



INVITATION TO TENDER FOR INTERNAL AUDIT SERVICES

BID NUMBER: 01 of 2024/2025

DESCRIPTION: INTERNAL AUDIT SERVICES

BRIEFING SESSION: NONE

CLOSING DATE: 09/05/2024

CLOSING TIME: 11:00



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INVITATION FOR THE PROVISION OF INTERNAL AUDIT SERVICES TO THE FREE STATE LEGISLATURE

The Free State Legislature (FSL) invites proposals for the provision of Internal Audit services. (Outsourced)

PROBLEM STATEMENT

The Free State Legislature requires the outsourced services of an Internal Audit Service Provider since there is no fully fledged Internal Audit Unit.

The Free State Legislature only has an Internal Audit Manager (currently acting as the CAE) and one internal auditor. As per the resolution by the Audit Committee on 7 October 2019 and again on 23 February 2024, the unit must be fully outsourced, and the position of the Chief Audit Executive (CAE) must be filled as per the organogram to fulfil the coordination of the services between the outsourced service provider and the Free State legislature and all its stakeholders. The Service Provider also needs to align to the new Global Standards effective January 2025.

BACKGROUND OF FSL

The Free State Legislature derives its mandate from the Constitution of the Republic of South Africa, 1996. The Constitution confers on the Free State Legislature the power to pass laws for the Free State Province to the extent indicated in the Constitution in schedule 4 and 5 thereof to read with section 104 and 114(1) of the Constitution.

The Constitution also confers upon the Free State Legislature the power to conduct oversight over the provincial executive authority and other provincial organs of state in terms of section 114(2) of the Constitution.

To give effect to oversight and law making, the Legislature is required by section 118 of the Constitution to facilitate public involvement in the legislative and other processes of the Legislature.

1. OBJECTIVES OF THE INTERNAL AUDIT FUNCTION

The objective of this bid is to appoint a suitable, independent service provider that can provide an appropriate internal audit service for the Free State Legislature. In terms of the Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act. No. 10 of 2009), the Free State Legislature should have an effective internal audit function, which should also comply with the Institute of Internal Auditors' (IIA) standards.

The internal audit function should assist FSL to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk.



2. REGULATORY FRAMEWORK

Financial Management of Parliament and Provincial Legislatures Act, 2009 (Act No 10 of 2009)

The Legislature is required to have an internal audit function in terms of section 50 of the Financial Management of Parliament and Provincial Legislatures Act, No. 10 of 2009 (FMPPLA), which requires the Accounting Officer to maintain a system of internal audit under the control and direction of the Audit Committee, complying with and operating in accordance with sections 47 and 48 of FMPLLA.

According to section 50 of FMPPLA, the following relates to the internal audit unit:

- “The Accounting Officer must establish Parliament’s internal audit unit which must conduct internal audits in accordance with the standards set by the Institute of Internal Auditors, for the purpose of maintaining consistency with internal audit functions in other organs of state.
- The unit must prepare for the approval of the audit committee-
- operating procedures to guide its relationship with the administration of the Free State Legislature.
- a three-year risk-based audit plan; and
- an internal audit programme for each financial year setting out the proposed scope of each audit.
- The unit must report quarterly to the Accounting Officer and the audit committee on its performance against the annual audit plan.
- **The unit must—**
- be independent of the activities that are audited; and
- have access to the financial records and other relevant information of Parliament.”

Objectives/standards/controls of the audit function, which are subject to an evaluation, are to review the following:

- Internal control processes.
- The information systems environment.
- The reliability and integrity of financial and operational information.
- The effectiveness of operations.
- Compliance with policies, regulations and contracts.
- The safeguarding of assets.



- The economical and efficient use of resources.
- The achievement of established operational goals and objectives.
- Performance Information Quarterly Audits and,
- Compliance with laws, regulations and controls.

3. SCOPE OF THE WORK

3.1 Scope of the Service Provider

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing; the Code of Ethics; the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

The internal audit function must prepare for the approval of the Audit Committee:

- A rolling three-year strategic Internal Audit Plan based on its assessment of key areas of risk for FSL.
- An annual Internal Audit Plan.
- Plans indicating the scope, cost and timelines of each audit in the annual internal audit.
- Audit reports directed to Audit Committee detailing its performance against the plan to allow effective monitoring and intervention, when necessary.
- It must facilitate risk assessment reviews including fraud risk assessments.

It must co-ordinate with other internal and external providers of assurance to ensure proper coverage and minimal duplication of effort.

The internal audit function must assist the Accounting Officer in maintaining effective controls by evaluating those controls and developing recommendations for enhancement or improvement.

It must assist the Accounting Authority in achieving the objectives of FSL by evaluating and developing recommendations for the enhancement or improvement of the processes through which:

- Objectives and values are established and communicated.
- The accomplishment of objectives is monitored.
- Accountability is ensured.
- Corporate values are preserved.
- The adequacy and effectiveness of the system of internal control are reviewed and appraised.
- The relevance, reliability and integrity of management, financial and operating data and reports are appraised.



- Systems established to ensure compliance with policies, plans, procedures, statutory requirements and regulations, which could have a significant impact on operations, are reviewed.
- The means of safeguarding assets are reviewed and deemed as appropriate in verifying the existence of such assets.
- The economy, efficiency and effectiveness with which resources are employed are appraised.
- The results of operations or programmes are reviewed to ascertain whether they are consistent with the FSL's established objectives and goals and whether the operations or programmes are being carried out as planned; and
- The adequacy of established systems and procedures are assessed.

The audits that will need to be considered at FSL are, among others:

- The information systems environment.
- The reliability and integrity of financial and operational information.
- The effectiveness of operations.
- Safeguarding of assets; and
- Compliance with laws, regulations and controls.
- Ad Hoc Audits

3.2 Scope of the Institutional Internal Audit

In the absence of a CAE and until such a designation is appointed, the Internal Audit Manager shall:

- Govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing; the Code of Ethics; the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. Align to the new Global Standards effective January 2025.
- Monitor and coordinate all work by the Service Provider as listed under 3.1 Scope of the Service Provider.
- Receive all invoices for work performed to be signed off and submitted for payment.
- Monitor the expenses against the approved budget.
- Deliver an electronic copy and one signed copy of the final report to the chairperson of the Audit Committee, the Director of the relevant Directorate and the Accounting Officer.
- Submit the reports by the Service Provider to the Audit Committee for consideration and coordinate meetings where reports shall be presented by the relevant scribe to the Audit Committee.
- Perform advisory and related client service activities, the nature and scope of which will be agreed upon, provided that the internal audit activity does not assume management responsibility.
- Execute all duties as per the responsibilities stipulated in the job description of the Internal Audit Manager.



Fraud and Irregularities

In planning and conducting its work, the internal auditor should seek to identify serious defects in internal controls, which might result in possible malpractices. Any such defects must be reported immediately in line with regulatory requirements.

4. EXPECTED OUTCOMES AND DELIVERABLES

4.1 Inputs

The following inputs are expected in summary:

- Operating procedures to guide its relationship with the administration of the Free State Legislature.
- a Three-Year Risk-Based Internal Audit Plan; and
- An internal audit programme for each financial year setting out the proposed scope of each audit.
- The unit must report quarterly to the Accounting Officer and the audit committee on its performance against the annual audit plan.

Each assignment should at least consist of the following:

- A pre-audit surveys.
 - An audit planning memorandum.
 - Minutes of the entrance meeting.
 - A risk assessment document.
 - System descriptions.
 - Audit programmes.
 - Sampling methodology.
 - Mechanisms for follow-up on matters previously reported and feedback to AUDIT COMMITTEE.
 - Mechanisms to ensure that working papers are reviewed at the appropriate level.
 - A record of work performed.
 - A review of work performed.
 - Audit findings and recommendations.
 - Reporting (a draft internal audit report and a final internal audit report); and
-
- Follow-up on previous audit findings
 - The Service provider also needs to align to the new Global Standards effective January 2025.



4.2 Outputs

Description	Assessment Criteria	Expected date of delivery
Three Year Risk Based Internal Audit Plan	IIA Standards	4 th Quarter
Annual Risk Based Operational Internal Audit Plan	IIA Standards	4 th Quarter
Risk Assessment	IIA Standards	Quarterly
Internal Audit Reports	Scope and Annual Risk Based Internal Audit Plan	As per Risk Based Internal Audit plan
Progress Report	Annual Risk Based Internal Audit Plan	Quarterly
Annual Internal Audit Report	Annual Risk Based Internal Audit Plan	Annually

Reporting Requirements

The structure of the report is to be as follows:

- Introduction.
- Audit objective and scope.
- Background.
- Executive summary, highlighting significant findings.
- Findings, recommendations, and management response (including implementation dates)
- All audits as carried out according to the Internal Audit Plan and as approved by Audit Committee; and
- Conclusion.
- The Service provider also needs to align to the new Global Standards effective January 2025.

4.3 Outcomes

- Final Three-Year Risk Based Internal Audit Plan
- Final Annual Risk Based Internal Audit Plan
- Final Internal Audit Reports to be presented to the Audit Committee.
- Final Quarterly Progress Reports
- Final Annual Internal Audit Report

5. TIME FRAME AND LOCATION

- The scope should be implemented from the date of appointment until the end of the contract.
- Draft work to be carried out in both the Service Providers premises and that of Free State Legislature.
- Draft work to be delivered to Manager Internal Audit.



- When applicable, final reports to be presented to the Audit Committee by the relevant scribe under supervision of the Internal Audit Manager until a CAE is appointed.

6. QUALITY ASSURANCE REVIEWS OF THE WORK

The Service Provider shall ensure that all work conforms to the IIA Standards for Professional Practice. Such work may further be subjected to external quality assurance, as may be considered necessary.

7. MONITORING THE PROGRESS OF ASSIGNMENTS

On completion of each assignment, the Manager Internal Auditor shall distribute the reports to the Audit Committee, the Director of the relevant Directorate and the Accounting Officer. On a quarterly basis, a report on progress against the plan, significant findings and administrative matters will have to be presented to the Audit Committee.

8. INDEPENDENCE AND OBJECTIVITY OF STAFF

The Service Provider shall maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product and no quality compromises are made. The Service Provider shall not have direct operational responsibility or authority over any of the activities audited.

9. INTELLECTUAL OF PROPERTY

All information and documentation produced remains the property of the Free State Legislature. Only the Free State Legislature logo should appear on all documents produced, in line with FSL branding requirements.

10. DURATION OF CONTRACT

The contract is expected to run for three (3) years, commencing on the date of signing the Service Level Agreement. It will, however, be renewable annually and this will be subject to a review of the previous year's performance against the Internal Audit Plan.

11. QUALIFICATION AND EXPERTISE REQUIRED

- Experience of the firm in internal audit services, including specialised skills, expertise and value-added services.
- Demonstration of the firm's substantial internal audit experience.



- Specialised skills, expertise and value-added services in the field of internal audit, with an emphasis on best practice methodology, tools and technology used.
- Availability of forensic audit skills and tools.
- Availability of computer audit skills and tools.
- Experience in the internal audit of public entities.
- Experience in the auditing of public entities, with reference letters.
- External references, the size of audits and the size of the client base.
- Qualifications and experience of team members.
- Detailed CVs of the auditor/s who will be responsible for managing the internal audits and the person who will be signing the audit plan and reports.
- Ability to provide the services and adequate institutional support.
- Employment Equity Policy.
- Years in business.

12. PROJECT ASSUMPTIONS AND PROJECT RISKS

12.1 Project Beneficiaries

The beneficiaries and target groups are, amongst others:

- Accounting Officer, Manager Internal Auditor, Internal Auditor, Directors of the relevant Directorates
- Director responsible for Supply Chain Management process

12.2 Project Assumptions

- The Service Provider has the Internal Audit expertise, capacity and experience to carry out this project.
- The Service Provider is available, when necessary, uses a local office and has local capacity to carry out this project.
- The Service Provider governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing; the Code of Ethics; the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
- The Service Provider can perform satisfactorily.

12.3 Project Risks

The following risks have been identified:

- Non-performance by the Service Provider.
- Delays by the Service Provider.
- The Service Provider may not be local and hence may not be readily and continuously available to carry out this project.



- The Service Provider may exceed the allocated budget.
- Budget Constraints.

- The Service Provider may not have the necessary expertise, capacity and experience to carry out this project.
- The Service Provider might not adhere to the Regulatory Framework.
- Limitation of Scope.

13. EVALUATION CRITERIA

Phase 1: Technical Evaluation

The evaluation of the technical part of the proposal will be based on the candidate's responsiveness to the terms of reference, as well as the application of the evaluation criteria and points system as indicated below. Each responsive proposal will be given a technical score.

Criteria	Points Allocated
Candidate firm based in Bloemfontein	15
Experience of the firm in internal audit services , including specialised skills, expertise and value-added services <ul style="list-style-type: none"> i. 0-5 years - 2 ii. 6-9 years - 5 iii. 10 years and above – 10 	10
Experience in the internal audit of public entities <ul style="list-style-type: none"> i. 0-4 years - 2 ii. 5-9 years - 5 iii. 10 years and above – 10 	10
Qualifications and experience of team members	30
At a minimum, must include the following qualifications:	
Team Leader: with Chartered Accountant (SA) qualification	10
Internal Auditor with Certified Internal Auditor (CIA) certificate	5
Team Leader: with Certified Information Systems Auditor (CISA) certificate	10



<p>Auditor: Certified Risk Management Assurance auditor (CRMA) 5 Contactable references must be supplied for experience and attach all required qualifications.</p>																														
<p>Professional experience in the area of specialization</p> <table border="1" data-bbox="209 757 707 1178"> <thead> <tr> <th>Designation</th> <th>Years</th> <th>Marks</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Team leader</td> <td>10+</td> <td>5</td> </tr> <tr> <td>7-9</td> <td>3</td> </tr> <tr> <td>3-6</td> <td>2</td> </tr> <tr> <td><3</td> <td>0</td> </tr> <tr> <td rowspan="3">Managers</td> <td>5+</td> <td>7</td> </tr> <tr> <td>3-4</td> <td>5</td> </tr> <tr> <td><3</td> <td>0</td> </tr> <tr> <td rowspan="2">Senior Auditors</td> <td>3+</td> <td>7</td> </tr> <tr> <td><3</td> <td>0</td> </tr> <tr> <td rowspan="2">Audit Assistants</td> <td>2+</td> <td>6</td> </tr> <tr> <td><2</td> <td>0</td> </tr> </tbody> </table>	Designation	Years	Marks	Team leader	10+	5	7-9	3	3-6	2	<3	0	Managers	5+	7	3-4	5	<3	0	Senior Auditors	3+	7	<3	0	Audit Assistants	2+	6	<2	0	25
Designation	Years	Marks																												
Team leader	10+	5																												
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Senior Auditors	3+	7																												
	<3	0																												
Audit Assistants	2+	6																												
	<2	0																												
<p>Proof of handling a similar assignment</p> <p>Three reference letters for current and most recent assignments in the last five years from reputable entities.</p>	10																													
<p>TOTAL</p>	<p>100</p>																													

The proposals will receive further consideration if they score at least 75% minimum points out of the 100 points on technical criteria as listed above.

Stage 2: Preference point System

The second stage will be evaluated on the price and equity in accordance with the Preferential Policy Framework Act (No 5 of 2000) and its subsequent regulations. The 80/20-point system will be applied in evaluating proposals that qualifies for further consideration, where price constitute 80 points and the maximum of 20 points will be awarded based on the HDI goals and the RDP goals.

- Specific HDI (Historically Disadvantaged Individuals) goals shall be awarded as follows:
 - (i) at least 51% black owned is 12 points (*valid BEE certificate to be attached*).



- Specific RDP (Reconstruction and Development Programme) goals.
 - (i) SMME supplier scores 4 points (**valid BEE certificate to be attached**).
 - (ii) Supplier with a verifiable and functional branch within the borders of Free State scores 4 points.

DOCUMENTS TO BE SUBMITTED

- Valid Tax Pin
- B-BBEE Certificate of Measured Entity
- SBD 3.3: Pricing Schedule.
- SBD 4: Declaration of Interests Form provided by the FSL.
- SBD 6.1: Reference letter as provided by the FSL

SUBMISSION DETAILS

Proposals should be forwarded to FSL offices, and the details are as follows:

Closing Date: **09/05/2024**

Closing Time: **11H00**

Address: **41 Charlotte Maxeke, Southern Life Plaza, 5th Floor**

Contact: **Mr NL QHALA**
(neog@fsl.gov.za)
(051 407 1267)