



**TERMS OF REFERENCE
FOR CBE 8/2019:
APPOINTMENT OF AN INDEPENDENT
EXTERNAL AUDITOR FOR THE PROVISION OF
EXTERNAL AUDIT SERVICES TO THE CBE**



1. Background of the CBE

The Council for the Built Environment (CBE) is a statutory body established under the Council for the Built Environment Act (no. 43 of 2000). It is an overarching body that coordinates the six Professional Councils (Architecture, Engineering, Landscape Architecture, Project and Construction Management, Property Valuation and Quantity Surveying – all operating within the Built Environment) for the purpose of promoting good conduct within the Profession, transforming the professions and advising Government on issues relating to the Built Environment. The CBE is a schedule 3(a) public entity and is subject to compliance with the Public Finance Management Act (PFMA) Act No. 29 of 1999 and Treasury regulations.

2. Background of the Assignment

In line with general notice 839 of 2011, published in the Government Gazette of 28 November 2011, a Public Entity may proceed to appoint its own auditor if it was notified by the Auditor-General (“AG”) that he will not perform the audit.

The CBE received notification that the AG will not be conducting the March 2020 audit and that the CBE could proceed with the process of consultation for the appointment of auditors.

Consequently, CBE is inviting audit firms that comply with the tender criteria set out below, to submit bids for the external audit services required for a period of 3 years commencing in the March 2020 financial year-end, subject to annual re-appointment in line with the Public Audit Act.

3. Objective of the assignment

The objective of the assignment is to appoint a reputable independent external audit service provider to provide an independent audit opinion of the accounts, financial statements, annual performance report and annual financial reports of the CBE. The external auditor must adhere to and meet all statutory requirements of the Public Audit Act, the International Auditing Standards (ISA) and such requirements as may be set by the Auditor-General (AGSA).





4. Scope of work and project deliverables

The independent external auditor will be required to:

- 4.1 Perform an audit in accordance with the Public Audit Act of South Africa (Act No. 25 of 2004), the General Notice issued in terms thereof, International Standards on Auditing and the Public Finance Management Act 29 of 1999 and National Treasury Regulations, including required interim work in order to limit the time required after year end.
- 4.2 In accordance with the Public Audit Act of South Africa, and the General Notice issued in terms thereof, report on the findings relevant to performance against predetermined objectives, information systems audit, compliance with laws and regulations and other reports required by the Public Finance Management Act 29 of 1999 and National Treasury Regulations.
- 4.3 Determine the scope, methodology and approach as per AGSA guidelines and legislative requirements (i.e Public Audit Act) and prepare the audit strategy (Audit Planning Memorandum) with a detailed budget for approval.
- 4.4 Communicate audit findings to management and ensure they are fully aware of the implications to business operations;
- 4.5 Provide a final report with management responses on corrective actions and the presentation thereof to the Audit Committee and Council.
- 4.6 Review the financial information in the annual report prior to publishing
- 4.7 Attend and provide input to the Audit Committee meetings, where necessary.
- 4.8 Perform a review and express an opinion on the National Treasury financial statements template based on the statutory work performed by 31 July of each year.

All bidders must please note that the CBE is classified as a small audit in terms of Auditor-General classification.

Note: The latest CBE audited financial statements are available on the CBE website in order to help understand the scope of the CBE audit.



5. Expertise and capacity

The key criteria to be considered for the suitability of the independent external auditor include the following:

- 5.1 Have knowledge and a comprehensive understanding of the public sector; and an understanding of the CBE's regulatory universe.
- 5.2 The independent external auditor must demonstrate that they:
 - 5.2.1 Have sufficient in-house capacity to perform statutory audits for the CBE.
 - 5.2.2 Will not be over-reliant on CBE audit fee (i.e. audit fees from CBE must not exceed 15% of its total revenue). In other words, the independent external auditor should be a going concern without depending on CBE's audit fees.
- 5.3 Have a minimum of three (3) partners including the engagement partner.
- 5.4 Audit engagement partner must be based in Gauteng. This is in accordance with National Treasury General Procurement Guidelines, which states that the aim of the PPPFA is to promote local enterprises in specific provinces, in a particular region, in a specific local authority or in rural areas.
- 5.5 The independent external auditor must be prepared to forsake any non-audit services for the duration of the audit appointment. The independent external auditor is therefore required to declare its interest.
- 5.6 The bidder must provide evidence of satisfactory results (i.e. latest IRBA firm-level review results) of the partner(s) committed on the assignment.
- 5.7 Independence and Objectivity – No conflict of interest. A firm where any of the Board members, management or staff of CBE are partners or part-owners in will not be eligible for appointment.
- 5.8 The independent external auditor will not, and has no right to, assign the audit contract to third parties.
- 5.9 The independent external auditor will be bound to the Code of Conduct and confidentiality as per the International Auditing Standards in the course of their duties.
- 5.10 The independent external auditor must have a quality control system in place as required by ISQC 1.

- 5.11 In line with the company's transformation strategy, which is guided by the **BBBEE Codes of Good practice**, the CBE will be targeting businesses certified **B E** as level 1 and level 2.



6. Professional Membership and Registration

It is mandatory for the audit engagement partner of the preferred independent external auditor that will be in charge of the CBE's account to be a Registered Auditor (RA) with the Independent Regulatory Board for Auditors (IRBA). Similarly, the preferred independent external auditor (audit firm) must also be registered with the IRBA.

7. Project Timeframe

The term of the appointment is for a period of 3 years subject to annual re-appointment in line with the Public Finance Management Act 29 of 1999, Public Audit Act 25 of 2004 and the annual performance review by the Audit Committee.

8. Content of the proposal

- 8.1 For Technical evaluation the following is required:
- 8.1.1 Company profile and relevant experience.
 - 8.1.2 Proposed methodology and approach to be used in keeping with the scope of works.
 - 8.1.3 Full and comprehensive description of similar work including fee per project undertaken in the past 5 years.
 - 8.1.4 A list of contactable client references where the bidder has successfully concluded similar audit work within the public sector in terms of scope and complexity.





- 8.1.5 Composition of the project team. Bidders must note that the proposed engagement partner and engagement manager will be the contracted resources. The project team must at least have the following experience:

Team member	Qualification/Experience
Partner, Quality reviewer	Registered Auditor, 10 years' experience
Senior Audit Manager	Registered CA(SA), 5 years' experience
Trainee Accountant	BCom: Accounting and SAICA article registration

Should the proposed trainees be replaced during the tenure of the contract, they should have similar qualifications and experience of the previous resource.

- 8.1.6 Abridged CV of each member of the proposed team (qualifications, experience, expertise etc.).
- 8.1.7 Evidence of registration with IRBA.
- 8.1.8 The latest satisfactory IRBA firm-level review results or the engagement partners' latest satisfactory IRBA review score (attained in respect of the inspection conducted during the period of 1 April 2016 to tender closing date).
- 8.1.9 Detailed statement on the independence of the bidder and the proposed external audit team as per Annexure B.
- 8.1.10 Company registration documents and ID's of registered directors.
- 8.1.11 Latest Annual Financial Statements
- 8.2 For the Financial Proposal the following is required:
- 8.2.1 The Financial Proposal must indicate the proposed annual cost for the service which gives an indication of the following:
- 8.2.1.1 Overall fixed price for the three year period must be inclusive of VAT and disbursements. Prices for this contract are firm for the first year, and subject to a maximum escalation rate of 5.0% for the next two years. The 5.0% escalation is based on the current average three year CPI forecast as per the latest MTEF National Treasury Guidelines.
- 8.2.1.2 A breakdown of these anticipated out-of-pocket expenses (disbursements) must be provided.





8.2.1.3 The pricing must be based on a **total number of 1 950 hours per year** (Average actual hours for the last two financial years). The split of the hours for the different levels of proposed resources can be determined by the bidder.

8.2.1.4 Fees must be quoted at an inclusive rate for the different levels of proposed resources to be utilised, as listed below.

Category	No of audit personnel (A)	Hours per resource (B)	Total hours (C = AxB)	Rate per hour (D)	Total (CxD)
Engagement partner					
Second partner review (if applicable)					
Engagement Quality Control reviewer (if applicable)					
Senior Audit Manager					
IT Audit Manager					
Audit Senior					
Audit Assistant/ Trainee accountant					
Other (specify)					
Total excluding VAT			1 950		
Disbursements					
Vat @ 15%					
Total audit costs inclusive of VAT - Year 1					
Total audit costs inclusive of VAT escalated at 5% - Year 2					
Total audit costs inclusive of VAT escalated at 5% - Year 3					
TOTAL					





9. Evaluation Process

After the closing date, an appointed Bid Evaluation Committee will evaluate the proposals received. The following evaluation process shall be followed:

9.1 Pre-qualification criteria

Bidders will be required to meet the following pre-qualification criteria. Failure to meet these requirements will result in the disqualification of your proposal.

- a) Potential service providers must ensure that they are registered on the National Treasury Central Supplier Database (CSD); The CSD registration report must be submitted. Prospective bidders must be tax compliant. **This proposal will not be awarded to any bidder who is not registered on the CSD, whose tax matters are not in order and is a restricted supplier.**
- b) Only **B-BBEE Level 1** and **Level 2** contributors must submit a response to this bid. An original or originally certified copy (it must be fresh ink and not a copy) of a correct and valid B-BBEE certificate (**only SANAS accredited certificates will be accepted**) OR valid original sworn affidavit (whichever is applicable) must be submitted to confirm your Level 1 or 2 status. Failure to submit a B-BBEE certificate or sworn affidavit will result in the disqualification of your bid. Failure to submit a correct and valid certificate or sworn affidavit will result in the disqualification of your bid. Any enquiries in respect of B-BBEE Status Level Verification Certificates may be directed to the Department of Trade and Industry (DTI) at 0861 843 384. Bidders must note that sworn affidavits need to adhere to the requirements set out in The Broad Based Black Economic Empowerment Practice Guide 1 of 2018, Determining the validity of a Broad-based Black Economic Empowerment verification certificate, B-BBEE certificate and sworn affidavit, par 17.
Special Note: Bidders must please ensure that sworn affidavits indicate the title of the deponent and the full financial year, not only the calendar year.
- c) **The bidder must be registered with the Independent Regulatory Board for Auditors (IRBA) and proof of registration must be submitted with the proposal.**
- d) **Detailed statement confirming the independence of the bidder and the proposed external audit team as per Annexure B.**



9.2 Evaluation Phases:

- Phase 1: Functionality Evaluation

The service provider's proposal will be evaluated against the set criteria indicated under paragraph 9.3 below. A form will be used which will reflect the name of the service provider and the different criteria with space provided to record the points awarded and motivation for points awarded. The allocation of points will not be effected on a basis of consensus.

The following scoring matrix will be used:

Unable to evaluate	Does not comply with the requirements	Partially complies with the requirements	Fully complies with requirements	Exceeds requirements	Exceptionally exceeds requirements
0	1	2	3	4	5

The following formula will be used to convert the points scored against the weight:

$$Ps = \left(\frac{So}{Ms} \right) \times 100$$

Where:

Ps = Percentage scored for functionality by proposal under consideration

So = Total score of proposal under consideration

Ms = Maximum possible score

Service providers will be expected to achieve a minimum threshold score of 70% in order to proceed for further evaluation.

A due diligence process will be conducted in respect of all short-listed bidders to determine the capability and ability of short-listed bidders to execute this contract. This may include a presentation by bidders with pre-determined questions being posed by the CBE, an investigation by the CBE of the bidder's previous contracts carried out, availability of skills or knowledge, existing work load, etc. Should negative feedback be obtained from the



aforementioned, that will render the bidder unsuitable to execute the assignment, their proposal will be disregarded at this point and they will not proceed for further evaluation.

Should a presentation be required a set of pre-determined questions based on the submitted proposal will be posed. This will be evaluated based on a grading scheme of either consistent or not consistent with the proposal. Should more than 20% of the responses not be consistent to the bidder's proposal their proposal will be disregarded.

Should the bidder meet the requirements of due diligence, their proposal will proceed to Phase 2.

- Phase 2: Calculation of points

Please note that the proposals will be evaluated using the 80/20 preference point system where:

- 80 points are allocated for price and 20 points are allocated for the service provider's B-BBEE Level of Contribution.

During phase 2, points for price will be calculated for all shortlisted service providers in accordance with the following formula:

$$P_s = 80 \left(1 - \frac{P_t - P_{\min}}{P_{\min}} \right)$$

Where:

P_s = Points scored for price of proposal under consideration

P_t = Rand value of proposal under consideration

P_{\min} = Rand value of lowest acceptable proposal

The final points will be calculated as follows:

Points for price: 80 points

B-BBEE Status Level of Contribution: 20 points

Final points: 100 points

A recommendation for award will then be formulated for approval by the relevant delegated authority.



9.3 Evaluation Criteria

The following criteria and weights shall apply when considering the proposals:

CRITERIA FOR FUNCTIONALITY	WEIGHT	SCORING GUIDELINE
<p>Experience and methodology relevant to the assignment</p> <p>Bidders must submit a company profile illustrating the following information:</p> <ul style="list-style-type: none"> Provide detailed proposal of the methodology/ approach to be used to carry out the scope of work, conforming to AGSA requirements, outlined above and clearly demonstrate how the audit deliverables will be achieved. (20) Minimum of 5 years' experience in the public sector (10) <p>Provide a minimum of five signed reference letters where the bidder has successfully concluded similar audit work in terms of scope and complexity. (15)</p>	45	<p>Risk based audit approach covering financial audit, predetermined objectives audit, Supply Chain Management and Information Technology audits.</p> <p>No methodology = 0 Poor methodology = 1 Methodology and one area = 2 Methodology and two areas = 3 Methodology and three areas = 4 Methodology and all areas = 5</p> <p>No demonstration of years' experience = 0 Newly registered = 1 Below 5 years = 2 5 years = 3 6-9 years = 4 10 years plus = 5</p> <p>No letters = 0 List of contactable references relevant to the assignment = 1 Below 5 letters relevant to the assignment = 2 5 letters relevant to the assignment = 3 6 letters relevant to the assignment = 4 More than 6 relevant to the assignment = 5</p>

Team Experience

The bidders must submit, as part of its proposal the following:

- In-house capacity at least 3 Registered Auditor's (Audit partners); with the audit engagement partner being based in Gauteng. (10)
- The structure and composition of the proposed team, clearly outlining the main disciplines/ specialities of this audit and the key personnel responsible for each speciality. Please refer to Annexure A of this document for the format in which the required information must be provided.
 - * Audit partner (8)
 - * Audit Manager (5)
 - * Trainee Accountants (2)

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Number of Registered audit partners	Engagement partner in Gauteng	Engagement partner not in Gauteng
1	Score = 1	Score = 0
2	Score = 2	Score = 1
3	Score = 3	Score = 2
4-7	Score = 4	Score = 3
>7	Score = 5	Score = 4

Engagement partner

Years experience	IRBA registered	IRBA and any other relevant professional registration
<6	Score = 1	Score = 2
6-9	Score = 2	Score = 3
10	Score = 3	Score = 4
12- 14	Score = 4	Score = 5
>14	Score = 5	Score = 5

Audit Manager

Years experience	Not SAICA registered	SAICA registered	IRBA and any other professional registration relevant to the assignment
Below 5	Score = 0	Score = 2	Score = 3
5	Score = 1	Score = 3	Score = 4
6	Score = 2	Score = 4	Score = 5
7 and more	Score = 3	Score = 5	Score = 5

<ul style="list-style-type: none"> Demonstration of knowledge and understanding of the Public Service Regulatory Framework such as, but not limited to: the Public Finance Management Act (PFMA), Treasury Regulations, South African Constitution etc. (5) <p>Submit the condensed CV's of the key resources to work on the project.</p>		<p>Majority (60%) of Trainee Accountants</p> <p>No degree = 2</p> <p>BCom: Accounting = 3</p> <p>BCom (Hons): Accounting = 4</p> <p>Public sector clients have been audited = 4</p> <p>No public sector clients = 0</p>
<p>Independence and objectivity</p> <p>The proposed audit fee does not exceed 15% of the independent external auditor's total turnover.</p>	10	<p>More than 15% = 0</p> <p>Less than 15% = 4</p>
<p>Results from IRBA</p> <p>The independent external auditor must submit evidence of registration with the IRBA; including evidence of each audit partner's registration with the IRBA. [As per pre-qualification criteria]</p> <p>Furthermore, evidence of a "satisfactory" IRBA firm-level review results or the engagement partners' latest satisfactory IRBA review score (attained in respect of the inspection conducted during the period of 1 April 2016 to tender closing date).</p>	15	<p>No evidence of IRBA results = 0</p> <p>IRBA review unsatisfactory = 2</p> <p>Satisfactory IRBA review = 5</p>
Total	100	
Threshold Score	70	

Important Conditions of Bid:

- Prices for this contract are firm for the first year, and subject to a maximum escalation rate of 5.0% for the next two years.
- Pricing must be inclusive of VAT (if VAT registered).
- All Supply Chain Management compliant (required) documents must be completed in full and submitted. These include: SBD 1, 4, 6.1, 8 & 9.
- The General Conditions of Contract (GCC) are to be acknowledged and returned with your bid.
- All parties forming a joint venture or consortium for the purpose of this assignment must submit a separate CSD report for each party and all SBD forms and GCC must be completed by each party to the joint venture or consortium and submitted accordingly.
- Proposals must be hand delivered to 169 Corobay Avenue, Corobay Corner (Block A – 2nd Floor), Menlyn, Pretoria and deposited into the bid box.
- It is the responsibility of prospective bidders to ensure that their bid documents are submitted before the closing date and time of the bid.
- Proposals received after the closing time and date will not be considered for evaluation.
- The CBE reserves the right not to award this contract.
- The CBE will enter into a formal contract with the successful bidder.
- The CBE reserves the right to disregard a bidders' proposal should it be found that work was previously undertaken for the CBE to which poor performance was noted during the execution of such contract in the last 5 years.
- Any change of information provided in the bid document that may affect service delivery by the successful bidder must be brought to CBE's attention as soon as possible. Failure to comply may result in the contract being terminated.
- Should the bidder present information intentionally incorrectly/fraudulently their proposal will be disqualified.
- Although adequate care has been given in the drafting of this document, errors such as those of a typographical nature may occur which the CBE will not be responsible for.
- The closing date for submission of bids is **21 February 2020 at 11:00am**.

**** Special Note: The CBE reserves the right not to award two contracts that are in direct conflict with each other to the same service provider.**

Written enquiries:

Supply Chain Management

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ANNEXURE A: Details of the key personnel of the bidders' proposed team

[illegible]

ANNEXURE B: Confirmation of Independence

Council for the Built Environment
2nd Floor Corobay Corner
169 Corobay Ave
Menlyn

Date

To Whom it May Concern,

Letter of confirmation of independence from the Council for the Built Environment

[Insert Firm name] hereby confirms that independence and ethical requirements by all team members proposed for this assignment, are communicated during the planning, field work and finalisation phases of the audit and are monitored on a continuous basis.

I hereby confirm that our firm is independent with regard to the Council for the Built Environment and its related parties. I further confirm that all proposed members of the above engagement are in compliance with independence requirements as set out in the IFAC Code of Ethics and the Quality Control Policies and Procedures of the firm and no matters have occurred during the duration of the financial year ending 31 March 2020 and the pre-planning phase of the audit which may impair the firm's independence.

I hereby confirm that [insert Firms name] currently does not do, nor have we done any work for the Council for the Built Environment which may result in a direct conflict of interest.

I hereby confirm that there is no conflict of interest between the Council for the Built Environment and any of the staff members involved in the audit. The capabilities and competence of the staff assigned to the audit was also assessed and found to be sufficient.

I further confirm that none of the directors of our firm sit on any audit or advisory committees of the Council for the Built Environment.

I hereby confirm that [Insert Firms name] has not been subject to any issues regarding ethical misconduct and the firm is currently not involved in any scandals which may impact our reputation.

Yours sincerely,

Name of audit Partner