

TERMS OF REFERENCE FOR APPOINTMENT OF A SERVICE PROVIDER TO OFFER INTERNAL AUDIT SERVICES TO ECGB FOR A MINIMUM PERIOD OF THREE YEARS

The Eastern Cape Gambling Board (ECGB) is a statutory body established by the Eastern Gambling and Betting Act, 1997 (Act No.5 of 1997 as amended) (the Act). The mandate of the Board is to regulate or control all gambling activities within the Eastern Cape Province. This includes the issuing and revocation of gambling licenses, exclusion of problem gamblers, protection of the public against unscrupulous gambling practices, and eradication of illegal gambling activities in the Province.

The ECGB requires services of an external service provider that will provide comprehensive Internal Audit services in accordance with the Institute of Internal Auditor's International Professional Practices Framework. The successful bidder will be appointed for a period of thirty six (36) months with an option to renew in ECGB's sole discretion for an additional 24 (twenty four) months on the same terms and conditions unless the parties agree otherwise.

The successful applicant will assist the ECGB Board in fulfilling its responsibilities of ensuring that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control while ensuring that there is a system of Internal Audit under the control and direction of an Audit and Risk Committee.

1. Deliverables for the Internal Audit Services

- 1.1 Ensure annual review and approval of the Internal Audit Charter of the ECGB;
- 1.2 Assist in the annual review of the Audit and Risk Committee Charter;
- 1.3 Ensure there are relevant internal audit policies and procedure manuals adopted and approved by ECGB including the review and approval of the Internal Audit Methodology;

- 1.4 Facilitate and oversee the risk identification and assessment process in accordance with the ECGB's Risk Management Policy, Framework and best practices - which must result in the risk register of the ECGB;
- 1.5 Prepare a risk based Three Year Rolling Strategic Internal Audit Plan and Annual Internal Audit Plan that details audit scope and includes the evaluation of the adequacy and effectiveness of ECGB's risk management, control, and governance processes, detailed resources, time frames per activity and present such strategic plan to Management for inputs, and to the Audit and Risk Committee for approval;
- 1.6 Prepare and execute the risk based Annual internal Audit Plan according to the approved resources and timeframes for each year of the rolling three-year strategic internal audit plan as per approval by the Audit and Risk Committee;
- 1.7 Prepare and submit internal audit reports according to the execution of the risk based Annual Internal Audit Plan, discuss such reports with Management and present such reports, at least quarterly, to the Audit and Risk Committee;
- 1.8 Provide assurance and consulting services on the ECGB's enterprise risk management process and conduct ad-hoc reviews on areas identified and agreed by Management and the Audit and Risk Committee;
- 1.9 Develop and maintain a Quality Assurance and Improvement Program (QAIP) for ECGB internal audit that must include both internal and external assessments;
- 1.10 Provide and perform an executive support function to the Audit and Risk Committee.

2. Conditions

- 2.1 Planning documents such as process flow (or system documentation) and audit files with supporting documentation shall become property of the ECGB;
- 2.2 The service provider shall liaise and interact with both the Chief Financial Officer and external auditors to make all requested information available;

- 2.3 The service provider shall share working papers / methodologies used during the reviews while executing the approved risk based internal audit plans during the period of providing internal audit services;
- 2.4 The appointed service provider will be subjected to at least annual review based on the agreed Service Level Agreement (SLA), deviation from the SLA will be treated according to the SLA terms.

3. Project Timelines

- 3.1 The appointment is for a three year period commencing on 1st June 2018, or soon thereafter, subject to signing of an SLA with ECGB. The successful bidder will be appointed for an initial period of thirty six (36) months with an option to renew, in ECGB's sole discretion, for an additional 24 (twenty four) months on the same terms and conditions unless the parties agree otherwise.
- 3.2 Contract price adjustments will be made annually on the anniversary of the contract start date. The price adjustment will be based on the average annual Consumer Price Index Headline inflation for the previous calendar year as per Statistics SA (P0141 table B2).

4. Special Conditions

Your written proposal must contain the following information:

- 4.1 The service provider must attach the latest results of an External Quality Assurance Review that is not older than five (5) years. The bidder must have achieved an overall assessment that it *“Generally Conforms”* to the *Standards* for the External QAR. If the bidder does not attach the latest results or has not achieved a *“Generally Conforms”* result, they will not be considered further.
- 4.2 The completed Tender Submission forms attached to these terms of reference. Please ensure the full completion of these original forms. **Failure to submit these forms will result in the non-acceptance of your proposal (disqualification.)**
- 4.3 Bidders are required to submit their bids in two envelopes with the first envelope outlining the functionality. The first envelope must be clearly marked Stage 1; Functionality.

- 4.4 Furthermore, bidders are required to include their pricing in a second sealed envelope marked Stage 2; Price, which must also include their BEE status level of contribution. In this regard Annexure A, table A1 and A2 must be fully completed.
- 4.5 Certified copy or an Original BBBEE verification certificate/sworn affidavit (if applicable).
- 4.6 Unique security Personal Identification Number (PIN) from SARS or latest Centralised Supplier Database (CSD) full report.
- 4.7 CVs of designated personnel who will be working on the assignment.
- 4.8 Letters of References where such services have been previously conducted

5. STAGE 1

Functionality will be assessed against the criteria and weightings specified in Table 1 below. The following are key criteria that will be used in appointing the successful service provider:

- 5.1 **THRESHOLD:** Bids will be evaluated on the 80/20 principle as prescribed in the Preferential Procurement Policy Framework Act 6 of 2017.

FUNCTIONALITY	MAXIMUM POINTS
<p>A.1 Engagement Director experience in public sector internal audit</p> <ul style="list-style-type: none"> • 8 or more years of relevant experience = 12 points • 6 years of relevant experience = 10 points • 5 years of relevant experience = 8 points • 4 years of relevant experience = 6 points • 3 years of relevant experience = 4 points <p>A.2 Audit Manager experience in public sector internal audit</p> <ul style="list-style-type: none"> • 8 or more years of relevant experience = 12 points • 6 years of relevant experience = 10 points • 5 years of relevant experience = 8 points • 4 years of relevant experience = 6 points • 3 years of relevant experience = 4 points <p>A.3 Engagement Director's experience in public sector external audits = 3 points</p> <p>A.4 Audit Manager's experience in public sector external audits = 3 points</p> <p><i>Bidders are required to submit signed letters of reference on the client's letterhead from previous contracts to substantiate all experience claimed above. No points will be awarded for contracts that are not verifiable to reference letters.</i></p>	<p>30</p>

<p>B. Methodology</p> <p>Bidders are required to provide and submit with their bid documents:</p> <p>B.1 A detailed Internal Audit Methodology (Planning, Execution, Reporting & Follow up) - maximum 8 points.</p> <p>B.2 Risk Assessment Methodology and link to development of the Risk Based Internal Audit Plan - maximum 6 points.</p> <p>B.3 The purpose and summarized contents of the Internal Audit Charter & Audit and Risk Committee Charter- maximum 6 points.</p> <p>B.4 Detailed Quality Assurance and Improvement Program (QA&IP) (Including processes for individual audit file quality reviews, and internal/external quality assurance reviews) - maximum 6 points.</p> <p>B.5 Reporting template to the Audit and Risk Committee and Board - maximum 4 points</p> <p><i>The more detailed the methodologies demonstrate each stage of the audit process, the linkage to the development of the Internal Audit Plan, the purpose and contents of the charters and quality processes, and the more likely the bidder is to be able to execute the contract successfully, the more points will be allocated</i></p>	30
<p>C. Qualification of Key staff for the project</p> <p>Bidders are required to provide and submit with their bid documents the following:</p> <ul style="list-style-type: none"> • Detailed Organogram of key staff on the project and functions/ roles • 1 point for every staff member within the project who is registered with the <i>Institute of Internal Auditors</i> - maximum of 4 points. • 1 point for every staff member within the project with a 4 year Bachelor's Degree or B-Tech - maximum of 5 points • 2 Points for every staff member within the project that is a Certified Internal Auditor (CIA) or Chartered Accountant CA(SA) - maximum 6 points <p><i>Proof of Qualifications of key staff members of the project to be attached - the higher the proven capacity of the bidder's key staff for the project the more points will be allocated</i></p>	15
<p>D. Location of bidder</p> <ul style="list-style-type: none"> • 25 points if the engagement director, manager and primary audit office are all situated inside Buffalo City • 15 points if the manager and primary audit office are situated inside Buffalo City • 10 points if the primary audit office is situated inside Buffalo City • 0 points if the bidder is situated outside Buffalo City <p><i>Proof of address required (i.e. Title deed / Valid Lease agreement / Municipal account.) Failure to submit the required proof of address will result to a score not been allocated</i></p>	25

5.2 Bids will be considered and evaluated in a two staged approach.

5.3 During the first stage, bidders will only be evaluated on functionality, and only qualifying service providers who meet the minimum requirements for functionality will be allowed to proceed to the second stage where scoring

will be done on 80 points for price and 20 points for B-BBEE Status Level of Contribution.

- 5.4 Bidders are required to submit their bids in two envelopes with the first envelope outlining the functionality. The first envelope must be clearly marked Stage 1; Functionality.
- 5.5 Furthermore, bidders are required to include their pricing in a second sealed envelope marked Stage 2; Price, which must also include their BEE status level of contribution.
- 5.6 Only bidders who meet the minimum of 75 points on functionality during the evaluation of Stage 1 will proceed for scoring in Stage 2.

STAGE 2

PREFERENTIAL PROCUREMENT REGULATIONS OF 2017 WILL APPLY:

Price and B-BBEE Status points will be calculated as described in the Preferential Procurement Regulations 2017. SBD 6.1 Form must be used to claim B-BBEE Status level of the company.

NB: Certified copy or original B-BBEE Status Level Verification Certificate must be submitted to substantiate B-BBEE Status Claimed (this includes affidavit submitted to confirm a B-BBEE status). When such certificate is not provided as proof the company will automatically score zero.

Table 2: Points available per criteria in Stage 2

CRITERIA	POINTS
BID PRICE - <i>evaluation will be based on the pricing schedule as per Annexure A where the indicative audit hours per annual audit plan are already provided, and the bidder must indicate the average hourly rates per assignment, reconciled to the actual hourly rates per level of staff that will be contracted to provide the Internal Audit Services.</i>	80
B-BBEE CONTRIBUTION LEVEL	20
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0
TOTAL	100

6. Briefing Session

Compulsory Briefing session will be held on 19 April 2018 at 10:00 at the ECGB's offices and the door will be closed at 10:15. No late bidders will be allowed to come in after this time.

NB: Bidders who do not attend the compulsory briefing session will not be considered.

7. Contact Details

Regards to bid documents

Ms Thandi Malotana

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Regards to Terms of Reference

Mr Rodger Hill

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Fax no.: 043 - 748 2218

BID SPECIFICATION IS:



LUVUYO TSHOKO (MR)
CHAIRPERSON: BID SPECIFICATION COMMITTEE
DATE: 10 / 04 / 2018

RECOMMENDED / ~~NOT RECOMMENDED~~

BID SPECIFICATION IS:



R.P. HILL (MR)
CHIEF FINANCIAL OFFICER
DATE: 10 / 04 / 2018

SUPPORTED / ~~NOT SUPPORTED~~

BID SPECIFICATION IS:



R.M. ZWANE (MR)
CHIEF EXECUTIVE OFFICER
DATE: 11 / 04 / 2018

APPROVED / ~~NOT APPROVED~~



ANNEXURE A: PRICING SCHEDULE

RFP NO:

ECGGB-18/19-BID 01

PROVISION OF INTERNAL AUDIT SERVICES TO THE EASTERN CAPE GAMBLING BOARD

RFP NAME:

BIDDER NAME

Table A1: Indicative Audit hours per annual audit plan

Item	Focus Area	Estimated hours	Average Hourly rate (excl VAT)	Average Hourly rate (incl VAT)	TOTAL Price (incl VAT)
1	Management of Internal Audit Function	150	R	-	R -
2	Risk Management	100	R	-	R -
3	Governance and compliance	225	R	-	R -
4	Risk based, Operational, Financial, and Control Reviews	400	R	-	R -
5	Performance Information	250	R	-	R -
6	Information Technology reviews	175	R	-	R -
7	Follow up reviews	100	R	-	R -
8	Ad-hoc reviews	100	R	-	R -
	Total	1500	R	-	R -
PRICE THAT WILL BE USED FOR EVALUATION PURPOSES					R -

Table A2: Actual hourly rates for contracting purposes, based on the hours above

Item	Description	Estimated hours	Actual Hourly rate (excl VAT)	Hourly rate (incl VAT)	TOTAL Price (incl VAT)
1	Engagement Director			R -	-
2	ICT Director			R -	-
3	Manager			R -	-
4	ICT Specialist			R -	-
5	Assistant manager			R -	-
6	Supervisor			R -	-
7	Internal Auditor			R -	-
8	Junior Auditor			R -	-
9	Other Specialists			R -	-
10				R -	-
11				R -	-
12				R -	-
	Total	0		#DIV/0!	R -
		ERROR			
<p>PRICE THAT WILL BE USED FOR EVALUATION PURPOSES (Hours and Average rate must agree to table A1 above.)</p>					R -

Note: Due to the nature of the assignment, Subsistence and Travel expenses will be limited to 5% of the professional fees to be billed and do not need to be included separately above.