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## **TERMS OF REFERENCE FOR THE PROVISION OF INTERNAL AUDIT SERVICES FOR A PERIOD OF THREE YEARS FOR THE NATIONAL AGRICULTURAL MARKETING COUNCIL**

**BID-NUMBER: NAMC033/05/2019**

**DUE DATE: 27 SEPTEMBER 2019**

The National Agricultural Marketing Council (NAMC) is a statutory body established in terms of the Marketing of Agricultural Products Act, 1996. The main function of the council is to advise the Minister of Agriculture Forestry and Fisheries on issues relating to the marketing of agricultural products.

Section 51(1) (a) (ii) of the Public Finance Management Act: No. 1 of 1999 (PFMA) states that an accounting authority for a public entity must ensure that, that public entity has and maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance section 27.2.2 with regulations. Its role and functions are explained under sections 27.2.5 up to 27.2.11 of the Treasury Regulations.

### **SCOPE OF WORK**

The NAMC invites tenders from reputable consulting firms for the provision of internal audit services for a three-year period, commencing on the 2019/20 up to 2021/22 financial years.

- a) The successful bidder will be required to perform, inter alia, the following types of internal audits (only list the applicable items):
- Risk based audits (this includes, but are not limited to, audits on the Financial, Human Resource and Supply Chain Management processes);
  - Compliance audits;
  - Performance audits;
  - Audits on predetermined objectives (performance information);
  - Information Technology (IT) audits; and

- Ad hoc project and consulting services as requested by management and /or the Audit Committee such as forensic auditing, risk management and the like.
- b) The scope of internal audit work entails testing and evaluating the adequacy and effectiveness of the organization's systems of internal control and to make recommendations where applicable. The controls subject to evaluation should encompass the following, but is not limited to:
- i. Review the effectiveness and efficiency of the risk management process.
  - ii. Review and update where necessary the current and existing NAMC risk management strategy.
  - iii. Appraising the economy, effectiveness and efficiency with which resources are employed and identifying opportunities to improve operating performance.
  - iv. Review the reliability and integrity of financial and operating information and the means used to identify measure, classify and report such information.
  - v. Review the systems established by management to ensure compliance with those policies, laws, regulations and controls that could have a significant impact on operations and determine whether the entity is in compliance with Public Finance Management Act No 1 of 1999 and other relevant legislation that governs the entity.
  - vi. Ensure that the entity adheres to the corporate governance requirements as prescribed by King III report.
  - vii. Reviewing operations or programmes to ascertain whether the results are consistent with established objectives or goals and whether the operations or programs are being carried out as planned.
  - viii. Develop a rolling three-year strategic and annual internal audit plan based on the results of the risk review and the execution of audits in accordance with these plans.
  - ix. Liaise with the external auditors to prevent duplication of work and share information to obtain efficiencies.
  - x. Submit quarterly reports to the Audit & Risk Committee for the duration of the contract. The successful bidder will be required (i) To report on progress of the work against the approved Annual Internal Audit Plan to the Audit and Risk Committee at all Audit and Risk Committee meetings (ii) To attend a strategic workshop to obtain knowledge of the procedures of the

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department. Exact dates of possible submission deadlines will be arranged with the successful bidder.

- xi. Develop / update the Internal Audit Charter that contains the purpose, authority, and responsibility of the internal audit activity. The Internal Audit Charter must be consistent with the Definition of Internal Auditing, the Code of the Ethics, and the Standards.
- xii. Perform ad hoc requirements, as requested by Council or the Audit and Risk Committee.
- xiii. The successful bidder will assume the full accountability for the IA function as it's fully outsourced.
- xiv. Provide blended rates e.g. 1500 per hour including VAT for IT audits.
- xv. Develop a three-year audit plan.
- xvi. Prepare the risk profile to assess the coverage of the audit plan and cost associated against the budget.

c) Execution of audit assignments will be as follows:

- i. Assignments are to be performed in accordance with the International Standards for the Professional Practice of Internal Auditing (*Standards*). Compliance with the IIA Standards will be evaluated through conducting External Quality Assurance Review undertaken by the NAMC.
- ii. The execution of each assignment shall be in accordance with the Annual Internal Audit Plan.
- iii. In carrying out the work, the successful bidder must ensure its staff maintains their objectivity by remaining independent of the activities they audit.

(e) Location of services

The required service of internal audit will be rendered at NAMC's offices situated at 536 Francis Baard Street in Pretoria.

## TECHNICAL REQUIREMENTS

Thorough research must be conducted for benchmarking purposes and estimation of overall hours by the organization inviting tenders, the overall hours should be the basis for evaluation of the following in the bidding process:

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- a) Explanation of the approach to performing an internal audit, including the audit methodology, nature, timing and extent of audit procedures to be performed;
- b) Demonstration of experience and expertise of internal auditing in the public sector. Providing an activity plan (project plan) of actions to achieve the objectives of the internal audit function, specifying budgeted hours, timelines and sequence for its audit procedure and level of staff to be assigned.
- c) Incorporating CV's of the proposed professional staff of the core management team proposed for the engagement and the authorized representative submitting the proposal. Key information should include the position of the individual in the company, the role that the individual will have in the engagement, number of years' experience, all tertiary and professional qualifications, professional memberships, experience, and degree of responsibility held in various assignments during the last three (3) years. CVs must be maximum one (1) page per staff member.
- d) Proof of experience in performing internal audit services. List current and past public sector internal audit clients along with the name of the organization, contact person, designation, contact number, nature of the internal audit service (outsourced / co-sourced) and length of the appointment for at least three (3) public sector organisations where you have rendered internal audits services in the last three (3) years.
- e) Proposals must remain valid from the submission date. NAMC will make its best effort to complete negotiations within this period. If the Proposal validity period of 90 days is extended, bidders have the right to withdraw their Proposals.

## **EVALUATION CRITERIA**

Proposals will be evaluated on the 80/20 preference points scoring system: that is, 80% of the points awarded will be based on price, as indicated in the table below; and 20% of the points awarded will be based on B-BBEE codes system, allocated as indicated in the table below.

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<b>B-BBEE status level of contributor</b>	<b>Number of points</b>	<b>Price</b>
1	20	80
2	18	
3	14	
4	12	
5	8	
6	6	
7	4	
8	2	
Non-compliant contributor	0	

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Total maximum points	20	20
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- Proposals should make clear the relevant **skills, experience and capacity** of the participant, in respect of this particular TOR
- Proposals must contain the details of the **proposed approach** to be adopted in order to deliver the service in accordance with the TOR
- Proposals should clearly indicate whether or not bid participants have the **internal capacity** to meet the requirements of the TOR

## FUNCTIONALITY EVALUATION CRITERIA

No	Description	Subdivision of Functional Criteria	Points Weighting	Total Points
1	<b>Experience, Skills and Ability of Service Provider</b>	Experience of service provider in the regulatory environment or public sector. (2 points for each year's experience, maximum 10 points)	10	30

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		Experience of service provider in Internal Audit, Governance and Risk Management. (2 points for each year's experience, maximum 10 points)	10	
		20 minutes presentation of detailed proposal to the NAMC (Only applicable if service provider is short listed)	10	
2	<b>Technical Approach and Methodology</b>	Proposals must contain the details of the proposed approach to be adopted in order to deliver the service in accordance with the TOR. (These criteria will be evaluated using the format as detailed in the table below)	20	20
4	<b>References</b> (contactable clients that were serviced in the past 12 months)	Reference Letters with positive feedback (1 points for reference letter, maximum 5 points)	5	5

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5	<b>Project management</b>	<ul style="list-style-type: none"> <li>• Bidders must allocate a project manager for this project</li> <li>• The proposal should contain a work plan, showing tasks, timelines</li> <li>• Did the bidder give, submit clear proposed project timelines for the project</li> <li>• Does the project plan cater for risk management associated with this project and mitigation strategy</li> <li>• Project management and turn around management (Ability to Deliver on Time)</li> </ul>	10	10
6	<b>Experience and qualification of partners,</b>	Experience of Internal Audit Partners/Directors) (1 points for each year's experience, maximum 5 points)	5	35

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<p><b>managers and audit staff</b></p> <ul style="list-style-type: none"> <li><b>• Provide a comprehensive CVs</b></li> <li><b>• Proposals should clearly indicate whether or not bid participants have the internal capacity to meet the requirements of the TOR)</b></li> </ul>	<p>Experience of Internal Audit Managers (2 points for each year's experience, maximum 10 points)</p>	10	
	<p>Experience of Internal Audit Specialists in Performance Information. (2 point for each year's experience, maximum 10 points)</p>	10	
	<p>Experience of Internal Audit Specialists in IT. (Certified Information System Auditor) 1 point for each year's experience, maximum 5 points)</p>	5	
	<p>(Affiliation to or membership of professional bodies)</p>	5	
<b>TOTAL</b>			<b>100</b>

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	<b>Minimum threshold for functionality</b>	<b>65</b>
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The technical approach and methodology portion of the approach paper will be read in conjunction with the work plan.  
The scoring of the approach paper will be as follows:

	<b>Technical approach and methodology (workplan)</b>
<b>Poor</b> <b>(score less than 8)</b>	<p>The technical approach, methodology and/or workplan is poor / is unlikely to satisfy project objectives or requirements.</p> <p>The technical approach fails to not deal with the critical aspects of the project as outlined in the terms of reference.</p>
<b>Satisfactory</b> <b>(score max 14)</b>	<p>The approach to performing an internal audit, including the audit methodology, nature, timing and extent of audit procedures to be performed are generic and not tailored for NAMC needs.</p> <p>The approach does not adequately address all the requirements as stipulated in the terms of reference.</p>
<b>Good</b> <b>(score max 18)</b>	<p>The approach to performing an internal audit, including the audit methodology, nature, timing and extent of audit procedures to be performed are tailored to address NAMC needs.</p> <p>The approach is flexible to accommodate possible changes that could appear during execution. The workplan is also comprehensive and easily understandable. The approach adequately addresses</p>

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	the requirements as stipulated in the terms of reference.
<b>Very good (score max 20)</b>	<p>The approach to performing an internal audit, including the audit methodology, nature, timing and extent of audit procedures to be performed are excellent.</p> <p>The approach provides an Innovative strategy to adequately address the requirements as stipulated in the terms of reference.</p>

Bidders are required to score a minimum of 65% points on functionality to qualify to be evaluated in the next level (HDI and price). Bidders who do not score the minimum of 65% points on functionality will be disqualified and not be evaluated on price and BBBEE

## **SUBMISSION REQUIREMENTS**

No Tender will be evaluated for approval without the following documents:

- Application forms to be registered on NAMC database
- Original Tax Clearance Certificate
- Original BEE certificate or certified copy
- Central Supplier Database (CSD) Summary Report
- Certified ID Copies of Company Directors/Partners / Trustees (whichever is applicable).
- Proof of company registration (CK1)
- SBD 1, SBD 2, SBD 3, SBD 4, SBD 6.1, SBD 7.2, SBD 8, SBD 9 (Documents attached)
- General Condition of contract (Documents attached)

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## **TAX VERIFICATION ON THE CENTRAL SUPPLIER DATABASE**

- The supplier is required to submit a good standing original tax clearance, hence the tax status will be verified directly on the Central Supplier database (CSD) prior to the awarding of competitive bids.
- Where the recommended bidder is non-tax compliant, the bidder will be notified in writing and a period of 7 working days will be granted to a supplier to resolve their tax obligations with SARS.
- Should the recommended bidder fail to submit a written proof of their tax compliance status in terms of the above paragraph, the accounting officers will reject the bid submitted by the bidder.

## **PRESENTATION BY SHORT LIST**

The short-listed candidate may be required to deliver a 20 minutes presentation of their detailed proposal to the NAMC. Candidates will be advised of their specific presentation time at least **3 days** prior to the presentation date.

## **CONTRACT MANAGEMENT**

Delivery of the goods and services shall be made by the supplier in accordance with the terms specified in the service level agreement. The details of shipping and/or other documents to be furnished by the supplier are specified in General Conditions of Contract (GCC).

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Ongoing reviews based on either terms of reference or any other resolutions that have been passed by management should be conducted by NAMC on services rendered.

NAMC will allocate fictitious hours to the above activities and use the average rate to calculate a ceiling price for the 3 -year contract period. The ceiling price will be used for evaluation purposes only.

The nature and number of audit activities to be conducted on an annual basis will be decided when compiling the Annual Internal Audit Plan and the above indicated rates will be used to calculate the service provider's budget for the specific year.

### **Disbursements**

The bid documentations will be made available to bidders free of charge

**We need one original copy and five copies of the proposal**

### **Submissions requirements**

A document with specific deliverables can be obtained from NAMC website ([www.namc.co.za](http://www.namc.co.za)) or for collection between office hours: 08h00 to 16h00 at the attached address.

Applications/submission should be addressed to the:

National Agricultural Marketing Council

Old Mutual Building, Block A, 4<sup>th</sup> Floor

536 Francis Baard Street

Meintjiesplein

Arcadia

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Pretoria

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OR

Chief Executive Officer

National Agricultural Marketing Council

Private Bag x935

Pretoria

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On or before at 11h00am, enquires regarding the scope of work can be directed to:

Meshack Letlape at (012) 341 1115/ (012) 400 9750

Email address: [meshackl@namc.co.za](mailto:meshackl@namc.co.za)

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