



an agency of the
Department of Arts and Culture

WILLIAM HUMPHREYS ART GALLERY

P O Box 885
Civic Centre
Kimberley
8300
South Africa

Tel: (053) 831 1724/5
Facsimile: (053) 8322221
E-Mail: info@whag.co.za
Website: www.whag.co.za

TERMS OF REFERENCE FOR INTERNAL AUDIT SERVICES

The William Humphrey's Art Gallery (WHAG), invites proposals for the provision of internal audit services from 15 April 2019 to 14 April 2022.

1. OBJECTIVES OF THE INTERNAL AUDIT FUNCTION

The objective is to appoint a suitable, independent service provider that can provide an appropriate internal audit service for the Accounting Authority and Management of WHAG. In terms of the Public Finance Management Act (PFMA), WHAG 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 WHAG to accomplish its objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management control and governance processes. The risk management strategy, including the Fraud Prevention Plan, must be used to direct the internal effort.

One of the objectives of the internal audit function is to assist the independent audit committee and Accounting Authority, in effectively discharging their responsibilities. This has to be done through furnishing them with analyses, appraisals, recommendations, counsel and information concerning the activities that have been reviewed as well as regular follow-ups.

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

- Internal control processes across the business;
- The information systems environment;
- The reliability and integrity of financial and performance information;
- The effectiveness of operations;
- Compliance with policies, regulations and controls

The safeguarding of assets;

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

2. SCOPE OF THE WORK

The scope of the internal audit function includes the points listed below.

1. The internal audit function must, in consultation with the independent audit committee and management, prepare:

- A rolling three-year strategic Internal Audit Plan based on its assessment of key areas of risk for the WHAG, having taken into consideration the entity's current operations, the operations proposed in its corporate or strategic plan and its risk management strategy.
 - An annual Internal Audit Plan.
 - Plans indicating the scope, cost and timelines of each audit in the annual internal audit.
 - Internal Audit reports directed to the independent audit committee detailing its performance against the plan to allow effective monitoring and intervention, when necessary.
2. It must co-ordinate with external providers of assurance (Auditor-General of South Africa) to ensure proper coverage and minimal duplication of effort.
 3. The internal audit function must assist the Accounting Authority in maintaining effective controls by evaluating those controls and developing recommendations for enhancement or improvement.
 4. It must assist the Accounting Authority in achieving the objectives of WHAG 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 performance information are reviewed to ascertain whether they are consistent with WHAG's established objectives and goals and whether the programmes are being carried out as planned; and
 - The adequacy of established systems and procedures are assessed.
 5. The audits that will need to be taken into account at WHAG are, among others:
 - Audit of controls of significant items included in the Annual Financial Statements;
 - Basic ICT security and systems processes audit;
 - Evaluate risk exposure relating to the institutions governance, operations and information systems;
 - Status of record review
 - Consider ad-hoc requests from management which will flow from a written request approved by the independent audit committee; and
 - Audit designed to detect fraud.

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 or exposure WHAG's risk. Any such defects must be reported immediately to the Director and the independent audit committee, without disclosing these to any other staff. This also applies to instances where serious fraud and irregularities have been uncovered.

3. EXPECTED OUTCOMES AND DELIVERABLES

Performing Audit Assignments

Each assignment should at least consist of the following:

- A pre-audit survey;
- 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 independent 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.

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 the independent audit committee; and
- Conclusion.

The auditor is to deliver an electronic copy and one signed copy of the final report to the Chairperson of the independent audit committee and Director.

The internal auditor may be requested to provide the reports to the Audit and Risk Committee (ARC), a sub-committee of council.

4. QUALITY ASSURANCE REVIEWS OF THE WORK

The auditor 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.

5. MONITORING THE PROGRESS OF ASSIGNMENTS

On completion of each assignment, the auditor shall distribute the reports to the independent audit committee and the Director.

On a quarterly basis, a report on progress against the plan, significant findings and administrative matters will have to be presented to independent audit committee and ARC/Council.

6. DURATION OF CONTRACT

The contract is expected to run for three 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.

**The closing date for this advertisement is 8th April 2019 at 13h00. Electronic proposals may be emailed to director@whag.co.za or hard copies delivered to
The Director
1 Cullinan Crescent
Civic Centre
Kimberley**

The successful prospective supplier should be able to start from 15 April 2019.

7. EVALUATION CRITERIA

Pricing and BEE Evaluation

The following 80/20 criteria will be used for the evaluation of the proposals:

- **Pricing** 80 points
- **B-BBEE Points** 20 points

8. MANDATORY INFORMATION TO BE SUBMITTED

The written application should be accompanied by the following minimum documentation:

- A company profile, the mission and values of your organization, details of experience in public sector internal audit services must be provided (including reference letters).
- Proof of valid registration or membership to the IIASA.
- A detailed methodology/approach, project plan and timeframes for completion of the scope of work.
- Details of appropriate competence, skills and expertise within your organization required for the execution of this internal audit function.
- CV's of key personnel that will be assigned to the function. The CV's should be supported with proof of qualifications
- Detailed pricing structure: A cost schedule detailing the full cost breakdown, inclusive of VAT, any and all disbursements and escalations, if applicable, etc. for the entire duration of the proposed contract must be provided and method of billing.
- Valid B-BBEE verification certificate from a Verification Agency accredited by the South African National Accreditation Systems (SANAS), or a Registered Auditor approved by the Independent Regulatory Board of Auditors (IRBA), or an Accounting Officer as contemplated in the Closed Corporation Act (CCA), or a sworn affidavit confirming micro enterprise with annual turnover.
- Central Supplier Database (CSD) Registration Report and/or Master registration number (MAAA.....)
- *The completion of the following enclosed documentation:*
 - SBD 1 – Invitation to submit a Quotation
 - SBD 3.3 – Pricing Schedule
 - SBD 4 – Declaration of Interest
 - SBD 6.1 – Preference Point Claim
 - SBD 8 – Declaration of bidder's past Supply Chain Management Practices
 - SBD 9 – Certificate of Independent Bid Determination

9. FINANCIAL PROPOSAL

It is understood that internal audits are based on hourly rates and that budgets are compiled once the appointed auditor has assessed the likely extent of the work. Financial proposals will be compared on the basis of hourly rates. Firms are required to submit a table of hourly rates as per SBD 3.3. Rates should be **inclusive** of overheads and VAT. If a particular category does not exist for the firm, it can be omitted.

It is recognised that it is difficult for a prospective supplier to be firm about the extent of the work based solely on the terms of reference. However, to assist with assessments, a firm must provide a typical distribution of time for members of the audit team on a job of this nature. This should be expressed in percentages of the total person-hours billed on a typical job and included in SBD 3.3.