

**NATIONAL STAKEHOLDERS WORKING GROUP (NSWG)  
OF THE NIGERIA EXTRACTIVE INDUSTRY  
TRANSPARENCY INITIATIVE (NEITI).**

**SELECTION OF HART GROUP TO AUDIT THE NIGERIAN  
EXTRACTIVE INDUSTRY**

Tuesday 15<sup>th</sup> March 2005

The Nigeria Extractive Industry Transparency Initiative (NEITI) is the Nigerian subset of a global initiative aimed at following due process and achieving transparency in payments by Extractive Industry (EI) companies to governments and government linked entities.

President Olusegun Obasanjo GCFR, at a Workshop on the 19-20 February 2004, launched the EITI in Nigeria, which builds on existing government transparency efforts. The National Stakeholders Working Group (NSWG) made up of 27 individuals from Civil Society, Media, Government, Indigenous, National and Multi-National companies, is the platform from which the Federal Government of Nigeria plans to implement the global initiative.

One of the aims of the NEITI is an independent audit of Nigeria's Extractive Industry (EI). To this end, it was agreed at the NSWG seminar/ meeting on the 9<sup>th</sup> of March 2004 amongst other issues, to engage Advisors to set the Terms of Reference/ Scope for the Independent Audit. The Group then set up a sub- committee to prepare the Scope of work for the engagement of the Advisors.

The members of the TOR Sub-committee were Dr. Imo Itsuelli, Chairman, Dr. Bright Okogu, Dr. Tajudeen Umar and Dr. H.

Assisi Asobie. The TOR Sub-Committee submitted their report to the NSWG on the 1<sup>st</sup> of April 2004, which was adopted. The Group then mandated the NEITI Secretariat to publicise the EOI invitation.

The Expression of Interest Notification was widely published in National Newspapers. The NSWG meeting on the 20<sup>th</sup> of May 2004 endorsed the reach of the adverts and set up a Bid Evaluation Team to review the EOI's and make recommendations to the NSWG. The Members were Mrs J. Maduka, Chairman, Engr. Phil Chukwu, Mr Gbite Adeniji and Mr. Stan Rerri/ EITI Secretariat

The Bid Evaluation Team submitted its report to the NSWG on the 3<sup>rd</sup> of June 2004. The NSWG was so impressed with the work of the Team that it made it a standing Sub-Committee for NEITI Bid Evaluation. The NSWG were however not happy with the responses from the advert campaign and asked the Secretariat to re-advertise to a wider national and International audience. To this end the Secretariat sought assistance from the UK Department For International Development (DFID) to place adverts in the international editions of the Wall Street Journal and the Economist. The response from the campaign was very encouraging with a total of six firms showing interest and paying the bid fee of N500,000 (five hundred thousand Naira). They were:

- 1 SGS Inspection Services
- 2 Facofise Ltd
- 3 Accenture Consortium
- 4 Akintola Williams Deloitte
- 5 Goldwyn International Strategies
- 6 Adekanola Consortium

The Bid Evaluation Team met to analyse the bids and gave its report to the NSWG as follows:

- 1 SGS Inspection Services and Facofise did not show enough understanding of the tasks at hand
- 2 Accenture Consortium, Akintola Williams Deloitte and Goldwyn International Strategies showed the required technical ability to carry on the tasks.
- 3 Adekanola Consortium had conflict of interest issues relating to a member of the consortium

The NSWG therefore short-listed three firms namely;

- 1 ACCENTURE CONSORTIUM
- 2 AKINTOLA WILLIAMS DELOITTE
- 3 GOLDWYN INTERNATIONAL STRATEGIES

The NEITI Secretariat subsequently contacted the three firms to submit their financial bids. All three firms responded as enumerated in the box below.

	TASKS	REQUIRED DURATION (MONTHS)	ACCENTURE		AKINTOLA WILLIAMS	GOLDWYN INTL.
			PROPOSED DURATION	FIXED COST (NAIRA)	FIXED COST (NAIRA)	FIXED COST (NAIRA)
1	TOR For Auditor	3	4	47,250,000	19,431,225	
2	Post Audit Plan and Generic Advisory Services	12	8	112,012,110	30,922,650	37,598,000
3	Communication Strategy	1	4	30,328,320	7,168,500	4,375,040
4	Legal	2	3.5	35,959,458	18,181,800	5,468,800
5	Information Technology	1	4	68,652,148	6,042,600	4,921,920
6	Transparency and	1	5			

	Change Management			205,526,780	10,396,350	6,289,120
7	Local Content	1	4	24,775,000	12,779,100	6,289,120
	<b>TOTAL</b>			<b>524,503,816</b>	<b>104,922,225</b>	<b>64,942,000</b>

The Bid Evaluation Team met on the 26<sup>th</sup> of September 2004 to examine the bids and the Team presented its report to the NSWG on the 28<sup>th</sup> of September 2004.

At the same meeting of the 28<sup>th</sup> of September 2004, the NSWG Selected Goldwyn International Strategies (GIS) LLC being the lowest bidder, to work with the Group as Advisors on the following terms;

<b>Task</b>		<b>Fixed Payment</b>
TOR For Auditor;		USD475, 000
Post Audit Plan and Generic Advisory Services;		(N64, 942,000)
Communication Strategy;		
Legal;		
Information Technology;		
Transparency and Change Management;		
Local Content;		

The Secretariat was subsequently mandated by the NSWG to commence discussions for the contracting of GIS. To this end, the NEITI Secretariat contacted the Department For International Development (DFID) of the United Kingdom who had earlier indicated willingness to support this component of the NEITI. The NEITI Secretariat pleasantly received their letter of October 14, 2004 (copy attached) confirming a grant to support the hiring of Messrs GIS as Advisors to the NSWG.

The NSWG then signed a contract with GIS on the 30<sup>th</sup> of November 2004.

GIS immediately set to work. It drafted an audit program which included:

- (1) **Physical Audit**; a reconciled figure and a coherent map that will give a complete picture of the amount of oil/gas that has been produced/ lifted/ lost/ refined/ exported in the given period of review
- (2) **Financial flows**; a reconciled picture that shows who has paid money, how much and who to?
- (3) **Process Audit**; a critical examination of crucial extractive industry processes like levels and justification of Capital Expenditure proposals; checks and balances in importation of products; comparative analysis, benchmarking and recommendations for improvement.

Based on the above GIS prepared a draft Expression of Interest (EOI) for publication in the local and international press. The draft EOI was adopted at the NSWG meeting on the 15<sup>th</sup> of December 2004. The NSWG agreed that the Audit

program captured succinctly its thematic priorities in implementing the reform of Nigeria's extractive industry.

The NSWG mandated the NEITI Secretariat to advertise the EOI in the Economist, the Wall Street Journal, ThisDay, Punch, Vanguard and Guardian newspapers from the 17<sup>th</sup> of December 2004.

The NEITI Secretariat received over 100 EOI's from prospective Auditors. The NSWG meeting of the 12<sup>th</sup> of January 2005 acknowledged the receipt and directed GIS to short list the EOI's and send Request for proposals to short listed firms only.

GIS then short listed the firms as follows:

**Financial Audit**

<b>Name of firm</b>
Akintola Deloitte
Awoyemi Obafunso&Co
BDO Oyediram Faleyo
Ernst & Young
Eyewumi Rone
Horwath Dafinone
Jerseb
JK Randle
OYELAMI ADELEKE/Baker tillyO
PKF Pannell Kerr Forster
S.S. Afemikhe &Co

**Process Audit**

<b>Name of firm</b>
Akintola Deloiite
BDO Oyediram Faleyo
Channoil Consulting
Ernst & Young
Horwath Dafinone
JK Randle
Saybolt
Swede Control Intertek

### Physical Audit

Name of firm
Akintola Deloitte
Hart Group
JK Randle
Ryder Scott
Saybolt
Swede Control Intertek

Due to pressure on the NSWG Members individual schedules and the impracticality of having meetings every week as the Audit process now demanded, the NSWG directed the Secretariat to better utilize its email and telephone conferencing facilities. This was also done with great effect during the planning and implementation phases of NEITI Conference led by Dr. Imo I tsueli's NEITI Conference Planning Committee.

The NEITI Secretariat sent out Request for Proposals to the above short-listed firms on the 31<sup>st</sup> of January 2005 and received eleven RFPs on the 14<sup>th</sup> February 2005.

GIS presented its findings to the NSWG meeting on the 22<sup>nd</sup> of February 2005. GIS informed the NSWG of the criteria used in the assessment of the firms that submitted Proposals, which included a mandatory international sign off for the Audits and a credible and verifiable statement of Conflict of Interest. GIS stated that proposals were read and scored accordingly and that Akintola Williams Deloitte emerged as the best firm for all three audits. GIS informed the group that they were awaiting authorization from the NSWG to issue out an invitation to Deloitte for negotiation. See evaluation table below:

Component Audit	Bidder Name	Average Technical Score	Total Price (USD)
Financial Audit	Akintola Williams Deloitte	88	\$ 662,480
Financial Audit	Afimekhi, with Hart as Subcontractor	84	\$ 2,049,823
Financial Audit	Eyewumi, Rone & Co.	68	\$ 453,508
Financial Audit	JK Randle	63	\$ 545,323
Financial Audit	Awoyinka Obafunso & Co.	54	\$ 449,692
Financial Audit	Horwath Dafinone	44	\$ 2,150,000
Financial Audit	Ernst & Young	40	\$ 1,632,231
Financial Audit	BDO	29	\$ 2,434,616
Financial Audit	Jerseb	0	\$ -
Financial Audit	PKF Pannell Kerr Foster	0	\$ -
Financial Audit	Oyelami Adeleke / Baker Tilly	0	\$ -
Physical Audit	Akintola Williams Deloitte	84	\$ 775,420
Physical Audit	Hart Group, with Afemikhe and others	80	\$ 2,019,044
Physical Audit	Intertek Caleb Brett	78	\$ 3,987,000
Physical Audit	JK Randle & Co, with Anderson & Schwab	44	\$ 422,408
Physical Audit	Saybolt	0	\$ -
Physical Audit	Ryder Scott	0	\$ -
Process Audit	Akintola Williams Deloitte, (Landmark & Geo-Concepts)	90	\$ 743,100
Process Audit	Intertek Caleb Brett	54	\$ 3,987,000
Process Audit	BDO	51	\$ 846,040
Process Audit	JK Randle	45	\$ 842,400
Process Audit	Ernst & Young	0	\$ 1,397,846
Process Audit	Horwath Dafinone	0	\$ -
Process Audit	Saybolt	0	\$ -
Process Audit	Channoil Consulting	0	\$ -

The NSWG commended the work of GIS, stated that they would prefer that GIS negotiated with the best three Auditors and agreed that they went through a good process to get the results. The NSWG mandated that the whole document be made public knowledge so that the process can stand the test of scrutiny anywhere. The Group reiterated the fact that NEITI had a timeline and decisions no matter how difficult, had to be made.

The NSWG directed GIS to distribute the process and score sheets, inclusive of detailed criteria for the selection to fully inform the public. The NSWG stated that if any objections emerge from the Members, it would need to be declared by 9 a.m. Wednesday 23<sup>rd</sup> of February 2005, by electronic mail or telephone, otherwise, the NSWG gives GIS go ahead to start negotiations.

GIS commenced negotiations immediately with Akintola Williams Deloitte. They accepted the first obligation by the

deadline set forth, which was their ability and willingness to meet the aggressive timetable for final negotiations.

Unfortunately, after this point, the AWD failed to meet all subsequent deadlines. They also failed to provide commitments on team leadership and staffing models which demonstrated the ability of their firm to provide strong international leadership and commitment; failed to resolve worrying conflicts of interest concerns for the firm and key staff members, nearly doubled their proposed price for the financial audit to account for international staffing because of the work plan commitments demanded as part of the negotiation (although they were not able to identify who these international staff members were by March 9).

Therefore utilizing the NSWG's right to negotiate with multiple bidders, as set forth in the RFP documentation, the NEITI Secretariat issued Invitations to Negotiate to the next ranking consortia of highly-rated bidders. In subsequent conversations, Hart Group chose to accept the invitation to negotiate and Intertek- Caleb Brett- Swede Control declined to negotiate.

The consortia which accepted the Invitation to Negotiate, led by the Hart Group of the United Kingdom, accepted the NEITI request to significantly restructure their proposal in order to meet the specific needs of the NEITI. For example, GIS asked this chartered accounting and consultancy to be the prime contractor and to utilize the firm of S.S. Afemekhe they wished to partner with as a subcontractor. GIS insisted on international staff leadership for every sub team (i.e. for upstream, downstream or natural gas). GIS asked for, received, and reviewed the staffing plan and resumes and found no conflicts of interest. GIS asked

Hart Group to substantially reduce its initial price bid. The Hart Group's revised bid was lower than the revised price proposed by AWD for the Financial Audit.

In addition GIS invited Hart to confirm the international staff for the physical audit. Noting the quality of their team, and the overlap between the financial, physical and process audits, GIS invited Hart to tender a proposal to conduct the process audit as well.

The Hart Group was the sole bidder to provide highly qualified international staff for the financial, process and physical audits with no conflicts of interest. GIS therefore recommend the Hart Group consortium for all three audits for the sum of US\$2,340,606.00 only. GIS submitted its recommendations to the NEITI Secretariat on Friday, the 11<sup>th</sup> of March 2005 and set forth the following timeline:

Sunday 13<sup>th</sup>/Monday 14<sup>th</sup> -

- Feedback from NSWG

Tuesday 15<sup>th</sup> -

- NEITI Contract signing ceremony.

The NEITI Secretariat circulated the recommendations and other documentation to the NSWG and received a positive feedback. Based on this the Coordinator of the NSWG/ NEITI Obiageli Ezekwesili, Senior Special Assistant to the President, formally signed the contracts for the Financial and Process/ Physical Audits with Mr Chris Nurse of the Hart Group, on the 15<sup>th</sup> of March 2005.

**NEITI/ NSWG SECRETARIAT  
STATE HOUSE  
PRESIDENTIAL VILLA ABUJA**