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THE NATIONAL ASSEMBLY

TWELFTH PARLIAMENT-FIFTH SESSION

PUBLIC ACCOUNTS COMMITTEE

REPORT ON PROCUREMENT OF EXTERNAL AUDIT SERVICES FOR THE OFFICE
OF THE AUDITOR-GENERAL FOR THE FINANCIAL YEARS 2018/2019 AND 2019/2020

Directorate of Audit, Appropriations and other Select Committees
The National Assembly,
Parliament Buildings, Main Parliament Building
NAIROBI

August 2021

THE NATIONAL ASSEMBLY
PARLIAMENT BUILDINGS
NAIROBI

DATE: 05 AUG 2021

TABLED BY: *Thurc*

Hans Opiyo Wandayi
Chair, PAC

Mainch Wanjiku

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CHAIR'S FOREWORD

The Public Accounts Committee derives its mandate from Standing Order 205 (2) of the National Assembly, which provides that “the Public Accounts Committee (PAC) shall be responsible for the examination of the accounts showing the appropriations of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think fit”. The primary mandate of PAC is therefore to oversight the expenditure of public funds by ministries/departments/agencies, to ensure value for money and adherence to government financial regulations and procedures. The Committee executes its mandate on the basis of annual and special audit reports prepared by the Office of the Auditor-General (OAG).

Pursuant to the provisions of Article 226(4) of the Constitution, the National Assembly is required to appoint a professionally qualified accountant to audit the Office of the Auditor-General.

In fulfillment of the requirement of the above provision, the Committee received a recommendation of award of Tender of the said services from the Office of the Clerk of the National Assembly. The Committee observed the progress made on the procurement of External Audit Services. The Committee further observed that an offer had been made to M/s Ronalds Limited Liability Partnership (LLP) subject to approval by the National Assembly pursuant to Article 226 (4) of the Constitution.

It is against this backdrop that the Committee having satisfied itself that due process was followed, resolved to recommend to the National Assembly the approval of the award of hire of External Audit Services for the Office of the Auditor-General for the Financial Years 2018/2019 and 2019/2020 to M/s Ronalds Limited Liability Partnership (LLP) pursuant to the provisions of Article 226(4) of the Constitution.

On behalf of the Public Accounts Committee (PAC), and pursuant to provisions of Standing Order 181(3), it is my pleasant privilege and honour to commit this Report of the Committee to this August House for adoption.

Hon. James Opiyo Wandayi, CBS, MP

PREFACE

Mandate of the Public Accounts Committee

The Public accounts Committee (PAC) established under Standing Order 205 is responsible for examination of the accounts showing the appropriates of the sum voted by the House to meet the public expenditure and of such other accounts laid before the House as the Committee may think it.

Objective of the Report

The Objective of this Report is to inform the House on the process followed in identifying a professionally qualified accountant who will provide external audit services to the office of the Auditor-General for the four (4) years period 2014/2015, 2015/2016, 2016/2017 and 2017-2018.

Committee Membership

Chairperson

Hon. James Opiyo Wandayi, CBS, MP
Ugunja Constituency

Orange Democratic Movement Party
SIAYA COUNTY

Vice- Chairperson

Hon. Jessica Nduku Kiko Mbalu, CBS, MP
Kibwezi East Constituency

Wiper Democratic Movement Kenya Party
MAKUENI COUNTY

Members

Hon. Junet Mohammed Nuh, CBS,MP
Suna East Constituency
Orange Democratic Movement Party
MIGORI COUNTY

Hon. Christopher Nakuleu Doye
Turkana North Constituency
Jubilee Party
TURKANA COUNTY

Hon. Maj. (Rtd.) (Dr.) Eseli Simiyu, CBS, MP
Tongaren Constituency
Ford- Kenya Party
BUNGOMA COUNTY

Hon. Justus Gesito Mugali M'mbaya, MP
Shinyalu Constituency
Orange Democratic Movement Party
KAKAMEGA COUNTY

Hon. Aden Bare Duale, MP
Garissa Town Constituency
Jubilee Party
GARISSA COUNTY

Hon. (Dr.) Otiende Amollo, MP
Rarieda Constituency
Orange Democratic Movement Party
SIAYA COUNTY

Hon. Dr. Wilberforce Ojiambo Oundo, MP
Funyula Constituency

Orange Democratic Movement Party
BUSIA COUNTY

Hon. Dr. Eve Akinyi Obara, MP
Kabondo Kasipul Constituency

Orange Democratic Movement Party
HOMA BAY COUNTY

Hon. Koyi John Waluke, MP,
Chepalungu Constituency

Jubilee Party
BUNGOMA COUNTY

Hon. Michael Mwangi Muchira, MP
Ol Jororok Constituency

Jubilee Party
NYANDARUA COUNTY

Hon. Samuel Kinuthia Gachobe, MP
Subukia Constituency

Jubilee Party
NAKURU COUNTY

Hon. Maj. (Rtd) Bashir Sheikh Abdullahi,
MP

Mandera North Constituency

Jubilee Party
MANDERA COUNTY

Hon. Amina Gedow Hassan, MP
Mandera County

Economic Forum Party
MANDERA COUNTY

Hon. Joseph Ngugi Nduuati, MP
Gatanga Constituency

Jubilee Party
MURANG'A COUNTY

Hon. Peter Francis Masara, MP
Suna West Constituency

Independent Member
MIGORI COUNTY

Hon. Michael Thoyah Kingi, MP
Magarini Constituency

Orange Democratic Movement Party
KILIFI COUNTY

Hon. James Gichuhi Mwangi, MP
Tetu Constituency

Jubilee Party
NYERI COUNTY

1.5 Committee Secretariat

Oscar Namulanda

Principal Clerk Assistant II

Josh Kosiba

Senior Fiscal Analyst

Brigitta Mati

Senior Legal Counsel II

Nebert Ikai

Second Clerk Assistant

Salat Abdi Ali

Senior Serjeant At Arms

Dennis Mawira

Audio Officer

Badi Kalama

Parliamentary Intern

1. Introduction

- 1) Article 226(4) of the Constitution provides that, the accounts of the Office of the Auditor-General shall be audited and reported on by a professionally qualified accountant appointed by the National Assembly.
- 2) In fulfillment of the requirement of the above provision, the National Assembly tendered through Request for Proposal for Provision of External Audit Services for the Office of the Auditor General. The open tender was advertised on 19th February 2021 in the Daily Nation, the Standard, The Star and People Newspapers and also in the relevant websites i.e www.parliament.go.ke and National Treasury IFMIS Portal.
- 3) A pre-bid meeting with interested bidders was held on 17th April, 2021 to elaborate on the requirements of the tender. A total of eleven (11) representatives of interested bidders attended the pre-bid meeting.
- 4) Following the pre-bid meeting, the National Assembly issued an addendum as a result of prospective tenderers requesting some clarifications relating to the tender document ((see *Appendix V*). The addendum also, among other guidelines, extended the tender closing date from 24th April 2021 to 3rd May 2021. The Tender required bidders to submit separate technical and financial bids.
- 5) A tender opening committee was appointed by the Accounting Officer on 22nd March 2021 pursuant to section 78 of the Public Procurement and Asset Disposal Act, 2015 to oversee the tender opening process. The Tender submission and opening date was on the same date 4th May 2021 at 11.00am.

2. The Tendering Process

2.1 Advertising

- 6) The Tender was advertised on 19th February 2021 through an Open Tender in the Daily Nation, the Standard, The Star and People Newspapers and also in the relevant websites i.e www.parliament.go.ke and National Treasury IFMIS Portal.

- 7) The advert provided the responsibilities of the would be successful firm's as follows:-
 - (a) Conducting independent audit of the Organization's activities/operations in line with International Standards on Auditing and International Financial Reporting Standards and guidelines by Public Sector Accounting Standards Board.
 - (b) Expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting standards and frameworks, whether the Organization has maintained proper books of accounts, and whether the accompanying financial statements give a true and fair view of the financial position of the office of the Auditor General.
 - (c) Reviewing and evaluating the Organization's internal control and risk management system and advising Management and the Board on adequacy/effectiveness of the system, and proposals for its improvement.
 - (d) Reviewing adequacy of the Organization's Information Systems and related infrastructure.
 - (e) Providing any other value-addition services consistent with the audit of the Organization.

2.2 Pre-Bid Meeting

- 8) A pre-bid meeting with interested bidders was held on 17th April, 2021 to elaborate on the requirements of the tender. A total of eleven (11) representatives of interested bidders attended the pre-bid meeting.

- 9) Following the pre-bid meeting, the National Assembly issued an addendum ((see *Appendix V*). which among other guidelines, extended the tender closing date from 24th April 2021 to 3rd May 2021. The Tender required bidders to submit separate technical and financial bids.

2.3 Bid Response

- 10) The following eight (8) firms responded by submitting their bids:-

No.	Bidder No.	Bidder's Name
1.	B1	Nelson & Francis Associates
2.	B3	Mazars
3.	B4	PKF Kenya
4.	B5	Ronalds and Associates
5.	B6	Ernest and Martin Associates
6.	B8	Ambale & Company Limited
7.	B9	Kiarie Kangethe & Associates
8.	B10	FH & Company

2.3.1 Evaluation

- 11) A Technical Evaluation Committee was appointed by the Accounting Officer on 15th April, 2021 pursuant to Section 46 of the Public Procurement and Asset Disposal Act, 2015 to evaluate the bids submitted by the eight (8) bidders.
- 12) The Evaluation Committee concluded the evaluation exercise on 24th May, 2021 and submitted the Evaluation Report to the Head of the Procurement Function as per the provisions of the Public Procurement and Asset Disposal Act, 2015.
- 13) The above eight (8) bids were subjected to an evaluation process as per the criteria outlined in the Request for Proposal (RFP) Document issued to the bidders. The evaluation process entailed the following four (4) stages:-
- (a) Preliminary/Mandatory Evaluation
 - (b) Technical Evaluation
 - (c) Financial Evaluation
 - (d) Determination of the highest combined score.
- 14) Arising from the evaluation process, the following five (5) firms were disqualified at the preliminary /mandatory evaluation stage for the following specified reasons:-

Bidder No.	Bidder's Name	Reasons for disqualification
B4	Nelson & Francis LLP	<ul style="list-style-type: none"> ❖ The attached Confidential Business Questionnaire for the joint venture partner Growth Path Associates not fully filled. ❖ The document was not properly paginated. After page 95, the company profile attachment for the Joint partner growth Path Associates not paginated.
B5	Said Abeid	<ul style="list-style-type: none"> ❖ Did not separate the technical and financial proposals as required. ❖ The Tax Compliance Certificate provided had expired
B6	Ambale & Company Limited	❖ Did not submit an original and copy of the proposal document as required. Provided only one document- the original without the copy as required.
B7	Mazars	❖ Did not provide certificate of good standing for the personnel as required
B8	FHC	❖ Did not separate technical and financial proposals as required.

2.3.2 Technical Evaluation

15) The following four (4) firms proceeded to the 2nd stage of the evaluation which involved allocating of technical scores.

No	Bidder no	bidders name
1	B6	Ernest & martin Associates
2	B8	Ambale & company
3	B4	PKF Kenya
4	B5	Ronald & Associates

16) Upon being subjected to the 2nd stage of the evaluation, the bids for the following two (2) firms were disqualified for having scored below the set pass mark of 75% and above as set out in the Tender Documents due to the indicated reasons:-

Reasons for disqualifications for Bidder No. 3

	Bidder No.	Bidder's Name	Technical Score	Weaknesses in the submitted bids
1.	B6	Ernest and Martin Associates	67	<ul style="list-style-type: none"> ▪ The firm lacked adequate experience in similar assignments (the highest amount being a contract of Kshs.1,200,000 per year)-page 106). ▪ The CV of the lead partner was not comprehensive as it did not provide detailed background information on level experience ▪ The CVs of the proposed personnel were not comprehensive as they lacked information on level of experience of the personnel. ▪ No policy on rotation of staff as required
2.	B8	Ambale & Company Limited	55	<ul style="list-style-type: none"> ▪ The firm lacked adequate experience in similar assignments (the highest amount being a contract of Kshs.850,000 per year) ▪ The CV of the lead partner was not elaborate as it lacked details of the experience of the partner ▪ The chapter on understanding of the ToRs was not elaborate. ▪ The CVs of the proposed personnel were not detailed as they lacked the background information on experience of the personnel ▪ No policy on rotation of staff as required ▪ They did not provide a comprehensive suggestion on ToRs ▪ Did not provide adequate methodology and work plan for the assignment ▪ The general understanding of the assignment was not adequate

17) The following two (2) firms were responsive to the technical requirements of the RFP Document having scored above the set pass mark of 75%:-