

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

- 2.1 The Department requires Internal Audit services on the following:
 - 2.1.1 Planning, executing, reporting and quality assurance reviews on allocated/awarded 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 Assurance Services

Assurance services consist of the independent reviews on the adequacy and effectiveness of the risk management, internal control and governance processes of the Department of Energy. Independent reviews include a continuous review of compliance, by management and staff, to relevant legislation, regulations, approved policies and procedures and best industry practices, where applicable.

2.1.2.1 The following are the types audits carried out by Internal Audit and to be performed by a service provider.

i. 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.

ii. Compliance Audits

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

iii. IT Audits

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

2.1.3 Consulting Services

Consulting services are advisory in nature and are intended to add value and improve the Department of Energy's operations. The scope is agreed upon with management prior to the commencement of the audit. The consulting engagements undertaken are of an informal (ad hoc unplanned request from management) and formal (added on the annual plan) nature, and include informal participation in ad-hoc meetings, routine information exchange with management and staff, as well as assisting with providing best practice frameworks and policies and procedures.

3. PAYMENT

3.1 The Department will not make an upfront payment to the selected service provider.

3.2 Payment will only be made within 30 days in accordance to the delivery of services that will be agreed upon by both parties and upon receipt of an original invoice.

3.3 Billing will be done on delivery based billing model.

4. REPORTING REQUIREMENT AND PROGRESS MEETINGS

- 4.1 It is envisaged that the Department of Energy will require an initial meeting with the successful service provider to agree on the project process.
- 4.2 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.

5. COMPLETION DATE

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

6. COMPULSORY INFORMATION SESSION

- 6.1 A compulsory information session will be held on **13 August 2014 at 10h00**, at the Department of Energy, 192 Corner Visagie and Paul Kruger, Pretoria, 0001.

7. TAX CLEARANCE CERTIFICATE

- 7.1 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 before the closing date and time of the bid. Failure to comply with this condition will invalidate the bid.

8. CONFIDENTIALITY OF INFORMATION

- 8.1 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.

8.2 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.

9. COST

9.1 The service provider will be requested to provide a quote as and when required regarding any work to be undertaken. The total cost must be VAT inclusive and should be quoted in South African currency (i.e.rands).

9.2 The service provider should provide the hourly rates as prescribed by the Auditor General of South Africa for the staff members required as indicated in paragraph 10.2 below.

9.3 The Service Provider should provide Subsistence and Travel (S&T) rates that are aligned to the National Treasury instruction note as follows:

- i. Hotel accommodation – R1300 per night per person, including breakfast, dinner and parking
- ii. Air travel must be restricted to economy class
- iii. Claims for kilometres may not exceed the rates approved by the Automobile Association of SA

10. EVALUATION METHODOLOGY

10.1 COMPANY EXPERIENCE

10.1.1 Service providers should have at least five (5) years' experience in conducting internal audit service and provide proof accompanied by correspondence from three (3) referees indicating that such services were provided as well as their contactable references.

10.1.2 Service Provider should have related experience in the energy sector or economic and infrastructure development clusters and one (1) contactable reference provided.

10.2 EXPERIENCE AND KNOWLEDGE OF TEAM MEMBERS AND TEAM LEADERS

10.2.1 Team leaders and team members must have the following years' experience in conducting internal audit service and provide three (3) referees as well as their contactable references.

Level	Minimum years of relevant internal audit experience (per individual).
Team Leader (Partner/Director/Associate)	9 years
Team Leader (Senior Manager/Project Manager)	7 years

Level	Minimum years of relevant internal audit experience (per individual).
Team Member (Manager)	5 years
Team Member (Senior Auditor/Supervisor)	3 years

10.2.2 Number of staff/team members that will be required per level, service providers should provide CV's for all 10 individual required.

Level	Number of staff/team members
Partner/Director/Associate	1
Internal Audit Senior Manager	1
IT Audit Senior Manager	1
Internal Audit Manager	2
Senior Internal Auditor	4
Senior IT Auditor	1
Total number of individuals required	10

10.2.3 All team leaders and team members should have at least three (3) years relevant experience in the public sector or working with clients in the public sector.

10.3 REGISTRATION WITH PROFESSIONAL BODIES

10.3.1 All the team members with exception to IT Auditors must be registered with the Institute of Internal Auditors (IIA) and/or South African Institute of Chartered Accountants (SAICA).

10.3.2 All IT Auditors must be registered with the Information Systems Audit and Control Association (ISACA).

10.4 TEAM LEADER QUALIFICATIONS

10.4.1 Team leaders on the following levels must at least possess the following professional qualifications:

Level	Professional Qualifications
Partner/Director/Associate	Certified Internal Auditor (CIA) and/or CA(SA)
Internal Audit Senior Manager/Project Manager	Certified Internal Auditor (CIA) and/or Chartered Accountant CA(SA)
IT Audit Senior Manager	Certified Information Systems Auditor (CISA)

10.5 BROAD-BASED BLACK ECONOMIC EMPOWERMENT

- 10.5.1 Provisions of the Preferential Procurement Policy Framework Act (PPPFA) of 2011 and its regulation will apply in terms of awarding points.
- 10.5.2 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.
- 10.5.3 Bidders who do not submit their B-BBEE status level verification certificates or certified copies thereof together with their bids to substantiate their B-BBEE or are non-compliant contributors to B-BBEE will not qualify for preference points for B-BBEE.
- 10.5.4 A trust, consortium or joint venture must submit a consolidated B-BBEE status level verification certificate for every separate bid.
- 10.5.5 The B-BBEE status level verification certificates submitted must be issued by the following agencies
- 10.5.5.1 For bidders who qualify as Exempted Micro enterprises:
- (a) Accounting officers as contemplated in the CCA;
 - (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 EME's with B-BBEE Status Level Certificates).
- 10.5.5.2 For bidders other than EMEs:
- (a) Verification agencies accredited by SANAS
 - (b) Registered auditors approved by IRBA

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

B-BBEE Status Level of Contributor	Number of points (80/20 system)
1	20
2	18
3	16
4	12
5	8
6	6

B-BBEE Status Level of Contributor	Number of points (80/20 system)
7	4
8	2
Non- complaint contributor	0

11. RESPONDING TO THE REQUEST FOR QUOTATIONS

- 11.1 If a service provider is appointed on the DoE panel internal audit service provider's, the following shall apply when responding the RFQ:
- 11.2 All team members that will be brought onto any DoE project as part of this RFP should meet the all requirements stated in paragraph 10.2, 10.3 and 10.4 above.
- 11.3 The team leader submitted as part of a response to this RFP should be the same team leaders to be utilised when responding to the RFQ.
- 11.4 The replacement of key personnel involved in the internal audit from manager level and higher, shall take place only with the written consent of the Director: Internal Audit.

12. OFFICES OF A SERVICE PROVIDER

- 12.1 The service provider is expected to utilise consultants based in Gauteng offices/region unless where compelling and specialist skills have to be sought.

13. EVALUATION OF BIDS

- 13.1 This is a two-stage evaluation process:

13.1.1 Stage 1:

- 13.1.1.1 Bidders will be evaluated based on functionality. Bidders who fail to meet minimum threshold will be disqualified.
- 13.1.1.2 Preferred bidders will be registered on the panel of internal audit service providers for the Department.

13.1.2 Stage 2:

- 13.1.2.1 Preferred bidders registered on the panel of internal audit service providers will be provided with the scope of work to be conducted and requested to submit a

quotation, which will be used to evaluate bidders further for stage 2 i.e. price and preference points.

13.1.2.2 Bids will be evaluated on an 80/20 preference point system as outlined in the PPPFA. The proposals will be evaluated in two stages.

13.2 STAGE 1:

13.2.1 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 B-BBEE points.

Criteria		Weights
1.	<p>Company Experience:</p> <ul style="list-style-type: none"> ➤ Service providers should have at least have five (5) years experience in years in the conducting internal auditing. ➤ Correspondences from three (3) referees indicating that such services were provided as well as their contactable references. ➤ Service Provider should have related experience in the energy sector or economic and infrastructure development clusters and one (1) contactable reference provided. 	<p>20</p> <p>10</p> <p>5</p> <p>5</p>
2.	<p>Team Leaders and Team Members Experience:</p> <p><u>Team Leaders</u></p> <ul style="list-style-type: none"> ➤ At least nine (9) years experience of partner/director/associate in the involvement of internal audit services. (Curriculum Vitae's should be attached as proof). ➤ At least seven (7) years experience of senior manager/project manager in the involvement of internal audit services. (Curriculum Vitae's should be attached as proof). <p><u>Team Members</u></p> <ul style="list-style-type: none"> ➤ At least five (5) years internal audit experience of senior internal/IT manager. (Curriculum Vitae's should be attached as proof). ➤ At least three (3) years internal audit experience of senior internal/IT auditors. (Curriculum Vitae's should be attached as proof). <p><u>Number of staff/team members</u></p> <ul style="list-style-type: none"> ➤ Qualifying CV's for all ten (10) staff/team members must be submitted. <p><u>Public sector experience</u></p> <ul style="list-style-type: none"> ➤ All team leaders and team members should have at least three (3) year relevant experience in the public sector or working with clients in the public sector. 	<p>40</p> <p>7</p> <p>7</p> <p>6</p> <p>6</p> <p>6</p> <p>8</p>

Criteria		Weights
3.	<p>Registration with Professional Bodies:</p> <ul style="list-style-type: none"> ➤ All the team members with exception to IT Auditors must be registered with the Institute of Internal Auditors (IIA) and/or South African Institute of Chartered Accountants (SAICA). ➤ All IT Auditors must be registered with the Information Systems Audit and Control Association (ISACA). (Original certified membership certificates should be attached as proof). 	<p>10</p> <p>5</p> <p>5</p>
4.	<p>Team Leader Qualifications</p> <p>Team leaders on the following levels must at least possess the following professional qualifications:</p> <ul style="list-style-type: none"> ➤ Partner/Director/Associate: Certified Internal Auditor (CIA) and/or CA(SA). ➤ Internal Audit Senior Manager/Project Manager: Certified Internal Auditor (CIA) and/or Chartered Accountant CA(SA). ➤ IT Audit Senior Manager: Certified Information Systems Auditor (CISA). <p>(Original certified copies of qualifications should be attached)</p>	<p>30</p> <p>10</p> <p>10</p> <p>10</p>
Total		100

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

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

13.3 STAGE 2

13.3.1 Bidders who complied with the minimum threshold for functionality, i.e. 70 out of 100 points will then be issued with a RFQ and based on the response (notwithstanding the conditions stated in paragraph 11, then be evaluated on the 80/20 point system as outlined in the PPPFA of 2011.

Price	80
B-BBEE Compliance	20
Total	100

13.3.2 Depending on the needs of the directorate: internal audit, an RFP will be issued for assurance services and for consulting services on an annual and adhoc basis respectively; to service providers registered on the panel. The 80/20 point system will be used to evaluate the responses to the RFP.

14. FORMAT AND CONTENT OF THE PROPOSAL

14.1 All the standard bidding documents (SBD) must be completed in all respects by bidders. Failure to comply will invalidate a bid.

14.2 Bidders are requested to submit two (2) copies: 1 original copy of the proposal and bid documents.

15. CLOSING DATE

15.1 Proposals must be submitted on or before the closing date on **21 August 2014 at 11h00**, at the Department of Energy, 192 Corner Visagie and Paul Kruger Streets, Pretoria in the bid box marked Department of Energy. **No late bids will be accepted.**

16. FINANCIAL IMPLICATIONS

- 16.1 The respective service providers shall be brought on board through the Supply Chain Management processes based on the availability of funds from the Directorate: Internal Audit and the needs of the Directorate.

17. ENQUIRIES

- 17.1 All general enquiries relating to bid documents should be directed to Rachel Moerane/ Daisy Maraba

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Technical enquiries can be directed to:

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