

## TERMS OF REFERENCE: ANNEXURE A

SCM /Tender Ref #:	DPME03-2024/25
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Request for proposals for:	Appointment of IAA Co-Source Partner for a period three (3) years.
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### 1. BACKGROUND / CONTEXT

The Department of Planning Monitoring and Evaluation (DPME), has an in-house Internal Audit Function led by a Chief Audit Executive. In order to complement its capacity, DPME calls for service providers to submit proposals to provide co-sourced audit services as per the scope mentioned in the terms of reference. Please note that the services will be requested as and when required.

### 2. PURPOSE

The purpose of this tender is to appoint a service provider to assist the Internal Audit Activity in a co-sourced capacity to deliver on their mandate.

### 3. OBJECTIVES AND SCOPE

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve DPME's operations. The objective of Internal Audit is to assist DPME to accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

The primary role of the Internal Audit Activity is to assist management in the effective discharge of their responsibilities, providing management and Audit Committee with assurance on the adequacy, effectiveness and efficiency of internal control, risk management and governance processes within DPME.

All internal audit work will be carried out at DPME offices in Pretoria. The successful service provider will be required to perform the following services:

- 3.1 Execute audit assignments in accordance with the approved Three (3) Year Rolling Strategic and Annual Internal Audit Plan as approved by Audit Committee;
- 3.2 Execute audit assignments in accordance with the DPME Internal Audit Methodology;
- 3.3 Review the reliability and integrity of financial and non-financial information;
- 3.2 Review compliance with laws, regulations, policies, plans, and procedures;
- 3.3 Review the adequacy, effectiveness and efficiency of internal controls on the safeguarding assets;
- 3.4 Review the economic, efficiency and effectiveness of DPME resource management and monitoring functions;
- 3.5 Review business operations and projects to ascertain whether results/ deliverables are consistent with established objectives or goals and whether the operations and projects are carried out as planned;
- 3.6 Perform special assignments on behalf of Management and / or the Audit Committee;
- 3.7 Liaise with external auditors whenever necessary;
- 3.8 Follow-up of prior year audit findings, including fraud alerts;
- 3.9 Transfer of skill to DPME internal audit staff;
- 3.10 Make presentations to the EXCO and Audit Committee on findings resulting from audit reviews as and when deemed necessary.

#### **4. DELIVERABLES AND TIMEFRAMES**

The appointed service provider/s will be expected to execute in accordance to the approved risk-based internal audit plan. The service provider / bidder shall adopt the approved Internal Audit methodology of the DPME and the service provider will be obligated to follow the reporting framework of the DPME.

Each audit assignment should consist of at least the following:

- 4.1 Notification & Request for Information Letter;
- 4.2 Engagement Letter;
- 4.3 Minutes of opening meeting;
- 4.4 Resource allocations (Audit Planning Memorandum);
- 4.5 Budget approval;
- 4.6 Pre-audit survey / Questionnaire;
- 4.7 Declaration of Interest;
- 4.8 System Description;
- 4.9 Risk and Control Matrix;
- 4.10 Audit Program;
- 4.11 Working Paper/CAATS (where applicable) and Appendices of Working Paper;
- 4.12 Client Satisfaction Survey;
- 4.13 Findings Worksheets;
- 4.14 Draft Report and Final Report (With management comments);
- 4.15 Minutes of closing meeting;
- 4.16 Project Appraisals;
- 4.17 Quality Assurance (Each project file and its accompanying report to be quality assured and the report thereafter formerly issued to the Auditee)

All audits are to be carried out according to the Approved Internal Audit Plan and Ad Hoc assignments approved by the Audit Committee and agreed timelines per the individual scope letters. Other assignments will be carried out as agreed with management.

#### **5. PROJECT MANAGEMENT / REPORTING ARRANGEMENTS**

The Chief Audit Executive (CAE) of DPME will engage the successful contractor to perform identified assignments by issuing or signing an engagement letter that details the scope of work to be performed and deliverables associated to that particular assignment.

The service provider is to meet with the CAE and submit regular progress reports for work conducted on behalf of DPME, at agreed intervals. On completion of each assignment, the service provider together with the CAE shall conduct close out meetings with auditees to discuss the final report. The CAE shall assess the performance of the service provider at the beginning, during and at the end of each allocated project.

All audit assignments shall be supervised by a staff member at Management Level who will in turn be supervised by an Engagement Partner as agreed to in the signed contract.

The service providers must guarantee the presence of the senior manager in charge of fieldwork throughout the duration of the audit assignment / contract, unless agreed otherwise with the CAE.

If an Audit Team Member has to leave the project, a period of at least a month is required in which the team member must work parallel with the next person appointed to be able to transfer skills and knowledge. The replacement resource shall possess equivalent level of qualifications, knowledge and experience as the incumbent.

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### **6. HOURS, FEES AND PRICING**

Bidders should provide a clear pricing schedule detailing the cost of providing the required services, including disbursement charges. The proposed fees should include escalations of fees over a period of three (3) years.

The fees should be based on an estimated 3600 hours for the duration of the contract, broken down as follows:

- 6.1 Year (1) One, 1 500 hours.
- 6.2 Year (2) Two, 1500 hours.
- 6.3 Year (3) Three, 1500 hours.

The Service Provider will be required to provide the following detail:

- 6.4 An Audit Planning Memorandum for each type of audit assignment ( Compliance Audit, Financial Audit, Performance Audit, IT General Controls Review Audit and IT Security Audit);
- 6.5 An Audit Planning Memorandum should clearly indicate the project hours, Hourly Rate Per Allocated Resources;
- 6.6 Costed Project Organogram for the duration of three (3) years aligned to the types of audit assignments and allocated hours (Annexure B1);
- 6.7 An estimate of hours to be spent on the Planning, Execution and Reporting Phases;
- 6.8 Audit Fees must be aligned to National Treasury rates, for completing the audit assignment in accordance with the specification;
- 6.9 All assumptions made in drawing the proposal, including all cost factors must be detailed;

Prices quoted must be valid for at least 90 days from the closing of the tender. Any proposal that does not include information required in this paragraph will be disqualified.

Note: No variation, to the accepted quote, will be allowed unless the service provider has obtained prior written approval from the DPME.

### **7. QUALITY ASSURANCE REVIEW OF WORK DONE**

The service provider shall ensure that all work conforms to the International Standards for the Professional Practice of Internal Auditing. Such work shall further be subject to an external quality assurance review as may be considered and also internal quality assurance which will be conducted by the CAE.

### **8. INDEPENDENCE AND OBJECTIVITY**

In carrying out the work, service providers must ensure that their staff maintains objectivity and remain independent of activities they audit.

The service provider shall:

- 8.1 Have no executive or managerial powers, functions or duties except those relating to auditing assignment;
- 8.2 Not be involved in the day to day operations of DPME; and
- 8.3 Not be responsible for the development or implementation of new systems, policies and procedures within DPME.

### **9. FRAUD AND IRREGULARITIES**

Internal Auditors should have sufficient knowledge of fraud to identify indicators that fraud may have occurred. If sufficient control weaknesses are detected, additional tests conducted by Internal Auditors should include tests to other indicators of fraud. Any such weaknesses must be reported immediately to the CAE, without disclosing these to any other staff. This also applies to instances where serious fraud and irregularity is uncovered.

### **10. OTHER**

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None