

# **TERMS OF REFERENCE FOR THE APPOINTMENT OF PANEL OF CONSULTANTS TO RENDER INTERNAL AUDIT SERVICES FOR THE DEPARTMENT OF ENERGY FOR A PERIOD OF THREE (3) YEARS**

## **1. BACKGROUND**

- 1.1 The Department of Energy (DoE) Internal Audit unit was established in 2010, in terms of the Public Finance Management Act (1 of 1999), as an integral part of DoE's system of governance.
- 1.2 The Internal Audit unit provides objective and independent assurance to management and the Audit Committee on the adequacy and effectiveness of internal controls, risk management and governance process within DoE. In pursuing this activity the Internal Audit unit is guided by a fully functional Audit and Risk Committee which operates in terms of an approved Audit and Risk Committee Charter.
- 1.3 Internal Audit through engagement with stakeholders formulated a comprehensive three-year rolling plan, incorporating an annual plan that was approved by the Audit and Risk Committee. Each year Internal Audit is required to execute all the audits as per annual plan.

## **2. SCOPE OF WORK**

Service providers will be required to provide the Department with the following services:

### **2.1 Internal Audit Services**

The Department requires Internal Audit services on the following:

- 2.1.1 Planning, executing, reporting and quality assurance reviews on allocated audits together with the Department's Internal Audit as per the approved annual audit plan, including any special projects requested by management and the Audit and Risk Committee and in line with the in-house methodology.

2.1.2 The following types of audits undertaken by Internal Audit

**Operational Audits:** These reviews can be of an assurance or consulting nature and they are also referred to as Risk Based Audits. They deal with an assessment of adequacy and effectiveness of controls put in place by management to mitigate the risks identified.

**Compliance Audits:** These reviews assess the extent to which policies, procedures and processes comply with legislative requirements.

**Performance Audits :** These reviews are independent audit reviews aimed at evaluating the measures instituted by management, or the lack of these measures in ensuring that resources have been acquired economically and are utilized efficiently and effectively and reporting on the acquisition and use of these resources to management or the relevant authority.

**IT Audits:** General computer controls review: Performed to obtain an understanding of the IT control environment.

2.1.3 Documentation and mapping out of processes and controls for the various branches and units of the Department.**The audits to be allocated to the service provider as per the 2013/14 annual audit plan are as follows:**

No	Name of Audit	Objective of the Audit	Type of Audit
1.	Compliance Audit on the Petroleum Product and licensing conditions ( technical & commercial licensing conditions)	To review compliance with the PPA & technical, legal & commercial licensing conditions by retail and wholesale license holders	Compliance Audit
2.	Audit on the monitoring of the Implementation Agreement and construction progress of the	Review the adequacy and effectiveness of controls IPP project and projects management	Operational Audit

No	Name of Audit	Objective of the Audit	Type of Audit
	Independent Power Producers projects		
3.	Performance audit on the Energy and Projects Programme (value for money)	Assess the effectiveness, efficiency and economy of measures in place by management on Energy and Projects Programme	Performance Audit
4.	Systems Development Life Cycle Review (PPALS)	Policies, Procedures, Processes, regulations and legislation.	IT Audit
5.	VPN Audit	An overall review of the Migration of the GOV shared Network to VPN as well as plans, projects etc. relating to the migration	IT Audit
6.	Audit on the governance process within DoE (Corporate Governance)	Assess the adequacy and effectiveness of controls around the governance in the DoE	Operational Audit
7.	Performance audit on Nuclear Branch	Assess the economic utilization of resources, the efficiency and effectiveness of Nuclear Branch in achieving their objectives.	Performance Audit
8.	Audit on transfer payments	Assess the operational procedure and monitoring mechanisms over all	Operational Audit

No	Name of Audit	Objective of the Audit	Type of Audit
		transfers made and received, including transfers in terms of the annual Division of Revenue Act	
9.	Audit on contract management (procurement contracts)	Assess the adequacy and effectiveness of contract management processes	Operational Audit
10.	Audit on the revenue management process	To assess the adequacy and effectiveness of revenue management processes	Operational Audit
11.	Review of the adequacy of processes within the Independent Power Producer (IPP) project	Provide assurance on the adequacy of processes within the IPP project	Operational Audit

### 3. REPORTING REQUIREMENT AND PROGRESS MEETINGS

3.1 It is envisaged that the Department of Energy will require an initial meeting with the successful bidder to agree on the project process.

3.2 Regular meetings for feedback on progress shall be held, as and when necessary, but at least once a week. The venue for these meetings will be the Department's offices in Pretoria. The service provider's Project Manager will be obliged to attend.

#### **4. COMPLETION DATE**

- 4.1 The consulting firms/service providers will serve on the panel for a period of three (3) years.
- 4.2 Where firms are contracted on specific services, they will be contracted for a period not exceeding twelve (12) months and the contract may be renewable based on performance.
- 4.3 The Department reserves the right to terminate the contract should the appointed service provider misrepresented itself and will not be in a position to fulfill the requirements as contained in the contract (which might result in the Department failing to deliver on its mandate).

#### **5. COMPULSORY INFORMATION SESSION**

- 5.1 A compulsory information session will be held on **27 November 2013** at the Department of Energy, 192 Corner Visagie and Paul Kruger, Pretoria, 0001.

#### **6. TAX CLEARANCE CERTIFICATE**

- 6.1 The bidder is required to submit an original and valid Tax Clearance Certificate issued by the South African Revenue Services, together with the bid documents on or before the closing date and time of the bid. **Failure to comply with this condition will invalidate the bid.**

#### **7. CONFIDENTIALITY OF INFORMATION**

- 7.1 The names of all the members of the team must be disclosed for the prior approval of the Department of Energy. Any changes, replacements and/or additions should be submitted for prior approval of Department of Energy.
- 7.2 A declaration of interest will be required if a bidder or a member of its staff is affiliated with an employee of the Department of Energy.

## **8. INVOICING**

8.1 Billing will be done on delivery based billing model, instead of an hourly based billing model.

## **9. PAYMENTS**

9.1 The Department will not make upfront payment to a successful service provider. Payment will only be made in accordance to the delivery of service that will be agreed upon by both parties and upon receipt of an original invoice.

## **10. EVALUATION METHODOLOGY**

### **10.1 Cost**

10.1.1 The service provider will be requested to provide a quote regarding the work to be undertaken for this project.

10.1.2 The service provider will be requested to provide a timeline for work to be undertaken for this project linked with the deliverables. The timeline must include weekly meetings with the Department's officials.

10.1.3 The service provider should provide hourly rates as prescribed by Auditor General / DPSA .The total cost must be VAT inclusive and should be quoted in South African currency (i.e. rands).

### **10.2 Broad-Based Black Economic Empowerment**

10.2.1 Provisions of the Preferential Procurement Policy Framework Act (PPPFA 2011) and its regulation will apply in terms of awarding points.

10.2.2 Bidders are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids, to substantiate their B-BBEE rating claims.

10.2.3 Bidders who do not submit their B-BBEE status level verification certificates or are non-compliant contributors to B-BBEE will not qualify for preference points for B-BBEE.

10.2.4 In a case of Exempted Micro Enterprise, the following documents MUST be submitted:

- a) Verification agencies accredited by SANAS
- b) Registered auditors approved by IRBA

**10.3 Bidders who qualify as EMEs**

- a) Accounting officers as contemplated in the CCA; or
- b) Verification agencies accredited by SANAS; or
- c) Registered auditors (Registered auditors do not need to meet the prerequisite for IRBA’s approval for the purpose of conducting verification and issuing EMEs with B-BBEE Status Level Certificates).

The table below depicts the B-BBEE status level of contribution:

<b>B-BBEE Status Level of Contributor</b>	<b>Number of points (90/10 system)</b>
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

**10.4 COMPANY EXPERIENCE**

10.4.1 Service providers should have at least five (5) years’ experience in conducting internal auditing services.

10.4.2 Proof from three (3) contactable referees indicating that similar project/s was/were executed.

## **10.5 EXPERIENCE AND KNOWLEDGE OF TEAM MEMBERS AND TEAM LEADERS**

10.5.1 Team leader must have five (5) years' experience and team members three (3) years' experience in conducting internal audit service.

10.5.2 Proof accompanied by correspondence from three (3) referees indicating that such project was executed as well as their contactable references must be attached to the proposal.

## **10.6 PROJECT PLAN**

10.6.1 A detailed project plan with intermediate and final outputs and identified Timeframes/milestones.

10.6.2 Proposed Methodology.

10.6.3 Management of the project.

## **10.7 REGISTRATION WITH PROFESSIONAL BODIES**

10.7.1 Service providers must be registered with professional bodies (i.e. Institute of Internal Auditors (IIA) and/or South African Institute of Chartered Accountants (SAICA).

10.7.2 Original or certified copies must be attached to the proposal. **Failure to attach, bidders will forfeit functionality points.**

## **11. QUALIFICATIONS**

11.1.1 Team leader and team members must have a recognized qualification in Bcom Degree, B Tech /National Diploma in Internal Auditing.

11.1.2 Proof of certified copies of certificated must be attached to the proposal, failure to attach bidders will forfeit functionality points.

## 12. EVALUATION CRITERIA

12.1 Bids will be evaluated on 90/10 point system as outlined in the PPPFA of 2011.

The proposals will be evaluated in two phases:

**Step 1:** Bidders will be evaluated based on functionality. The minimum threshold for functionality is **70 out of 100 points**. Bidders who fail to meet minimum threshold will be disqualified and will not be evaluated further for price and preference points for B-BBEE.

No.	Criteria	Weights
1	<p><b>Company Experience:</b></p> <ul style="list-style-type: none"> <li>❖ Service providers should have at least five (5) years' experience in conducting internal auditing services.</li> <li>❖ Proof from three (3) contactable referees indicating that similar project/s was/were executed.</li> </ul>	<p><b>20</b></p> <p>10</p> <p>10</p>
2	<p><b>Team leader and team member experience:</b></p> <ul style="list-style-type: none"> <li>❖ Team leaders must have at least five (5) years' experience in the involvement of internal audit services</li> <li>❖ Team must have at least three (3) years' experience in the involvement of internal audit services.</li> <li>❖ CV's of the team leader/s and team members must be attached to the technical proposal as proof.</li> </ul>	<p><b>20</b></p> <p>10</p> <p>5</p> <p>5</p>
3	<p><b>Project Plan:</b></p> <ul style="list-style-type: none"> <li>❖ A detailed project plan with intermediate and final outputs and identified timeframes/milestones.</li> <li>❖ Proposed Methodology.</li> <li>❖ Management of the project.</li> </ul>	<p><b>40</b></p> <p>20</p> <p>10</p> <p>10</p>
4	<p><b>Registration with Professional Bodies:</b></p> <ul style="list-style-type: none"> <li>❖ Service providers must be registered with the Institute of Internal Auditors of South Africa (IIASA) and/or South African Institute of Chartered Accountants</li> </ul>	<p><b>5</b></p> <p>5</p>

	(SAICA). (Proof of registration must be provided).	
5	<b>Qualifications:</b> <ul style="list-style-type: none"> <li>❖ Team leader and team members must have a recognized qualification in Bcom Degree, B Tech /National Diploma in internal auditing.</li> <li>❖ Proof of certified copies of certificated must be attached to the proposal.</li> </ul>	<b>15</b> 10  5
	<b>Total</b>	<b>100</b>

**For purpose of evaluating functionality, the following values will be applicable:**

<b>0=</b>	<b>Very Poor</b>	Do not meet the requirements
<b>1=</b>	<b>Poor</b>	Will not be able to fulfil the requirements
<b>2=</b>	<b>Average</b>	Will partially fulfil the requirements
<b>3=</b>	<b>Good</b>	Will be able to fulfil the requirements
<b>4=</b>	<b>Very Good</b>	Will be able to fulfil better in terms of the requirements adequately
<b>5=</b>	<b>Excellent</b>	Will fulfil the requirements exceptionally

**Step 2: Price and B-BBEE**

<b>Price</b>	<b>90</b>
<b>B-BBEE compliance</b>	<b>10</b>

**13. FORMAT AND SUBMISSION OF THE PROPOSAL**

- 13.1 All the official standard bidding documents (SBD) must be completed in all respects by bidders. **Failure to comply will invalidate a bid.**
- 13.2 Bidders are requested to submit three (3) copies of the technical proposal: 1 original plus 2 copies and the bid documents.

**14. CLOSING DATE**

- 14.1 Proposal must be submitted on or before **12 December 2013 at 11H00** at the Department of Energy, 192 Corner Visagie and Paul Kruger Street, Pretoria. **No late bids will be accepted.**

## 15. ENQUIRIES

### **TECHNICAL ENQUIRIES:**

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### **BID ENQUIRIES:**

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