



TERMS OF REFERENCE

PROVISION OF INTERNAL AUDIT SERVICES FOR INSETA FOR A PERIOD OF 5 YEARS

BID - PROJ/2021/22/01

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1. BACKGROUND

The Insurance Sector Education and Training Authority (INSETA) is a public entity listed in schedule 3A of the PFMA and was established in March 2000. The INSETA must, in accordance with any prescribed requirements to perform in accordance with the Skills Development Act (SDA), the Skills Development Levies Act (SDLA), the Public Finance Management Act (PFMA), any other relevant legislation and the Constitution.

Sec 51 a (ii) of the PFMA requires an Accounting Authority to ensure that the public entity has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77.

Therefore, the INSETA is requiring a suitability qualified service provider for the Provision of Internal Audit Services for a Period of 5 Years.

2. PURPOSE

To establish an independent and objective Internal Audit function in terms of section 51 of the PFMA. The appointed service provider is expected to carry out the mandate of the Internal Audit function, as approved by INSETA audit and risk committee, in terms of the INSETA Internal Audit approved annual rolling plan.

3. PROJECT OF OBJECTIVES

The Internal Audit function will be an objective assurance and consulting activity, which will assist INSETA to accomplish its objectives, by bringing a systematic approach to evaluate and improve the effectiveness and efficiency of risk management, control and governance processes within the organization.

The service provider must demonstrate the capability to perform the internal audit services in accordance with the Institute of Internal Auditing Standards and Practices, and any relevant legislation.

4. SCOPE OF INTERNAL AUDIT SERVICES

The successful bidder is required to perform the following services:

- 4.1 Financial audits.
- 4.2 Half yearly Generally Recognised Accounting Practice (GRAP) compliance review and recommendations
- 4.3 Compliance audits.
- 4.4 Performance Review audits.
- 4.5 Quarterly audit of performance reports to DHET

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- 4.6 Information Technology (IT) audits
- 4.7 Audit of human resources practices such as performance management, recruitment, legislative compliance etc
- 4.8 Quarterly validation of commitment registers in terms of validity of balances on contracts, validity of contract to be still in place and discretionary contract management adequacy.
- 4.9 Review of risk management and treatment processes
- 4.10 Review of INSETA legislative compliance framework and recommendations
- 4.11 Corporate Governance Review.
- 4.12 Ad hoc projects - Investigative (forensic) audit as and when required.
- 4.13 Quality assurance of each competitive bidding process prior to award, as and when required.
- 4.14 Perform the role of an audit executive and be involved in all areas that fall under the responsibilities of the audit executive.
- 4.15 Allocate tasks, supervise, and train an internal resource whom INSETA may recommend as part of co-sourcing of the internal audit services.
- 4.16 The scope of internal audit work entails testing and evaluating the adequacy and effectiveness of INSETA's systems of internal control. This includes:
 - 4.16.1 Audit the risk register of INSETA on a quarterly basis.
 - 4.16.2 Establishing and submit for approval by ARC a three-year rolling strategy and a risk-based annual Internal Audit Operational Plan.
 - 4.16.3 Auditing the reliability and integrity of financial and operating information, and the means to identify, measure, classify and report such information.
 - 4.16.4 Auditing the systems established by management to ensure compliance with policies, plans, procedures laws and regulations that could have significant impact on operations and determine whether INSETA is in complying.
 - 4.16.5 Auditing the means for safeguarding assets and verifying the existence of assets.
 - 4.16.6 Auditing the adequacy and effectiveness of internal controls.
 - 4.16.7 Appraising the economy and efficiency with which resources are employed and identifying opportunities to improve operating performance. Auditing the operations to ascertain whether the results are consistent with established objectives or goals and whether operations are being carried out as planned.
 - 4.16.8 Performing any ad hoc projects as and when be required by the Audit and Risk Committee.
 - 4.16.10. Auditing the Human Resource (HR) organizational performance management system and its implementation for driving desired performance outcomes.
 - 4.16.11. Liaise with external auditors on INSETA's audits whenever necessary.

5. DELIVERABLES

Bidder must comply with the performance of audit assignments as follows:

- 5.1 Assignments are to be performed in accordance with the Institute of Internal Audit's Standards for the Professional Practice of Internal Auditing. Such work shall further be subject to an external quality assurance review as and when required by INSETA.

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5.2 All audit reports and working papers will be deposited in a dedicated drive at INSETA at the conclusion of each audit and will be the property of INSETA.

- 5.3 The performance of each assignment shall be in accordance with the approved annual internal audit plan.
- 5.4 In carrying out the work, the successful service provider must ensure that their staff maintain their objectivity by remaining independent of the activities they audit.
- 5.5 On a mutually agreed basis, the responsible partner/ director shall meet with the chairperson of the Audit and Risk Committee, Chief Executive officer and management to report on progress of the work.
- 5.6 For planning and conducting its work the internal auditor should seek to identify serious defects in the internal controls, which might result in possible malpractices.
- 5.7 Any material defects must be reported immediately to the Audit and Risk Committee.
- 5.8 The successful bidder may be required to attend strategic workshops as and when required from time to time. The cost of attendance will be for the account of INSETA.

5.9 KEY PERFORMANCE INDICATORS

Key Responsibilities	Activities	Results Indicators (Including all applicable evidence to substantiate against all key responsibilities)
Regularity audits	Audits on all the INSETA activities as determined by the approved Annual Internal Audit Plan according to the following auditing guidelines: <ul style="list-style-type: none"> • Planning the audit • Examining, monitoring, and evaluating information • Communicating results • Follow up actions by management on findings and recommendations 	To advise management on compliance with regulations, policies, and best practices as well as the status of internal controls within INSETA.
Fraud prevention, detection, and action	Assist with investigations in terms of the entity's Fraud, Prevention, Detection and Response Plan.	To minimise fraud in the entity
Ad hoc audits	Audit issues as and when required be investigated as delegated by the Accounting Authority and or Audit and Risk Committee.	To report findings to Audit and Risk Committee in order to determine whether further actions are required.
Audit of Predetermined Objectives	Executing audits in terms of the approved audit plan.	To determine whether the strategic documents and plans are correctly

Key Responsibilities	Activities	Results Indicators (Including all applicable evidence to substantiate against all key responsibilities)
		aligned and implemented and that targets are being achieved.
Reporting	<ul style="list-style-type: none"> Reporting on all the activities of the Internal Audit Function to the Audit and Risk Committee, Meetings on a regular basis Evaluation of outputs 	<p>In order for the Management and the Audit Committee to evaluate the efficiency and effectiveness of the Internal Audit Function.</p> <p>To ensure that the board is furnished with correct and up to date information.</p>
Advisory services	Verbal and written advice	Enhance the quality of internal audit and governance
Commitment and Discretionary Grant Allocation	Conducting of audits on commitments and DG allocation Reviewing and monitoring of the DG commitment register	Ensure that the allocation of DG grants is compliant with the grants regulations including DG policy.

6. TIMEFRAMES

The duration of the contract will be for a period of **5 years (60 months)**.

7. CONTRACTUAL OBLIGATION

- 7.1** All prices indicated in the pricing schedule must remain fixed for the 1st year of the project contract. Bidders will be subjected to application of CPI on the Reserve Bank website on each of the anniversaries of the contract. Bidders are required to propose total cost of contract against 5% CPI increase annually for comparative costing.
- 7.2** The bidder must include a maximum value of R500 000.00 pa for ad-hoc services.
- 7.3** The service provider's quotation must also provide sufficient detail in terms of various cost items such as total "man" hours and daily rates for the project team.
- 7.4** In the case of the service provider using sub-contractors, the former will be responsible for ensuring delivery of services from any such sub-contractors and for making any payments to such sub-contractors.
- 7.5** The successful bidder will be required to have adequate professional indemnity as well liability insurance in place **(upon parties contracting)**

8. ABSENCE OF OBLIGATION & CONFIDENTIALITY

- 8.1** No legal or other obligation shall arise between the service provider and INSETA unless/until both parties have signed a formal contract or Service Level Agreement in place.
- 8.2** The Contract site is at **INSETA (as and when required)**.

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9. WORKMEN AND SUPERVISION ON SITE

9.1 The service provider shall be held responsible for the conduct of his employees and the conduct of his sub-contractor's employees for the full duration of the contract.

10. PREQUALIFICATION CRITERIA (Phase 1)

10.1 Proof of registration on CSD (**Central Supplier Database**)

10.2 Bidder must provide proof (BBBEE Certificate accredited by SANAS or Sworn Affidavit) **and must be an EME or QSE only (level 1 or level 2 BBBEE contributor)** status will be considered (**no generic companies will be considered**)

Note: All bidders who do not comply with the items listed above will be disqualified.

11. EVALUATION CRITERIA

11.1 Responses will be evaluated using a predetermined set of evaluation criteria. The evaluation criteria is designed to reflect the INSETA's requirements in terms of identifying a suitable service provider and ensure the selection process is transparent and affords all the bidders a fair opportunity for evaluation and selection.

11.2 Functional Evaluation threshold

11.2.1 The tender submission will be functionally evaluated out of **80 points (phase 2)**, should the bidder/s not meet the required points, they will be disqualified and will **not qualify for evaluation of BBBEE & Price Preference (Phase 3)**.

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11.3 Functional Evaluation Criteria Phase 2:

The evaluation is based on functionality, which will be evaluated using the following criteria and points:

Evaluation Area	Functional Criteria	Max Points
Experience (Reference letters)	<p>The bidder must provide evidence in the form of a reference letter of completed audits in the Public Sector, related to any and all the deliverables reflected below: (Letters collectively must reflect standard services as per the list below) Non-Compliance will equal automatic disqualification.</p> <ul style="list-style-type: none"> • Financial audits. • Compliance audits. • Operational audits. • Performance Review audits. • IT audits. • Risk management review. • Corporate Governance Review. • Quality assurance such as review of competitive bidding process. <p>Evidence must be reference letters (with contactable references – letters not older than 5 years)</p> <ul style="list-style-type: none"> • 2 - 4 reference letters of completed contracts = 10 points • and above reference letters of completed contracts = 30 points • Non-compliance with the minimum criteria = 0 points 	30
Experience of project team	<p>Bidder to provide abridged CVs of the proposed project team members that will service INSETA, including the following: (The bidder to clearly stipulates position of each team member according to the below mentioned)</p> <p>Engagement Director or Chief Audit Executive:</p> <ul style="list-style-type: none"> • Minimum 10 years' audit experience with a minimum 5 years as a team leader or manager = 15 points • Engagement director must provide proof valid registration with IIA or SAICA = 15 points <p>Project Team Leader or Manager:</p> <ul style="list-style-type: none"> • Minimum 5 years' audit experience with a minimum 3 years as a team leader or manager = 10 points • Team leader or Manager must provide valid proof of registration with IIA or SAICA = 10 points <p>Audit Project Team:</p> <ul style="list-style-type: none"> • The individual team members must each have a minimum of 2 years' experience in internal auditing = 10 points <p>The bidder must provide at least one (1) team member who is Certified in Information Systems Auditing = 10 points</p> <p>Non-compliance with any and all of the above = 0 points</p>	70
TOTAL		100

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- 11.3.1 Bidders who obtained less than the minimum threshold of **80 points** will be declared non-responsive and therefore will not be eligible for **evaluation of BBEE & Price Preference**.

11.4 Phase 3: Preference Evaluation

11.4.1 BBEE and Price

As the tender **price is estimated to be below R50 million**, the tender responses will be evaluated on the **80/20**-point system.

12. ADJUDICATION USING A POINT SYSTEM

- 12.1** The bidders obtaining the highest number of total points will be awarded the contract unless objective criteria justify the award to another bidder.
- 12.2** Preference points shall be calculated after process has been brought to a comparative basis taking into account all factors of non-firm prices.
- 12.3** In the event that two or more bids have scored equal points, the successful bid must be the one scoring the highest number of preference points for B-BBEE.
- 12.4** However, when functionality is part of the evaluation process and two or more bids have scored equal points for B-BBEE, the successful bid must be the one scoring the highest score for functionality.
- 12.5** Should two or more bids be equal in all respect, the award shall be decided by the drawing of lots.

13. POINTS AWARDED FOR PRICE

The **80/20** preference point system

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

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

P_{\min}

Where:

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

14. B-BBEE PREFERENTIAL POINTS WILL BE AWARDED AS FOLLOWS:

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

- 14.1** Bidders who qualify as EME's and QSE's in terms of the B-BBEE Act must submit a Sworn affidavit. Misrepresentation of information constitutes a criminal offence.
- 14.2** Bidders other than EME's or QSE's must submit their original and valid B-BBEE status level verification certificate or a certified copy thereof, substantiating their B-BBEE rating issued by SANAS.
- 14.3** 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.
- 14.4** 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.
- 14.5** 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.
- 14.6** A person will not be awarded points for B-BBEE status level if it is indicated in the bid documents that such a bidder intends sub-contracting more than 25% of the value of the contract to any other enterprise that does not qualify for at least the points that such a bidder qualifies for, unless the intended Sub-contractor is an EME that has the capacity and the ability to execute the sub-contract.

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- 14.7** A person awarded a contract may not sub-contract more than 25% of the value of the contract to any other enterprise that does not have equal or higher B-BBEE status level than the person concerned, unless the contract is sub-contracted to an EME that has the capacity and the ability to execute the sub-contract.

15. COMMUNICATION

Respondents are warned that a response will be disqualified should any attempt be made by a bidder either directly or indirectly to canvass any officer(s) or employees of INSETA in respect of BID process, between the closing date and the date of the award of the business.

All enquiries relating to this BID should be emailed **three days before the closing date**.

16. CONDITIONS TO BE OBSERVED WHEN BIDDING

The organization does not bind itself to accept the lowest or any BID, nor shall it be responsible for or pay any expenses or losses which may be incurred by the bidder in the preparation and delivery of his BID submission. The organization also reserves the right to withdraw or cancel the BID at any stage.

No BID shall be deemed to have been accepted unless and until a formal contract / letter of award is prepared and executed.

The competitive shall remain open for acceptance by the Organization for a period of **120 days** from the closing date of the BID Enquiry.

INSETA reserves the right to:

- 16.1** Not evaluate and award a bid that do not comply strictly with this BID document.
- 16.2** Make a selection solely on the information received in the Bid Document and Enter into negotiations with any one or more of preferred bidder(s) based on the criteria specified in the terms of reference.
- 16.3** Contact any bidder during the evaluation process, in order to clarify any information, without informing any other bidders. During the evaluation process, no change in the content of the BID shall be sought, offered or permitted.
- 16.4** Cancel this BID at any time as prescribed in the PPPFA regulation.
- 16.5** Should bidder(s) be selected for further negotiations, they will be chosen on the basis of the of cost effectiveness and the principal of value for money not necessarily on the basis of the lowest costs.

17. Cost of Bidding

The bidder shall bear all costs and expenses associated with preparation and submission of its BID submission and the INSETA shall under no circumstances be responsible or liable for any such costs, regardless of, without limitation, the conduct or outcome of the bidding, evaluation, and selection process.

END OF TERMS OF REFERENCE DOCUMENT

