

TERMS OF REFERENCE

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY
ASSURANCE ASSESSMENT REVIEW

DEPARTMENT OF EMPLOYMENT AND LABOUR COMPENSATION FUND
INTERNAL AUDIT



PSS RE
1.11.20

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

TERMS OF REFERENCE FOR THE APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

1. PURPOSE

To appoint of service provider to conduct External Quality Assurance Assessment (EQAA).

2. BACKGROUND

- 2.1 The Compensation Fund herein under referred to as the Fund, is a Schedule 3A Public Entity of the Department of Employment and Labour. The Fund administers the Compensation for Occupational injuries and Diseases Act (COIDA) no 130/1993 as amended by the COIDA 61/1997. The main objective of the Act is to provide compensation for disablement caused by occupational injuries or diseases and provide for matters connected therewith.
- 2.2 The Strategic goal of the Fund is to deliver faster and reliable COID service by 2025. It would therefore be imperative that the Fund provides effective and efficient administrative support to the core business of the Fund.
- 2.3 The Fund Internal Audit Activity (IAA) is mandated to perform its work in accordance with its charter, which is consistent with the Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing (Standards) and Code of Ethics. The EQAA is performed to evaluate and express an opinion on Conformance with the Core Principles, Definition of Internal Auditing, the Code of Ethics, and the Standards and, as appropriate include recommendations for improvement. Furthermore, reference is made to International Standard for Professional Practice of Internal Auditors (ISPPIA) 1312 and 1320, which state that "an external assessment is conducted at least once every five years, the results of which are communicated to the senior management and the Board".
- 2.4 The quality assurance of a service is the extent to which the service meets the customer's expectations and or the degree to which it is fit for purpose. The IAA has set a strategic objective to achieve "General Conformance" (GC) with the International Standards for the Professional Practice of Internal Auditing" (ISPPIA), known as "Standards", by 2025.
- 2.5 External Quality Assessment shall be conducted every five years by a qualified, independent assessor or assessment team from outside the department. The last External Assessment was conducted in June 2017, hence the year 2022 is the period for another assessment. The assessment will ensure that the Fund's IAA complies and conforms to the legislation and the standards respectively, impacting positively on the reputation and audit outcomes.

3. SCOPE OF WORK AND DELIVERABLES

The prospective service provider will be expected to deliver the following:

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

3.1 Scope of Work

The following basic objectives should be achieved in a full external assessment:

- ❖ Assess the efficiency and effectiveness of the internal audit activity in light of its charter, expectations of the Audit Committee, Executive Management, assurance providers, other stakeholders and the Chief Audit Executive (CAE).
- ❖ Consider the IAA's current need and objectives, as well as future direction and goals of the Fund.
- ❖ Provide an opinion on the IAA's conformance with the Core Principles, IIA's Definition of Internal Auditing, Code of Ethics, and Standards.
- ❖ Identify improvement opportunities for IAA, CAE and Audit Committee to add value to the Compensation Fund.

The external assessment should consist of a broad scope of coverage that includes the following elements of internal audit activity, amongst others:

- ❖ Conformance with the *Standards*; the Code of Ethics; and internal auditing's charter, plans, policies, procedures, and practices; and any applicable legislative and regulatory requirements.
- ❖ Expectations of internal auditing as expressed by the Accounting Authority, Audit Committee, Executive Management, and operational managers.
- ❖ Integration of the internal audit activity into the Fund's governance process, including the audit relationship between and among the key groups involved in the process.
- ❖ Tools and techniques used by internal auditing.
- ❖ The mix of knowledge, experiences, and disciplines within the staff, including staff focus on process improvement.
- ❖ A determination on whether internal auditing adds value and improves the Fund's operations.
- ❖ Ensure information and data security by:
- ❖ Adhering to the Protection of Personal Information (POPI) act;
- ❖ Signing a non-disclosure agreement with the CF; and
- ❖ Compliance with the CF policies, processes and standards on information and data security.

3.2 Methodology:

3.2.1 Project methodology to be employed in execution of this project and activities should be documented and includes, amongst other things, but not limited to the following:

- Objectives, Scope, Approach and Tools.

RG
CMBC
PSR

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

- Procedures and Analysis, and
- Reporting

3.2.2 This project is expected to be completed within 3 months from the date on which the contract is effective.

3.2.3 The billing should be based on a deliverable schedule which aligns to the planned project milestone.

4. Deliverables

Deliverables:

The review should consist of at least the following:

- Engagement letter/scoping letter
- Minutes of meetings
- External Quality Assessment Tools/Audit Program/(s)
- Record of work done/audit working papers
- Audit Findings and recommendations
- Reporting (Draft Internal Audit Report and Final Internal Audit Report)

Reports on audit results must be drafted and submitted in accordance with the following structure:

- Introduction
- Audit Objective and Scope
- Background
- Executive Summary
- Findings, root causes, effect/impact, recommendations, management action plan (including responsible person, implementation dates, etc.)
- Conclusion
- The consultants must submit/deliver the final report to the CAE.
- Present the final report to senior management and the Audit Committee.

All deliverables such as reports, plans and other relevant information should be delivered to the CAE. The project will result in the above deliverables which will be made available in suitable electronic and printed format.

Project Milestones and Implementation approach

The project is expected to be conducted within three (3) months after signing of the contract.

The service provider will be expected to conduct the assessment as per the Project Plan/Engagement Letter:

RE
MB
082

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

- Develop a detailed plan, which set out the timeframes as well as the proposed approach to undertaking the scope of the project; which include the audit methodology, nature, timing and extent of audit procedures to be performed.
- Issue interim report and discuss with the Internal Audit management before the final report.
- Issue a final report with recommendations for appropriate improvements and present it to the senior management and Audit Committee.

5. REQUIRED EXPERTISE AND SKILLS

5.1 The Service Provider (Bidder) should:

- 5.1.1 Be Competent with extensive experience (5 years) and a proven record in Internal Audit and Quality Assurance Assessment. (Company Profile)
- 5.1.2 Provide traceable references (5) where External Quality Assurance Assessment service was conducted, not older than 5 years.

5.2. The Service Provider Staff

- 5.2.1 The Project Manager / Project Lead should be a Certified Internal Auditor (CIA) and Accredited Quality Assurance Assessor with a minimum of 10 years' functional experience Quality Assurance (attach Certificate)
- 5.2.2 The Audit Manager should be a Certified Internal Auditor (CIA) and Accredited Quality Assurance Assessor with a minimum of 5 years' functional experience in Quality Assurance. (attach Valid Membership Certificate)
- 5.2.3 All other team members must be active members with the Institute of Internal Auditors (IIA) (attach Valid Membership Certificate)
- 5.2.4 The service provider should have a team of experienced personnel with the capability to deliver quality and professional services timeously.
- 5.2.4 In the event that the project manager and team member/s leave the employ of the service provider (for whatever reason) they have to be replaced by a project manager and team member/s satisfying the respective listed skills.

6. PROJECT DURATION

The project is estimated or expected to be completed within three (3) months from the date of signing of the contract.

7. PAYMENT OF SERVICES

- The service provider will be paid for the service rendered as per contract and the agreed project plan.

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

- The payment will be made at the delivery of final report (70%) and reporting/presentations to senior management and audit committee (30%).
- The CF shall not pay any unproductive or duplicated time spent by consultants on the project.

8. MANAGEMENT OF THE ASSIGNMENT

- 8.1 There should be involvement and engagement of key stakeholders through a number of consultative meetings and work sessions.
- **Timing of assignments:** The assessment will be carried out within the agreed timelines per approved Project Plan and Engagement/Scope Letter.
 - **Quality Assurance Review:** The Consultant shall ensure that all work conforms to the International Standards for Professional Practice of Internal Auditing (Institute of Internal Auditors).
 - **Independence and objectivity of Audit Staff:** In carrying out the work, consultant must ensure that their staff members maintain their objectivity by remaining independent of the activities they audit.
- The consultant shall have no executive or managerial powers, perform functions or duties except those relating to Internal Audit.
 - The consultant should not be involved in the day to day operation of the Fund;
 - The consultant should not be responsible for the detailed development or implementation of new systems and procedures.
 - The consultant should not engage concurrently in any audit/accounting and risk management related work within Fund. Any work tendered must first be declared and consulted with the CF internal audit function.
- **Monitoring progress of assignments:** On a weekly basis and on completion of assignment, the Consultant shall meet with the Project Manager or delegated official to report on progress of work. The consultant is to submit a weekly/bi-weekly progress report for the work done.
- 8.2 The service provider will furnish satisfactory evidence of its capability to provide professional and timely services.
- 8.3 The performance monitoring of consultants will ensure that performance is delivered to avoid the consequences of:
- (a) Services being delayed;
 - (b) Timeframes being extended;
 - (c) Output quality is reduced, and/or
 - (d) Additional costs are incurred due to contract extensions

KE
M BC
PS2

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

9. PRICING PROPOSAL

All fees quoted in the proposal **must be VAT inclusive**.

This fee structure must be based on:

- The person(s) allocated to the task/report and his/her capacity;
- Estimated time spent on the task/report (billable hours);
- Hourly rate per person (as per DPSA hourly rates for Consultants) allocated to the task/report;

For example, Table 1:

Capacity	Number of Persons	Hourly Rate (incl VAT)	Billable Hours	Total Fee (incl VAT)
Project Lead/Manager	X	xxx.xx	X	xxx.xx
Audit Manager	X	xxx.xx	X	xxx.xx
Other Team Member	X	xxx.xx	X	xxx.xx
xxxxx.xx				

The bid price (based on hourly rates) must be quoted in South African currency and must include value added tax. Bidders must provide a clear pricing schedule detailing the cost of providing the service

- The bidder must complete the price proposal form, which must be for the contract period. The price should be the overall celling cost including travelling and subsistence disbursements.
- The total fee for the duration of the contract (inclusive of VAT) for all deliverables expected as per paragraph 4 of the Terms of Reference document must be added together to arrive at a total fee
- The quotation value must represent the total cost on the project which will be payable by the Compensation Fund to the appointed service provider upon satisfactorily work delivery, and as per agreed conditions that will be stipulated in the contract.
- The service provider will be remunerated at the rates in line with the "Guide on Hourly Fee Rates for Consultants", as issued by the Department of Public Service and Administration (DPSA).
- The above mentioned rates will therefore be the maximum acceptable rates and failure to comply herein will lead to automatic disqualification.

Note: Price including VAT, for the project as a whole shall not be exceeded.

Ch
BC
BS2

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

10. BID SUBMISSION REQUIREMENTS

The bidder has to submit a bid response documentation pack and it must be delivered at the correct physical or postal address and within the stipulated date and time as specified in the "Invitation to Bid" cover page, and the bidders are expected to submit the following:

- Copies in two separate batches (1) Technical (2) Price proposal
- One original, 3 exact copies of the original technical and price proposal

11. BID EVALUATION

The bid evaluation process consists of several stages that are applicable according to the nature of the bid as defined in the table below.

Stage	Description	Applicable for this bid
Phase 1	Administrative Pre-Qualification Requirements	Yes
Phase 2	Technical Mandatory Requirements	Yes
Phase 3	Evaluation on Functionality	Yes
Phase 4	Evaluation on Price and BBBEE	Yes

The bidder must qualify for each stage to be eligible to proceed to the next stage of the evaluation.

PHASE 1: ADMINISTRATIVE PRE-QUALIFICATION REQUIREMENTS

If the Bidder failed to comply with any of the administrative pre-qualification requirements, or if Compensation Fund is unable to verify whether the pre-qualification requirements are met, then Compensation Fund reserves the right to –

- Reject the bid and not evaluate it, or
- Accept the bid for evaluation, on condition that the Bidder must submit within 7 (seven) days any supplementary information to achieve full compliance, provided that the supplementary information is administrative and not substantive in nature.
- All bids will be measured against the administrative pre-qualification requirements. Only bids that comply with the criteria mentioned below will be considered for further evaluation.
- The Service providers must be registered with the Central Supplier Database.
- Provide Tax Compliance Status- Pin issued by SARS
- The Service provider must submit a valid BBBEE Certificate or a Valid Sworn Affidavit attested by the Commissioner of Oath.

CC
MB
PSZ

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

- (g) Valid COIDA Letter of Good Standing.
- (h) Completed and Signed Standard Bidding Documents (SBD forms)

NB: Please note that failure to provide any of the above requirements within (7) days after the closing date will lead to automatic disqualification of the service provider's bid proposal.

PHASE 2: TECHNICAL MANDATORY REQUIREMENTS

Purpose: Technical Mandatory requirements are the absolute minimum requirements to fulfil the Business Objective.

Compliance	Comply Yes or No	Reference (page number)
<ul style="list-style-type: none">▪ The Project Manager / Project Lead should be a Certified Internal Auditor (CIA) and Accredited Quality Assurance Assessor (attach Certificate)▪ The Audit Manager should be a Certified Internal Auditor (CIA) and Accredited Quality Assurance Assessor. (attach Valid Certificate)▪ All team members must be active members with the Institute of Internal Auditors (IIA) (attach valid membership Certificate)		

Please note that failure to provide any of the technical mandatory documents/requirements will lead to automatic disqualification of the service provider's bid.

PHASE 3: EVALUATION ON FUNCTIONALITY

- a) Service provider will be required to submit a detailed project plan highlighting the phases of the project and detailed cost breakdown of the project.
- b) An evaluation panel will be established by the Fund, made up of members of the Bid Evaluation Committee. Bids will be evaluated strictly according to the bid evaluation criteria set out below.
- c) A minimum threshold of 65% for the technical elements must be scored; otherwise the bid will be regarded as non-responsive and be disqualified. Bids that do not meet or better the technical threshold score of 65 % will not be evaluated further.
- d) In respect to evaluation matrix, prospective service bidders will be rated from 1 to 5. In order to ensure meaningful participation and effective comparison, bidders are requested to furnish detailed information in substantiation of compliance to the evaluation criteria set out below.

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

1=Poor; 2=Fair; 3= Good; 4=Very Good; 5=Excellent

Technical scorecard				
	Criteria	Sub criteria	Scoring Guide	Weight
1	Company Experience in QAR in year	Competent with extensive experience (5 years) and a proven record in Internal Audit and Quality Assurance Assessment. (Company Profile)	<ul style="list-style-type: none"> • 3 or less years = 1 • 4 years = 2 • 5 years = 3 • 6 to 8 years = 4 • 9 years and above = 5 • 	15%
2	Company Experience in Quality Assurance Review - Traceable references	Traceable references (5) where External Quality Assurance Assessment service was conducted, not older than 5 years (Traceable Reference Letters in the Company Letterhead, signed and include contact details and rank of the person giving reference.)	<ul style="list-style-type: none"> • 3 or less Letters = 1 • 4 Letters = 2 • 5 Letters = 3 • 6 to 8 Letters = 4 • 9 letters and above = 5 	25%
3	Project Manager / Project Lead	The Project Manager / Project Lead should be a Certified Internal Auditor (CIA) and Accredited Quality Assurance Assessor with a minimum of 10 years' functional experience Quality Assurance (attach Certificate)	<ul style="list-style-type: none"> • 5 or less years and less = 1 • 6 - 9 years = 2 • 10 years = 3 • 11 - 12 years = 4 • 13 years and above = 5 	25%
4	Audit Manager	The Manager should be a Certified Internal Auditor (CIA) and Accredited Quality Assurance Assessor with a minimum of 5 years' functional experience in Quality Assurance. (attach Certificate)	<ul style="list-style-type: none"> • 3 years and less = 1 • 4 years = 2 • 5 years = 3 • 6 -9 years = 4 • 10years and above = 5 	20%

LM
BC
PSZ

APPOINTMENT OF SERVICE PROVIDER TO CONDUCT EXTERNAL QUALITY ASSURANCE ASSESSMENT

Technical scorecard				
	Criteria	Sub criteria	Scoring Guide	Weight
5	Appropriateness and quality of proposed project plan and methodology	Project / Work plan	<ul style="list-style-type: none">• A comprehensive detailed Project / work plan describing all activities in logical sequence with clear time frames commensurate with the terms of reference = 5• Work plan describes all high level activities in logical sequence with clear time frames commensurate with the terms of reference = 3• Work plan activities do not commensurate with the deliverables in the terms of reference. = 1	15%
		Total technical score		100
		Minimum threshold for technical proposal		65

NB: All bidders with a score less than 65% out of 100% on technicality will not be considered for the next stage\phase.

PHASE 5: PREFERENCE POINTS SYSTEM (PRICE AND BBBEE).

Only Bidders that have met the 65% points threshold in Phase 4 will be evaluated in Phase 5 for price and BBBEE. Price and BBBEE will be evaluated as follows:

In terms of regulation 6 of the Preferential Procurement Regulations pertaining to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000), responsive bids will be adjudicated on the 80/20-preference point system terms of which points are awarded to bidders on the basis of:

i. Stage 1 – Price Evaluation (80 Points)

The following formula will be used to calculate the points for price:

Handwritten initials:
 RE
 CH
 BC
 PS2

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where:

Ps = Points scored for price of bid under consideration
Pt = Price of bid under consideration
Pmin= Price of lowest acceptable bid

ii. **Stage 2 – BBBEE Evaluation (20 Points)**

a. **BBBEE Points allocation**

A maximum of 20 points may be allocated to a bidder for attaining their B-BBEE status level of contributor in accordance with the table below:

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

The Service provider must submit proof of its B-BBEE status level of contribution.

12. RULES OF BIDDING / SPECIAL GENERAL CONDITIONS OF CONTRACT

- a) The Fund will enter into contracts with single company for the delivery of the work set out in these terms of reference.

BE
LH BC
PS2

- b) The shortlisted companies may be required to conduct a presentation to the CF at no cost to the Compensation Fund.
- c) Tax Compliance status pin must be submitted by all South African companies submitting bids as part of a consortium or joint venture.
- d) Foreign company providing proposals must become familiar with local conditions and laws, and take them into account in preparing their proposals
- e) Bids must be submitted in South African Rands, on a fixed price basis.
- f) The cost of preparing bids and of negotiating the contract will not be reimbursed.
- g) The Fund is not bound to accept any of the bids submitted.
- h) The Fund reserves the right to withdraw or amend these terms of reference by notice in writing to all parties who have received the terms of reference.
- i) The Fund reserves the right to call interviews with short-listed bidders before final selection.
- j) The Fund reserves the right to negotiate price with the preferred bidder.
- k) Company may ask for clarification on these terms of reference up to close of business six (6) days before the deadline for the submission of bids. Any request for clarification must be submitted in writing by email and will be replied to in writing by email. SCM.enquiries@LABOUR.gov.za.
- l) The Fund reserves the right to return late bid submissions unopened.
- m) The Fund reserves the right not to evaluate bids that are not submitted in the format specified in these terms of reference. Failure to submit the bids in the specified format will invalidate your bid.
- n) A company may not contact the Fund or any member of the bid committees, on any matter pertaining to their bid from the time when bids are submitted to the time the consultant contract is awarded. Any effort by a bidder to influence bid evaluation, bid comparisons or bid award decisions in any matter, may result in rejection of the bid concerned.
- o) The deadline for submission of bids is 11h00 on 08 November 2022
- p) The required service must commence one week after the official order has been placed and contract signed.
- q) No incomplete tenders, late tenders and tenders received telegraphically or per facsimile shall be accepted.

RO
MBC
p52

- r) The personnel of the civil company shall adhere to security regulations of the Fund. This entails issues like locking all valuables and computer equipment, remove of any computer equipment from the Department's premises.
- s) The Compensation Fund reserves the right to conduct supplier due diligence prior to final award or at any time during the contract period. This may include site visits and presentations.
- t) A two envelope system must be used, with one envelope containing only the price proposal and the other envelope containing the technical proposal, one (1) CD with content of each file, tax compliance status pin, and all other tender documents.

Bids must be submitted by hand to:

**The Compensation Fund
167 Thabo Sehume,
Delta Heights Building,
Pretoria CBD, 0001**

- u) **Bids must be clearly marked:**

- I. Bid Number
- II. External Quality Assurance
- III. Compensation Fund: Supply Chain Management
- IV. Attention: Acquisition Management

13. GENERAL CONDITIONS OF CONTRACT

The general conditions of contract as enclosed in the standard bidding documents apply.

14. BRIEFING SESSION

There will be no briefing session for this particular request for quotation.

SCM.Enquiries@LABOUR.gov.za

NB: The cut-of time to receive enquiries is 72 hours before the closing date.

15. ENQUIRIES

SCM.Enquiries@LABOUR.gov.za

RE
CMBC
PS2