



## **ANNEXURE “4”**

### **SUPPLY CHAIN MANAGEMENT**

#### **1. BACKGROUND INFORMATION**

##### **a. STATUS QUO**

The contract of the current co-sourced service provider (SNG.GT) expired on the 17th December 2020. Due to the fact no additional employees have been appointed internally and complexities and quantum of work to be undertaken for the financial year 2021-2024, it has become necessary to have a staff complement with appropriate skills that will be able to assist Group Internal Audit to achieve its objectives as detailed in the 2021/2022 audit plan. The Passenger Rail Agency of South Africa (“PRASA”) has thus identified the need to appoint a service provider with the global knowledge and experience of the railway/transport sector to provide Internal audit services for a period of thirty-six (36 months).

##### **b. PROBLEM STATEMENT.**

After careful consideration of the above status quo, Internal Audit has elected to appoint a service provider for the purpose of creating capacity and capability to provide Internal audit services for a period of thirty-six (36 months). Page 4 of 22 Confidential – Specification / Scope Submission (Ver.1 2021 The nature of the work performed by internal audit requires that expert knowledge be sought as and when the need arises. The PRASA Group Internal Audit Department is obliged in terms of the International Standards for the Professional Practice of Internal Auditing (Standards) to ensure that engagements are performed with proficiency and due professional care. In other words, internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. Furthermore, the Standards require that the Chief Audit Executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies



needed to perform all or part of the engagement. For a number of reasons, appropriate internal audit resources may be scarce or unavailable in certain situations. Whether selected as a temporary alternative or permanent solution, outsourcing may be necessary to acquire competent internal auditors for timely and professional internal auditing. Common reasons include temporary staff shortages, specialty skill needs, coverage of remote business locations, special project work, in response to requirements for independent reviews such as forensics and supplemental staff to meet tight deadlines. Also, due to the nature of PRASA's business Internal Audit finds it necessary to engage in outsourcing due to the inability to hire permanent or fulltime internal auditors. In all cases, Group Internal Audit recognise that it is important that our staff as a whole is empowered in the process of carrying out assignments. We envisage that our staff will develop appropriate skills and experience in their interaction with the relevant consultants which will decrease the necessity in the future, for assignments of this nature.

## **2. OBJECTIVE OF THE PROPOSED PROJECT.**

The objectives of the proposed project are outlined in detail from the following sections:

### **a. DESIRED OUTCOMES FOR CARRYING OUT THE PROPOSED PROJECT.**

The primary objective of this request for proposal is to invite suitably qualified and experienced service providers to submit proposals to PRASA to render internal audit service for a period of thirty-six (36 months).

### **b. PROJECT BENEFITS TO PRASA.**

For several reasons, appropriate internal audit resources may be scarce or unavailable in certain situations. Whether selected as a temporary alternative or permanent solution, outsourcing may be necessary to acquire competent internal auditors for timely and professional internal auditing. Common reasons include temporary staff shortages, specialty skill needs, coverage of remote business locations, special project work, in response to requirements for independent reviews such as forensics and supplemental staff to meet tight deadlines.

### **c. CURRENT MECHANISMS IN PLACE TO ADDRESS THE PROBLEM.**

Group Internal Audit has limited staff to cover part of the planned audit coverage plan and Ad Hoc request ranked on a priority basis.



### 3.SCOPE OF WORK AND AREAS OF FOCUS

#### 3.1 SCOPE OF THE DESIRED SOLUTION

The successful bidder would be required to perform the following duties:

- Render services across all areas of Internal Audit in accordance with a pre- designed Annual Audit Coverage plan which has already been approved by the Audit and Risk Committee of PRASA Board.
- Assist in the improvement of operations proposed in the PRASA's corporate or strategic plan and effectiveness of its risk management strategy through risk-based audits which are in line with IIA standards.
- Supply PRASA with skilled auditors and supervisors to conduct internal audit projects according to the internal audit plan that may include the following areas:

(a) Internal Audit:

- Operational Audits.
- Financial Discipline Audits;
- Regulatory Compliance Audits;
- Performance Audits;
- Governance Audits;
- Capital Projects
- Rail Technical Audits;
- Engagement project management and reporting.
- Quality assurance improvement programme.
- Other related Internal Audit work (Ad hoc, probity services and pre-award reviews).

and

- Skills transfer

(b) Enterprise Risk Management Reviews.

(c) Information Technology and Communication (ITC) audits and ITC consulting services.

- Assist with reviewing of the action plans and follow up on action plans that will be compiled by management. This includes previous Internal Audit reports, External Audit reports and IT audit reports. This will be done with the intent of improving controls within the PRASA. Transfer of skills to PRASA Internal Audit staff.



- Value added services and Technology: Bidders should state value added services they propose to bring to PRASA and the use of CAATs in performing internal audit work.
- Assist PRASA in maintaining effective and efficient controls by evaluating the controls and developing recommendations for enhanced improvement.
- The controls subject to evaluation should encompass, amongst other, the following:
  - The Information system environment;
  - The reliability and integrity of Financial and Operating information;
  - The efficiency and effectiveness of operations;
  - Safeguarding of assets; and
  - Compliance with laws, regulations and controls.
- Assist PRASA in achieving objectives by evaluating and developing recommendations for the enhancement or improvement of the process through which:
  - Objectives and values are established and communicated;
  - The accomplishment of objectives is monitored;
  - Accountability is ensured;
  - Corporate values are preserved;
- All internal audits are to be conducted according to the approved internal Audit plan;
- All internal audit work must conform to the International Standards for the Professional Practice of Internal Auditing. The work will also be subjected to an external quality assurance review, if necessary;
- All audit working papers must be made available to the Chief Audit Executive on completion of the audit projects; and
- The staff should maintain their objectivity by remaining independent of the activities they audit.

The service provider must:

- Have no executive or managerial powers, functions or duties;
- Not be involved in the day to day operation of PRASA;
- Not be responsible for the detailed development or implementation of new systems and procedures;
- On completion of each assignment the service provider must distribute copies of the final report to the Chief Audit Executive and a copy of the audit file. The Chief Audit Executive will discuss the reports at the audit and risk committee meetings;
- The internal audit methodology of the PRASA must be followed during audit



assignments;

- All serious defects in internal controls must be identified and reported to the Chief Audit Executive;
- There must be professionally qualified supervisors present throughout the duration of the contract;
- The PRASA will not be billed for any unproductive or duplicated time spent on assignments, for any reason.
- Sufficient time must be spent on assignments to ensure that quality is maintained at the highest standards.
- All staff assigned to the assignment must be properly qualified and trained with at least three (3) years' experience in Internal Audit.
- Completion of list of project team will be required to keep record of a breakdown of hours committed with relevant supporting documentation.
- The service provider will be responsible for its own hardware and technical software to adequately perform its functions;
- The service provider must clearly indicate its capacity to conduct simultaneous projects;
- The proposed audit team to conduct the Internal Audit work should be provided on the bid document; and
- Service Provider's independent quality assurance report must be submitted.

### **3.2 Professional and Other fees:**

- The professional fees, charges and disbursements shall not exceed the maximum applicable rates as determined and periodically published by the Office of the Auditor General of South Africa.

## **4. DETAILS ON THE PREFERRED SOLUTION**

4.1 The proposal should include:

- Understanding and demonstration of Internal Audit processes including railway audits globally South African references included.
- Proof of availability of appropriate IT solutions for internal audit.
- Internal audit approach and methodology.
- Previous experience in internal audit in the Public Sector (provide the nature of audit services; names of Departments/projects conducted and the Rand value of the bid/contracts/ on the projects.
- Level of expertise and qualifications of all personnel which will be directly involved in the execution of the project(s).



- A breakdown of the hourly tariff per staff grade, VAT inclusive, per category as required for services rendered. Expenditure incurred without the prior approval of PRASA will not be reimbursed.
- In so far as is possible, a comprehensive budget, showing the service or activities proposed, with charge-out rates and budgeted hours per activity, detailing all assumptions made in arriving at a proposed budget, including all cost factors such as traveling and;
- An organogram or list of partners, managers, specialists, together with the curriculum vitae of the staff who will be available for the duration of the work; any staff changes regarding staff allocated to PRASA must be done in consultation with the Chief Audit Executive. The successful bidder should provide experienced diversified Internal Audit and advisory specialists.
- How the bidder proposes to transfer skills to in-house resources in time bound and structured manner.

#### **4.2 TARGETED AREA BY THIS PROJECT**

Provision of internal audit services within the PRASA group as per the scope of works.

#### **4.3 EXTENT AND COVERAGE OF THE PROPOSED PROJECT**

Provision of internal audit services within the PRASA group as per the scope of works.

### **5. CONTRACT DURATION**

36 Months.

### **6. TERMS OF CONTRACT**

PRASA would prefer to conclude an agreement with a bidder who is able to provide a comprehensive forensic investigation services.

- Appropriate service providers must be available as per arrangement with the Chief Audit Executive for consultations, advisory and reporting purpose
- All information obtained from PRASA will be regarded as classified information, and as such be handled properly as required by the Minimum Information Security Standards (MISS) policy.
- Program of the works as per auditing standards. (IIA or IRBA. etc)



## 7. EVALUATION PROCESS

- 7.1 Interested bidders for this project shall be evaluated in terms for their administrative responsiveness, substantive responsiveness, technical/functional (capacity testing) evaluation and preference points. The evaluation committee shall use the following Evaluation Criteria depicted in the table below for the selection of the preferred bidder that shall render / deliver the required works, goods and / or services

<b>EVALUATION PROCESS</b>	
<b>Stage 1</b>	
Compliance Requirements	Mandatory Compliance Requirements (Substantive Responsiveness)
	Basic Compliance Requirements (Administrative Responsiveness)
<b>Stage 2</b>	
Technical/Functional Criteria	Testing of capacity – meet minimum threshold of 60%.
<b>Stage 3</b>	
<b>Preference Points</b>	
Price	80
BBBEE	20
<b>TOTAL</b>	<b>100</b>

### 7.2 STAGE 1: Compliance Requirements

#### **Mandatory and Basic Compliance Requirements.**

**If you do not submit the following documents your tender will be automatically disqualified:**

No.	Description of requirement	
<b>Mandatory Compliance Requirements (Substantive Responsiveness)</b>		





## STAGE 2: Technical/ Functionality requirements.

**NOTE:** The Technical or Functionality criteria must be guided by the project scope of works and area of focus.

Scoring of Functionality: Bidders who do not achieve the 60% threshold on technical evaluation will be automatically disqualified.

**NOTE:** The Technical or Functionality criteria must be guided by the project scope of works and area of focus.

<b>1. Audit Methodology demonstrated capability and application in Public Sector Internal Auditing approach and relevant expertise.</b>			
	<b>Functionality Evaluation criteria</b>	<b>Scores descriptions and allocations</b>	<b>Weight</b>
1.1	Proposed audit methodology adheres to IPPF and has references to ISPPIA and is flexible	0 = non submission  1 = Proposed methodology is generic and not aligned to PRASA scope  2= Proposed methodology is generic and aligned to PRASA scope but does not adhere to IPPF framework  3 = Proposed methodology is aligned to PRASA scope, adheres to the IPPF framework and has elementary referencing to ISPPIA  4 = Proposed methodology is aligned to PRASA scope, adheres to the IPPF framework and has adequate referencing to ISPPIA and is adaptable to in-house methodology  5 = Proposed methodology is aligned to PRASA scope, adheres to the IPPF framework and has	20



		full referencing to ISPPIA, is adaptable to in-house methodology and has global capability.	
1.2	Global experience of the Railway sector and related infrastructure / services audits	0 = non submission	20
		1 = Limited or no global audit experience in the Railway sector and related infrastructure / services	
		2= Demonstration of experience of the Global railway sector and related infrastructure / services audits	
		3 = Demonstration of over 10 years' experience of the Global Railway sector and related infrastructure / services audits	
		4 = Demonstration of over 20 years' experience of the Global Railway sector and related infrastructure / services audits	
		5 = Demonstrable experience exceeding 20 years of world class solution to Rail sector and related infrastructure / services audits	
1.3	Proposal demonstrates adequate understanding of corporate governance	methodology included the corporate governance audits sections	2



	in schedule 3B public entities	Yes = 5  No = 0	
1.4	Proposal demonstrates adequate understanding of enterprise risk management in schedule 3B public entities	methodology included Enterprise risk management process audits sections  Yes = 5  No = 0	2
1.5	Proposal demonstrates adequate understanding of Public sector Supply chain management	Holistic approach in providing assurance on all the phases of SCM process  Yes = 5  No = 0	2
1.6	Public sector application and structured approach in providing assurance on ethics and values	Methodology includes the corporate ethic and values audits sections  Yes = 5  No = 0	2
1.7	Public sector application of internal audit expertise to end	Methodology includes end to end performance information (AOPI) audits sections	2



	<p>to end performance information including predetermined objectives, technical indicator descriptions, targets setting and collection and reporting of performance information</p>	<p>Yes = 5  No = 0</p>	
<p><b>2. Internal audit experience and qualifications on generic internal audits i.e., Assurance audit, generic appraisal of internal controls, evaluation of the first line of defense and second lines of defense including predetermined objectives</b></p>			
	<p><b>Functionality Evaluation criteria</b></p>	<p><b>Scores descriptions and allocations</b></p>	<p><b>Weight</b></p>
<p>2.1</p>	<p>Qualifications (Degree / Diploma) and relevant internal audit experience of audit fieldwork <b>leader/ audit supervisor</b> of the service provider where services will be offered as per CV's provided and IA structure</p>	<p>0 = non submission 1 = Only qualification and no experience 2 = Meet minimum qualifications requirements but with less than 3 years' experience 3 = Meet minimum qualifications requirements and Professional certification in audit and 3 years' experience 4 = Meet minimum qualifications requirements and Professional certification in audit with 5 years' experience</p>	<p>5</p>



		5 Meet minimum qualifications requirements and Professional certification in audit with 10 or more years in Auditing	
2.2	Qualifications, IIA certifications and relevant internal audit experience of <b>internal audit manager</b> per project where services are offered	<p>0 = non submission</p> <p>1 = Meet minimum qualification requirements with no experience.</p> <p>2 = Meet minimum qualifications requirements but with less than 5 years' experience</p> <p>3 = Meet minimum qualifications requirements and Professional certification in audit and 5 years' experience</p> <p>4 = Meet minimum qualifications requirements and Professional certification in audit with 10 years' experience</p> <p>5 Meet minimum qualifications requirements and Professional certification in audit with 15 or more years in Auditing</p>	5
2.3	Qualifications, IIA certifications and post relevant internal audit experience of <b>internal audit Senior manager</b> per project where services are offered	<p>0 = non submission</p> <p>1 = Meet minimum qualification requirements with no experience.</p> <p>2 = Meet minimum qualifications requirements but with less than 8 years' experience</p> <p>3 = Meet minimum qualifications requirements and Professional certification in audit and 8-10 years' experience</p>	5



		4 = Meet minimum qualifications requirements and Professional certification in audit with 10-15 years' experience	
		5 Meet minimum qualifications requirements and Professional certification in audit with 15 or more years in Auditing	
3.	Internal audit experience on specialist audits v.i.z. ICT audits, forensic audits, Enterprise risk management, governance and ethics, Audit of performance information	0 = non submission 1 = No demonstrable solution provided 2 = Solutions proposed incomplete and/or inadequate for the special audit areas 3 = Comprehensive summary proposal on the special audit areas provided. 4= Comprehensive summary proposal on the special audit areas provided with demonstrable track record. 5= World class solutions proposed on the special audit areas with demonstrable global application.	15
4.	Confirmation of achieving "General Compliance" whilst participating as part of internal audit functions.	0 = non submission 1 = No QAR provided, and explanation provided 2=The internal audit function where bidder as a service provider to internal audit function has not participated QAR 3=The internal audit function where bidder as a service provider to internal audit function achieved "General Compliance" in QAR in last 3 financial years	15



		4= The internal audit function where bidder as a service provider to internal audit function participated in QAR and achieved “GC” in QAR in last 4 financial years as per IIA criteria	
		5 = The internal audit function where bidder as a service provider to internal audit function participated QAR and achieved “GC” in QAR in last 5 financial years as per IIA criteria	
<p><b>5. Application framework based on demonstrated experience, illustrating how the skills will be transferred to the in-house internal audit staff of PRASA placed under the direction and discipline of service provider for the duration of some audit projects towards enhancing institutional knowledge of the co-sourced audit team</b></p>			
5.1	Structured integration of in-house staff into proposed audit team and skills transfer across all employee levels of PRASA	0 = non submission	5
		1 = Framework generic and not focused to in-house resources	
		2 = Framework focused to in-house resources without details of skills transfer per levels of in-house resource	
		3 =Comprehensive framework focused on in-house resources detailing skills transfer for at least 2 levels of in-house resource	
		4 = Comprehensive framework focused on in-house resources detailing skills transfer for at least 3 levels of in-house resource	
		5= Comprehensive framework focused on in-house resources detailing skills transfer for all 4 levels of in-house resource	
<b>Total</b>			100



### 7.3 STAGE 3: Pricing and BBBEE.

The following formula shall be used by the Bid Evaluation Committee to score potential bidders on pricing:

$$P_s = 80 \left[ 1 - \frac{P_t - P_{min}}{P_{min}} \right]$$

Where:

$P_s$  = Points scored for the price of tender under consideration.

$P_t$  = Rand value of the tender under consideration.

$P_{in}$  = Rand value of the lowest acceptable tender.

The minimum qualifying criteria for pricing is 80 points as per the standard Evaluation Criteria table.

The BBBEE component of the evaluation process is weighted at 20 points in the standard Evaluation Criteria outlined above. Bidders will be awarded points based on the level of the BBBEE status presented in the BBBEE Certificate issued by an approved agency certified by SANAS. Details of the allocation of points by the Evaluation Committee are presented in table below.



<b>B-BBEE Evaluation Criteria</b>	
<b>B-BBEE Status Level of Contributor</b>	<b>Number of points (80/20 system)</b>
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0