



INVITATION TO TENDER FOR INTERNAL AUDIT SERVICES

BID NUMBER: IRBA 001/2016

DESCRIPTION: INTERNAL AUDIT SERVICES

BRIEFING SESSION: NO

CLOSING DATE: 15 APRIL 2016

CLOSING TIME: 12H00



TERMS OF REFERENCE FOR THE PROVISION OF OUTSOURCED INTERNAL AUDIT SERVICES

The Independent Regulatory Board for Auditors (IRBA) invites proposals for the provision of internal audit services.

1. BACKGROUND OF THE IRBA

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), which had 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 appropriate 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 THE WORK

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. This also applies to instances where serious fraud and irregularities have been uncovered.

4. EXPECTED OUTCOMES AND DELIVERABLES

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;
- A review of work performed;
- Audit findings and recommendations;
- Reporting (a draft internal audit report and a final internal audit report); and
- Follow-up on previous audit findings.

Reporting Requirements

The structure of the report is to 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 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. Such work may further be subjected to external quality assurance, as may be considered necessary.

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 that 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.

8. 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.

The successful bidder should be able to start from June 2016.

9. EVALUATION CRITERIA

Phase 1: Technical Evaluation

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.

Criteria	Points Allocated
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

The 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 following 90/10 criteria will be used for the evaluation of the proposals:

- **Pricing** 90 points
- **B-BBEE Points** 10 points

10. TECHNICAL PROPOSAL AND CRITERIA

The written tender application should focus on the following aspects to qualify and be considered:

- 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 auditing of public entities, with reference letters if possible.
 - 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 managing the internal audits and the person who will be 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 fees for the past two to three years.
 - Professional staff numbers.

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

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

The financial proposal should be submitted in a separate sealed envelope, with the documents as stated in point 12 below.

12. DOCUMENTS TO BE SUBMITTED

- Vendor Accreditation Form.
 - Valid Tax Clearance Certificate (Refer to SBD 2: Tax Clearance Certificate Requirements).
 - B-BBEE Certificate of Measured Entity (if no certificate is received, a score of zero will be allocated for evaluation purposes).
 - Proof of banking details.
 - Copy of your company/entity registration certificate (if applicable).
 - SBD 1: Invitation to Bid.
 - SBD 3.3: Pricing Schedule.
 - SBD 4: Declaration of Interests Form.
 - SBD 6.1: Preference Points Claim Form.
 - SBD 8: Abuse of Supply Chain Management System.
 - SBD 9: Certificate of Independent Bid Determination.
- Note: SBD7.2: Contract Form that is included in the tender is not required to be submitted but will be the part of the final contract.

13. SUBMISSION DETAILS

Proposals should be forwarded to the IRBA offices and the details are as follows:

- Closing Date: **15 April 2016**
- Closing Time: **12h00**
- Address: The Supply Chain Officer
Independent Regulatory Board for Auditors
Operations Department
Building 2, Greenstone Hill Office Park
Emerald Boulevard
Modderfontein
1609

For further information, contact:

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