

TERMS OF REFERENCE

**PROVISION OF INTERNAL AUDIT SERVICES FOR INSETA FOR A PERIOD OF THREE (3)
YEARS AND TEN (10) MONTHS**

BID - PROJ/2021/22/03

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 three (3) years and ten (10) months.

2. PURPOSE

The sourcing of an independent and objective Internal Audit service provider in terms of section 51 of the PFMA. The appointed service provider is expected to carry out the functions in terms of the Internal Audit Charter, as approved by the Audit and Risk Committee.

3. PROJECT OF OBJECTIVES

The INSETA Internal Audit function is to provide independent assurance on the operational effectiveness of the organisation's risk management, governance, internal control processes including Information Communication Technology (ICT) and compliance with the applicable regulatory framework.

The service provider must demonstrate the capability to perform the internal audit services in accordance with the Institute of Internal Auditing Standards and Practices, Treasury Regulations, PFMA, King IV and all relevant legislation.

4. SCOPE OF INTERNAL AUDIT SERVICES

The successful bidder is required to perform the following services:

- 4.1 Financial audits including half yearly audit of commitment balances.
- 4.2 Two Generally Recognised Accounting Practice (GRAP) compliance reviews per annum. One of the reviews should be performed before annual submission of financial statements to the Auditor-General (AG), National Treasury (NT) and Department of Higher Education, Science and Innovation (DHET).

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- 4.3 Audit of performance information (AOPO)
- 4.4 Quality assurance and review of the Strategic Plan (SP) and Annual Performance Plan (APP).
- 4.5 Information Technology (IT) and system audits.
- 4.6 Audit of human resources practices such as performance management, recruitment, legislative compliance and all related processes.
- 4.7 Review of organisational risk management.
- 4.8 Corporate Governance Review.
- 4.9 Ad hoc internal audit services including but not limited to (as and when required):
 - 4.9.1 Investigative (forensic) audit
 - 4.9.2 Probity audit e.g., SCM competitive bidding process prior to award etc
 - 4.9.3 Perform the role of a chief audit executive

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.
- 5.2 Allocate tasks, supervise, and train an internal resource whom INSETA may recommend as part of co-sourcing of the internal audit services (Skill Transfer).
- 5.3 Establishing and submit for approval by ARC a three-year rolling strategy and a risk-based annual Internal Audit Operational Plan.
- 5.4 Auditing the reliability and integrity of financial and operating information, and the means to identify, measure, classify and report such information.
- 5.5 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.
- 5.6 Auditing the operations to ascertain whether the results are consistent with established objectives or goals and whether operations are being carried out as planned.
- 5.7 Auditing the Human Resource (HR) organizational performance management system and its implementation for driving desired performance outcomes.
- 5.8 Liaise with external auditors on INSETA's audits whenever necessary.
- 5.9 **All audit reports will be deposited in a dedicated drive at INSETA at the conclusion of each audit and will be the property of INSETA. Working papers should be accessible to the Audit Risk Committee on request**
- 5.10 The performance of each assignment shall be in accordance with the approved annual internal audit plan.
- 5.11 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.
- 5.12 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.

- 5.13** 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. Any material defects must be reported immediately to the Audit and Risk Committee.
- 5.14** Plan and perform procedures which can be relied on by external auditors to provide combined assurance.
- 5.15** 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.

5.16 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 Aligned and implemented and those 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 	In order for the Management and the Audit Committee to evaluate the efficiency and effectiveness of the Internal Audit Function. To ensure that the board is furnished with correct and up to date information.
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 period of **3 years and 10 months**

7. CONTRACTUAL OBLIGATION

- 7.1 Bidders to complete that their pricing in terms of **Annexure A to SBD 3.3** and are requested to provide a **total cost** over the contract period – three (3) *years and ten (10) months*. **(With all applicable increases or discounts included)**
- 7.2 The bidder must note that INSETA reserves the right to request for ad-hoc services (as and when required) - bidders pricing must be aligned with rates presented in the bidders pricing proposal during the duration of the contract.
- 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 **Bidder will be subjected to annual review in terms of measuring satisfactory performance.**
- 7.6 The successful bidder will be required to have adequate professional indemnity as well as liability insurance in place **(upon parties contracting)**

Non-compliance with the 7.1 and 7.2 in terms of fully completing SBD 3.3 and Annexure A, will render the bidder nonresponsive.

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)**.

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 Department of Trade Industry (DTI) 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 (Phase 2)

11.2.1 The tender submission will be functionally evaluated out of a **minimum of 80 points – any bidder who scores less than 80** will not be considered for further evaluation, **maximum score is 100.**

Bidders who comply with the Phase 2 will be evaluated in terms of Price and BBBEE Preference Point system (Phase 3)

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
<p>Experience (Reference letters)</p>	<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: <i>(Letters collectively must reflect standard services as per the list below) Non-Compliance will equal automatic disqualification.</i></p> <ul style="list-style-type: none"> • Financial 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 <i>(with contactable references – letters not older than 5 years)</i></p> <ul style="list-style-type: none"> • 2 - 4 reference letters of completed contracts = 10 points • and 4 above reference letters of completed contracts = 30 points • Non-compliance with the minimum criteria = 0 points 	<p style="text-align: center;">30</p>

Evaluation Area	Functional Criteria	Max Points
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 stipulate 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 BBBEE & Price Preference**.

11.4 Phase 3: Preference Evaluation

11.4.1 BBBEE 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 bidder 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 basistaking into account all factors of non-firm prices.
- 12.3** In the event that two or more bids have scored equal points in terms of price and preference points for BBBEE, the successful bid must be the one scoring the highest number of preference points for BBBEE - in terms of PPPFA Regulation 2017 – Section 11 (1) & (2)
- 12.4** However, when functionality is part of the evaluation process and two or more bids have scored equal points for BBBEE, 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 AND BBBEE PREFERENCE POINT

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** 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.
- 14.4 Consortium**
- 14.4.1. A consortium is an association of two or more individuals, companies, organisations or governments (or any combination of these entities) with the objective of participating in a common activity or pooling their resources for achieving a common goal.
- 14.4.2. A consortium requires that each participant retains its separate legal status and the consortium's control over each participant is generally limited to activities involving the joint endeavour, particularly the division of profits. A consortium is formed by contract, which designates the rights and obligations of each member.
- 14.4.3. In a consortium, only the lead bidder's credentials both in terms of financial and technical qualifications are considered. Therefore, the interpretation and application to a RFQ/Bid process is such that the lead partner is identified and the following requirements are required as follows:
- a) Lead Partner**
- All administrative documents (consortium agreement between the lead partner and the partner)

- Technical requirements (which will show in the proposal and other requirements why the need for the consortium, which for all intent and purpose fulfils the requirements of the bid through combination of skills)

b) Partner

- Proof of CSD registration.
- Tax Pin.
- BBBEE Sworn-Affidavit.
- SBD 4 Declaration of interest.
- SBD 8 Past supply chain.

14.4.4. It should be taken into cognisance that although the lead partner is the qualifying entity, the partner should prove that it can do business with state-owned entities, through CSD registration, proof that the taxes are compliant, its level of BBBEE status in order to align with the BBBEE status level required by the BID, declare interest and answer questions that it is not a disqualified entity with the National Treasury. The foregoing ensures compliance from an SCM process perspective that the consortium is in order.

14.4.5. Of importance is that in a consortium, each individual team members retain their identities.

14.5 A joint venture

14.5.1. A joint venture is a business entity created by two or more parties, generally characterized by shared ownership, returns and risks and shared governance.

14.5 Unincorporated joint venture:

14.5.1. All SCM documents are filled in by the joint venture in the name of the joint venture, although the submission of administrative documents (partnership agreement between parties) will be completed in the name of the joint venture, and the following will be required from both parties, amongst others

- a) SBD 4.
- b) SBD 6.
- c) SBD 8.
- d) SBD 9.
- e) Tax pin
- f) CSD registration.
- g) The JV agreement will direct which bank account of the two entities will be used.
- h) Consolidated Joint BBBEE Certificate.

14.6 Incorporated joint venture

14.6.1. This aligned to a registered entity or company. A registered entity/ company with a consolidated BBBEE certificate and a bank account in the name of the Joint venture. The required compliance documents must be complete by the entity/ company the name of the joint venture, and the following will be required amongst others

- a) SBD 4.
- b) SBD 6.
- c) SBD 8.
- d) SBD 9.
- e) Tax pin
- f) CSD registration.
- g) The JV agreement will direct which bank account of the two entities will be used.
- h) Consolidated Joint BBBEE Certificate.

14.6.2. 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:

16.7 Not evaluate and award a bid that do not comply strictly with this BID document.

16.8 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.

16.9 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.

16.10 Cancel this BID at any time as prescribed in the PPPFA regulation.

16.11 Should bidder(s) be selected for further negotiations, they will be chosen on the basis of the cost effectiveness and the principal of value for money not necessarily on the basis of the lowest costs.

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17. Cost of Bidding

17.1 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.

18. Note to Bidders:

Due diligence to be conducted by INSETA prior to the award of the contract.

END OF TERMS OF REFERENCE DOCUMENT