



**SADC PARLIAMENTARY FORUM
54TH PLENARY ASSEMBLY SESSION
22ND TO 26TH NOVEMBER 2023
PORT LOUIS, MAURITIUS**

**EXECUTIVE COMMITTEE REPORT ON FINANCIAL MATTERS
(TREASURER'S REPORT)**

**TENDER EVALUATION REPORT FOR EXTERNAL AUDITORS
IN RESPECT OF THE ANNUAL AUDIT OF THE FINANCIAL STATEMENTS
OF THE SADC PARLIAMENTARY FORUM AND FUND ACCOUNTABILITY
STATEMENTS OF ITS DONOR PROJECTS/PROGRAMMES.**

1.0. Context

Pursuant to Article 26(1) of the Constitution of the SADC PF, the Plenary Assembly is responsible for appointing external auditors for the Forum. The finance policy provides that the contract of an External Auditor can only be renewed to a maximum of **five (5) years**. This is in order to preserve the independence of the External Auditor. In this regard, the final contract for the current external audit firm, BDO Namibia, will cater for the audit of the financial year ended 31st March 2023, after which another audit firm must be engaged.

2.0. History of the auditors of the SADC PF

The current external auditors of the SADC Parliamentary Forum are BDO Namibia. The current auditors, BDO Namibia, were appointed on 22nd August 2018 following approval of the 42nd Plenary Assembly in November 2017 in Namibia. The five-year term is therefore up to 21st August 2023. This means that they are within the audit period for the Financial Year ended 31st March 2023. BDO Namibia has also been the auditor for the SRHR Project for the past 3 years.

The Auditors of the SADC PF since its establishment (ie, over the 20 years) have been as follows:

| Financial Years | External Auditor |
|------------------------|-----------------------------------------------|
| 1997/98-2002/03 | Neuhaus & Co Chartered Accountants Namibia |

| | |
|-----------------|---------------------------------------------|
| 2003/04-2008/09 | BDO Spencer Steward Chartered Accountants |
| 2009/10-2013/14 | Ernst & Young Namibia Chartered Accountants |
| 2014/15-2016/17 | KPMG Namibia |
| 2017/18-2021/22 | BDO Namibia |

3.0. Scope of the Assignment:

- 3.1. The main objective of the contract of the External Auditor is to carry out annual audits of the SADC Parliamentary Forum's Financial Statements and Fund Accountability Statements of its Donor Projects/Programmes.
- 3.2. The overall aim of the contract is to provide professional audit services for the five financial years ending 31 March 2024, 31 March 2025, 31 March 2026, 31 March 2027 and 31 March 2028.

The audit assignment should normally be completed by end of September after the end of each respective financial year.

The audit should be conducted in accordance with International Standards on Auditing and should comply with the International Financial Reporting Standards.

4.0. Contract Period

The Audit Service contract will be for five years starting with the financial year ending 31 March 2024. The contract will be issued annually for one year each, renewable at the discretion of the SADC PF.

5.0. Recruitment of External Auditors Procedure

5.1. Background

The procedure for the recruitment of External Auditors is provided under Chapter 22 of the SADC Parliamentary Forum's Accounting Policies and Procedures Manual.

The Manual provides for selective bidding from a pre-approved list of Audit firms **or** Open Tender procedures. The Forum opted to go for a selective bidding from a pre-approved list of Audit firms.

The following reputable audit firms, based in Namibia, were invited to submit tenders:

- i. Deloitte;
- ii. Price Waterhouse Coopers;
- iii. Grant Thornton;
- iv. Grand Namibia
- v. Ernts and Young; and
- vi. CR Van Wyk.

The closing date for submission of tender was 18 October 2023.

5.2. Tender Requirements for the Audit Services

Technical and Financial bid.

The Tender provided for potential bidders to submit the Technical proposal (Audit team leadership qualifications and expertise, and experience in performing audits of inter-governmental institutions, NGOs, Regional and International Organizations and Donor grants) and the financial quotes (annual audit fees). The Technical proposal is evaluated first to check eligibility of the potential bidder and only those who pass the technical requirement will have their bid considered under financial evaluation.

5.3. TENDERS RECEIVED

5.3.1. Eligibility of Tenders

Only tenders submitted on or before the closing date and on time were eligible for the contract.

5.3.2. Tenders Received

Only two firms submitted tenders as follows:

- i. Grant Thornton
- ii. Grand Namibia

5.4. EVALUATION PROCESS

5.4.1. Evaluation Team

Pursuant to Paragraph 22.1 of the Finance Policies and Procedures Manual, the following constituted the Selection Committee for the External Auditor:

- i. Director of Finance and Corporate Services (as provided for in the policy);
- ii. Director of Programmes; and
- iii. Director of Corporate Governance.

Mr Mahendrasing Khooblall, Accountant, provided technical support to the selection Committee.

5.4.2. Technical Proposal Evaluation

The Technical Proposals were evaluated first without considering the financial quotes.

The criteria of selection were based on the following:

- a) Audit team leadership qualifications and expertise, and
- b) Experience in performing audits of inter-governmental institutions, NGOs, Regional and International Organization and Donor grants.

5.4.3. Technical scores

| Firms | Evaluator 1 | Evaluator 2 | Evaluator 3 | TOTAL |
|----------------|------------------------|------------------------|------------------------|--------------|
| GRANT THORNTON | 85 | 75 | 70 | 230 |
| GRAND NAMIBIA | 90 | 96 | 83 | 269 |

5.4.4. Financial Proposal Evaluation

i. Fees for audit services

The quoted annual audit fees were as follows:

| Audit firms: | Audit fees (N\$) |
|---------------------|-------------------------|
| GRANT THORNTON | 148,600 |
| GRAND NAMIBIA | 158,400 |

- ii. The Selection Committee observed that the quoted fees could not be compared like-to-like because while the fees for Grand Namibia were detailed according to personnel time on the audit, Grant Thornton submitted a ball park figure without a breakdown, with a proviso that fees could change if certain detailed conditions such as

the scope of the audit changed. However, the Committee was of the opinion that, in terms of previous work performed and the profile and references provided, Grand Namibia seemed to be more aligned to providing the services required by the SADC PF, and within a reasonable time frame.

6.0. RECOMMENDATION

Based on the above evaluation, it is recommended that the contract for the services of the External Auditor be offered to **Grand Namibia**. Although both firms meet the necessary requirement in terms of experience and expertise, Grand Namibia's proposal was more aligned to SADC PF requirements. Audit fees charged by audit firms are normally based on the expertise and qualified personnel assigned to carry out the audit and also the time involved in completing the work. The audit fees quoted by Grand Namibia are within the proposed budget for SADC PF of N\$214,500.

Below is the relevant provision from the Finance Policies & Procedures Manual:

22. Chapter XXII: Recruitment of External Auditors

22.1. Guidance on the Recruitment of External Auditors

- 22.1.1. As per Article 8(3)(c) of the constitution, the Plenary Assembly shall appoint an Auditor for each financial year based on the recommendation of the Executive Committee. The contract of the auditor will be renewed annually subject to a maximum of 5 years. A formal reassessment of external auditors should take place every 5 years, usually by competitive tender.
- 22.1.2. The SADC Parliamentary Forum should agree a list of audit firms to be invited to tender, or open tender procedures should be followed as appropriate. In case of selective bidding, a tender list of at least three suitably qualified firms should normally be adequate. Firms with experience in auditing regional, International or similar organisations would be an advantage.
- 22.1.3. The letter of invitation to prospective firms should describe the requirements of the Audit Service, which include, inter alia, expression of an opinion on whether:
 - i) The financial statements have been prepared in accordance with the International Financial Reporting Standards;
 - ii) Proper accounting records have been kept by the Forum throughout the

financial year; and

iii) Grants received from donors have been applied for the purposes intended.

22.1.4. The tender invitation may also require bidders to outline other professional services they would be able to offer to the Forum.

22.2. Selection and Appointment of Auditors firms

22.2.1. The Secretary General should set up a special committee comprising of the Director of Finance and Corporate Services, and two other members of Management to carry out a preliminary tender evaluation exercise.

22.2.2. The tender evaluation should be based on the technical and financial proposals received. The technical proposal will include qualification, expertise and references of the firm and will normally have a higher weight. The financial proposal refers to the annual audit fees of the auditors. Based on these (i.e, technical and financial proposals) criteria, the special committee shall present its recommendation to the Secretary General.

22.2.3. The recommendation for the appointment of auditors shall be first examined by the Finance Sub-Committee and then forwarded to the Executive Committee for their Approval.

22.2.4. The resolution of the Executive Committee on the appointment of the auditors should be presented to the Plenary Assembly in the Treasurer's Report to the Plenary Assembly.

22.2.5. The contract for the auditor should be in writing. This shall normally be in the form of a letter of engagement which shall include the Terms of reference of the audit services.