



## TERMS OF REFERENCE

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### APPOINTMENT OF A SERVICE PROVIDER FOR INTERNAL AUDIT SERVICES

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#### 1. BACKGROUND INFORMATION

##### 1.1. Abbreviation, Acronyms and Definitions

TOR	Terms of Reference
KZNLA	KwaZulu-Natal Liquor Authority
KZN	Province of KwaZulu-Natal
SP	Service Provider
SCM	Supply Chain Management
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act. 1999 (Act No 29 of 1999) as amended
B-BBEE	Broad-Based Black Economic Empowerment
SLA	Service Level Agreement
PPPFA	Preferential Procurement Policy Framework

##### 1.2. Background to the project being tendered for

The KwaZulu-Natal Liquor Authority was established on 1 August 2012 with a legislative mandate to control and regulate the retail sale and micro manufacture of liquor in the province of KwaZulu-Natal. The liquor regulatory function in the past resided directly with the Department of Economic Development, Tourism and Environmental Affairs. However, all matters pertaining to liquor policy and legislation remain with the Department, whilst the Liquor Authority is the implementing agency.

In this regard the Department is the only shareholder of the Authority. The MEC for Economic Development, Tourism and Environmental Affairs appointed new members of the Board of Directors as of 1 April 2017. Ms. Mbali Myeni is the chairperson of the Governance Board of the Liquor Authority and the deputy chairperson is Prof Bonke Dumisa. The other members are Mr. Mfundo Thango and Inkosi Mabhudu Tembe.



In order to execute their mandate as the Accounting Authority, the Board is tasked with ensuring that the Authority is well-structured, well-resourced in terms of human and financial capital and its well-developed plans to execute its function as the liquor regulator in the province. In the main Their oversight function includes, amongst others, to secure transparency, accountability and sound management of the revenue, expenditure, assets and liabilities of the Entity are managed efficiently and effectively.

The staff complement of the Authority currently sits at +-100 permanent staff. Thirty-three staff members are deployed to run and manage the district offices providing easy access to clients and stakeholders and the public seeking our advice and service. In each of the districts, and in the Durban Metro, there are three personnel - a local committee secretary, a social responsibility practitioner and a compliance inspector.

**There are five business units within the Authority responsible for the following portfolios:**

- **Liquor Licensing and Administration.**
- **Social Responsibility.**
- **Compliance and Enforcement.**
- **Corporate Services (IT, SCM, Asset Management and Finance).**
- **Office of the CEO and the Board (Communications, HR, Legal services and Performance management).**

The functional areas of responsibility for each of the business units are fully described in the website.

**The KZNLA's priorities are:**

- To optimise our Liquor License Management System and Call Centre in a manner that will become more receptive and responsive to our client needs.
- Ensuring that our Local Committees provide on effective and efficient service to our stakeholders, both internal and external.
- Implementing a stakeholder relationship management strategy.
- Improving the turnaround times for all types of liquor license applications and
- Improving the range and quality of our service throughout the province

### **1.3. Purpose of the Terms of Reference**

The purpose of the TOR is to call for proposals from Service providers to provide internal audit Services to the KZNLA

## **2. CONTRACT OBJECTIVES, SCOPE OF WORK AND DELIVERABLES**

### **2.1. Introduction**

In terms of Treasury Regulation 27.2.5, the Board must have an internal audit function that must in consultation with the Board be formally defined in an audit charter and must be consistent with the Institute of Internal Auditors (IIA).

### **2.2. Overall objective of the contract**

The overall objective of this contract is to appoint a Service provider to provide Internal Audit Services in terms of Treasury Regulations 27.2.5 for the provision of Internal Audit Services for a period of 12 months.

### **2.3. Scope of work**

#### **2.3.1. Purpose/ Function of the Internal Auditors**

**The Internal Audit function must in consultation with the Audit Committee, prepare**

- a) An annual internal audit plan**
- b) Plans indicating the scope of each audit in the annual internal audit plan;**
- c) Reports to the audit committee detailing its performance against the plan, to allow effective Monitoring and intervention when necessary including copies of the internal audit reports.**
- d) The areas of audit will include the following areas of operations of KZNLA but not limited to:**
  - Supply Chain Management**
  - Interim Financial Statements, Annual Financial Statements and Annual Performance Report Review as at 30 September and 31st March**
  - Asset Management**
  - Social Responsibility**
  - Licensing Processes**
  - Compliance and Enforcement process**
  - Performance Information**
  - Risk Management (annual assessment at strategic and operational level - 5 business units), and review of actions.**
  - Human Resources Management and performance management of 95 positions.**
  - Information Technology**
  - Audit Follow Up Reviews**
  - Validation of quarterly performance reports**
  - Validation of audit action plan reports**

#### **2.3.2. Competence Requirements**

**The service provider should meet the following competency requirements:**

- a) Be independent of the entity;**
- b) Be competent in the professional practice of internal auditing;**
- c) Be certified audit professional. e.g. CIA, SAICA or CISA. who possesses current knowledge of the Standards**
- d) Be well versed in the best practice s of the profession:**

- e) Have at least ten (5) years of recent experience in the practice of internal auditing at public sector institutions (specifically PFMA).
- f) Has provided internal audit services to a minimum of 3 public entities (**Reference letters to Be provided**).

### **2.3.3. Special Conditions**

- a) The period of the contract will be for a period of one year covering **from April 2024 to March 2025 or until Rationalization is finalized before then**.
- b) The final Internal Audit Plan for 2024/25 must be approved by 1 April 2024 for implementation with effect Immediately.
- c) The Internal Auditors appointed will be bound to the Code of Conduct and Confidentiality as per the IIA Standards and the KZNLA Policies in the course of their duties.
- d) The KZNLA reserves the right to reject any proposal found to be inadequate or non-compliant to the Terms of Reference.
- e) The bidder should demonstrate knowledge of the public entity's activities.
- f) The successful bidder(s) must sign a Service Level Agreement (SLA) with the Chief Executive Officer (CEO) and reporting on the progress and completion of the contract will be made to the Audit and Risk Committee.
- g) The bidder may not intend to assign in whole or in part any of its obligations to perform in terms of the contract to any third party, unless the Chief Executive Officer has prior to the assignment, consented in writing to the assignment.
- h) A bidder may not intend to cede his right to payment in terms of a contract to a third party without the prior written consent of the CEO. A bidder may not by means of cession, cede any of his obligations to perform in terms of a contract to any third party.
- i) The bidder(s) must formally indicate any objection the bidder(s) may have in making available, on request by the KZNLA, all working papers, data, documents, reports and evidence collected or prepared during the planning, execution and reporting of the internal audit function.
- j) The bidder can request any relevant information to assist with the preparation and submission of the proposal.
- k) **It remains the bidder's responsibility to understand the nature of the entity's business and its business units to assist them in with the bidding process.**

### **3. TIME FRAMES**

The term of the contract will be for the period of one year where the KZNLA will contract for a year.

### **4. REPORTING**

The consultant will be directly accountable to the Acting Chief Financial Officer: Miss Ongeziwe Cingo.

**The following deliverables must be achieved by the Internal Auditors:**

- a) Facilitate the risk assessment based on the entity's current operations as outlined in the annual performance plan;
- b) Prepare a final risk assessment report for approval by the Audit and Risk Committee;
- c) Prepare an annual internal audit plan;

- d) Prepare plans indicating the scope of each audit in the annual Internal audit plan;
- e) Prepare internal audit reports in line with the approved Internal Audit Plan;
- f) Prepare a close-off progress report at the end of each Quarter in line with the Annual Internal Audit Plan for presentation to the Audit and Risk Committee.
- g) Perform any other audit work as might be deemed necessary / required by the KZNLA that could be outside the rolling plan.
- h) The Bidding Company is also requested to provide its experience in assisting entities with performance management (POE, Annual Performance Report AND Reviewing/ Audit Quarterly Reports)

## 5. BID REQUIREMENT

### 5.1. Standard quotation documentation

All bidders are required to complete the Standard Bid Documentation.

### 5.2. Project/ Technical Proposal

Bidders will be required to submit a **SEPARATE technical and financial** proposal.

- **Technical proposal**

The technical proposal should comprise the following elements:

- **Understanding of the assignment and scope of work.**
- **Experience of the service provider including relevant track record, reputation, references letters on letterhead of clients, record of affiliation and experience of conducting similar work.**
- **Proposed Audit Manager Profile and other key members of the team.**
- **Detailed project execution plan including task definition and allocation project timeframes / timetable and milestones as well as feedback and reporting plan to KZNLA.**

The CV of the key expert(s) must be provided in the required format (see annexure C). The key expert must also sign statements of availability (annexure D).

### 5.4. Financial proposal

The financial offer must contain a budget breakdown.

The budget breakdown will include a cost estimate for the contract period of one year. which must include:

- **Related assumptions and detail make up.**
- **Fees must be quoted at an all-inclusive rate for the different levels of proposed resources to be utilized; and**
- **All administration cost such as accommodation, travel, subsistence, etc. for the duration of the audit.**
- **To show the total cost per deliverable**
- **To give final totals per annum.**

## 6. EVALUATION CRITERIA

All bids will be assessed in terms of functionality (quality) and cost. In order to be deemed technically compliant bidders must achieve a minimum score of 60 % on the functionality points available as per the Evaluation Grid attached as Annexure 3.

Those bidder/s who are deemed to be technically compliant will thereafter be assessed in terms of price and preference points on an 80/20 preference points system. Financial proposals will also be assessed in terms of reasonableness of costs in relation to prevailing fee guidelines, consistency with the technical bid submitted and value for money.

## 7. NON-APPOINTMENT

The KZNLA reserves its rights either NOT to make an appointment and/or appoint the bidder with the lowest price. The KZNLA also reserves its right to negotiate the final price of those bids deemed technical compliant.

**For Technical Enquiries Contact:** Ongeziwe Cingo

Email: [Ongeziwe.cingo@kznlqa.co.za](mailto:Ongeziwe.cingo@kznlqa.co.za)



#### ANNEXURE A: CURRICULUM VITAE (max 5 pages)

##### **Proposed role in the project:**

1. **Surname:**
2. **First name**
3. **Date of birth**
4. **Nationality**
5. **Marital status**
6. **Education**

Institution (Date from-Date to)	Degree(s) or Diploma(s) obtained

7. **Language skills: indicate competence on a scale of 1 to 5 (1 excellent; 5 basic)**

Language	Reading	Speaking	Writing
English			
Zulu			

8. **Membership of professional bodies:**

Body	Membership no.	Date of Membership

9. **Other skills: (e.g. Computer literacy, etc.)**

10. **Present position :**



11. Years within the firm
12. Professional Experience

Date from-date to	Location	Company	Position	Description of projects/ responsibilities etc.



#### ANNEXURE B: STATEMENT OF AVAILABILITY

TENDER REF: \_\_\_\_\_

I, the undersigned, hereby declare that I agree to participate exclusively with the tender <tender name> in the above mentioned service tender procedure, I further declare that I am able and willing to work for the period(s) foreseen for the position for which my CV has been included.

From	To
<start of period 1>	<end of period 1>
<start of period 2>	<end of period 2>
<etc.>	

Name	
Signature	
Date	

### ANNEXURE C- EVALUATION GRID FOR FUNCTIONALITY

To be completed for each bid by each evaluator

Name of project: KZNLA Internal Audit Services for three years.	Score	Weight	Total Score	assessment
Understanding of Assignment	5		5	
Approach and Methodology to the Internal Audit Function covering the KZNLA Areas of Operations	25		25	
Minimum number of years (Ten years) of relevant experience providing service to a PFMA public sector	5		5	
Number (minimum 5 public entities) and value of similar projects managed	5		5	
Experience in assisting entities in managing and also reporting on Performance Management ( POE, Quarterly Reports and APR)	5		5	
Affiliation of the company to professional bodies	10		10	
<b>Sub-Total</b>				
<b>Key Expert 1: Audit Manager</b>				
Proof of level of training and accreditation with professional body	15		15	
General professional experience- internal audit services	10		10	
Specific professional experience-public sector	10		10	
Experience of additional team members relating to the internal audit services in public sector	10		10	
<b>Total Score</b>	<b>100</b>		<b>100</b>	

**Minimum Required**  
**= 60 % will be required to go through functionality**

**Evaluator Summary Comments**

<b>Strengths</b>	
<b>Weaknesses</b>	

**Evaluation performed by:**

<b>Name</b>	
<b>Date</b>	
<b>Signature</b>	

