

**TERMS OF REFERENCE FOR THE PROVISION OF CO-SOURCED INTERNAL
AUDIT SERVICES AT AGREMENT SOUTH AFRICA FOR A PERIOD OF 3
YEARS.**

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1. Background to Agrément South Africa

Agrément South Africa (ASA) has been housed and managed by the Council for Scientific and Industrial Research (CSIR) and became a Schedule 3A public entity in terms of the Public Finance Management Act (Act No. 1 of 1999) from 01 April 2017.

ASA is tasked with conducting testing, performance and certification of construction industry products and methodologies to ensure quality and durability of such products on behalf of the Department of Public Works. ASA's mission is to promote government's objectives of economic development, good governance and raising living standards and prosperity in South Africa.

The main objectives are:

- To provide assurance of fitness-for-purpose of non-standard construction related products and systems to specifiers and users.
- To support and promote the process of integrated socio-economic development in the Republic as it relates to the construction industry.
- To support and promote the introduction and use of certified non-standardised construction related products or systems in the local or international market.
- To support policy makers in minimizing the risk associated with the use of non-standard construction related product or system; and
- To be an impartial and internationally acknowledged South African centre for assessment and confirmation of fitness-for-purpose of non-standard construction related products or systems.

2. Internal Audit roles and objectives

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations.

The objective of Internal Audit is to assist ASA to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes. The primary role of the Internal Audit Function is to assist management in the effective discharge of their responsibilities, furnishing them with analysis, appraisals, recommendations, and information concerning ASA activities that were reviewed.

3. Scope of work

Agrément South Africa has an in-house Internal Audit Function. In order to complement its internal audit capacity, ASA calls for service providers to submit proposals to provide co-sourced audit services for a period of 3 years. Please note that the services will be requested as and when required.

The Chief Audit Executive of ASA will engage successful contractor to perform identified assignments by issuing or signing an engagement letter that details the scope of work to be performed and deliverables associated to that assignment.

The internal audit services required by ASA are grouped into three (3) categories whereas category 1 and 2 are a standard requirement and category 3 will be as and when required. Bidder should bid for both categories as indicated in table A below:

Table A

Category	Field of appointment	Estimated Hours
Category One (1)	Information Technology (IT) assurance and consulting services as per the approved Internal Audit Plan.	420
Category Two (2)	Internal Audit Reviews as per the approved Internal Audit Plan.	600
Category Three (3)	Ad-hoc Requests as per the approved Internal Audit Plan.	180

Expected outcomes and deliverables.

All audit work must be carried out in line with ASA's Internal Audit Methodology and Charter. The final deliverables will be the audit report.

Skills transfer to the ASA internal audit employees may be required on co-sourced internal audit services.

4. Price

Bidders should provide a pricing schedule which clearly sets out the cost of providing the required services, together with any other charges. Other charges should be explained.

- 4.1** The terms and fees proposed for proposed services should include a proposed escalation in fees over a period of 1 year.
- 4.2** The fees should be based on an estimated 1 200 hours per year for the duration of the 3-year contract and in line with the categories outlined in **Table A** above.
- 4.3** The pricing schedule should clearly indicate the hours, and the hourly rate per the respondent's staff.
- 4.4** ASA's Audit and Risk Committee normally meets four (4) times per annum, with additional special meetings (Bidder does not have to bid for attendance of meetings as the CAE will be the one attending all Audit and Risk Committee meetings).
- 4.5** All assumptions made in drawing the proposal, including all cost factors must be detailed.
- 4.6** Prices quoted must be valid for at least 120 (Hundred and Twenty) days from the closing of the tender.
- 4.7** Any proposal that does not include information required in this paragraph will be disqualified.
- 4.8.** No advance payment will be made. Payment would be made in terms of the deliverables or other unless otherwise agreed upon by ASA and the successful bidder.
- 4.9.** The price quoted by the prospective service provider must include Value Added Tax (VAT) and should be summarized as follows in line with the table A above:
- 4.10.**

Table B

Category 1 – IT Audit Services

Staff Level	Rate per Hour incl VAT	Total Number of Hours	Total Cost
Audit Manager			
Audit Supervisor/ Senior Auditor			
Auditors (At least 2 years of experience in the field, not graduates)			
Total			

Category 2 – Internal Audit Services

Staff Level	Rate per Hour incl VAT	Total Number of Hours	Total Cost
Audit Manager			
Audit Supervisor/ Senior Auditor			
Auditors (At least 2 years of experience in the field, not graduates)			
Total			

THE TOTAL BID PRICE MUST BE WRITTEN IN THE SBD3.3 FORM TOGETHER WITH THE FOLLOWING INFORMATION

- Price validity period
- Duration of the contract written in the space provided in the SBD 3.3 form.
- All prices must be inclusive of VAT.
- Note: Service providers will be responsible for all costs, e.g., transportation and other disbursements for ALL activities/ meetings associated with this quote

5. Staffing requirements

5.1 ASA requires the team provided by the bidder to be in the following composition:

- i). Audit Manager
- ii) Audit Supervisor
- iii). Internal Auditors (At least 2 years of experience in the field, not graduates)

6. Timing of assignments

All audits are to be carried out according to the Internal Audit Plan and agreed timelines per the individual scope letters. Other assignments will be carried out as agreed with management.

7. Quality assurance review of work done.

The service provider shall ensure that all work conforms to the International Standards for the Professional Practice of Internal Auditing (SPPIA). Such work shall further be subject to an external

quality assurance review as may be considered and also internal quality assurance which will be conducted.

8. Independence and objectivity of audit staff

In carrying out the work, service providers must ensure that their staff maintains their objectivity by remaining independent of activities they audit. The service provider shall:

- 8.1.** Have no executive or managerial powers, functions or duties except those relating to this assignment.
- 8.2.** Not be involved in the day-to-day operations of ASA; and
- 8.3.** Not be responsible for the detailed development or implementation of new systems and procedures.
- 8.4.** Sign declaration of independence, objectivity, and confidentiality.

9. Monitoring progress of assignments

The service provider is to meet with the **Chief Audit Executive** or delegated officials and submit regular progress reports for work conducted on behalf of ASA, at agreed intervals.

10. Fraud and Irregularities

Internal Auditors should have sufficient knowledge of fraud to identify indicators that fraud may have occurred. If sufficient control weaknesses are detected, additional tests conducted by Internal Auditors should include tests to other indicators of fraud. Any such weaknesses must be reported immediately to the **Chief Audit Executive**, without disclosing these to any other staff. This also applies to instances where serious fraud and irregularity is uncovered.

11. Continuity and profile of supervisory staff on projects

11.1 All audit assignments shall be supervised by a staff member at Management Level. The service providers must guarantee the presence of the senior in charge of fieldwork throughout the duration of the contract, unless agreed otherwise with the **Chief Audit Executive**.

11.2 If the audit manager and/or audit supervisor has to leave the project, a period of at least a month notice is required in which the senior must work parallel with the next person appointed to be able to

transfer skills and knowledge. The replacement resource shall possess equivalent level of qualifications, knowledge and experience as the incumbent.

12. Contents of proposals (Mandatory Requirements) (Stage 1)

Proposals must also include amongst other things:

DOCUMENTS TO BE SUBMITTED			
No.		Please note: the items marked with an (X) are mandatory requirements and failure to meet the requirements may result in your bid being disqualified.	Yes/No
1.	X	SBD1 Invitation to bid which must be completed and signed.	
2.	X	SBD 3 Pricing Schedule SBD 4 Declaration of interest must be completed and signed.	
3.	X	SBD 6.1 Preference claim form must be completed and signed regardless of points are claimed or not.	
4.	X	SBD 8 Declaration of Bidder's past supply chain management practices must be signed completed and signed.	
5.	X	SBD 9 Certificate of independent bid determination must be completed and signed.	
6.	x	Service provider must be registered on CSD	
7.	x	A description of your firm's internal audit methodology and risk assessment process (in line with the IIA standards)	
8.	X	Provide individual proof of membership with the Institute of Internal Auditors (IIA) for each of the proposed personnel. Registration with the Information Systems Audit and Control Association (ISACA) is required for individuals responsible for IT audits. Any other valid membership held with other similar or equivalent institutes applicable to each category would be an added advantage.	

		Please provide a copy of the applicable letter/certificate from the applicable Institutes confirming the validity of membership. The letter must be on the institution letterhead. Confirmation must be provided for ALL proposed resources per category.	
9.	X	The Engagement Manager must have a minimum of five (5) years' experience in conducting internal audits in the field listed in the categories the bidder is bidding for. Please provide a resume detailing the required minimum experience of Engagement Senior Manager or Manager in respect of each category the firm is bidding for.	
10.	X	Provide academic and professional qualifications of all key personnel. Experience of the key personnel assigned to the ensuing contract. provide profiles of all proposed teams with a list of all relevant training or courses undertaken	

NOTE: FAILURE TO MEET ANY OF THE MANDATORY REQUIREMENTS ABOVE WILL LEAD THE BIDDER TO BE DISQUALIFIED .

13. APPOINTMENT, COMMENCEMENT AND DURATION

13.1 The prospective contractors are expected to be available for commencing the project from date signing of the agreement by the last party. The duration of the contract is 3 years from the date of appointment.

13.2 The parties shall, upon appointment of service providers, sign a service level agreement to govern their relationship.

13.3 All work must be completed within each financial year for the duration of the contract as per the approved Internal Audit Plan.

14. Special Conditions

14.1 The bidder must provide assurance/guarantee to the integrity and safe keeping of the information (that it will not amended/corrupted/distributed/permanently stored/copied by the service provider) for the duration of the contract and thereafter.

14.2 ASA reserves the right to negotiate with the successful bidder on price.

14.3 The service provider must ensure that their work is confined to the scope as defined.

14.4 The successful bidder will be required to work under the leadership of ASA (Chief Audit Executive)

14.5 Travel between the consultant's home and or place of work to ASA vice versa will not be for the account of this organization, including any other disbursements.

14.6 Government Procurement General Conditions of contract (GCC) as issued by National Treasury will be applicable on all instances. The general conditions are available on the National Treasury website (www.treasury.gov.za)

14.7 No advance payment will be made. Payment would be made in terms of the deliverables agreed upon by ASA and the successful bidder.

14.8 The successful bidder must at all times comply with ASA's policies and procedures (e.g., IT policies, code of conduct etc.) as well as maintain a high level of confidentiality of information.

14.9 ASA will have ownership of all working papers generated during audit or ad hoc consulting work.

14.10 The successful bidder must ensure that the information provided by ASA during the contract period is not transferred/copied/corrupted/amended in whole or in part by or on behalf of another party.

14.11 Further, the successful bidder may not keep the provided information by way of storing/copy/transferring of such information internally or to another party in whole or part relating to companies and/or close corporation.

14.12 As such all information, documents, programs and reports must be regarded as confidential and may not be made available to any unauthorized person or institution without the written consent of the Chief Audit Executive or his/her delegate.

14.13 The service provider will therefore be required to sign a declaration of secrecy with ASA. At the end of the contract period or termination of the contract, all information provided by ASA will

become, the property of ASA and the service provider may not keep any copy /store/reproduce/sell/distribute the whole or any part of the information provided by ASA unless authorized in terms of the declaration of secrecy.

14.14 The service provider will be required to sign a service level agreement with ASA prior to the commencement of the contract.

14.15 As the commencement of this contract is of critical importance, it is imperative that the prospective contractor is available immediately. Failing to commence with this contract immediately from date of notification by ASA could invalidate the prospective service provider's proposal.

14.16 Prospective bidder contracted must be able to ensure continuity of staff on the project. Where a team member assigned to the project leaves the organization, it is incumbent upon the Director to ensure the timely replacement of that team member with equal or better skills in consultation with the Chief Audit Executive (CAE).

14.17 ASA will not be held responsible for any costs incurred by the service provider in the preparation and submission of the Bid.

14.18 Acceptance of any Bid does not mean that work on an uninterrupted basis is guaranteed for the duration of the contract. The service provider will be responsible for ensuring proper supervision of their staff. Proposals must be signed by a person who has been authorized to do so.

14.19 The Bid will be handled electronically, submission to Dmamaregane@gmail.co.za . The email submission to contain the technical submission, bid documentation, mandatory requirements, and the pricing elements.

14.20 ASA reserves the right to not award the contract to any bidder.

14.21 Prospective bidders must address all the functionality criteria to allow evaluation of the bidder capability.

Stage 2: Functionality in terms of the set technical evaluation criteria

The following values will be applicable when evaluating the bid.

5=Excellent 4=Very good 3= Good 2= Average 1= Poor 0= Non-compliance

No.	Evaluation Criteria	Description	Weight
1		<p>Previous Projects</p> <p>Bidder to indicate previous similar projects completed in the last five (05) years Rating Scale.</p> <p>0 Projects = 0 Points 1 Projects = 1 point 2 Project = 2 Points 3 projects = 3 Points 4 projects = 4 Points 5 or more Projects = 5 Points</p> <p>Points will be allocated on submission of completion certificates or completion letter from the client per project.</p> <p><i>ASA reserves the right to verify the validity of the document submitted.</i></p>	20
2		<p>ENGAGEMENT MANAGER (Senior Manager)'S EXPERIENCE</p> <p>The Engagement Manager (Senior Manager) must have at least five (5) years of experience in conducting internal audits in the applicable categories. The bidder must provide the resume of the Engagement Manager with details of the experience and qualifications that are relevant to perform audits in respect of each category the bidder is bidding for.</p> <p>Less than 5 years = 0 Points 5 years = 3 point 6 years = 4 Points 7 or more years = 5 Points</p>	20

3	<p>BIDDER'S EXPERIENCE</p> <p>The bidder must have five (5) years' experience conducting internal audits in the listed categories.</p> <p>Please provide proof of experience of the firm in conducting internal audits in a tabular spreadsheet format detailing the following:</p> <ul style="list-style-type: none"> • The name of the company where similar services were rendered. • Duration of the contract. • Contact person; and • Contact details. <p>Less than 5 years = 0 Points</p> <p>5 years = 3 point</p> <p>6 years = 4 Points</p> <p>7 or more years = 5 Points</p>	20
4	<p>PROFESSIONAL ASSOCIATION:</p> <p>The service provider must be a member of the following professional bodies and ensure the team members are also members of the following professional bodies:</p> <p>Institute of Internal Auditors South Africa (IIA) (SA) Information Systems Audit and Control Association (ISACA)</p> <p>Institute of IIA (SA) only =3 points Information Systems Audit and Control Association (ISACA) only =3 points Both memberships =5 points</p>	20
5	<p>QUALIFICATIONS OF STAFF ASSIGNED TO THE PROJECT</p> <p>The supervisor must have at least three (3) years' experience in conducting and supervising internal audits in the applicable categories. The bidder must provide the resume of the team members, with details of the experience and qualifications that are relevant to perform audits.</p> <p>Less than 2 years = 0 Points</p> <p>2 years = 3 points</p> <p>3 years = 4 Points</p> <p>5 or more years = 5 Points</p> <p>Failure to provide supporting resumes may result in points being forfeited.</p>	20

Technical (Functional) Assessments' minimal acceptable requirements:

TOTAL SCORE = 100

After considering the functional criteria, a bidder is considered to have passed Stage 2 (Functional Requirements) if the TOTAL score is equal to, or greater than 70 points.

Evaluation Phases:

The following formula will be used to convert the points scored against the weight:

$$Ps = \left(\frac{So}{Ms} \right) \times 100$$

Where:

Ps = Percentage scored for functionality by bid under consideration

So = Total score of bids under consideration

Ms = Maximum possible score

Service providers will be expected to achieve a minimum threshold score of 70% in order to proceed to Phase 2.

Phase 2: Calculation of points

Please note for quotations or bids above R30 000 up to R50 Million, ASA evaluates these in terms of the 80/20 preference point system where:

80 points are allocated for price and 20 points are allocated for the service provider's B-BBEE Level of Contribution. An original or certified copy of a B-BBEE certificate must be submitted to substantiate claims for preference points.

A due diligence process in a form of a presentation will be conducted in respect of all short-listed bidders. A set of questions will be posed during the presentation. Should the bidder fail to meet the requirements of the due diligence process, their proposal will be disregarded at this stage.

ASA also reserves the right to conduct an investigation of the bidder's financial position, previous contracts carried out, availability of skills or knowledge, existing workload, etc.

During phase 2, points for price will be calculated for all shortlisted service providers in Stage 2 in accordance with the following formula:

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where:

P_s = Points scored for price of quotation under consideration

P_t = Rand value of quotation under consideration

P_{\min} = Rand value of lowest acceptable quotation

The final points will be calculated as follows:

CRITERIA	SUB-CRITERIA	WEIGHTING POINTS
Price	Detailed budget breakdown	80
B-BBEE (Status Level Verification Certificate)	B-BBEE Level Contributor	20
TOTAL		100

POINTS AWARDED FOR B-BBEE STATUS LEVEL OF CONTRIBUTOR

In terms of Regulation 6 (2) and 7 (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

B-BBEE Status Level of Contributor	Number of points (80/20 system)
8	2
Non-compliant contributor	0

EMEs are deemed to have a B-BBEE status level four (4) contributor, in instances where EMEs are more than 50% black owned, such enterprises qualify for promotion to a BBEE status level three (3) contributor and points will be awarded accordingly.

Please note that the proposals will be evaluated using the 80/20 preference point system.

A recommendation for award will then be formulated for approval by the relevant delegated authority.

Important Notes:

- I. Contract will be for a duration of 3 years.
- II. Pricing must be inclusive of VAT.
- III. **Proposals must be addressed/submitted to: Dmamaregane@agrement.co.za**
- IV. The closing date for submission of proposals
- V. **NO LATE SUBMISSIONS WILL BE ACCEPTED**
- VI. **Submission should be done via email address provided above III .**

15.Enquiries:

Written enquiries:

Supply Chain Management:

Procurement Official

Mr Daniel Mamaregane

Tel: 012-841 2735

Email: Dmamaregane@agrement.co.za

Technical Enquiries:

Audit and Risk Department

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