



enterprise ilembe
ECONOMIC DEVELOPMENT AGENCY

TERMS OF REFERENCE

FOR

**THE APPOINTMENT OF A SERVICE PROVIDER FOR THE
PROVISION OF INTERNAL AUDIT SERVICES FOR A THREE YEAR
PERIOD SUBJECT TO ANNUAL REVIEW**

**Closing Date: 20 November 2017
Time: 11h00**

It is the intention of Enterprise iLembe to enter into a formal contract with a service provider or consortium to provide the services described herein. These Terms of Reference and the consultant's proposal will form the basis of the contract.

1. Introduction

Section 165 of the Municipal Finance Management Act (MFMA), 56 of 2003, states that each municipality and each municipal entity must have an internal audit unit, which may be outsourced, if the municipality or municipal entity, requires assistance to develop its internal capacity.

Section 165(2) of the MFMA stipulates that the internal audit unit of the municipality must:

- (a) Prepare a risk-based audit plan and an internal audit program for each financial year
- (b) Advise the accounting officer and report to the audit committee on implementation of the internal audit plan and matters relating to:
 - (i) Internal audit;
 - (ii) Internal controls;
 - (iii) Accounting procedures and practices;
 - (iv) Risk and risk management;
 - (v) Performance management;
 - (vi) Loss control; and
 - (vii) Compliance with the Act, the Annual Division of Revenue Act and any other applicable legislation; and
- (c) Perform such other duties as may be assigned to it by the accounting officer.

2. Nature and Scope of Internal Audit Work

Internal audit functions will include, but not limited to, the following:

- Undertaking a system review which will include walkthrough tests to identify weaknesses in controls and advise on internal controls to be implemented
- Assisting in designing and implementing internal control systems
- Monitoring and overseeing of compliance with applicable legislation and the entity's code of conduct
- Monitoring and oversight of compliance based on risk assessments of various activities of the entity
- Performance audits on projects, grants, etc
- Information technology audits
- Performance management systems evaluation and the audit of performance information
- Monitoring and oversight of internal and external financial control audit
- Determine the extent of compliance on the established policies and procedures based on the risk involved therein.
- Evaluate the soundness of financial and operating controls at their cost effectiveness by highlighting real issues supported by the recommendations in participation with management
- Ascertain the extent to which Enterprise iLembe's assets are safeguarded and deployed gainfully
- Appraise the reliability of information generated by Enterprise iLembe
- Evaluate the quality of performance in carrying out jobs assigned to various employees,

- Provide suggestions for improving the Control Environment of Enterprise iLembe
- Investigate allegations of fraud, misappropriation or possible loss to Enterprise iLembe and suggest corrective and preventative measures to avoid its' recurrence
- Provide consultation to line management wherever they seek Internal Audit's views in resolving complex issues confronted by them
- Review new products, services and computerised systems being proposed to Enterprise iLembe to ensure adequacy of controls therein
- Review policies and procedures before their finalisation to ensure necessary controls are in place

All other weaknesses, errors and system deviations will first be discussed with management for comment, then included in reports to the Audit Committee.

2.1 Objectives

The objective of Internal Audit work is to determine whether Enterprise iLembe's network of risk management, control and governance processes, as designed and presented by management, is adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed
- Interaction with various governance groups occur as needed
- Significant financial, managerial and operating information is accurate, reliable and timely
- Employees actions are in compliance with policies, standards, procedures and applicable laws and regulations
- Resources are acquired economically, used efficiently and adequately protected
- Programmes, plans and objectives are achieved
- Quality and continuous improvement are fostered in Enterprise iLembe and are recognised and addressed properly
- Accounting procedures are effective.

Opportunities for improving management controls, and Enterprise iLembe's image may be identified during audits and communicated to the appropriate level of management.

2.2 Responsibilities

The primary objective of the Internal Audit Function in Enterprise iLembe is to assist Management in the effective discharge of their responsibilities. In order to carry this out, the successful service provider shall:

- Develop a three year strategic, risk-based internal audit plan which is to be discussed with management and thereafter presented to the Audit Committee for review and approval
- Develop an annual risk-based internal audit plan and submit the plan to the Audit Committee and Management for review

- Implement the annual audit plan, as approved, including, as appropriate, any special tasks or projects requested by Management or the Audit Committee
- Attendance of Audit Committee Meetings or meetings as required by management.
- Maintain professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of the audit function.
- Keep abreast of relevant best practice and new developments affecting their work and in matters affecting Enterprise iLembe's activities.
- Respond to Enterprise iLembe's changing needs and strive for continuous improvement and maintain integrity in carrying out their activities.
- Issue reports to management summarising results of audit activities.
- Assist in the investigation of significant suspected fraudulent activities within Enterprise iLembe and notify management of the results.

2.3 Authority

The successful service provider shall have the authority to audit all parts of Enterprise iLembe and shall have complete access to any of the records, physical properties and personnel relevant to the performance of an audit. Documents and information given to auditors will be handled as prudently as they would be by those employees normally accountable for them.

The Internal Auditors will be authorised to:

- Have unrestricted access to all units within Enterprise iLembe and have access to the records, property and personnel of Enterprise iLembe
- Have full and free access to members of the audit committee
- Allocate resources, set audit frequencies, select auditable subjects, determine scope of audit work and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of the personnel within Enterprise iLembe when performing audits as well as other specialised services that may be assigned from time to time.

Please note that the successful service provider shall not, during the term of this contract and within five years expiry thereof, disclose any proprietary or confidential information relating to the services or assignment or the Enterprise iLembe's business operations without prior written consent from Enterprise iLembe Management.

3. Period of Service

The period of service is 3 years from the date of appointment. The contract will be performance based and is renewable annually. If the successful bidder is deemed to not be performing at an acceptable level, termination of the contract will occur upon one month's written notice to the Service Provider.

4. Prescribed Contents of the Proposal

Please note that proposals that deviate from this structure may be penalised:

4.1 Introduction

- Legislative Background.
- Purpose of the project as the service provider understands it.
- Other relevant information.

4.2 Background

- Legislative Background.
- Purpose and definition of internal audit.
- Other relevant information.

4.3 Annual Internal Audit Plan

- A brief strategic audit plan of all planned audits and scope of the audit for the financial year.

4.4 Audit Approach and Methodology

- A brief demonstration or explanation of approach and methodology to be used.
- The CV's of proposed team members to be allocated to the audits.

4.5 Project Cost/ Budget

- Bidders are to include in their proposals an indication of the Audit Fee (Including VAT and disbursements) for approximately 900 hours over three years.
(COMPULSORY REQUIREMENT)
- No hidden costs allowed.
- NB: The annual budget will be linked to the final, approved, Internal Audit Plan and will have to be agreed upon with management.

4.6 Conclusion

- Short concluding remarks.

5. Requirements related to tender

Documentation and Information Relating to this Brief

Please note that it is mandatory to complete Annexure A (see below) AND the MBD 2, 4 and 6.1 Forms. Failure to complete the Annexure and return it with your submission will disqualify your bid in its entirety.

Submission of Proposals

Proposals must be submitted in sealed envelopes endorsed **“PROPOSAL FOR: INTERNAL AUDIT FUNCTION”** and must be hand delivered and placed in the tender box at **Sangweni Tourism Centre, Cnr. Link Road & Ballito Drive, Ballito** and addressed to;

The Chief Executive Officer

Enterprise iLembe,

Sangweni Tourism Centre,

Cnr Link Road & Ballito Drive.

The closing date for the receipt of proposals is on or before **11h00 on Monday, 20 November 2017.**

Please note: All proposals must be hand-submitted to the tender box, and incomplete, faxed, emailed applications and applications received after the closing date and time WILL NOT be considered. Bidders using a courier service to deliver documents are responsible for ensuring that such delivered documents are physically deposited in the tender box.

Enterprise iLembe does not bind itself to accept the lowest or any of the bids and reserves the right to accept the whole or part of the bid proposal.

6. Evaluation Criteria

Bids will be evaluated in terms of the Procurement Policy of Enterprise iLembe and shall be applied as follows:-

- All proposals received shall firstly be evaluated on functionality and thereafter only those who qualify for the next stage of evaluation will be evaluated in terms of the PPPFA (No.5 of 2000) read together with the 2017 Preferential Procurement Regulations and the 2011 B-BBEE Regulations.

Any bid that fails to achieve a minimum of 60 points on the functionality evaluation shall not be evaluated further and will be deemed to be non-responsive.

Functionality Evaluation

The functionality evaluation points will be applied as per the table below;-

NB: Bidders must demonstrate by submitting documentary proof in relation to the claim of points with respect to the following key competencies/areas:

Competencies

The successful bidders or consortium must demonstrate the following key competencies for the functionality evaluation:

#	Competency	Point Allocation	Maximum Points
1	Registration with the Institute of Internal Auditors (Registration certificate to be submitted)		20 Points
2	Experience with Local Government Audits (Bidders are to include a table of projects undertaken in the format below.)	0 years 0 1-5 years 10 5-10 years 30 Above 10 years 40	40 Points
3	Experience with Private Sector Audits (Bidders are to include a table of projects undertaken in the format below.)	0 years 0 1-5 years 5 5-10 years 10 Above 10 years 20	20 Points
4	Comprehensive Approach and Methodology (This is to be submitted as part of the proposal)		20 Points

In order to claim points for the second and third competencies listed above, bidders are required to submit a summary of **contactable references** for similar projects undertaken in the following format:

Bidders are to CLEARLY distinguish between their experience (Limited to the past 11 years) relating to Private Sector and Public Sector Audits so as to ensure the correct allocation of points.

Client Name	Nature of Work Undertaken	Start Date	Date of Completion	Client Contact Person	Tel No.

Only bidders who achieve a total of 60 points for functionality in terms of the above will then be evaluated in terms of the 80/20 points scoring system. Bidders wishing to claim preferential points must attach B-BBEE certificate.

The 80/20 preference point scoring system will be applied with points allocated as follows:-

- 80 points for the price;
- 20 points for B-BBEE status level

Status Level of Contributor	Preference Points on scorecard (80/20 System)
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-contributor	0

REQUIRED ANNEXURES

Annexure A: Compulsory Information Sheet (see below)

Annexure B: Detailed Proposal (which must be set out according to Section 4 of this brief)

Annexure C: Registration details & Compliance

- Company registration documents
- All interested bidders must be registered on the Central Supplier Database for Government. Proof of registration must be attached to the proposal (along with the Supplier Number as well as the unique registration reference number). **Please visit <https://secure.csd.gov.za/> to register on the Central Supplier Database. It is compulsory for service providers to be registered on the Central Suppliers Database**
- It is (**compulsory**) for bidders to disclose and current or pending investigations against them
- All bidders must submit a Valid Tax Clearance Certificate (**Compulsory**). In line with the latest circular from SARS (South African Revenue Services), bidders can now submit a **UNIQUE PIN** to enable the municipality to verify the bidder's tax compliance status online via E-filing.
- MBD 2, 4 and 6.1 Forms (**Compulsory**). **Please note that the MBD 6.1 Forms have been revised. Please ensure that the 2017 MBD 6.1 Forms are submitted.**
- Power of Attorney/ Signing authority where applicable
- If the bidder is required by law to prepare annual financial statements for auditing, their audited annual financial statements for the past three years or since establishment if established during the past three years
- A certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services for which payment is overdue for more than 30 days.
- Particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract.
- Proof of B-BBEE status level of contributor – i.e. B-BBEE Status level certificate issued by an authorized body or person OR A sworn affidavit as prescribed by the B-BBEE Codes of Good Practice OR any other requirement as prescribed in terms of the B-BBEE Act. (Please attach the approved B-BBEE accreditation certificate or

supporting Affidavit, if available in order to claim points for this.)

Points to note regarding the B-BBEE Status Level:

- Bidders other than EMEs must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating issued by a Registered Auditor approved by IRBA or a Verification Agency accredited by SANAS.
- A trust, consortium or joint venture, will qualify for points for their B-BBEE status level as a legal entity, provided that the entity submits their B-BBEE status level certificate.
- A trust, consortium or joint venture will qualify for points for their B-BBEE status level as an unincorporated entity, provided that the entity submits their consolidated B-BBEE scorecard as if they were a group structure and that such a consolidated B-BBEE scorecard is prepared for every separate bid.
- Tertiary institutions and public entities will be required to submit their B-BBEE status level certificates in terms of the specialized scorecard contained in the B-BBEE Codes of Good Practice.

----- ANNEXURE A – Compulsory Information -----

Name of Company: _____

Contact Person/s: _____

Contact Number/s: _____

Email Address: _____

Details	Response/Annexure
Registration with the Institute of Internal Auditors	
Experience with Local Government Audits	
Experience with Private Sector Audits	
Comprehensive Approach and Methodology	
B-BBEE Certificate	
Total Price (Including VAT)	

Above information certified correct:

Signature: _____

Name: _____

Capacity: _____

Date: _____

NB: *By signing this annexure, the bidder accepts the clauses contained within these Terms of Reference.*