



REQUEST FOR PROPOSAL FOR INTERNAL AUDIT SERVICES

RFP SM/07/18

Bid closing date: 21 August 2018 at 11h00 am

Date: 25 July 2018

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1 INTRODUCTION

The National Housing Finance Corporation SOC Limited (NHFC) is seeking proposals from suitably qualified institutions to provide internal audit services for a period of three years starting October 2018 – 30 September 2021 subject to annual performance review.

2 PURPOSE

The purpose of this document is to table the tender specification for the appointment of internal audit service provider to the NHFC and its wholly owned subsidiary, Cape Town Community Housing Company (CTCHC) based in Cape Town.

3 TERM OF THE APPOINTMENT

The term of the appointment is for a period of three years (3) effective from 1 October 2018. .

4 BACKGROUND

4.1 National Housing Finance Corporation

The National Housing Finance Corporation (NHFC) was established by the National Department of Human Settlements as a development finance institution (DFI) in 1996, with the principle mandate of broadening access to affordable housing finance for the low- and middle-income households.

NHFC is a registered public company and has been granted the necessary exemption in terms of the Banks Act. As a national public entity, the NHFC adheres to the regulatory framework of the Public Finance Management Act (PFMA) of 1999.

The NHFC provides wholesale funding in the affordable housing market mainly to social housing institutions, non-banking retail intermediaries, privately owned property developers and investors. It provides loans and other form of wholesale funding (equity and quasi equity) to certain niche businesses that are in the affordable housing market.

As at end of March 2018, the consolidated financial statements reflected a total assets base of approximately R3.5 billion.

The NHFC organogram consists of the following departments, and the total number of employees is approximately 53.

- Corporate Strategy
- Lending
- Credit
- Corporate Support Services
- Finance
- Company Secretariat, and
- Office of the CEO.

NHFC has one subsidiary company and two associate companies.

The target market of the NHFC is the low-to-middle income housing market which typically includes households who earn between R3 500 and R15 000 per month. The NHFC mandate requires the company to make housing and housing finance accessible and affordable to facilitate this objective. As mentioned above, it does not provide funding to the retail market but rather provides wholesale funding to social housing institutions, non-banking retail intermediaries and privately owned property investors and developers.

This is done through:

- providing wholesale funding to housing development projects for ownership, social housing and private rental, including inner cities, and for incremental housing purposes;
- partnering with banks and other non-banking retail financial intermediaries to increase their sustained lending and innovation in the target market served; and
- leveraging private sector funding for the sustainable development of human settlements.

More specifically, NHFC's strategic priorities are to:

- Expand housing finance activities, through the effective provision of housing finance solutions, enabling low-to-middle income households to have the choice of renting, owning or incrementally building to meet their housing needs;
- Facilitate increased and sustained lending by financial institutions to the affordable housing market;
- Mobilise funding into the human settlements space on a sustainable basis, in partnership with a broad range of institutions;
- Conduct the business activities of the NHFC in an ethical manner that ensures the continued economic sustainability of the NHFC, while promoting sustainable social and environmental development; and
- Stimulate the low-to-middle income housing sector by providing robust, relevant and timely research and market analysis to practitioners and housing customers.

(As reference and for further information, kindly refer to the NHFC website: www.nhfc.co.za for a view of past Annual Reports)

The corporation has always outsourced its internal audit services and the contract with its current service provider expires on 31 July 2018

4.2 Cape Town Community Housing Company (Pty) LTD (CTCHC)

CTCHC was established in 1998 in a 50/50 partnership between the NHFC and the City of Cape Town. The purpose of the company was to be an alternative subsidy housing delivery vehicle.

The City of Cape Town sold its 50% shareholding to NHFC in 2008 and CTCHC has been wholly owned by NHFC ever since.

CTCHC has delivered over 5000 affordable units to date and received various rewards and accolades in doing so. However, the company has however not been able to do so in a sustainable fashion and has needed significant financial support of NHFC over the years.

CTCHC is currently the subject of a “Restructuring” plan and will going forward have a mandate to only collect proceeds from housing developments and income (mainly interest) from houses sold via instalment purchase agreements (IPAs). No further new development will be undertaken.

The company has total assets base of R267 million at the end of March 2018 with an office in Cape Town.

5 IMMINENT CONSOLIDATION OF THE HUMAN SETTLEMENTS DFIS - ESTABLISHMENT OF HUMAN SETTLEMENTS DEVELOPMENT BANK

The National Department of Human Settlements (NDOHS) is currently supported by three DFIs, the NHFC, the Rural Housing Loan Fund SOC NPC (RHLLF) and the National Urban Reconstruction and Housing Agency SOC NPC (NURCHA).

The drive to scale housing finance provision, to greater leverage private sector contribution and thus significantly grow the human settlement development impact, became the strategic rationale for the consolidation of the three DFIs. The expected consolidation outcome would be such that the whole is greater than the sum of its parts. This strategic rationale is also supported by the National Treasury’s review of the DFIs.

The Ministry of Human Settlements has committed itself to the establishment of a Human Settlements Development Bank (HSDB) in support of the entire human settlements delivery value-chain

The NHFC will serve as a consolidated platform for the establishment of the HSDB. In order to implement the consolidation, NURCHA and RHLLF will transfer their respective assets and liabilities to the NHFC at no charge through donation agreements; and thereafter NURCHA and RHLLF will be dissolved by way of a winding-up or a deregistration process. It is envisaged that the NHFC will continue in its existing legal format but will change its constitution documents to conform to the HSDB requirements.

The HSDB establishment will include, among others, the Policy, Enabling Legislation, Business Case and Capitalisation, leading to a fully integrated HSDB.

The remaining factors impacting the effective date of the Consolidation are the fulfilment of the various suspensive conditions including obtaining the requisite approvals in terms of the Public Finance Management Act No 1 of 1999 (PFMA).

Every effort is being applied towards completion of all the processes for the earliest effective date for the Consolidation, within the 2018/19 financial year.

The timeframe for the final integration (HSDB) is likely to extend over the next twelve months due to the legislative process involved.

However, it should be noted that as the transaction has not yet been consummated including obtaining approval from National Treasury, this RFP is for the provision internal audit services to the NHFC and CTCHC.

6 SCOPE OF WORK AND TECHNICAL REQUIREMENTS

The successful service provider will be expected to perform the internal audit activities in line with the requirements of the PFMA, and the approved NHFC Internal Audit Charter, which states that the internal audit function (under the direction of the Executive Manager: Corporate Support Services) has the responsibility to, amongst other things:

- 6.1** develop a three-year rolling strategic internal audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval as well as periodic updates;
- 6.2** prepare a detailed internal audit plan for the first year of the rolling plan, to be presented to management and the Audit Committee together with the fee estimate, for the work to be conducted;
- 6.3** implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by Management and the Audit Committee;
- 6.4** report to the Audit Committee on a quarterly basis, on the performance against the annual internal audit plan and on other areas of concern. Quarterly reports to the audit committee and management to summarize the results of the audit activities and detailing its performance against the annual internal audit plan to allow effective monitoring and possible intervention;
- 6.5** maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- 6.6** perform, as agreed, consulting services beyond internal audit function's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services;
- 6.7** evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- 6.8** keep the audit committee informed of emerging trends and successful practices in internal auditing;
- 6.9** assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the audit committee of the results.

6.10 the Internal Audit Function (IAF) will interact with various governance groups and/ or assurance groups within the NHFC to ensure that the combined assurance objectives are achieved to the extent possible.

7 CONTENT OF THE RFP PROPOSAL

All the tender proposals submitted for the provision of internal Audit Services should include a technical and a financial component.

a) The Technical Proposal must include the following:

- Company name
- Company profile
- Company registered address
- Name of Principal Applicant (Must be authorised to act on behalf of the Company) and contact details including telephone, fax numbers and email address.
- Incorporation documents
- Valid Tax Clearance Certificate
- Proposed methodology and approach to be used in keeping with the scope of works.
- Full and comprehensive description of similar work undertaken in the past 3 years.
- List of current clients and references
- Composition of the audit team.
- Abridged CV of each member of the audit team (qualifications, experience, expertise etc.)

b) Financial Component must include the following:

The Financial Proposal must indicate the proposed cost of service which gives an indication of the following:

- 3 year rolling budget
- Overall fixed budget
- Rate per resource on the team per hour
- Breakdown of anticipated out-of-pocket expenses.

8 REFERENCE DOCUMENTS

- 2017 Annual report

9 APPOINTMENT, COMMENCEMENT AND DURATION

The service provider will be appointed for the period of three years on 1 October 2018 subject to annual performance review.

10 PROJECT MANAGEMENT

10.1 Performance of assignments

Assignments are to be performed in accordance with the Standards for the Professional Practice of Internal Auditing. All working papers and reports must be retained, at the Auditors expense, for a minimum of three years (3) from date of date of appointment unless the firm/individual is notified in writing by the NHFC of the need to extend the retention period. The service provider will be required to make working papers available, upon request by the NHFC or its external auditors.

10.2 Timing of assignments

The performance of each assignment shall be in accordance with the internal audit plan approved by the Audit Committee. Changes to the timing of audits must be agreed with the executive manager corporate support services or the chief financial officer and communicated to the Audit Committee at its quarterly meetings.

10.3 Quality assurance of reviews

The service provider shall ensure that all work conforms to the Standards for the Professional Practice of Internal Auditing. Such work shall further be subject to external quality assurance in line with the internal audit standards.

10.4 Monitoring progress of audit assignments

On a mutually agreed basis, the service provider shall be expected to meet with the Executive Manager Group Risk or the Chief Financial Officer, to report progress on the work performed. On a quarterly basis, the service provider shall be expected to report progress against the internal audit plan to the Audit Committee in line with paragraph 3.3 of the scope of works.

10.5 Reporting of Audit Results

The report on findings and recommendations from each audit assignment should be addressed to the Chief Executive Officer and the respective executive managers. These reports will be expected to contain management comments which would have been already discussed and agreed with the responsible persons.

10.6 Payments

The NHFC undertakes to pay out within the reasonable period of time all fully substantiated invoices issued in terms of this appointment. No payment will be made on outstanding information not submitted by the service provider.

11 EVALUATION CRITERIA

Financial Proposal (to be submitted in a separate envelope)

The Financial Proposal must indicate the proposed annual cost for the service which gives an indication of the following:

- Overall fixed price inclusive of VAT and disbursements;
- Breakdown of anticipated out-of-pocket expenses (disbursements); and
- Fees must be quoted at an inclusive rate for the different levels of proposed resources to be utilised, as listed below.
- Budget must be based on a rolling three year period with the 1st year budget detailed.

Category	No of audit personnel	Rate per hour	Hours	Total
Director/Partner				
Manager				
Quality Control reviewer				
IT Internal Audit Manager				
Others – specify				
Average rate per hour				
Total excluding VAT				
Vat @ 15%				
Disbursements including VAT				
Total audit costs inclusive of VAT				

12 BID EVALUATION CRITERIA

The proposal will be evaluated in terms of the Preferential Procurement Policy Framework Act 2000 and the Preferential Procurement Regulation of 2017

The evaluation of bid responses will be conducted in three (3) phase as follows:

Phase 1: Eligibility/Pre-qualification criteria

Bidders will be evaluated according to pre-qualification requirements which include the submission of mandatory information or documentation. Bidders that fail to meet the pre-qualification requirements of the bid will not be considered further for evaluation.

The bidder must meet the following pre-qualification requirements:

- a) The bidder must be registered with the Institute of Internal Auditors.
- b) The bidder must have a minimum of five (5) partners including the engagement partner.
- c) Bidders are required to submit a copy tax clearance certificate (TCC) and their unique personal identification number (pin) issued by SARS to enable the NHFC to view the bidders tax status.
- d) The firm must be registered on the National Treasury supplier database at the time of submitting the proposal.
- e) Bidders must submit proof of Company Registration
- f) Submission of the following Signed and Completed Standard Bid Documents (SBD) Forms:
 - SBD 1: Invitation to Bid
 - Pricing Schedule
 - SBD 4: Declaration of Interest
 - SBD 6.1 Preference Points Claim Form in terms of preferential procurement
 - SBD 7.2 Contract Form – Rendering of Services
 - SBD 8: Declaration of Bidder’s Past SCM Practices
 - SBD 9: Certificate of Independent Bid Determination
 - General Conditions of Contract (GCC)

Failure to comply with the above pre-qualification requirements will lead to the disqualification of the bid.

Phase 2: Technical/ functional evaluation

The minimum qualifying score for functionality is 70% (70 points). All bids that fail to achieve the minimum qualifying score on functionality shall not be considered for further evaluation on Price and BEE.

<p>Past Relevant Experience in Internal Audit Bidders must demonstrate knowledge and experience experience in public Sector Generally, Public Entities and lending financial institution. At least five (5) recent references in respect of related services undertaken. References should be signed, contactable and in Companies letter head</p>	<p>Total – 30 points</p>
<p>Experience in internal audit (at least 5 signed reference letters to be submitted from Companies where similar service has been conducted). Proof of company success rate in Internal Audit should be attached for track record.</p>	<p>15 points</p>

Experience in internal audit (At least 3 signed reference letters to be submitted from Companies where similar service has been conducted). Proof of company success rate in Internal Audit should be attached for track record.	15 points
Key Personnel	Total – 30 points
Director in Internal Audit with a minimum of 5-10 years' experience (Detailed CV's, qualification and copies of certificates must be submitted) and proof of IIA certificate.	10 points
IT Manager specialising in Internal Audit with a minimum of 3-5 years' experience (Detailed CV's, qualification and copies of certificates must be submitted) – and proof of IIA certificate.	10 points
Internal Audit Manager with minimum 3-5 years' experience (Detailed CV's, qualification and copies of certificates must be submitted) - and proof of IIA certificate.	10 points
Proposed Approach	Total-20 points
Able to demonstrate understanding of internal audit process, clear timelines, targets and engagement strategy.	10 points
Able to demonstrate understanding of internal audit process, clear timelines and targets	10 points
Independence and objectivity	Total 10 points
The proposed audit fee does not exceed 25% of the internal auditor firm's total turnover. <ul style="list-style-type: none"> • Current audited financial statement of the bidder 	10 points
Developmental strategy	Total 10 points
The internal auditor must subcontract between 5% and 10% of the fee to a small black owned IIA registered firm without experience in the public sector. <p>Subcontract -5% - 5 points</p> <p>Subcontract – 10% - 10 Points</p>	10 points
Total	100

Phase 3: Price and BBBEE evaluation

All bids that achieve the minimum qualifying score of 70% (70 points) for Functionality, (acceptable bids) will be evaluated further in terms of the 80/20 preference point system. The preference point's claim is in terms of the Preferential Procurement Regulations 2017.

As per the table below, price is evaluated over 80 points and preference points over 20:

Price Assessment	80 Points
TOTAL	80
Preferential Elements	
B-BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

Bidders must submit a comprehensive and detailed line-item (VAT-inclusive) budget as well as proposed hours and rates of personnel involved with reference to different levels of proposed resources to be utilised and an estimate of recoverable expenses.

13 COMMERCIAL OBLIGATIONS

This section of the document outlines the general commercial process and obligations of the service provider.

13.1 Contracting

A contract will be concluded between NHFC and the successful service provider which will incorporate the following:

- The letter of acceptance to the successful bidder
- The original tender documents;
- The proposal of the successful service provider, and
- Terms and conditions as stipulated above and general contract terms and conditions.

13.2 Material Rights

The product of this project will be confidential information, and will be the property of the NHFC and no disclosure of information to other parties will be made without prior written approval of the NHFC.

13.3 Rules of Bidding

- The NHFC reserves the right to amend or cancel this RFP at any time, at its sole discretion;
- The NHFC is not bound to accept any of the proposals submitted, and reserves the right to call for best and final offers from the short-listed bidders before final selection;
- The NHFC reserves the right to call for interviews with short-listed bidders before final selection;
- The NHFC reserves the right to negotiate price with the preferred bidder;
- An eligible Bidder, if requested, must be prepared to present evidence of experience, ability, service facilities, and financial standing necessary to satisfactorily meet the requirements set forth or implied in this proposal;
- NHFC reserves the right to award a contract in part, to reject any and all quotations in whole or in part, to waive technical defects, irregularities and omissions, at its sole discretion;
- The successful bidder (s) may be required to sign a Service Level Agreement (SLA), in terms of which the service provider's performance will be measured and managed.
- Late submissions will not be considered.

14 PROPOSAL COMPLIANCE REQUIREMENTS

This section contains the requirements for Proposal Compliance; all submissions must consist of a Technical and a Financial Proposal as explained below:

a. Procedural Matters

i. Documents to be submitted:

- Company profile and Technical Proposal
- Financial Proposal (Separate document)
- BBEE Credentials Certified copy of Valid BEE Certificate or Affidavit, if wanting to be scored on B-BBEE
- Original Valid Tax Clearance Certificate. Bids where consortium / joint-ventures / sub-contractors / partners are involved, each party must submit a separate proof of Tax Clearance Certificate / Unique PIN.
- Copies of any Shareholders agreement
- Audited financial statement of the bidder
- ID copies of Shareholder/Directors
- A copy of the current memorandum and articles of association of the company or constitutional documents of the company
- Vat registration evidence
- Declaration of interest

- Declaration statement
- Environmental Initiatives

ii. Copies

Three hard copies and a soft copy (CD/USB) must be submitted in a sealed envelope, appropriately addressed.

iii. Submission Address

Proposal, endorsed with **RFP SM/07/18**: must be hand delivered to:

NHFC Tender Box

The Isle of Houghton

Old Trafford 3, 1st Floor

11 Boundary Road

Houghton

Johannesburg

Attention Ms. Pumza Nsukwini

iv. Submission Date

The Proposal (design and quotation) must reach the NHFC **by 21 August 2018, 11h00 am.**

v. Proposal Cost

The cost of compiling a Proposal (Design and Quotation) is and remains the prospective service provider's own cost and will not be paid for by NHFC.

vi. Contacts

The contact person for information pertaining to the RFP proposal is Mrs. Pumza Nsukwini, telephone numbers 011-644 9800 fax number 011 484 0204 and e-mail pumzan@nhfc.co.za.