantly behind (e.g., piping at 18.5%, outfitting at 58.5%).
Financial Progress	Approximately 70%

2.9.2 Background

The Government of Uganda, through the Ministry of Works and Transport (MoWT), is implementing a project for the procurement of two merchant vessels (ferries), search and rescue boats, and ferry maintenance equipment for Lake Bunyonyi. The project is financed by the African Development Bank (AfDB) and is intended to improve water transport connectivity, enhance tourism, facilitate trade, and improve access to social and economic services for communities living on the islands of Lake Bunyonyi.

The contract was awarded to African Marine & General Engineering Company Limited (AMGECO) on 10th June 2022 at a contract price of USD 9.60 million (exclusive of VAT). The contract was initially planned for completion within 24 months but has subsequently been extended by a cumulative 22 months due to various implementation challenges.

2.9.3 Scope of Work

The project entailed the supply, delivery, assembly, and commissioning of a comprehensive water transport system for Lake Bunyonyi. The detailed scope includes the following:

Table 43: Project Scope

	Item	Details
(a)	Marine Vessels	• Two (02) Roll-on/Roll-off (Ro-Ro) Merchant Vessels (Ferries) with a minimum payload capacity of 120-150 tons. • Two (02) Search and Rescue Boats. • One (01) Ferry Services Operations Patrol Boat.
(b)	Land-Based Equipment	• Two (02) Ferry Maintenance Mobile Workshop Trucks. • One (01) Cesspool Emptying Truck. • Five (05) 4-Wheel Double Cabin Pickups (2 x 2.8L, 3 x 2.3L).
(c)	Ancillary Services	• Design, construction, and assembly of the ferries. • Training for crew and maintenance staff. • Supply of spare parts for two years of operation.

2.9.4 Level of Achievement of Value for Money during Contract Implementation

2.9.4.1 Economy

The project demonstrates a satisfactory level of economy, as the contract cost has remained within the original contract sum of US$ 9,598,749 despite the significant time delays experienced during implementation. Furthermore, the contract price was below the Engineer's estimate of UGX 38,498,600,000, which was equivalent to approximately US$ 10.27 million based on the average June 2022 exchange rate of about UGX 3,750 per US dollar. Accordingly, the project has not required any increase to the contract sum and has been delivered at a cost lower than the Engineer's estimate, indicating prudent use of public resources from a cost perspective, notwithstanding the delays in completion.

2.9.4.2 Efficiency

The project has experienced substantial delays since commencement. Although the Contractor maintained baseline and revised implementation schedules, the project experienced substantial delays. The original completion date of 21st June 2024 was extended twice by a total of 22 months. As of February 2026, physical progress stood at 75.9%, with several critical activities significantly behind schedule. The latest programme forecasts completion on 3rd September 2026, approximately 804 days beyond the baseline schedule.

According to the February 2026 Progress Report, overall project completion stood at 75.9%, with several critical ferry construction activities lagging behind schedule, including Superstructure Fabrication (83.9%), Machinery Installation (64.0%), Outfitting (58.5%), Launching (35.0%), Piping Installation (18.5%), Blasting and Painting (27.0%), and Navigation, Communication and Electrical Works (5.0%).

A comparison of the baseline programme and the revised implementation schedule revealed substantial delays across key project activities as summarized below.

Table 44: Project Programme Analysis

Activity	Sub-Activity	Baseline Finish	Revised Finish	Delay (Days)
Procurement	Rescue boats and patrol boat procurement	07/07/2023	21/04/2026	1,019
	Navigation, communication and electrical equipment	16/09/2023	25/04/2026	952
	Machinery, propulsion equipment, LSA and FFA	20/09/2023	18/04/2026	941
Training & Capacity Building	Foreign training and crew knowledge transfer	03/12/2023	11/06/2026	921
Ferry Vessel 1	Hull and superstructure fabrication	19/05/2023	19/04/2026	1,066
	Piping, electrical, outfitting and machinery installation	18/10/2023	30/04/2026	925
	Commissioning, sea trials and handover	29/11/2023	27/05/2026	910
Ferry Vessel 2	Hull and superstructure fabrication	24/02/2024	17/08/2026	905
	Piping, electrical, outfitting and machinery installation	12/05/2024	25/08/2026	835
	Commissioning and sea trials	10/06/2024	27/08/2026	808
Project Close-Out	Final handover and certification	21/06/2024	03/09/2026	804

The Contractor attributed the delays to power outages, adverse weather conditions, customs clearance challenges, supply chain disruptions arising from regional conflicts, delayed approvals and site constraints affecting simultaneous construction of both ferries.

Implication

The delays have significantly reduced implementation efficiency and postponed realization of the intended transport, tourism and connectivity benefits.

Management Response

The contractor is currently suffering logistical delays in clearing of inputs due to disruptions caused by the conflict in the Middle East. Further the contractor's steel works progress on site has been affected by unfavourable weather, power disruptions and construction area limitations. The contractor subsequently requested for extension of time and proposed a revised/recovery implementation plan, which was reviewed by the Ministry, approved and awaiting a no objection from the African Development Bank, the funders. The Ministry has intensified monitoring of the project through site visits and meetings with the contractor to fulfil their obligations, the overall project progress is over 75%.

Recommendation
The Contract Manager should continue to closely monitor implementation of the approved recovery programme, ensure timely resolution of factors affecting progress, and regularly track achievement of key milestones to facilitate completion of the outstanding works within the approved contract period. Any further delays or requests for extension of time should be justified and processed in accordance with the Contract and Regulations 52(3)(a), (b), and (c) of the PPDA (Contracts) Regulations, 2023.

2.9.4.3 **Effectiveness**
The project is intended to improve transport connectivity, tourism and accessibility for communities around Lake Bunyonyi through provision of modern ferry services. It is on track to deliver the expected scope once completed given the current status below.

Table 45: Project Milestone Completion Status

Activity	Completion Status
Superstructure Fabrication	83.9%
Machinery Installation	64.0%
Outfitting	58.5%
Launching Activities	35.0%
Blasting & Painting	27.0%
Piping Installation	18.5%
Navigation & Electrical Works	5.0%

2.9.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.9.5.1 Obligations of the Provider

No major exceptions.

2.9.5.2 Obligations of the Entity

a. Commencement of Works and Site Handover
The contract became effective on 8th July 2022. However, the Contractor could not access the site because the Entity had not completed prerequisite Environmental and Social Impact Assessment (ESIA) studies nor obtained clearance from landowners, including the National Forest Authority (NFA). These conditions were only fulfilled by 26th September 2023, and the site was formally handed over to the Contractor on 13th October 2023. The Entity subsequently granted a 13-month extension at no cost to the Contractor for this delay.

Implication
The delayed site handover significantly affected project implementation and contributed to the overall schedule overrun.

Management Response
This is noted and agreed upon for future projects.

Recommendation
The Entity should ensure all land access, environmental approvals and site readiness requirements are fully addressed before contract commencement to avoid implementation delays on future projects.

b. Timeliness and Accuracy of Payments
An analysis of the Payment durations was carried out based on information provided as follows:

Table 46: Project IPC Analysis

Milestone	Invoice Date	Certification Date	Payment Date	Processing Duration
Advance Payment	09/09/2022	No information	06/08/2024	
Design Completion (10%)	03.08.2023 (Rev1)	08.08.2023	No information	No information
Maintenance Equipment (15%)	06.03.2024	20.05.2024	11.07.2024	52 days
Steel Procurement (15%)	22.05.2024	Not on file	06.08.2024	Unable to verify
Propulsion Units (15%)	16.09.2024	01.10.2024	04.02.2025	126 days

For the Propulsion Units milestone, payment was certified on 1st October 2024 and paid on 4th February 2025, representing a processing time of 126 days which exceeded the contractual 60-day payment-delay period prescribed under GCC 16.5, after which interest (LIBOR+1%) would become payable. The Maintenance Equipment milestone (52 days) complied with the 60-day requirement.

Implication
The 63-day delay in processing the Propulsion Units payment could give the Contractor grounds to claim interest. Additionally, incomplete payment and certification records for other milestones weaken the audit trail and limit transparency.

Management Response
The Ministry is committed to timely payments. The complete certification and payment records are maintained on the contract file.

Recommendation
The Accounting Officer should strengthen payment processing controls to ensure timely settlement of certified invoices within the contractual 60-day period. The Contract Manager should maintain complete certification and payment records on the contract management file in accordance with Regulations 52(3)(e) and 52(3)(vii) of the PPDA (Contracts) Regulations, 2023.

c. Authentication of Performance & Advance Payment Guarantees
Whereas the Entity, in a letter dated 22nd January 2025 (Ref. FIN 353/354/01), requested the Bank of Uganda to verify the following securities, there was no evidence of confirmation by the Bank of Uganda n file.

Table 47: Project Guarantees

	Security-1 (Performance Security)	Security-2 (Advance Payment Guarantee)
Contractor	African Marine & General Engineering Co. Ltd	African Marine & General Engineering Co. Ltd
Procurement Ref.	UNRA/SUPLS/2020-2021/00033	UNRA/SUPLS/2020-2021/00034
Guarantee No.	DTBU/PS/018/2025	DTBU/APG/019/2025
Amount Guaranteed	USD 959,875	USD 1,439,813
Bank	Diamond Trust Bank (U) Ltd.	Diamond Trust Bank (U) Ltd.
Issue Date	14/01/2025	14/01/2025
Expiry Date	02/01/2026	25/09/2025

Implication

The authenticity of the guarantees remains unconfirmed, exposing the Entity to potential financial risk should the guarantees prove invalid, fraudulent, or non-compliant with contractual terms.

Management Response

The Ministry is committed to the verification of the securities and this was done, please see the confirmations from Bank of Uganda in Annex 1. The evidence of verification is retained on the contract management file.

Recommendation

The Contract Manager should continue to ensure that all performance securities and advance payment guarantees are formally authenticated with the issuing financial institutions and that evidence of such verification is promptly retained on the contract management file for all current and future guarantees, in accordance with Regulation 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023.

2.9.6 Physical Verification

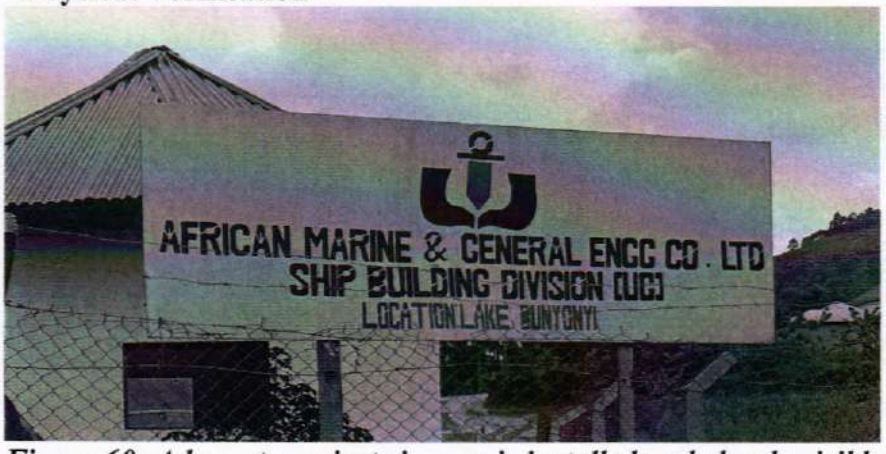


Figure 60: Adequate project signage is installed and clearly visible on site.



Figure 61: The Contractor has established a functional work camp to facilitate the safe storage of equipment and materials.



Figure 62: The contractor has established appropriate storage facilities for equipment and machinery

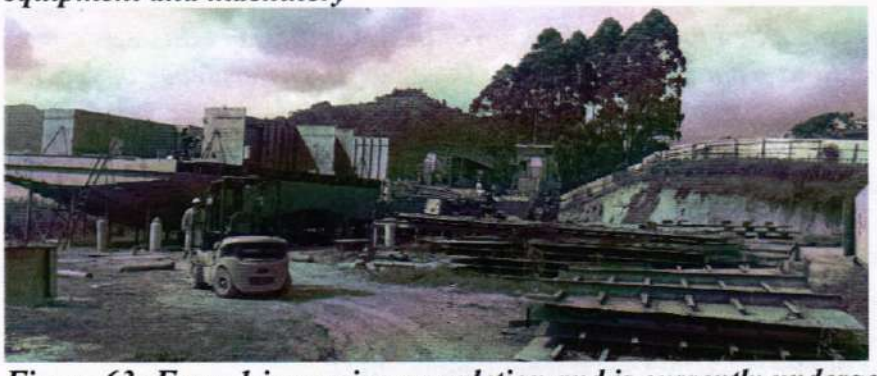


Figure 63: Ferry 1 is nearing completion and is currently undergoing inspection prior to painting.



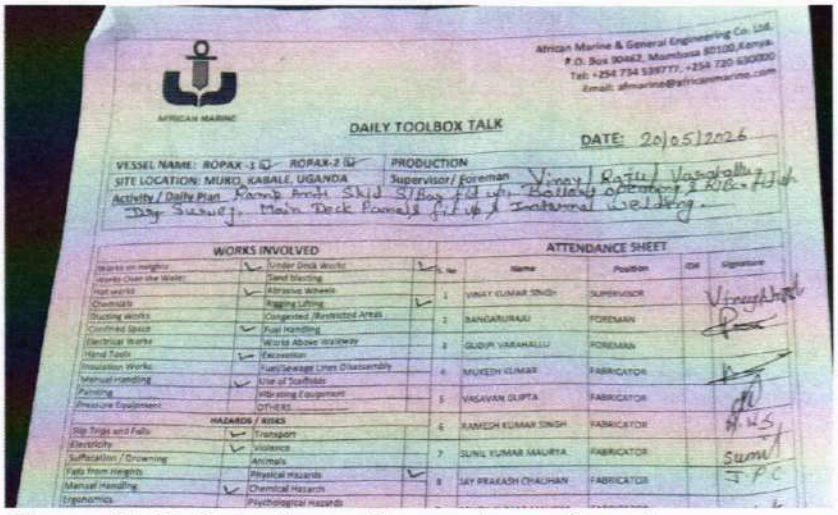
Figure 64: Ferry 2 is currently under assembly.



Figure 65: Welding operations ongoing



Figure 66: Appropriate PPE is being consistently enforced on site.



African Marine & General Engineering Co. Ltd.
P.O. Box 90462, Mombasa 80100,Kenya.
Tel: +254 734 539777, +254 720 630000
Email: afmarine@africanmarine.com

AFRICAN MARINE

DAILY TOOLBOX TALK

DATE: 20/05/2026

VESSEL NAME: ROPAX-1 ☑ ROPAX-2 ☑ PRODUCTION

SITE LOCATION: MUKO, KABALE, UGANDA Supervisor/ Foreman Vinay / Raju / Vasupalli

Activity / Daily Plan Ramp Profile Skid S/Beg fit up. Railway Opening & RC-Fit up. Day Survey. Main Deck Panels fit up & Intermal welding.

WORKS INVOLVED				HAZARDS / RISKS	
Works on height		Under Deck Works		Slip Trips and Falls	
Works Over the Water		Sand Blasting		Electricity	
Hot works	✓	Abrasive Wheels		Suffocation / Drowning	
Chemicals		Rigging Lifting	✓	Falls from Heights	
Grazing works		Congested /Restricted Areas		Manual Handling	
Confined Space	✓	Fuel Handling		Ergonomics	
Electrical Works		Works Above Walkway		Transport	
Hand Tools	✓	Excavation		Violence	
Insulation Works		Fuel/Sewage Lines Disassembly		Animals	
Manual Handling	✓	Use of Scaffolds		Physical Hazards	✓
Painting		Vibrating Equipment		Chemical Hazards	
Pressure Equipment		OTHERS		Psychological Hazards	

ATTENDANCE SHEET

S. No	Name	Position	ID#	Signature
1	VINAY KUMAR SINGH	SUPERVISOR		
2	RANGARURAJU	FOREMAN		
3	GUDIPI VARAHALLU	FOREMAN		
4	MUKESH KUMAR	FABRICATOR		
5	VASAVAN GUPTA	FABRICATOR		
6	RAMESH KUMAR SINGH	FABRICATOR		
7	SUNIL KUMAR MAURYA	FABRICATOR		
8	JAY PRAKASH CHADHAN	FABRICATOR		

Figure 67: Daily toolbox talks are observed on site

2.10 PROCUREMENT OF FERRIES AND DREDGING EQUIPMENT FOR LAKE KYOGA

2.10.1 Contract Summary

Table 48: Contract Summary

Name of Entity	Ministry of Works and Transport
Financing Institution	Government of Uganda
Procurement Reference No.	UNRA/WORKS/2017-18/00114
Contract Title	Procurement of Ferries and Dredging Equipment for Lake Kyoga
Name of Contractor	Songoro Marine Transport Limited (SMTL)
Type of Contract	Supply and Installation (Works Contract)
Contract Price	UGX 41,974,226,085 (DAP exclusive of taxes)
Advance Payment (15%)	UGX 6,296,133,913 (paid 13 October 2020, fully recovered)
40% LC Reference	991LCLC203530002 (UGX 16,789,690,434)
45% LC Reference	991LCLC211740013 (UGX 18,888,401,738)
Performance Guarantee	IG20162UG0100785 (Stanbic Bank, UGX 4,197,422,608) -last extension to 25 February August 2026
Contract Signature Date	29th June 2020
Contract Commencement Date	27th July 2020
Original Completion Date	27th March 2022 (20 months: 18 months contractor deliverables + 2 months client internal processes)
Current Revised Completion Date	30th June 2026
Projected Completion Date	30th June 2026
Extensions	17 Extensions of Time (EOTs) granted
Contract Period (Original)	20 months
Contract Period (Current)	71 months (July 2020 – June 2026)
Time Progress / Overall Time Elapsed to Last Report (April 2026)	69 months elapsed out of 20 planned i.e. 345% of original duration
Physical Progress (as at April 2026)	93%
Financial Progress (as at April 2026)	82% (UGX 34.58 billion paid out of UGX 41.97 billion)
Original Defects Liability Period	27th March 2023
Revised DLP Completion Date	30th June 2027
Projected DLP Completion Date	30th June 2027
Contract Manager	Eng. Rita Makumbi (Senior Mechanical Engineer - Ferries)

2.10.2 Background

The Government of Uganda, through the Ministry of Works and Transport (MoWT), is implementing the Procurement of Ferries and Dredging Equipment for Lake Kyoga Project aimed at improving water transport connectivity between Buyende, Kaberamaido and Serere districts. The project includes the construction and delivery of two ferries, dredging equipment, rescue boats, a maintenance boat, associated vehicles and crew training.

The contract was awarded to Songoro Marine Transport Limited (SMTL) on 29th June 2020 at a contract price of UGX 41.97 billion. The contract was originally planned for completion within 20 months but has experienced substantial delays, resulting in seventeen (17) Extensions of Time and a revised completion date of 30th June 2026.

2.10.3 Scope of Work

The contract scope of work was as follows:

- Preparation of a design for the Ferries (2) and Dredging Equipment through a Naval Architecture/Engineering support to be reviewed by a qualified UNRA-approved IACS Marine Surveyor;
- Building, delivery and commissioning the Ferry in accordance with the set-out specifications and under the supervision of a qualified UNRA-approved IACS Marine Surveyor;
- Delivery and commission of the dredging equipment along with its components to effectively dredge and maintain the Ferry Route. It is expected that the provider shall undertake real dredging works as part of training of the crew and testing of the equipment;
- Carry out training (local and foreign) of the ferry teams that will be managing and operating both the ferry and dredging equipment;
- Supply and delivery of approved spare parts for both the ferry and dredging equipment (including all equipment maintenance and service parts for 24 months and one complete replacement propulsion unit); and
- Efficiently address all warranty obligations.

2.10.4 Level of Achievement of Value for Money during Contract Implementation

2.10.4.1 Economy

The project is being executed within the contract sum which was in line with the Engineer's estimate.

2.10.4.2 Efficiency

The contract required completion by 27th March 2022 (20 months). As of April 2026, the contract is substantially incomplete. Key milestone delays range from 8 to 31 months, with final delivery now projected for 30th June 2026 (see table 54 below).

Table 49: Key Contract Milestones

Milestone	Target Date	Actual Date	Delay/Status
Dredging Equipment Delivery	4th June 2022	8th February 2023	8 months delay
Steel Cutting	9th November 2020	23rd July 2021	9 months delay
Keel Laying	29th January 2021	5th May 2022	15 months delay
Launching of Ferry BKK 1	7th February 2022	7th August 2024	30 months delay
Launching of Ferry BKK 2	7th February 2022	5th September 2024	31 months delay
Final Delivery	27th March 2022	30th June 2026 (projected)	Outstanding

Overall physical progress stands at 96.3% as of April 2026, with several deliverables incomplete (see Table 55 below).

Table 50: Overall Project Status as at April 2026

Deliverable	Contract Weight (%)	Progress (%)	Status
Dredging Equipment	10.0%	10.0%	Completed and delivered
Ferry No. 1	41.4%	41.0%	Substantially completed; firefighting equipment and some spare parts pending
Ferry No. 2	40.8%	40.4%	Substantially completed; final painting and spare parts pending
Training Activities	1.2%	Ongoing	Crew and management training in progress
Marine Surveys & Inspections	1.1%	1.0%	Completed and reports submitted
Mobilization	1.4%	1.4%	Completed
Maintenance Boat	1.8%	0.2%	Proposal submitted; pending review
Rescue Boats	0.7%	0.0%	Suppliers identified; procurement ongoing
Vehicles	1.2%	1.2%	Delivered on 29th May 2024
Studies, Drawings & Documentation	0.4%	0.4%	Submitted; stakeholder consultations being finalized
Overall Contract	**100%**	**96 omo.3%**	Contract substantially complete; delivery, rescue boats and maintenance boat remain outstanding

The Contractor failed to meet the original 20-month completion deadline with the contract being extended by over 48 months (240%) through sixteen extensions, with key milestones delayed by up to 31 months. Despite achieving 96.3% cumulative physical progress, critical deliverables remain outstanding: final delivery of the ferries (projected 30th June 2026), rescue boats (0% progress), and a maintenance boat (0.2% progress).

Implications

- With the projected completion date of 30th June 2026, the Contractor is at significant risk of further delay, and the Employer's exposure to unfulfilled contractual obligations remains high.
- The delays have significantly reduced implementation efficiency and postponed realization of the intended transport benefits.

Management Response

This is noted and agreed upon for implementation. As of end of April 2026, the physical progress of 93% had been achieved, as summarized below in the adjusted Table 45, also documented within the full April 2026 contract management report in Annex 2. The physical progress by the end of May 2026 was 96%. This progress notwithstanding, the Ministry noted the delay and intends to charge delay damages; the Contractor was already notified of this (Annex 3).

Adjusted Table: Overall Project Status as at April 2026

Deliverable	***Contract Weight (%)***	***Progress (%)***	***Status***
Dredging Equipment	*10.0 %*	*10.0%*	*Completed and delivered.*
Ferry No. 1	*41.4 %*	*41.0%*	*Substantially completed, commissioned into operations; delivery of uniforms and some spare parts pending.*
Ferry No. 2	*40.8 %*	*37.43 %*	*Substantially completed; final painting ongoing, delivery of uniforms and spare parts pending.*
Training Activities	*1.2%*	*0.76%*	*Crew and management training partially implemented.*
Marine Surveys & Inspections	*1.1%*	*0.81%*	*Partially completed and reports submitted.*
Mobilization	*1.4%*	*1.4%*	*Completed*
Maintenance Boat	*1.8%*	*0.18%*	*Proposal submitted; pending review by the Class Inspector.*
Rescue Boats	*0.7%*	*0.0%*	*Suppliers identified; procurement ongoing*
Vehicles	*1.2%*	*1.2%*	*Delivered on 29 May 2024*
Studies, Drawings & Documentation	*0.4%*	*0.4%*	*Submitted; stakeholder consultations being finalized*
Overall Contract	***100%***	***93%***	*Contract substantially complete; delivery of rescue boats and*

Deliverable	*Contract Weight (%)*	*Progress (%)*	*Status*
			maintenance boat remain outstanding

Recommendation

The Contract Manager should closely monitor completion of the outstanding deliverables, particularly final delivery of Ferries No. 1 and No. 2, rescue boats (0% progress), and the maintenance boat (0.18% progress), and ensure implementation of the approved recovery programme to achieve completion by the revised contract date. The Employer should also enforce the charging of delay damages as notified to the Contractor, in accordance with Regulations 52(3)(a), (b) and (c) of the PPDA (Contracts) Regulations, 2023.

2.10.4.3 **Effectiveness**

The project is intended to improve connectivity across Lake Kyoga through provision of ferry transport services and supporting marine infrastructure which is still an active need.

2.10.5 Overall Management of the Project in Accordance with Each Party's Obligations

2.10.5.1 **Obligations of the Provider**

a. Adherence to BOQs and Specifications

The ferries, dredging equipment, vehicles and associated works generally complied with approved specifications and classification requirements. Interim Class Certificates were issued for both ferries by the International Register of Shipping, confirming compliance with applicable technical standards. Ferry No. 1 achieved 41.0% out of its contractual weight of 41.4%, while Ferry No. 2 achieved 40.4% out of 40.8%. However, firefighting equipment, certain spare parts, rescue boats, maintenance boat requirements and final seaworthiness certification remained outstanding as of April 2026.

Table 51: Specification Compliance Tabulation

Item	Status
Ferry Design & Propulsion	Compliant (approved variations via Change Orders)
Engine Capacity (Doosan L126TIH, 265kW)	Compliant
Passenger Capacity (310)	Compliant
Vehicle Capacity (14 cars + 1 truck)	Compliant
Dredging Equipment	Compliant – completed and delivered
Vehicles (5 pickups, cesspool truck, workshop trucks)	Compliant – delivered 29 May 2024
Patrol Boat (1 no)	Sourced from different suppliers; procurement ongoing (0% progress)
Rescue Boats (2 nos)	Sourced from different suppliers; procurement ongoing (0% progress)
Maintenance Boat	Proposal submitted to UNRA; pending International

Item	Status
	Register review (0.2% progress)
IRS Classification Society Approvals	Compliant – all construction surveys completed
Interim Class Certificate – BKK 1	Issued 23 April 2026; valid until 7 June 2026
Interim Class Certificate – BKK 2	Issued (Certificate No. IRR-COCL-IN-26-00111)
Seaworthiness Certificates	Pending final delivery and employer acceptance

Implication
While the completed works substantially comply with technical specifications, failure to finalize the remaining equipment, certifications and associated deliverables may delay final acceptance and operationalization of the ferries. The provisional classification certificates also require timely completion to avoid additional inspection and certification costs.

Management Response
This is noted and agreed upon for implementation. Please refer to Annex 4 for a copy of the seaworthiness certificate for MV BKK 1 Ferry that was issued on 09 February 2026. The seaworthiness certification for the MV BKK 2 Ferry is pending the recruitment of Ferry Crew, which is ongoing.

Recommendation
The Contract Manager should continue to monitor completion of the outstanding contractual deliverables, including the remaining seaworthiness certification, rescue boats, maintenance boat, and any outstanding equipment and spare parts. Before final acceptance and contract close-out, the Contract Management Team should verify that all technical specifications and certification requirements have been fully met in accordance with Regulations 52(3)(a), (c) and (f) of the PPDA (Contracts) Regulations, 2023.

2.10.5.2 **Obligations of the Entity**

a. Certification and Payment of Invoices, and Recovery of Advance Payment
The Entity had paid UGX 33.54 billion, representing approximately 79.9% of the UGX 41.97 billion contract sum, against physical progress of 96.3%. While the payment mechanism through Letters of Credit facilitated implementation, repeated lapses and extensions of the 40% and 45% Letters of Credit created funding uncertainties. As of April 2026, approximately UGX 2.66 billion remained unpaid, pending final delivery, seaworthiness certification and completion of remaining obligations.

Table 52: Project Letters of Credit

LC	Amount	Purpose	Status
40% LC (991LCLC 203530002)	UGX 16,789,690,434	Steel, propulsion units, nautical/safety equipment, electrical/mechanical equipment	Opened 18 Dec 2020; amended 04 Jul 2022; extended to 29 Feb 2024 (lapsed 30 Oct – 23 Nov 2023)
45% LC	UGX	Dredging	Opened 23 Jun 2021

LC	Amount	Purpose	Status
(991LCLC 211740013)	18,888,401,738	equipment, vehicles, containers, paint, boats, sea trials, completion payments	(effective 02 Jul 2021); multiple amendments; validity extended to **02 Mar 2027** (per April 2026 Report)

Table 53: LC Payment Structure and Amendments

LC	Original Provision	Approved Amendment
40% LC (approved 20 Jun 2022)	Second drawing of 50% (UGX 8,394,845,217) upon shipping documents for propulsion units + ferries equipment	Split into three payments: propulsion units (UGX 6,256,853,700); nautical & safety equipment (UGX 1,068,995,758); electrical & mechanical equipment (UGX 1,068,995,759)
45% LC (approved 20 Jan 2023)	UGX 4,197,422,609 upon satisfactory completion of all obligations (except DLP)	Split into: three comprehensively insured vehicles (UGX 426,056,909.85); remaining obligations (UGX 3,771,365,699.15)
45% LC (approved 28 Feb 2024)	As above	Further broken down into 12 instalments to improve Contractor cash flow

Payments Made

Table 54: Project Milestones/Payments

Milestone	%	Trigger / Condition	Date	Amount (UGX)
Advance Payment	15%	Invoice + unconditional bank guarantee	13/10/2020	6,296,133,913
Dredging Equipment	10%	Shipping documents	03/03/2022	4,197,422,609
Steel Procurement	20%	Shipping documents for steel	05/03/2022	8,394,845,217
Propulsion Units	15%	Shipping documents for propulsion units	04/07/2022	6,256,853,700
Nautical & Safety Equipment	Various	Shipping documents	01/06/2023	1,068,995,758
Paint	Various	Shipping documents	02/08/2024	481,442,126
Man Overboard Boats	Various	Delivery to site	28/08/2024	294,366,160
Launching (Ferry 1 & 2)	Various	Launching completed	04/10/2024	1,410,625,042
Sea Trials (Ferry 1)	Various	Sea trials completed	25/06/2025	983,621,594
Sea Trials (Ferry	Various	Sea trials completed	25/06/2025	983,621,594

Milestone	%	Trigger / Condition	Date	Amount (UGX)
2)				
Total Paid				**33,540,098,033**
Pending (Ferry 1 completion)		Seaworthiness certificate + final delivery	Pending	1,047,439,118
Pending (Ferry 2 + all obligations)		Seaworthiness certificate + others	Pending	1,609,475,532
Contract Sum				**41,974,226,085**

Implication
The recurring LC expiry and extension delays have directly contributed to sustained Contractor cash flow strain. As at April 2026, physical progress stood at 96.3%, yet only 79.9% of the contract sum has been disbursed – a 16.4 percentage point gap. This disparity, coupled with the Contractor bearing the cost of multiple LC extensions, has likely impaired working capital and may have contributed to delayed completion of outstanding deliverables (rescue boats, maintenance boat, and final delivery).

Management Response
Payments to the Contractor are based on milestones stipulated in the Contract. As of April 2026, the Ministry had paid UGX 34,587,537,151, representing approximately 82.4% of the UGX 41.97 billion contract sum, against the physical progress of 93%. Please refer to Annex 5 for a copy of the swift message from Bank of Uganda dated 04 March 2026 for the payment of UGX 1,047,439,118.

Recommendation
The Accounting Officer, through the Contract Manager, should ensure that the remaining contractual payments are processed promptly upon achievement of the agreed milestones and fulfilment of the outstanding contractual obligations. The Contract Manager should also ensure timely management and renewal of Letters of Credit, where applicable, to avoid disruptions to contract implementation, in accordance with the Conditions of Contract and Regulation 52(3)(a), (b) and (c) of the PPDA (Contracts) Regulations, 2023.

b. Timeliness and Accuracy of Payments
The contract (GCC 16.5) required payment to be effected within 60 days, after which interest (LIBOR+1%) is payable. A review of available payment records against the April 2026 progress status is summarised below:

Table 55: Payment Duration Analysis

Invoice / Payment Description	Invoice / Request Date	Payment Date	Duration (days)	Performance vs 60 days
Advance Payment	04/08/2020	13/10/2020	70 days	Overdue by 10 days
Dredging Equipment	Not provided	03/03/2022	-	-
Steel	Not provided	05/03/2022	-	-

Invoice / Payment Description	Invoice / Request Date	Payment Date	Duration (days)	Performance vs 60 days
Procurement				
Propulsion Units	Not provided	04/07/2022	-	-
Nautical & Safety Equipment	Not provided	01/06/2023	-	-
Paint	13/05/2024	02/08/2024	81 days	Overdue by 21 days
Man Overboard Boats	14/06/2024	28/08/2024	75 days	Overdue by 15 days
Launching (Ferry 1 & 2)	05/09/2024	04/10/2024	29 days	Compliant
Sea Trials (Ferry 1 & 2)	22/05/2025	25/06/2025	34 days	Compliant
Ferry 1 Completion (pending)	Not provided	Pending	N/A	Pending
Ferry 2 Completion (pending)	Not provided	Pending	N/A	Pending

As shown above, several payments exceeded the contractual 60-day payment period.

The Advance Payment was processed in 70 days, while payments for Paint and Man Overboard Boats took 81 and 75 days respectively, exceeding the contractual limit by between 10 and 21 days. Although later payments relating to launching and sea trials were processed within 29–34 days, the April 2026 progress report continued to cite delayed payment processing as a project constraint.

Implication
Delayed payments may expose the Entity to claims for interest under the contract and can negatively affect contractor cash flow, particularly where significant outstanding works remain to be completed.

Management Response
The Ministry is committed to timely payments. The invoices for Dredging Equipment, Steel, Nautical & Safety Equipment and Ferry 1 Completion are in Annex 6.

Recommendation
The Authority has noted the response and urges the Entity to continue to strengthen payment processing to ensure all certified invoices are paid within the contractual timelines, and any payment delays are promptly addressed and documented to minimise exposure to interest claims and disruptions to contract implementation, in accordance with Regulations 52(3)(e) and 52(3)(a)(vii) of the PPDA (Contracts) Regulations, 2023.

c. Justification / validity of Change Orders, Extensions and Variations

The contract has undergone several formal modifications through Change Orders and Extension of Time approvals. The tables below summarise the key changes and all 16 extensions based on the February 2026 Report (pages 2-3).

Table 56: Change Orders

	Approval Date	Description	Cost Impact	Time Impact	Justification
1	7th May 2021	Engine & Hull Optimization – Schottel propulsion instead of Hydromaster; hull redesigned (44m length, 15.6m breadth, 1m draft)	Nil	Extended design phase	IRS Technical advice
2	30th May 2022	Extension of time to 29 May 2023	Nil	+14 months	Design changes, design review, COVID-19 impacts
3	24th June 2022	Supply of five vehicles instead of two high-spec vehicles	Nil	None	Contractor's request accepted by Management
4	20th June 2022	LC amendment to allow partial payment for propulsion units	Nil	None	To free up cash flow
5	20th January 2023	Adjusted payment terms for vehicles within 45% LC	Nil	None	To avoid additional bank interest charges
6	24th February 2024	Utilise part of training funds for Ferry Crew certification	Nil	None	DRIP guidance
7	27th January 2023	Acquisition of containers	Nil	None	Approved by Accounting Officer

Table 57: Extensions of Time

	Revised Completion Date	Time Impact	Justification	Approval Date
1	11th June 2022	+50 working days	Delays due to design change and design review	10th Nov 2021
2	29th May 2023	+12 months	Delays due to design review and COVID-19 impact on steel sourcing, cutting and shipment	30th May 2022
3	29th May 2023	Interim	Interim EOT to keep contract alive as additional information is	24th April 2023

	Revised Completion Date	Time Impact	Justification	Approval Date
			submitted to ED	
4	29th July 2023	+2 months	Interim EOT to keep contract alive to enable Contractor to address management response	25th May 2023
5	29th October 2023	+3 months	Interim EOT to keep contract alive to enable management to comprehensively review contractor's performance	24th July 2023
6	1st January 2024	+2 months	Extension due to delays occasioned by both Client and Contractor	29th October 2023
7	1th February 2024	+1 month	Interim EOT to keep contract alive to enable comprehensive review of Contractor's EOT request of 27 December 2023	29th December 2023
8	27th April 2024	+3 months	EOT approved due to Client non-issuance of training instruction and lengthy LC extension	27th February 2024
9	26th September 2024	+5 months	Interim EOT to keep contract alive to enable management to comprehensively review contractor's performance	15th May 2024
10	30th November 2024	+2 months	Late issuance of confirmation documents, late payments and lengthy LC extension	27th September 2024
11	28th July 2025	+8 months	Late Third Class Survey Report and unavailability of Schottel Engineer	28th March 2025
12	30th September 2025	+2 months	Late payment	24th July 2025
13	30th October 2025	+1 month	To facilitate full analysis of contractor's claim	29th September 2025
14	30th November 2025	+1 month	Shipping delays and design drawing delays	28th October 2025
15	30th December 2025	+1 month	Class review and inspection delays	28th November 2025
16	2th March 2026	+2 months	To keep contract valid for completion of outstanding obligations. Delay damages invoked from 31 December 2025	30th December 2025
17	30th June 2026	+4 months		

The total cumulative delay of the 17 EOTs is approximately 52 months (250% of the original contract duration) considering the original completion date of 27th March 2022 vs the projected completion date (30th June 2026).

Implication

Although the extensions and variations were properly documented and approved, the cumulative delay of approximately 52 months significantly reduced project efficiency and postponed realization of project benefits. The repeated need for interim extensions also indicates persistent implementation challenges by both the Contractor and the Entity.

Management Response

Most Ferry projects use a design and build approach so the contracts have to commence prior to design implementation. In future, several financing milestones will be incorporated to ease cashflow. The Ministry always undertakes adequate analysis for all Extensions of Time, variations, and change orders. Further, your recommendations are noted. Please note that on 2nd March 2026, the Contract was extended up to 30th June 2026 to keep it valid for the completion of the outstanding obligations. Please refer to Annex 7 for a copy of the fully signed change order.

Recommendation

The Contract Manager should continue to ensure that all Extensions of Time, variations, and change orders are supported by adequate technical and contractual analysis, formally approved, and maintained on the contract management file in accordance with the Conditions of Contract and Regulation 52(3)(a), (b) and (c) of the PPDA (Contracts) Regulations, 2023. For future projects, the Accounting Officer should ensure that key implementation readiness requirements, including design development, financing arrangements, and statutory approvals, are adequately addressed before contract commencement to minimise the need for repeated contract modifications.

d. Adherence to Gender, Environmental, Health and Safety Requirements

The Contractor maintained active HSE management systems, including toolbox talks, risk assessments, PPE provision and monthly HSE reporting. The April 2026 report recorded zero injuries, zero near misses and zero property damage incidents. However, only NEMA approval of the ESIA Terms of Reference dated 23rd June 2023 was available on file. The final ESIA report and evidence of issuance of the final NEMA Certificate of Approval were not available for review. In addition, no evidence was found regarding compliance with gender-related requirements or reporting.

Implications

- While site safety performance appears satisfactory, the absence of the final ESIA approval documentation limits assurance that all environmental and social obligations were fully addressed.
- Lack of gender-related reporting also prevents assessment of compliance with social inclusion objectives.

Management Response

This is noted and agreed upon for implementation.

Recommendation

The Entity should obtain and maintain the final ESIA approval documentation and require periodic reporting on gender participation, workforce composition and other social safeguards to demonstrate compliance with environmental and social commitments.

2.10.6 Physical Verification



Figure 68: Ferry construction status



Figure 69: Disaggregated bathroom facilities on board



Figure 70: Ferry construction team on site

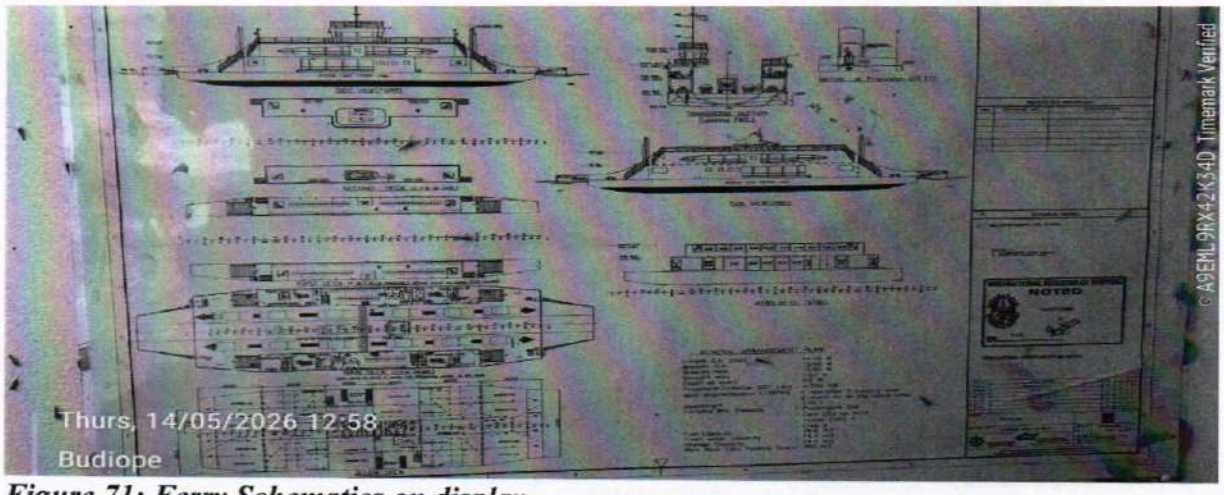


Figure 71: Ferry Schematics on display





Figure 72: Ferry Onboard and Ferry control room respectively.

3.0 CONCLUSION

Overall, the audit established that implementation of the 10 contracts was progressing, albeit at varying and often unsatisfactory rates, with several projects achieving notable physical advancement toward their intended infrastructure objectives. However, significant and recurring weaknesses were identified across the portfolio, including persistent schedule delays and overruns, inadequate contract administration and record-keeping, delayed payments and site handovers, non-compliance with local content (subcontracting) requirements, gaps in performance securities, insurance coverage, and work programme approvals, as well as shortcomings in environmental, social, health, and safety (ESHS) monitoring.

These deficiencies undermine value for money, expose the Ministry to financial, contractual, operational, and reputational risks, and may delay the realization of critical transport infrastructure benefits. Immediate management action is required to address the highlighted exceptions, strengthen oversight, enforce contractual obligations, and implement the recommended corrective measures.