



BID NO. : **IRBA001/2018**
COMPULSORY BRIEFING SESSION : **07 MARCH 2018 AT 11H00**
BID CLOSING DATE : **16 MARCH 2018 AT 12H00**

BID DESCRIPTION: INTERNAL AUDIT SERVICES

1. Firms are invited to submit their proposals for the supply of the above-mentioned services, according to the requirements as contained in the Terms of Reference document.
2. This bid is subject to the General Conditions of Contract (GCC) and, where applicable, any other special conditions of contract.
3. All prospective bidders have to attend the compulsory briefing session on 07 March 2018 at 11H00 at Building 2, Greenstone Hill Office Park, Emerald Boulevard, Modderfontein, 1609
4. Kindly note that the bid offers should be submitted as follows:
 - Via hand delivery and the bids should be deposited in the tender box on the Ground Floor of Building 2, Greenstone Hill Office Park, Emerald Boulevard, Modderfontein, 1609.
 - No bids forwarded via a facsimile or any other similar method, will be considered.
5. No late bids will be accepted.

Willemina de Jager

DIRECTOR: OPERATIONS

DATE: 21 February 2018

TERMS OF REFERENCE FOR THE PROVISION OF OUTSOURCED INTERNAL AUDIT SERVICES

The IRBA would like to invite suitably qualified internal audit firms to apply for the provision of outsourced internal audit services for a one (1) year period, and will be renewed for a further two (2) years based on satisfactory services rendered.

1. BACKGROUND

The Independent Regulatory Board for Auditors (IRBA) was established in terms of Section 3 of the Auditing Profession Act, No.26 of 2005 (the Act), with an effective date of 1 April 2006. The objectives of the Act as set out in Section 2 are as follows:

- To protect the public in the Republic by regulating audits performed by registered auditors;
- To provide for the establishment of an Independent Regulatory Board for Auditors;
- To improve the development and maintenance of internationally comparable ethical standards and auditing standards for auditors that promote investment and as a consequence employment in the Republic;
- To set out measures to advance the implementation of appropriate standards of competence and good ethics in the auditing profession; and
- To provide for procedures for disciplinary action in respect of improper conduct.

2. OBJECTIVES OF THE INTERNAL AUDIT FUNCTION

The objective of this bid is to appoint a suitable, independent service provider that can provide an internal audit service for the Accounting Authority and management of the IRBA. In terms of the Public Finance Management Act (PFMA), the IRBA should have an effective internal audit function, which should also comply with the Institute of Internal Auditors' (IIA) standards. The internal audit function should assist the IRBA to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management control and governance processes. The risk management strategy, including the Fraud Prevention Plan, must be used to direct the internal effort.

One of the objectives of the internal audit function is to assist the Audit and Risk Management Committee (ARMCO), and through it the Accounting Authority and management, in the effective discharge of their responsibilities. This has to be done through furnishing them with analyses, appraisals, recommendations, counsel and information concerning the activities that have been reviewed as well as regular follow-ups. Other objectives/standards/controls of the audit function, which are subject to an evaluation, are to review the following:

- Internal control processes;
- The information systems environment;
- The reliability and integrity of financial and operational information;

- The effectiveness of operations;
- Compliance with policies, regulations and contracts;
- The safeguarding of assets;
- The economical and efficient use of resources;
- The achievement of established operational goals and objectives; and
- Compliance with laws, regulations and controls.

Background information on the structure of the IRBA can be found in the latest Annual Report, which is available on our website (www.irba.co.za).

3. SCOPE OF SERVICES

The scope of the internal audit function includes the points listed below. However, should any other function be regarded as imperative by the bidder, it should be added and clearly defined.

- The internal audit function must, in consultation with ARMCO, prepare:
 - A rolling three-year strategic Internal Audit Plan based on its assessment of key areas of risk for the IRBA, having taken into consideration the regulator's current operations, the operations proposed in its corporate or strategic plan and its risk management strategy.
 - An annual Internal Audit Plan.
 - Plans indicating the scope, cost and timelines of each audit in the annual internal audit.
 - Audit reports directed to ARMCO detailing its performance against the plan to allow effective monitoring and intervention, when necessary.
- It must co-ordinate with other internal and external providers of assurance to ensure proper coverage and minimal duplication of effort.
- The internal audit function must assist the Accounting Authority in maintaining effective controls by evaluating those controls and developing recommendations for enhancement or improvement.
- It must assist the Accounting Authority in achieving the objectives of the IRBA by evaluating and developing recommendations for the enhancement or improvement of the processes through which:
 - Objectives and values are established and communicated;
 - The accomplishment of objectives is monitored;
 - Accountability is ensured;
 - Corporate values are preserved;
 - The adequacy and effectiveness of the system of internal control are reviewed and appraised;
 - The relevance, reliability and integrity of management, financial and operating data and reports are appraised;
 - Systems established to ensure compliance with policies, plans, procedures, statutory requirements and regulations, which could have a significant impact on operations, are reviewed;
 - The means of safeguarding assets are reviewed and deemed as appropriate in verifying the existence of such assets;

- The economy, efficiency and effectiveness with which resources are employed are appraised;
 - The results of operations or programmes are reviewed to ascertain whether they are consistent with the IRBA's established objectives and goals and whether the operations or programmes are being carried out as planned; and
 - The adequacy of established systems and procedures are assessed.
- The audits that will need to be taken into account at the IRBA are, among others:
 - IT security and systems processes audit.
 - Conducting special assignments and investigations, on behalf of ARMCO or the CEO, into any matter or activity affecting the probity, interest and operating efficiency of the IRBA.
 - Audit designed to detect fraud.

Fraud and Irregularities

In planning and conducting its work, the internal auditor should seek to identify serious defects in internal controls, which might result in possible malpractices. Any such defects must be reported immediately to the CEO and/or ARMCO without disclosing these to any other staff.

4. EXPECTED OUTCOMES AND DELIVERABLES

4.1 Performing Audit Assignments

Each assignment should at least consist of the following:

- A pre-audit survey;
- An audit planning memorandum;
- Minutes of the entrance meeting;
- A risk assessment document;
- System descriptions;
- Audit programmes;
- Sampling methodology;
- Mechanisms for follow-up on matters previously reported and feedback to ARMCO;
- Mechanisms to ensure that working papers are reviewed at the appropriate level;
- A record of work performed;
- Audit findings and recommendations;
- Reporting (a draft internal audit report and a final internal audit report).

4.2 Reporting

The structure of the internal audit reports should be as follows:

- Introduction;
- Audit objective and scope;

- Background;
- Executive summary, highlighting significant findings;
- Findings, recommendations and management response (including implementation dates);
- All audits as carried out according to the annual Internal Audit Plan and as approved by ARMCO; and
- Conclusion.

The auditor is to deliver an electronic copy and one signed copy of the final report to the chairman of ARMCO and the IRBA CEO.

5. QUALITY ASSURANCE REVIEWS OF THE WORK

The auditor shall ensure that all work conforms to the IIA Standards for Professional Practice this may require that such work be subjected to external quality assurance, as may be considered necessary. Firms to ensure quality review processes are in place and that quality reviews are executed.

6. MONITORING THE PROGRESS OF ASSIGNMENTS

On completion of each assignment, the auditor shall distribute the reports to ARMCO, the Director Operations and the CEO.

On a quarterly basis, a report on progress against the plan, significant findings and administrative matters will have to be presented to ARMCO.

7. INDEPENDENCE AND OBJECTIVITY OF STAFF

The IRBA needs to be independent from the registered auditors it regulates. As such, no bids will be considered from any entity or person it regulates, including network firms as defined in the IRBA Code of Professional Conduct.

In carrying out the work, the auditor must ensure that their staff members maintain objectivity by remaining independent of the activities they audit.

Independence, for the purposes of this assignment, relates to the IRBA/IESBA Code of Conduct. This includes independence from the current board, future board and IRBA staff.

8. PROPOSAL SUBMISSION

Interested bidders are requested to submit proposals that consist of the sections highlighted below. Bidders are requested to peruse these requirements carefully to avoid submitting extraneous material.

- Experience of the firm in internal audit services, including specialised skills, expertise and value-added services.
 - Demonstration of the firm's substantial internal audit experience.

- Specialised skills, expertise and value-added services in the field of internal audit, with an emphasis on best practice methodology, tools and technology used.
- Availability of forensic audit skills and tools.
- Availability of computer audit skills and tools.
- Experience in the internal audit of public entities.
 - Advanced understanding of and sufficient exposure to the Public Finance Management Act of 1999 and the Protocol on Corporate Governance for Public Entities.
 - Experience in the internal auditing of public entities, with reference letters if applicable.
 - External references, the size of audits and the size of the client base.
- Qualifications and experience of team members.
 - The relevant individuals must be registered with the IIA.
 - Detailed CVs of the auditor/s who will be responsible for performing the internal audits and the person who will be supervising and signing the audit plan and reports.
- Ability to provide the services and adequate institutional support.
 - Shareholding and management structure.
 - Employment Equity Policy.
 - Years in business.
 - Turnover and value for the past three years.
 - Professional staff numbers and level of experience.

To enable the IRBA to evaluate the entity on the above criteria, please ensure that adequate documentation is attached.

FINANCIAL PROPOSAL

It is understood that internal audits are based on hourly rates and that budgets are compiled once the appointed auditor has assessed the likely extent of the work. Financial proposals will be compared on the basis of hourly rates.

Firms are required to submit a table of hourly rates as per the table below based on an estimated auditing costs of R1 000 000 per annum.

Rates should be **inclusive** of overheads **and** VAT. If a particular category does not exist for the firm, it may be omitted.

Item (where applicable)	Hourly Rate (including overheads and VAT)
Engagement Partner	R
Partner	R
Senior Manager	R

Manager	R
Assistant Manager	R
Supervisor	R
Senior Auditor	R
Trainee Auditor	R
Specialists (e.g. tax, technical)	R

It is recognised that it is difficult for a prospective bidder to be certain about the extent of the work based solely on the terms of reference. However, to assist with assessments, a firm must provide a typical distribution of time for members of the audit team on a job of this nature. This should be expressed in percentages of the total person-hours billed on a typical job (see table below, which is indicative only and not binding on the firm).

Item (where applicable)	Typical Percentage of Total Hours on Project
Engagement Partner	%
Partner	%
Senior Manager	%
Manager	%
Assistant Manager	%
Supervisor	%
Senior Auditor	%
Trainee Auditor	%
Specialists	%
TOTAL	100

9. EVALUATION OF THE PROPOSALS

Phase1

The evaluation of the technical part of the proposal will be on the basis of the candidate's responsiveness to the terms of reference, as well as the application of the evaluation criteria and points system as indicated below. Each responsive proposal will be given a technical score.

Proposals will be evaluated against the criteria and weights for functionality as depicted in the table below:

1 – POOR 2 – FAIR 3 – AVERAGE 4 – GOOD 5 – EXCELLENT

Criteria: Functionality	Weight
Experience of the firm in internal audit services, including specialised skills, expertise and value-added services	40
Experience in the internal audit of public entities	20
Qualifications and experience of team members	30
Ability to provide the services and adequate institutional support	10
Total	100
Minimum Threshold	60

Proposals will receive further consideration if they score at least 60% minimum points out of the 100 points on technical criteria as listed above and achieve a subminimum of 50% in each criteria.

Phase 2: Pricing and BEE Evaluation

The 80/20 preference point system will apply during phase 2 of the evaluation process:

- **Pricing** 80 points
- **B-BBEE Points** 20 points

10. COMPULSORY DOCUMENTS TO BE SUBMITTED

Interested Firms must comply with the minimum conditions below, if they would like their proposals to be evaluated on functionality. Failure to submit or comply will render the bid non-compliant.

Interested Firms are required to complete and submit **all** Standard Bid Documents (SBD), failing which the bid response will be disqualified. The standard bid documents are as follows:

- SBD 1: Invitation to Bid.
- SBD 4: Declaration of Interests Form.
- SBD 6.1: Preference Points Claim Form in terms of PPPFA, 2011.
- SBD 8: Abuse of Supply Chain Management System.
- SBD 9: Certificate of Independent Bid Determination.
- Certified copy of the firm/individual's BEE Certificate.
- IRBA Supplier Information Form
- Proposal by the firm (the evaluation will be based on the information as outlined and contained in the document).

National Treasury – Central Supplier Database: Suppliers must submit confirmation of the company or individual registration on the Central Supplier Database (CSD). The IRBA will not award any contract to a supplier that is not registered as a prospective

supplier on the CSD, as required in terms of National Treasury Circular No. 3 of 2015/2016 and National Treasury SCM Instruction Note 4 of 2016/2017. The CSD registration requirement applies to all companies/individuals, including joint ventures and sub-contracted companies.

VAT: Service providers must submit price quotations which are **inclusive of VAT** (if applicable) with their proposals.

12. DURATION OF CONTRACT

The contract is expected to run for three years, commencing on the date of signing the Service Level Agreement. It will, however, be renewable annually and this will be subject to a review of the previous year's performance against the Internal Audit Plan.

A Service Level Agreement will be entered into between the successful Service Provider and the IRBA to manage and track the quality of services to be rendered.

13. CANCELLATION OF CONTRACT

If the IRBA is satisfied that any person (including an employee, partner, director or shareholder of the interested company or a person acting on behalf of or with the knowledge of the interested bidder) or firm:

- i. Is executing a contract with the IRBA unsatisfactorily;
- ii. Has, in any manner, been involved in a corrupt act or offered a gift or remuneration to any officer or employee of the IRBA in connection with obtaining or executing a contract;
- iii. Has acted in bad faith, in a fraudulent manner or committed an offence in obtaining or executing a contract;
- iv. Has in any manner influenced or attempted to influence the awarding of the IRBA's bid process;
- v. Has, when advised that the bid has been accepted, given notice of their inability to execute or sign the contract or to furnish any security required;
- vi. Has engaged in any anti-competitive behaviour, including having entered into any agreement or arrangement, whether legally binding or not, with any other person, firm or company to refrain from quoting for this contract, or relating to the bid to be submitted by either party; and/or
- vii. Has disclosed to any other person any information relating to this bid, except where disclosure in confidence was necessary to obtain quotations required for the preparation of the bid; the IRBA may, in addition to any other legal recourse which it may have, cancel the contract between the IRBA and such a person and/or resolve that no bid from such a person will be favourably considered for a specified period.

Any restriction imposed upon any person shall apply to any other person with which such a person is actively associated.

The IRBA reserves the right to unilaterally terminate the contract with the successful bidder on one month's notice, in the event of circumstances beyond its control and that render continuation with the contract undesirable or unnecessary.

14. CONTRACTUAL ASPECTS

The contents of this document shall be deemed to constitute the Special Conditions of Contract applicable to this bid, and shall be read together with the General Conditions of Contract issued in accordance with Chapter 16A of the Treasury Regulations.

General Conditions of Contract (GCC) (Document is available on the IRBA website).

Where, however, the Special Conditions of Contract are in conflict with the General Conditions of Contract, the Special Conditions of Contract shall prevail.

The bid document, together with the specifications contained in this document, shall constitute part of the Contract.

Bidders shall not perform any work or render any services in terms of the Contract unless they are in receipt of a written instruction to that effect from the IRBA.

The successful bidder may not assign their own obligations, and may not render services, or be associated to auditing firms in any way.

The successful bidder must advise the IRBA immediately when it seems like unforeseeable circumstances will adversely affect the execution of the contract. Full particulars of such circumstances as well as the period of delay must be furnished to the IRBA, including project team changes that may affect the quality of the services.

15. DISCLAIMER

Bidders must make and rely on their own investigations and satisfy themselves as to the correctness of any and all aspects of the bid. The IRBA will not be liable for any incorrect or potentially misleading information in relation to any part of this document and any accompanying bid documents.

The IRBA reserves the right to not appoint any particular contracted partner that does not comply with the conditions of this bid, or if information that could put the IRBA at risk is obtained by the IRBA about a bidder.

The IRBA reserves the right to cancel this bid should the budget to cover the full quote of this bid not be available at the time of awarding the tender or if the need does not exist anymore or the specifications have changed.

16. ABSENCE OF OBLIGATION

No legal or other obligation shall arise between bidders and the IRBA unless and until the formal appointment documentation has been signed. The IRBA is not obliged to proceed with any submitted proposals. The IRBA reserves the right to request changes to any proposed consortia.

17. TENDER SUBMISSION REQUIREMENTS

The IRBA requires **three (3) printed copies – one (1) original and two (2) hard copies** of the complete bid documentation supporting the criteria as stated above. The IRBA reserves the right to make additional copies, if required, for the evaluation.

18. OTHER

Enquiries may be directed as follows:

Technical Enquiries

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RFQ Enquiries

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