

SPECIFICATIONS FOR INTERNAL AUDIT SERVICES

Notice 152/2018 – Provision for Internal Audit Services for a period of 36 Months

Senqu Municipality hereby invites suitably qualified bidders to bid for the provision of Internal audit Services for a period of thirty-six (36) months.

(1) DEFINITIONS AND ABBREVIATIONS

IIA	Institute of Internal auditors
MFMA	Municipal Finance Management Act
BBBEE	Broad Based Black Economic Empowerment
SMME	Small, Medium, Micro Enterprises
VAT	Value Added Tax

(2) MINIMUM REQUIREMENTS

Any omission of the below listed items would render an automatic disqualification:

1. Reference from a previous company where a similar project was successfully completed and signed by the duly authorized company representative.
2. Valid original tax clearance certificate or verifiable tax pin.
3. Services (water, sanitation, rates and electricity) bills, not owing more than 90 days; or valid municipal good standing clearance certificate in terms of rates and services.
4. Submit proof of registration on the National Treasury Centralized Supplier's Database.
5. Proof of registration with IIA and or SAICA.

(3) SCOPE OF WORK

The prospective bidders must comply with all relevant statutory bodies in line with best practice of the internal audit and risk management functions. The appointed service provider will be required to review risk management, governance processes and perform the following functions:

1. Develop a three-year internal audit strategic and operational plan in conjunction with the municipalities Internal Audit Unit. The plans should incorporate the assurance activities of relevant internal providers and the office of the Auditor General that should form part of the integrated assurance plan.
2. Develop a detailed risk based annual plan indicating the scope for each assignment.
3. Discuss coverage plans with management and the audit committee.
4. Perform risk-based internal audit control and compliance reviews in terms of the proposed internal strategic and operational audit plan.
5. Perform audits in compliance with the Institute of Internal auditors' standards on internal auditing.
6. Plan and perform computer-based audits.
7. Undertake performance review audits.
8. Ensure that line management is fully aware of the implications of the audit findings on business operations and the subsequent recommendations.

9. Provide a final report on the outcome and findings of audits, including recommendations and agreed management corrective action for the internal audit to follow-up.
10. Provide risk mitigation and control advice to management regarding the management of risks, with a summarised report to both executive management and the audit committee.
11. Provide summary reports to the audit committee on high-risk findings.
12. Attend relevant audit committee, executive management meetings, provide feedback on audits completed and the management of risks.
13. Provide an overall annual conclusion for the audit committee on the audited control environment.
14. In planning and conducting its work, the service provider should seek to identify serious defects in the internal controls, which might result in possible malpractices. Any such defects must be reported immediately to the management and to the audit committee without disclosing these to any other staff members.
15. Work closely with the office of the Auditor General to ensure that there is synergy of approach with little duplication of effort.
16. Provide and implement a skills transfer process to relevant staff members.
17. Have the capacity to deal with any Ad Hoc and special internal audit projects such as tender reviews for infrastructure projects.
18. Provide rate for Ad Hoc assignments
19. High level review of Annual Financial Statements
20. Provide value-added services to management on how to improve the internal control environment.
21. Perform tender quality reviews for all tenders above R 10 million or specific tenders as per management request.

(4) STANDARDS

Internal audit working papers must be in conformity with accepted best practices and standards of the IIA.

(5) TECHNICAL SPECIFICATIONS

The following minimum requirements are expected for each and every audit assignment performed but not limited to:

1. Pre-audit survey.
2. Audit action plan.
3. Minutes of entrance meeting.
4. Risk assessment document.
5. System descriptions.
6. Audit programs.
7. Sampling methodology.
8. Mechanisms for follow up on matters previously reported and feedback to the Audit Committee.
9. Mechanism to ensure that working papers are reviewed at the appropriate level.
10. Record of work performed.
11. Audit findings and recommendations.
12. Reporting (draft and final internal audit reports).
13. Follow up of previous audit findings.

(6) REPORTS

The structure of the report is to be as follows:

1. Introduction.
2. Audit objective and scope.
3. Background.
4. Executive summary.
5. Findings, recommendations and agreed management action.
6. Conclusion.

(7) SPECIAL CONDITIONS

The bidders are required to submit the following:

1. Proposed thirty-six months internal strategic and operational audit plan with firm deliverables, clear timelines and cost-effective budget.
2. Fraud and irregularities in planning and conducting its work, the internal audit service provider should seek to identify fictitious events, which might result in possible malpractices. Any such defects must be reported immediately to the Municipal Manager and the Audit Committee, without disclosing these to any other staff members. This also applies to instances where serious fraud and irregularities are uncovered.
3. All audits are to be carried out according to the internal risk-based audit plan approved by the Audit Committee.

(8) EVALUATION CRITERIA

All proposals submitted will be evaluated in terms of functionality first and only bidders who meet the minimum functionality criteria stipulated will be considered to be evaluated for Price and B-BBEE

The most suitable candidate will then be selected. Please take note that the municipality is not bound to select any of the service providers submitting proposals.

FUNCTIONALITY CRITERIA:

No.	Criteria Description	Points
1	Proven track record (Reference letters to be attached)	25
	<ul style="list-style-type: none">▪ Number of years active and experience gained in this field, to whom services were provided, and a record of services rendered complete with references. Provide documentation to confirm track record.▪ Three (3) letters of reference = 15 points▪ Four (4) or more letters of reference = 25 points▪ Less than three (3) letters of reference = 0 points	
2	Skills and capacity	45
	<ul style="list-style-type: none">▪ Company profile with a list of CV's and copies of qualifications of key personnel that will be assigned to the Internal audit contract:▪ Proof of registration with IIA and or SAICA for at least one key personnel assigned to the audit team = 20 points▪ No proof of registration = 0 points	

- Audit partner and assigned to the project team should at least have a minimum of five years post article experience in internal auditing
- Minimum five (5) years' experience = 15 points
- More than five (5) years' experience = 25 points
- Less than five (5) years' experience = 0 points

3

Other

30

#	Criteria	Sub criteria	Points
1.	Detailed skills transfer plan which meets all aspects of SMART principle.	Specific, measurable, achievable, realistic and time bound (estimated time frames depending on the approved plan)	10
	Detailed skills transfer plan which meets at least the first four (4) aspects of SMART principle.	Specific, measurable, achievable and realistic	5
	Detailed skills transfer plan which meets at less than four (4) aspects of SMART principle or a generic skills transfer plan.	None	0
2.	QAIP - Confirmation of having recently assisted at least one internal audit client to maintain a quality assurance and improvement program (refer to IIA Standard 2070 and the interpretation thereof). (provide an external quality assurance report for one client that is no older than five (5) years at the date of submission of the tender proposal)	Conforms	10
		Partially conforms	5
		Does not conform	0
3.	Location: Office in the East Cape	90% of the team resident in Eastern Cape	10
	Location: Office in the East Cape or any other province within South Africa.	Less than 90% of the team residents in the Eastern Cape	4

A bidder who gets a minimum of 70 points and above will qualify to the next stage. Individual tenders would have to be evaluated according to the preferential points scoring.

Please note that **all bidders MUST provide evidence to claim functionality points in clearly marked sections** of the tender document as follows:

1 – Functionality Criteria Evidence Point 1 - Proven track record

2 - Functionality Criteria Evidence Point 2 - Skills and capacity

3 - Functionality Criteria Evidence Point 3 – Other

Failure to provide evidence for the Functionality assessment in the required format may lead to the Bidder scoring ZERO for the Functionality assessment

(9) PRICE AND PREFERENTIAL POINTS SCORING – STAGE 2 (Price and B-BBEE status)

All Bidders that have passed the technical evaluation threshold of 80 points would also be scored based on the 80/20 principle where 80 Points is for the Price and 20 points for B-BBEE as per the detail given below.

Points awarded for price

A maximum of 80 Points is allocated for price on the following basis:

Where $P_s = 20[1 - \frac{P_t - P_{min}}{P - P_{min}}]$

P_s = Points Scored for comparative price of bid under consideration

P_t = Comparative Price of bid under consideration

P_{min} = Comparative Price of lowest acceptable bid

Points awarded for B-BBEE Status Level of Contribution

In terms of Regulation 5(2) and 6(2) of the Preferential Procurement Regulations, preference points must be awarded to a bidder for attaining the B-BBEE status level of contribution in accordance with the table below;

B-BBEE Status Level of Contributor Number of Points (80/20 System)

1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-Compliant Contributor	0

(10.1) PRICING SCHEDULES

Pricing for rates per hour in Rand including VAT should be according to the latest approved AGSA rates incorporating any applicable discounts given.

YEAR 1 Fees

Item	Description	Rate per Hour	Hours	Total cost
10.1	Director / Partner			
10.2	Senior Manager			
10.3	Manager			
10.4	Assistant manager			
10.5	Internal audit staff			
	Total Fees Year One			

Year 1 Disbursement (detailed breakdown) Based upon the above and which includes but is not limited to Travelling expenses, travelling time charged as per above positions, Accommodation, Subsistence ext.

Item	Detailed Description	Units	Rate per Unit	Quantity	Total cost
10.1.1					
10.1.2					
10.1.3					
10.1.4					
10.1.5					
10.1.6					
10.1.7					
10.1.8					
10.1.9					
10.1.10					
	Total Disbursement Expenses Year One				

Total Costs Year One - R

YEAR 2 Fees

Item	Description	Rate per Hour	Hours	Total cost
10.1	Director / Partner			
10.2	Senior Manager			
10.3	Manager			
10.4	Assistant manager			
10.5	Internal audit staff			
	Total Fees Year Two			

Year 2 Disbursement (detailed breakdown) Based upon the above and which includes but is not limited to Travelling expenses, travelling time charged as per above positions, Accommodation, Subsistence ext.

Item	Detailed Description	Units	Rate per Unit	Quantity	Total cost
10.1.1					
10.1.2					
10.1.3					
10.1.4					
10.1.5					
10.1.6					
10.1.7					
10.1.8					
10.1.9					
10.1.10					
	Total Disbursement Expenses Year Two				

Total Costs Year Two - R

YEAR 3 Fees

Item	Description	Rate per Hour	Hours	Total cost
10.1	Director / Partner			
10.2	Senior Manager			
10.3	Manager			
10.4	Assistant manager			
10.5	Internal audit staff			
	Total Fees Year Three			

Year 3 Disbursement (detailed breakdown) Based upon the above and which includes but is not limited to Travelling expenses, travelling time charged as per above positions, Accommodation, Subsistence ext.

Item	Detailed Description	Units	Rate per Unit	Quantity	Total cost
10.1.1					
10.1.2					
10.1.3					
10.1.4					
10.1.5					
10.1.6					
10.1.7					
10.1.8					
10.1.9					
10.1.10					
	Total Disbursement Expenses Year Three				

Total Costs Year Three - R

Total BID Price for 36 Months (to be included in MBD 1) - R
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(10.2) RATES SCHEDULES

Rates schedules including VAT

A rates estimate for the contract period of three (3) years, must include

- a. Related assumptions and detail make up.
- b. Rate must be quoted at an all inclusive rate for the different levels of proposed resources to be utilized, as listed below:

Item #	Service Category	Staffing level	Rate per hour
10.1	Internal audit reviews (risk and compliance based)	Director / Partner	
		Senior Manager	
		Manager	
		Assistant Manager / Audit Supervisor	
		Internal Audit staff	
10.2	Information Technology Audits	Director / Partner	
		Senior Manager	
		Manager	
		Assistant Manager / Audit Supervisor	
		Internal Audit staff	
10.3	Forensic Investigations	Director / Partner	
		Senior Manager	
		Manager	
		Assistant Manager / Audit Supervisor	
		Internal Audit staff	
10.4	Environmental Audits	Director / Partner	
		Senior Manager	
		Manager	
		Assistant Manager / Audit Supervisor	
		Internal Audit staff	

Item #	Service Category	Staffing level	Rate per hour
10.5	Infrastructure asset reviews or audits	Director / Partner	
		Senior Manager	
		Manager	
		Assistant Manager / Audit Supervisor	
		Internal Audit staff	
10.6	Other relevant and normal internal audit services e.g. Consulting services	Director / Partner	
		Senior Manager	
		Manager	
		Assistant Manager / Audit Supervisor	
		Internal Audit staff	

c. Please provide the cost of attending the five (5) audit committee meetings in Lady Grey.

d. All logistical / administration rates estimates such as accommodation, travel per kilometre, subsistence per day (or part thereof), etc. shall be claimed at no more than actual and limited to government approved rates (e.g. DoT rates for travel per kilometre, National Treasury rates for accommodation; etc).

Logistical or Administration cost category	Rate
Accommodation	
Travel per kilometre	
Subsistence (full day)	
Subsistence (part of a day)	
Other (specify)	

NOTE: Variation to the accepted quoted rates will be allowed where such are based on scientific adjustments that are linked to the inflation rate movements. These variations shall only be accepted where the service provider has obtained prior written approval from the Municipal Manager.

(10.3) PRICING: GENERAL

- The proposed rates must be VAT inclusive and should be quoted in South African rand.
- Costs for air travel will be for the account of the service provider **unless** proved to be economical and in line with the latest National Treasury's cost containment guidance and the Council approved S&T policy (applicable at the time of travel).
- Payment for services will be conducted on the basis of identified milestones in respect of each audit assignment, projected cash flows, and project plan as agreed with the service provider
- PLEASE ENSURE YOU WRITE THE THREE YEAR PRICE ON THE MBD1 (vat INCLUSIVE)

(11) Contact Details

For any further technical information regarding the document contents please contact: Mrs N Chamane (Chief Audit Executive) Telephone Number 051 603 1325 or email at chamanen@senqu.gov.za

For Supply Chain Related questions, please contact Mrs N Smith Bothma (Supply Chain Manager) Telephone Number 051 603 1349 or email at bothman@senqu.gov.za

FUNCTIONALITY – EVIDENCE TO BE ATTACHED TO THIS PAGE ON:

1. **Functionality criteria evidence point 1 proven track record – (See page 3/12 – 25 points)**

FUNCTIONALITY – EVIDENCE TO BE ATTACHED TO THIS PAGE ON:

- 2. Functionality criteria evidence point 2 Skills and capacity– (See page 3/12 – 45 points)**

FUNCTIONALITY – EVIDENCE TO BE ATTACHED TO THIS PAGE ON:

- 3. Functionality criteria evidence point 3 Other– (See page 4/12 – 30 points)**