



*PAPER LHD
By the V/Chair PSC
on 8/12/2012*

NATIONAL ASSEMBLY

PARLIAMENT
OF KENYA
LIBRARY

REPORT OF THE PARLIAMENTARY SERVICE COMMISSION ON THE RECRUITMENT OF EXTERNAL AUDITORS FOR THE OFFICE OF THE AUDITOR GENERAL

PRESENTED TO THE NATIONAL ASSEMBLY ON THURSDAY 29th
NOVEMBER, 2012

PARLIAMENT BUILDINGS
NAIROBI

Introduction

Mr. Speaker Sir,

The Parliamentary Service Commission is a constitutional Commission established under section 45B of the former Constitution of Kenya and re-established under Article 127 of the new Constitution of Kenya. The constitutional responsibilities of the Parliamentary Service Commission include the provision of such services and facilities as are necessary to ensure the efficient and effective functioning of Parliament.

1.0 Background

The office of the Auditor General is created as an independent office under Article 248(3)(a) of the Constitution of Kenya. The office is a body with perpetual succession and a seal. It is capable of suing and being sued in its corporate name (Article 253). The Constitution also provide that Parliament shall allocate adequate funds to enable the office perform its functions and its budget shall be a separate vote (Article 249(3)). Article 226(4) of the Constitution of Kenya provides that:-

"the accounts of office of the Auditor-General shall be audited and reported on by a professionally qualified accountant appointed by the National Assembly"

The Parliamentary Service Commission is a procuring entity under the Public Procurement and Disposal Act, 2005 and it therefore commenced the process of procuring, on behalf of the National Assembly, a professional qualified accountant to be appointed by the National Assembly to audit the accounts of the office of the Auditor-General.

The Commission invited requests for proposals from suitably qualified audit firms to conduct annual audits of the Office of the Auditor General. This tender was closed and opened on 22nd February 2012.

2.0 Submissions

The bidders were required to submit their proposals to the Parliamentary Service Commission in two sealed envelopes one containing the technical proposal and the other financial proposal. The technical proposals were opened on the closing date 22nd February, 2012 in the presence of bidders representatives who chose to attend. The financial proposals were to be opened after the technical evaluation for bidders who obtained a mark of 70% and above.

3.0 Response to the Invitation

Only six (6No.) firms responded to the Request for Proposal (FRP) as advertised. These are:

Opening Results

1. M/s Baker Tilly Merali's CPA
2. M/s PKF Accountants and Business Advisers
3. M/s Wokabi Ngamate & Associates
4. M/s Sesi & Associates
5. M/s BDO East Africa
6. M/s Nelson and Francis Associates

4.0 Preliminary Examination of the Documents Received

The documents received from the six bidders were subjected to preliminary examination on the following information which bidders were required to provide:-

1. Legal status in accordance with Laws of Kenya
(Registration/Corporation Certificate)
2. Licenced or Registered by ICPAK
3. Current Tax Compliance Certificate

Table 1 Preliminary Examination

No.	Field	Bidders					
		1	2	3	4	5	6
1	Registration/Corporation Certificate	√	√	X	√	X	√
2	Licence/Registration by ICPAK	√	√	X	X	X	√
3	Tax Compliance Certificate	√	√	X	X	√	√

√ Provided

X Not Provided

Bidders

1. M/s Baker Tilly Merali's CPA
2. M/s PKF Accountants and Business Advisers
3. M/s Wokabi Ngamate and Associates
4. M/s Sesi & Associates (CPA)
5. M/s BDO East Africa
6. M/s Nelson & Francis Associates (CPA)

The Evaluation Committee further carried out due diligence on all the bidders in order to ascertain that the bidders were eligible with the advertisement requirement and especially the note in the advertisement that;-

"An Auditor who is currently appointed by the Auditor General under Section 39 of the Public Audit Act, 2003 is ineligible"

When the Auditor General Office was contacted it was found out that M/s PKF Accountants and Business Advisers were appointed by the Auditor General Office on 27th July, 2011 to Audit Kisumu Water & Sewerage Company Limited accounts of which upto date they have not completed.

Following the findings the bidder was disqualified for further evaluation.

Preliminary Examination Results

Two bidders qualified to next stage of evaluation:-

1. M/s Baker Tilly Merali's
2. M/s Nelson & Francis Associates (CPA)

M/s Wokabi Ngamate and Associates

The firm did not provide or attach the required documents for preliminary examination

M/s Sesi & Associates (CPA)

It was observed that the Tax Compliance Certificate attached had expired on 15th February, 2012 while the proposal were opened on 22nd February 2012.

M/s BDO East Africa

The firm did not provide registration certificate and ICPAK certificate or licences.

5.0 Detailed Technical Examination

Two (2No.) bidders were subjected to detailed technical examination using the evaluation criteria which was availed in the tender document and bidders were aware of.

Evaluation Criteria

Table 2

Selection Criteria and Evaluation Merit Points

No.	Item	Points
A	The Audit Firm and the proposed team	40
	A1. Coverage	5
	A2. Quality Control	5

	A3. Quality Assurance	5
	A4. Team Staffing	25
B	Relevant Knowledge and Experience	10
C	Technical Expertise	25
	C1. Accounting Standards	15
	C2. Corporate Governance	10
D	Audit Approach	15
	D1. Planning	10
	D2. Use of Specialists	5
E	Communications	5
	E1. Availability of Partners & Managers	2
	E2. Procedure for communicating of Audit objectives plan scope etc	2
	E3. Plans to keep management abreast by accounting and auditing issues and support for training need.	1
F	Overall Quality of Presentation	5
Total Points		100
Pass Mark		70%

6.0 Technical Score for the Two Bidders

Technical scoring was done and the results summarized in the table below:-

Each member of the technical evaluation committee evaluated independently from the other members prior to sharing the analysis.

Table 3

No	Bidders Name	Evaluator A	Evaluator B	Evaluator C	Evaluator D	Average
1.	M/s Baker Tilly CPA	77	80	77	94	82%
2	M/s Nelson and Francis Associates	36	8	30	37	27.75%

Pass Mark - 70%

As a result of the scoring from the evaluators, one bidder obtained over 70% which was the pass mark for consideration for financial evaluation.

Recommendation

One bidder that obtained over 70% M/s Baker Tilly Merali's CPA is recommended to be considered for opening of the financial proposal.

7.0 EVALUATION OF FINANCIAL PROPOSAL AND FINAL RANKING

The Financial Evaluation was opened for the firm that obtained 70% being the pass mark. Only one firm obtained the pass mark therefore only one financial envelope was opened.

The proposal was computed for errors and the only cost taken into account was the cost relating to the firms services all refundable amounts being excluded. The refundable amount is that relating to travel (transport, per diem) and the various items procured.

There being only one bidder the financial score was 100 points.

The net fees excluding disbursements	Kshs.4,487,000/-
VAT 16% of the Fees	Kshs. 717,920/-

It should be noted that the appointed firm will be required to conduct annual audits of 2011/2012, 2012/2013, 2013/2014, 2014/2015 and 2015/2016, hence the firm provided a breakdown of its fees:-

Year 1	5,524,920/-
Year 2	5,801,166/-
Year 3	6,077,412/-
Year 4	6,353,658/-
Year 5	6,629,904/-

This is a 5% increase of the fees per year.

From both the technical evaluation and financial evaluation the bid by M/s Baker Tilly Meralis CPA of P O Box 67486-00200, Nairobi having been the only responsive bid is hereby recommended to be considered for acceptance at total cost for year one inclusive of VAT Kshs.5,524,920/- and thereafter fees escalating at 5% per year for the next four (4) years.

Conclusion

The National Assembly Tender Committee during its meeting No.25/2011-2012 (Minute 4) held on Wednesday 11th April 2012 awarded Tender No. RF001/2012 – Request for Proposal for Recruitment of External Auditors for the Office of the Auditor General as follows:-

Firm:	M/s Baker Tilly Merali's CPA P O Box 67486-00200 Nairobi
Item:	External Auditor for the Office of the Auditor General Republic of Kenya (as per TOR)
Fees:	Excluding disbursements Kshs.4,487,000/- 16% VAT Kshs. 717,920/-
Remarks:	Responsive technically evaluated bid.

The Parliamentary Service Commission during its meeting held on 27th April 2012 concurred with the decision of the National Assembly Tender Committee.

RECOMMENDATION

The Parliamentary Service Commission recommends that the National Assembly, pursuant to the provisions of Article 226(4) of the Constitution of Kenya approves and appoints the firm of M/s Baker Tilly Merali's CPA to audit and report to the National Assembly the accounts of office of the Auditor-General for the years 2011/2012, 2012/2013, 2013/2014, 2014,2015 and 2015/2016.

Hon. Adan Keynan, M.P.,
Vice-Chairman, Parliamentary Service Commission.

MINUTES OF THE TWENTY FIVE (25TH) 2011-2012 MEETING OF THE NATIONAL ASSEMBLY TENDER COMMITTEE HELD ON WEDNESDAY, APRIL 11TH 2012 IN COMMITTEE ROOM ON 11TH FLOOR, PROTECTION HOUSE STARTING 02.30PM

MEMBERS PRESENT

1.	Mr. P. C. O. Omolo	Senior Deputy Clerk	Chairman
2.	Mr. C. Nyandiere	Director, Information & Research	Member
3.	Mr. J. Bundi	Deputy Clerk	Member
4.	Mr. J. Nyegenye	Principal Legal Officer	Member
5.	Mr. Paul Onyangoh	Principal Finance Officer	Member
6.	Mr. N. Odongo	Senior Fiscal Analyst	Alt. Member
7.	Mrs. Mary Kanyiha	Chief Procurement Officer	Secretary

IN-ATTENDANCE

1.	Mr. W. W. Makate	Secretariat
2.	Mr. Amos Guchu	By Invitation

Min. No. 1/25/2011-2012 – Confirmation of Minutes of Previous Meeting

The minutes of the previous meeting were not confirmed.

Min. No. 2/25/2011-2012 – Matters Arising

There were no matters arising from the previous minutes.

Min. No.3/25/2011-2012 – Tender No. NA/007/2011-2012 - Main Works

Tender No.	Name	Tender Sum
1	M/s EPCO Limited	Kshs.2,349,234,085.00
2	M/s Tulsi Construction Limited	Kshs.2,453,910,645.00
3	M/s China Jiangxi International K Ltd	Kshs.2,206,699,360.83
4	M/s N. K. Brothers Limited	Kshs.2,399,909,101.00
5	M/s Milicon's Limited	Kshs.2,209,173,479.35
6	M/s Landmark Holdings	Kshs.2,413,478,298.00
ENGINEER'S ESTIMATE		= KSHS.2,450,022,118.59

Technical Evaluation Report

Tabled.

Tender Committee's Decision

The National Assembly Tender Committee in its meeting No.24/2011-2012 (Minute 3) discussed the application No. NA/007/2011-2012 proposed remodeling of Senate Chamber and Offices at Kenya National Assembly – Main Works Component.

The Chairman informed the Tender Committee members that during the meeting on Thursday, April 5th, meeting No. 24/2011-2012 (Minute 3) had discussed the application and deferred it without giving justifiable and objective reasons as required. The Tender Committee had rejected the evaluation committee's report therefore this needed to be reported to the Accounting Officer.

With the above in mind the Tender Committee felt that:-

1. In the evaluation of the Bidders the issue of who should sign the Form of Tender was not addressed uniformly i.e (Power of Attorney).
2. Item on litigation history of the company (both court and arbitration) was not addressed adequately.
3. The issue of Directors in the Articles of Association being different from those declared in the Confidential Business Questionnaire should not cause disqualification.

With the above reasons the Tender Committee resolved that the Accounting Officer be informed on the rejection of the Technical Evaluation Committee's recommendation and further recommend the Tender to be re-evaluated by another evaluation committee.

Min. 4/25/2011-2012 –Tender No. NA/005/2011-2012 -

User: National Assembly

Item: Request for Proposal for Recruitment of External Auditors for the Office of the Auditor General

Open Tender

Opening Tender Results

1. M/s Baker Tilly Merali's CPa
2. M/s PKF Accountants and Business Advisers
3. M/s Wokabi Ngamate and Associates
4. M/s Sesi & Associates (CPA)
5. M/s BDO East Africa
6. M/s Nelson & Francis Associates

Technical Evaluation Report

To be tabled.

Secretariat's Comments

The Parliamentary Service Commission advertised an Open Tender for Request for proposal from suitably qualified audit firms to conduct annual audits of the office of the Auditor General.

The Secretariat concurs with the Technical Evaluation Report recommendation that the only bidder that was technically evaluated responsive be considered for the award at an amount of Kshs.5,524,920/- for the first year inclusive of VAT.

Tender Committee's Decision

The National Assembly Tender Committee in its meeting No. 25/2011-2012 (Minute 4) discussed the application for Request for Proposal for Recruitment of External Auditors for the Office of the Auditor General.

The Technical Evaluation report was tabled before the Committee.

The Chairman of the Technical Evaluation Committee was invited to guide the Tender Committee through the evaluation report.

With the information the Tender Committee discussed and concurred with the Technical Evaluation Committee's recommendation and therefore by consensus awarded the tender as follows:-

Firm: M/s Baker Tilly Merali's CPA
P O Box 67486-00200
Nairobi

Item: External Auditor for the Office of the Auditor General
Republic of Kenya (as per TOR)

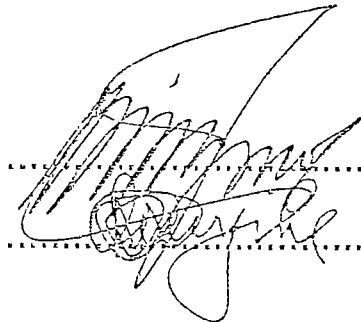
Fees: Excluding disbursements Kshs.4,487,000/-
16% VAT Kshs. 717,920/-

Remarks: Responsive technically evaluated bid.

Min. No. 5/25/2011-2012 – Adjournment

There being no other business the meeting was adjourned at 03.15pm. The date of the next meeting to be by notice.

Confirmed
Chairman

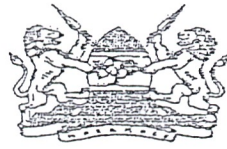


Date: 17/4/12

Secretary

Date: 17/04/2012

REPUBLIC OF KENYA



KENYA NATIONAL ASSEMBLY
PARLIAMENTARY SERVICE COMMISSION

EVALUATION REPORT
FOR
REQUEST FOR PROPOSALS FOR RECRUITMENT OF
EXTERNAL AUDITORS FOR THE OFFICE OF
THE AUDITOR GENERAL

MARCH 2012

National Assembly
Parliament Buildings
P O Box 41842-00100
Nairobi

TECHNICAL EVALUATION FOR PROPOSALS FOR RECRUITMENT OF EXTERNAL AUDITORS FOR THE OFFICE OF THE AUDITOR GENERAL

1.0 Background

The office of the Auditor General was created as an independent office under Article 248(3)(a) of the Constitution of Kenya. The office is a body with perpetual succession and a seal. It is capable of suing and being sued in its corporate name (Article 253). The Constitution also provides that Parliament shall allocate adequate funds to enable the office perform its functions and its budget shall be a separate vote (Article 249(3)). Article 226(4) of the Constitution of Kenya provides that:-

"the accounts of office of the Auditor-General shall be audited and reported on by a professionally qualified accountant appointed by the National Assembly"

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(See Appendix II)

4.0 Preliminary Examination of the Documents Received

The documents received from the six bidders were subjected to preliminary examination in the following information which bidders were required to provide:-

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3	Tax Compliance Certificate	√	√	X	X	√	√

√ Provided

X Not Provided

Bidders

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Following the findings the bidder was disqualified for further evaluation.

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M/S BDO EAST AFRICA

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D	Audit Approach	15
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	D2. Use of Specialists	5

E	Communications	5
	E1. Availability of Partners & Managers	2
	E2. Procedure for communicating of Audit objectives plan scope etc	2
	E3. Plans to keep management abreast by accounting and auditing issues and support for training need.	1
F	Overall Quality of Presentation	5
Total Points		100
Pass Mark		70%

6.0 Technical Score for the Two Bidders

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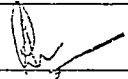
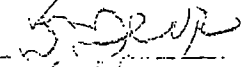
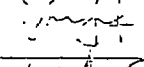
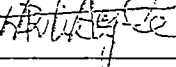
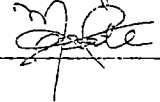
Pass Mark - 70%

As a result of the scoring from the evaluators, one bidder obtained over 70% which was the pass mark for consideration for financial evaluation.

Recommendation

One bidder that obtained over 70% M/s Baker Tilly Merali's CPA is recommended to be considered for opening of the financial proposal.

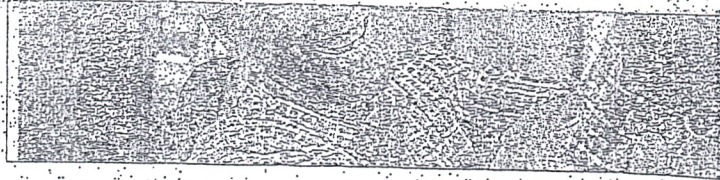
7.0 Technical Evaluation Committee

No	Name	Office	Position	Signature	Date
1	Mr. Amos Guchu	KNA	Chairman		20/3/2012
2	Mr. Joel Irungu	KNA	Member		20/3/12
3	Mr. David Njiru	Auditor General	Member		20/3/2012
4	Mr. William Agunda	Auditor General	Member		20/3/2012
5	Mr. Wilberforce Makate	KNA	Secretary		20.03.2012

...the poorest or richest Americans and his primary focus was on the middle class.

"I'm not concerned about the very poor, we have a safety net there," he said, adding, "If it needs repair, I'll fix it."

While he was making a point also made by President Barack Obama about the need to shore up the American middle class, Romney's language fed perceptions that he is out of touch with ordinary people. "You can choose where to focus; you can focus on the



Republican presidential candidate Mitt Romney during a campaign s


rich, that's not my focus. You can focus on the very poor, that's not my focus. My focus is on middle income Americans; retirees living on Social

Security, people who can't find Romney said.

Obama's campaign seized remarks. Jim Messina, Obama

Handwritten signature: Monday 3/20/12 H. S. S. S.

REPUBLIC OF KENYA



**KENYA NATIONAL ASSEMBLY
PARLIAMENTARY SERVICE COMMISSION**

REQUEST FOR PROPOSAL

The Parliamentary Service Commission invites proposals from suitably qualified audit firms to conduct annual audits of the Office of the Auditor General.

Interested bidders must:-

- Set forth full, accurate and complete information as required by this request for proposals,
- Provide all the information to demonstrate their legal status in accordance with the Laws of Kenya and/or where they are registered and where they must have their main centre of activity.
- Provide Tax Compliance Certificate

Proposals in plain sealed envelopes marked clearly with the reference of the Request for Proposal RF001/2012 and addressed to:

The Clerk
National Assembly
P O Box 41842-00100
Nairobi

and placed in the Tender Box on 10th Floor, Protection House or by post so as to reach the above address not later than Wednesday, 22nd February, 2012 at 11am.

Submitted proposals shall remain valid for a period of 90 days from the date of closing. Proposals submitted later than the indicated closing date and time shall be automatically disqualified. Proposals received shall be opened immediately thereafter and firms submitting proposals or their representatives are free to attend the opening.

The Parliamentary Service Commission reserves the right to reject any proposal without giving reasons for the rejection and does not bind itself in any way to accept any proposal.

Note:
An auditor who is currently appointed by the Auditor General under Section 39 of the Public Audit Act, 2003 is ineligible.

Clerk of the National Assembly

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NATIONAL ASSEMBLY

TENDER OPENING REGISTER

TENDER NO. : RF001/2012

ITEM : REQUEST FOR PROPOSAL FOR
RECRUITMENT OF EXTERNAL AUDITORS
FOR THE OFFICE OF THE AUDITOR
GENERAL

DATE : 22ND FEBRUARY 2012

TIME : 11.00AM

OPENED IN THE PRESENCE OF: -

NAME	DESIGNATION	SIGNATURE
1. <i>Rungu Ngandu</i>	<i>SB</i>	<i>[Signature]</i>
2. <i>Keik... Kis...ah</i>	<i>SB</i>	<i>[Signature]</i>
3. <i>Henry Luk...</i>	<i>SB</i>	<i>[Signature]</i>
4. <i>JOHNSON N. MOTERA</i>	<i>Act</i>	<i>[Signature]</i>
5. <i>Tom. Aluno</i>	<i>Act</i>	<i>[Signature]</i>

TENDER ALLOCATION NO.	TENDERER NAME	TOTAL AMOUNT	BID BOND YES/NO
1.	BANKER TILLY MEDALLS (CPA)		
2.	P.K.F ACCOUNTANTS AND BUSINESS ADVISORS		
3.	WEEKS NIGAMATE & ASSOCIATES		
4.	JESI & ASSOCIATES (CPA)		
5.	BDL EAST AFRICA.		
6.	NELSON & FRANK ASSOCIATES (CPA)		
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22/12/12

126

Ref: SB.441/CONF/VOLXIII/126

27 July 2011

The Partner,
PKF,
Certified Public Accountants
P O Box 187-40100
KISUMU

APPOINTMENT AS AUTHORIZED AUDITORS FOR KISUMU WATER AND SEWERAGE COMPANY LIMITED FOR THE FINANCIAL YEAR ENDING 30 JUNE 2011

1. I am pleased to inform you that your firm has been appointed as authorized auditors of Kisumu Water and Sewerage Company Limited for the financial year ending 30 June 2011, in accordance with Section 39 (1) of the Public Audit Act, 2003.
2. This letter of appointment serves to clarify the relationship between your firm and the Kenya National Audit Office. Under the appointment, you will perform your duties in accordance with Section 39 (3) to (6) of the Act. The assignment will require your firm to perform the audit in accordance with the International Standards on Auditing with a view to obtaining reasonable assurance that the financial statements are a fair representation of the financial affairs of the Company and that compliance with laws and regulations exists.
3. On completion of the audit, your firm will provide the Auditor-General with the following on or before 30 November 2011.
 - 3.1 A letter of representation confirming that no work other than auditing was performed and that no circumstances or events have arisen since the appointment which would impair the independence of your firm;
 - 3.2 Copies of both systems and final audit management letters;

8. Please liaise with Mr. Stanley Mwangi, Director of Audit (Corporations) of this office for any further instructions that you may require on this appointment.

H. O. WANYAMA

Humphrey O. Wanyama
Deputy Auditor General
For: AUDITOR- GENERAL

Copy to: **The Managing Director**
 Kisumu Water & Sewerage Co. Ltd
 P O Box 3210-40100
 KISUMU

N.O.O. **Copy to file SB.663/CONF**