



RFP 04/2024

**REQUEST FOR PROPOSAL FOR CO-SOURCING
OF INTERNAL AUDIT SERVICES**



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Request for Proposal for Co-sourcing of Internal Audit Services



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1. STATEMENT OF INVITATION

CENTLEC (SOC) Ltd, thereafter referred to as CENTLEC, an entity distributing electricity in Mangaung and other municipalities in the Free State invites suitable qualified bidders to bid for the provision of co-sourced internal audit services for a period of thirty-six (36) months.

2. DEFINITIONS AND ABBREVIATIONS

| | |
|--------|--|
| IIASA | Institute of Internal Auditors South Africa |
| CIA | Certified Internal Auditor |
| CA(SA) | Chartered Accountant of South Africa |
| IAT | Internal Audit Technician |
| PIA | Professional Internal Auditor |
| CISA | Certified Information System Auditor |
| MFMA | Municipal Finance Management Act |
| RSA | Republic of South Africa |
| SMME | Small, Medium, Micro Enterprises |
| SOC | State Owned Company |
| VAT | Value Added Tax |
| ARC | Audit and Risk Committee |
| EXCO | Executive Committee |
| AGSA | Auditor General of South Africa |
| GRAP | Generally Recognized Accounting Practices |
| SAICA | South African Institute of Chartered Accountants |
| ISACA | Information System Audit and Control Association |

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3. MINIMUM REQUIREMENTS

Any omission of the below listed items would render an automatic disqualification:

- 3.1.1 Supply unique security personal identification number (PIN) and/or original Tax Clearance Certificate for Tax compliant status.
- 3.1.2 Supply municipal services (water, sanitation, rates and electricity) clearance certificate or Lease Agreement with a current bill and rates clearances, or current bill of account not owing more than 90 days. In a case where the services are paid by the Landlord, the signed lease agreement and statement of account must be submitted by the bidder.
- 3.1.3 The bidder must be registered on the National Treasury Centralized Suppliers Database.

4. SCOPE OF SERVICES REQUIRED

The scope of Internal Audit function entails but not limited to, the examination, evaluation and conclusion on the adequacy and effectiveness of the organization's governance, risk management, internal control and the quality of performance information in carrying out assigned responsibilities to achieve the organization's stated objectives.

- 4.1. The appointed bidder will be required to:
 - 4.1.1 Develop a three-year internal audit strategic and operational plan in conjunction with CENTLEC's Internal Audit Team. The plans should incorporate the assurance activities of relevant internal assurance providers (e.g. risk management) and the office of the Auditor General that should form part of the Integrated Assurance Plan.
 - 4.1.2 Co-source with CENTLEC's Internal Audit Team on executing the annual internal audit plan based on CENTLEC's Internal Audit Methodology.
 - 4.1.3 Assist management and ARC in the effective discharged of their responsibilities by providing assurance on various organizational processes, plans and programmes thus, furnishing them with analysis, appraisals, recommendations, advice and

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information concerning the activities reviewed and by promoting adequate and effective controls.

- 4.1.4 Provide internal audit services in line with the IIA standards, King IV on corporate governance and other best practices.
- 4.1.5 Review reliability and integrity of financial and operational information and the means used to identify, classify, and report such information.
- 4.1.6 Review systems established to ensure compliance with the policies, plans, procedures, laws, and regulations that could have significant impact on operations and reports and determining whether the organization complies.
- 4.1.7 Review the systems of internal controls to ascertain whether they are functioning as designed.
- 4.1.8 Review and appraise the economic, effectiveness and efficiency with which resources are employed.
- 4.1.9 Review specific programmes or initiatives to ascertain whether the results are consistent with the established objectives and goals; and whether the programs or initiatives are being carried out as planned.
- 4.1.10 Perform annual risk management assessment based on the inputs from the risk management, external auditors and their evaluation of environmental factors impacting the organization, from which internal audit plans will be developed.
- 4.1.11 The abovementioned coordinated approach shall be used to maximize the internal audit resources and coverage and to ensure the bidder adds the greatest value to CENTLEC. Matters to be considered in developing the internal audit plans shall include:
 - 4.1.11.1 Significant areas of potential risk fraud.
 - 4.1.11.2 The accuracy and completeness of financial reporting.
 - 4.1.11.3 Major changes in operations, organizational structures, systems, and controls.
 - 4.1.11.4 Safeguarding of assets.
 - 4.1.11.5 Compliance with laws, contracts, plans, policies, and procedures.
 - 4.1.11.6 Risk areas identified by management.

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- 4.1.11.7 Results of the previous audit reports.
- 4.1.11.8 Significant risk areas relating to reliability and integrity of financial and operational information or negative reputation exposure.
- 4.1.11.9 The appropriateness of the staff mix and expertise, relative to the specific engagements.
- 4.1.12 Develop a three-year rolling plan and annual internal audit operational plan with inputs from the CENTLEC's Internal Audit Team, based on the risk assessment results for the approval of the Audit and Risk Committee (ARC). The plan should include the cost of all the activities to be performed.
- 4.1.13 Perform risk based internal audits based on the approved plan.
- 4.1.14 Coordinate with the external auditors and ensure alignment with the external audit functions, processes and best practices.
- 4.1.15 Attend ARC quarterly meetings and Executive Management meetings (per invite).
- 4.1.16 Report progress on monthly and quarterly basis to the General Manager: Audit and Risk on internal audit plan.
- 4.1.17 As required by the Combined Assurance Model, the bidder shall:
 - 4.1.17.1 Evaluate/Assess the combine assurance and submit a report to General Manager: Audit and Risk
 - 4.1.17.2 Review /evaluate the assurance provided by the first line of defense and second line of defense.
 - 4.1.17.3 Perform assessment on the independent assurance provider on whom reliance would be placed.
 - 4.1.17.4 Periodically perform ad hoc reviews as requested by EXCO and ARC.
 - 4.1.17.5 Maintain a functional quality assurance and improvement programme that covers all aspects of internal audit services and at least once during the three-year cycle or as determined by the ARC be subjected to an independent quality review.
- 4.1.18 Execute the internal audit plan with allocated resources (including CENTLEC staff).

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- 4.1.19 Provide audit reports to the General Manager: Audit and Risk for reporting to the Audit and Risk Committee detailing its performance against the plan, to allow effective monitoring and possible interventions.
- 4.1.20 Ensure that an adequate professional audit staff with sufficient knowledge, skills, experience, and professional certifications are consistently available throughout the duration of the contract.
- 4.1.21 Ensure that risks are appropriately identified and managed.
- 4.1.22 Ensure that interactions with various stakeholders occurs as needed and led by the General Manager: Audit and Risk.
- 4.1.23 Perform follow-up audits to verify all recommended remediations to prior audit findings.
- 4.1.24 Perform IT Audits (such as General Computer Controls, Information Security Reviews, Pre and Post Implementation Reviews, Database, and Network Audits).
- 4.1.25 Perform Quality Review of Annual Financial Statements in terms of GRAP and provide practical recommendations.
- 4.1.26 Add value to CENTLEC's business processes through providing management with in-depth knowledge, strategic and critical thinking in their role as an advisor to achieve the organizations strategic objectives.
- 4.1.27 Assist the in-house Internal Audit unit with skills transfer.
- 4.1.28 Developed working papers and associated reports shall become the property of CENTLEC.
- 4.1.29 The successful Bidder will be expected to attend induction on the Safety Health Environment and Quality (SHEQ) provided by CENTLEC.

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5. STANDARDS

Internal Audit file project and working papers must be in conformity with Standards of the IIA and acceptable best practices.

6. SPECIFICATIONS OF SKILLS REQUIRED

6.1.1 CENTLEC requires that the successful bidder shall make use of dedicated internal audit resources (corporate governance review, risk management, audit of pre-determined objectives, information system environment etc.), who has a sound understanding of internal audit methodologies and techniques with practical experience on similar assignments, as well as a strong knowledge and understanding of government processes, systems, and practices.

6.1.2 The key requirements for the successful bidder includes the following:

6.1.2.1 Have the necessary skills, knowledge, capacity, and resources to meet the needs of CENTLEC and to carry out their obligations, including the availability of:

6.1.2.2 Technology Audit skills and tools.

6.1.3 The successful bidder must be able to demonstrate the ability to reach Mangaung Metropolitan Municipality areas where CENTLEC offers its service.

6.1.4 The engagement Senior Manager must be directly involved in every engagement review undertaken at CENTLEC. The engagement Senior Manager will regularly liaise with the General Manager: Audit and Risk.

6.1.5 Have quality control department/section responsible for ensuring the IIA standards are appropriately applied.

6.1.6 Demonstrate that they adhere to the IIA standards, particularly as they relate to:

6.1.6.1 The application of a risk-based approach auditing.

6.1.6.2 The use to IT audit resources (including appropriate tools).

6.1.6.3 The availability of resources that perform risk management and governance reviews.

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7 TECHNICAL SPECIFICATIONS

7.1.1 Expected Outcomes and Deliverables

7.1.2 Performing audit assignments

7.1.3 Each assignment should at least consist of the following but not limited to:

- Preliminary audit survey
- Audit planning memorandum/ Scoping Memorandum
- Minutes of entrance meeting
- Risk assessment/ control matrix
- System descriptions
- Audit programs
- Sampling methodology
- Mechanisms for follow up on matters previously reported and feedback to the ARC.
- Mechanism to ensure that working papers are reviewed at the appropriate level.
- Record of work performed.
- Audit findings and recommendations.
- Reporting (draft internal audit report and final internal audit report)
- Minutes of exit meeting
- Follow up on previous audit findings including the external audit findings.
- Internal Quality Assurance Review (Peer Review) quarterly.

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8 FRAUD AND IRREGULARITIES

In planning and conducting its work, the successful bidder must evaluate the potential for the occurrence of fraud and how the organization manages fraud. Any such defects must be reported immediately to the Chief Executive Officer and/or ARC and/or the Board of Directors, depending on where defects were identified, without disclosing these defects to any other staff or external stakeholders. This also applies to instances where serious fraud and irregularities are detected.

9 REPORTING REQUIREMENTS

9.1 The structure of the report is to be as follows:

- Introduction
- Audit objective and scope
- Background
- Executive summary highlighting critical, major and significant findings.
- Findings, recommendations and agreed management action (including implementation dates)
- Conclusion

9.2 The Successful Bidder shall submit a monthly and quarterly progress report to the General Manager: Audit and Risk for reporting purposes against the planned output of the annual operational plan and approved budgeted hours.

9.3 The Successful Bidder will be required to use Audit Software that is used by CENTLEC internal audit team, namely Teammate and ACL.

9.4 The Successful Bidder shall perform all work on the CENTLEC server for record-keeping purposes.

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9.5 The Successful Bidder will submit to the General Manager: Audit and Risk an electronic copy and one signed copy of the final report for record-keeping purposes.

10 EVALUATION CRITERIA

10.1 All proposals submitted will be evaluated in accordance with the criteria set out in the policy of Supply Chain Management of the Entity. The most suitable candidate (s) will then be selected. Please take note that CENTLEC (SOC) Ltd is not bound to select any of the bidders' submitting proposals or appoint more than one bidder.

10.2 Furthermore, technical competence is the principal selection criteria, CENTLEC (SOC) Ltd will evaluate the technical criteria first and will only look at the price and specific goals if it is satisfied with the technical evaluation. As a result of this, CENTLEC (SOC) Ltd does not bind itself in any way to select the bidder offering the lowest price.

The relative technical weighting of the criteria is as follows:

| No. | Criteria | Description | Points |
|--------|---------------------------|---|-----------|
| 10.2.1 | Internal Audit experience | The bidder should have internal audit experience in the public and local government sectors including the specialised skills, expertise, and value-added services. To demonstrate knowledge and experience, the bidder must submit client references where the bidder has successfully concluded the internal audit work within the public and local government sector in terms of scope and complexity in the past five (5) years. Each letter must be on the entity's letterhead and signed off by a duly authorized person. 3 client's references = 40 Points 2 client's references = 20 points | 40 |
| 10.2.2 | The Qualifications | Assessment of the condensed curriculum vitae of personnel who will be assigned to CENTLEC. Qualification and | 30 |

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| No. | Criteria | Description | Points |
|-----|--|---|--------|
| | <p>and experiences of the professionals proposed to provide services</p> | <p>experience of the proposed resources. Annexure (A) attached to be completed.</p> <p>Director</p> <ul style="list-style-type: none"> • CIA/CISA/CA(SA) • Post graduate degree specialised in Auditing/Internal Audit or Financial Information Systems • Minimum of (10) years Internal audit experience = 5 points <p>Senior Manager</p> <ul style="list-style-type: none"> • CIA/CISA/CA(SA) • Post graduate degree specialised in Auditing/Internal Audit or Financial Information Systems • Minimum of (8) years Internal audit experience = 5 points <p>Manager</p> <ul style="list-style-type: none"> • CIA/CISA/CA(SA) • Post graduate degree specialised in Auditing/Internal Audit or Financial Information Systems • Minimum of (6) years Internal audit experience = 5 points <p>Assistant Manager</p> <ul style="list-style-type: none"> • IAT/PIA • B. Com/ B Tech Internal Audit or Financial Systems • Minimum of (4) years Internal audit experience = 5 points <p>Senior Internal Auditor</p> <ul style="list-style-type: none"> • B. Com/ B Tech Internal Audit or Financial Systems • Minimum of (2) years Internal audit experience = 5 points <p>Internal Auditor</p> <ul style="list-style-type: none"> • National Diploma in internal Auditing or Financial Systems/B. Com/ B Tech Internal Audit or Financial Systems • Minimum of (1) year Internal audit experience = 5 points | |

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| No. | Criteria | Description | Points |
|--------|---|--|------------|
| 10.2.3 | Professional Membership | <p>The bidder and its directors must submit evidence of registration with the relevant professional bodies e.g., SAICA, ISACA and IIA (SA). Latest proof of current annual membership.</p> <p>Director</p> <ul style="list-style-type: none"> • IIA (SA) and ISACA and SAICA = 5 points • IIA (SA) or ISACA or SAICA = 3 points <p>Senior Manager</p> <ul style="list-style-type: none"> • IIA (SA) and ISACA and SAICA = 5 points • IIA (SA) or ISACA or SAICA = 3 points <p>Manager</p> <ul style="list-style-type: none"> • IIA (SA) and ISACA and SAICA = 5 points • IIA (SA) or ISACA or SAICA = 3 points | 15 |
| 10.2.4 | Locality in the Mangaung Metropolitan area | <p>The bidder should have</p> <ul style="list-style-type: none"> • Their own local support facilities = 15 points • If not, but within RSA = 10 points | 15 |
| | TOTAL | | 100 |

Table 2 – Evaluation criteria

A bidder who gets a minimum of 69 points and above will qualify to the next stage. Individual tenders would have to be evaluated according to the preferential point system.

The bidder must score minimum points as follows:

ITEM 10.2.1 = 20 points

ITEM 10.2.2 = 30 points

ITEM 10.2.3 = 9 points

ITEM 10.2.4 = 10 points

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10.3 Price and Preferential points scoring – STAGE 2 (Price and Specific goals)

All Bidders that have passed the technical evaluation threshold of 69 points would also be scored based on the 80/20 principle where 80 Points is for the Price and 20 points for specific goals as per the detail given below.

10.4 Points awarded for price.

A maximum of 80 Points is allocated for price on the following basis:

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

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

10.5 Points awarded for Special Goals Requirement

In terms of Regulation 3.(1) An organ of state must, in the tender documents, stipulate— (a) the applicable preference point system as envisaged in regulations 4, 5, 6 or 7; (b) the specific goal in the invitation to submit the tender for which a point may be awarded, and the number of points that will be awarded to each goal, and proof of the claim for such goals in accordance with the table below;

Table 3: Specified Goals for Preferential Point System

| Specified Goals | Points Allocation |
|--|--------------------------|
| 50% Black owned(attach a detailed CSD Report) | 10 |
| 50% Women owned (attach a detailed CSD Report) | 5 |
| 50% Youth owned <35 years (attach a detailed CSD Report) | 5 |
| Total Points | 20 |

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11 PRICING SCHEDULES/COSTING OF INTERNAL AUDIT SERVICES

11.1 For rates per hour in Rand including VAT should be according to the latest approved AGSA rates.

| | | | | | |
|---|----------|------------------------|-------------------|------------------|----------------|
| Name of firm/ bidder | | | | | |
| Representative/ contact person | | | | | |
| Contact Details Telephone/Mobile | | | | | |
| E-mail address | | | | | |
| PERSONS WHO WILL BE INVOLVED IN THE PROJECT AND RATES APPLICABLE | | | | | |
| Designation/ Description | Quantity | AGSA Rate Per Hour (R) | Rate Per Hour (R) | Hour Total Hours | (R) Total Cost |
| Director | | | | | |
| Senior Manager | | | | | |
| Assistant Manager | | | | | |
| Senior Internal Auditor | | | | | |
| Internal Auditor | | | | | |
| Junior Auditor/Trainee | | | | | |
| Sub-Total | | | | | |
| Disbursement | | | | | |
| SUMMARY OF AUDIT FEES PER YEAR | | | | | |
| Year 1 | | | | | |
| Year 2 | | | | | |
| Year 3 | | | | | |
| TOTAL AUDIT COST INCLUDING VAT(R) | | | | | |

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12 CONTACT DETAILS

12.1 For any further technical information regarding the document contents please contact Ms Kelebogile Nkwadipo e-mail: kelebogile.nkwadipo@CENTLEC.co.za Such queries must be done in writing, the email address provided serves for this purpose. The answer to one question will be sent to all the other prospective bidders that have bought the bid documents.

12.2 For Supply Chain Related questions, please contact Me Palesa Makhele at Palesa.Makhele@CENTLEC.co.za. Telephone number: 051 412 2753

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ANNEXURE A

QUALIFICATIONS AND EXPERIENCE OF THE PROPOSED RESOURCES

Attach detailed curriculum vitae with experience in internal auditing.

It is mandatory for the senior resources of the preferred bidder (i.e., directors, senior managers, and specialists) to have the appropriate professional qualification(s) enabling them to perform internal audit services. These must include, but is not limited to the following:

1. Certified Internal Auditor (Certified by the Institute of Internal Auditors South Africa),
2. Certified Information Systems Auditor (Certified by ISACA).
3. Chartered Accountant (SA) (Certified by the South African Institute of Chartered Accountants (SAICA)).
4. Professional Internal Auditor (Certified by IIA (SA))
5. Internal Auditor Technician (certified by IIA (SA))

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| Designation | Qualifications | Professional Certification | Actual Years of Experience |
|-------------------------|----------------|----------------------------|----------------------------|
| Director | | | |
| Senior Manager | | | |
| Manager | | | |
| Assistent Manager | | | |
| Senior Internal Auditor | | | |
| Internal Auditor | | | |

Please use this template to populate the qualification, professional certification and years of relevant experience for each team member to be dedicated to the project.