



THE NATIONAL CREDIT REGULATOR
MARCH 2016

TERMS OF REFERENCE (TOR)
SERVICE PROVIDER TO PERFORM
QUARTERLY AUDIT REVIEWS ON PDA'S

RFP NUMBER: NCR354/03/16

DUE DATE: 3 MAY 2016

GENERAL TERMS OF CONDITIONS

1. General Information for Bidders

The National Credit Regulator (NCR) was established in terms of Section 12 (1) of the National Credit Act (Act 34 of 2005) and came into being on 1 June 2006.

The NCR will determine which bidding organisation (“bid participant”), if any, is appointed in response to this request for submission of a service provider to perform quarterly audit reviews on Payment Distribution Agencies (PDA’s).

General Terms

This tender is issued in terms of the Public Finance Management Act 1 of 1999 (PFMA), the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA), the Preferential Procurement Regulations, 2001 (PPR), Supply Chain Management Regulations issued by the National Treasury and BBBEE Act.

Parties that wish to submit proposals are required to indicate that they are willing to accept the General Conditions and Procedures of the NCR (see Section 1.5 below and Annexure B.1). Please read this document carefully prior to submitting your proposal.

1.1 The Proposal Format

- **Economy of proposal preparation**

The proposal should be prepared simply and economically, providing a straightforward and concise description of the bid participant’s ability to meet the requirements of the proposal request.

Clear factual responses are required. The content of the proposals shall determine the merit of each participant, not brochures or other marketing material. To facilitate the review of proposals, participants are required to organise their responses according to the format presented below. Should a participant wish to provide additional information, that information should be referred to, and provided for, in a file of Annexure.

- **Validity of proposals**

The proposals must include a statement as to the period for which the proposal remains valid. The proposal must be valid for at least ninety (90) days from the due date for the submission of all bids. Refer to the quarters in the terms of reference (TOR).

- **Number of proposals**

Each bid participant must provide **Four (4)** hard copies and **1 CD** of their entire proposal, including all the documentation referred to in 1.5 below, in the format specified in that section. All submitted proposals will become the property of the NCR, and will not be returned. Receipt of all proposals will be recorded in a register at the point of receipt. One copy of the proposal must be signed and dated in black ink by the bidder or authorized representative of the bidder and initialled on each page.

1.2 Submission of proposals

1.2.1 Proposals must reach the offices of the NCR before 11:00 on 3 May 2016, and must be enclosed in a sealed envelope which must be clearly labelled/addressed on the outside:

(a) RFP No: NCR354/03/16

(b) TERMS OF REFERENCE FOR A SERVICE PROVIDER TO PERFORM QUARTERLY AUDIT REVIEWS ON PDA'S

(c) CLOSING DATE: 3 MAY 2016

1.2.2 Proposals are to be submitted in the marked tender box, in the reception area, National Credit Regulator, 127-15th Road, Randjiespark, Halfway House, Midrand. The tender box will **only** be available for the depositing of proposals between 08h00 and 16h30 on weekdays (excluding public holidays).

1.2.3 Please note that this RFP closes punctually at 11h00 on 3 May 2016. No late submissions will be considered under any circumstances.

1.2.4 **All** the documentation referred to in Section 1.5 below must be submitted. Failure to submit all the documentation referred to in this section may result in a submission being discarded, and not considered for evaluation.

1.2.5 If responses are not delivered as stipulated in this Section 1.3, such responses will be considered **“late”**, and will not be considered for evaluation.

- 1.2.6 The NCR shall not disclose any details pertaining to the responses received, to any other participant, as this is regarded as confidential information.
- 1.2.7 Envelopes must not contain documents relating to any RFP other than the one referred to in this RFP.
- 1.2.8 The responses to the RFP will be opened as soon as is practical after the expiry of the time advertised for receiving them.
- 1.2.9 Only the participants that are short-listed after the evaluation process will be informed of the results of the submission adjudication process.
- 1.2.10 After the evaluation process is completed, the Evaluation Committee may, prior to making a final selection, draw up a shortlist of participants and require them to make a detailed presentation to the Adjudication Committee. A minimum of 2 days' notice will be given to relevant participants in advance of the presentation date.

1.3 Timetable

Date	Activity
08.04.2016	Issue tender document
03.05.2016	Closing date
05.05.2016	Evaluations – functionality criteria
06.05.2016	Consolidation of scores
09.05.2016	Verification of scores
12.05.2016	Presentations from the shortlisted candidates if clarity is required
13.05.2016	Consolidation of scores
13.05.2016	Verification of scores
20.05.2016	Adjudications by the Adjudication Committee
23.05.2016	Appointment of a supplier

The National Credit Regulator reserves the right to determine the structure of the process, the right to determine the number of short-listed participants, the right to withdraw from the proposal process, and the right to change this timetable at any time without notice.

1.4 Documentation to be submitted

Please Note

All of the documentation described below must be submitted, with no omissions whatsoever. Where a particular form or format of documentation is stipulated, this is the **only** form or format in which these documents must be submitted. Failure to adhere to these requirements may result in the rejection of the entire submission.

All of the documentation referred to below (in Parts One – Ten) must be submitted. For ease of reference and to facilitate the evaluation process, you are requested to clearly mark each part of the submitted documentation as it is referred to below.

Part One – Proposal drafted in response to Terms of Reference

Section 2 of this document below, contains the terms of reference (TOR) for the above mentioned tender. Bid participants are required to draft a proposal that will clearly indicate to the Evaluation Committee how they will fulfil the requirements as set out in the TOR.

Bid participants should include the following information when drafting their proposals:

- Proposals should make clear the relevant skills, experience and capacity of the participant, in respect of this particular TOR. This is an important evaluation criterion. Bid participants should ensure that their proposals focus on how they will address the requirements of this TOR, rather than on achievements.
- 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.

Part Two – Pricing Proposal

Please see Annexure A – SBD 3.1 (Pricing Schedule – Firm Prices). **DO NOT RETYPE THESE FORMS**. They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected. Additional information may be added on a separate page if necessary.

The total price that the participant will charge to deliver services in accordance with the TOR must be clearly indicated. The pricing proposal should contain sufficient information to allow the Evaluation Committee to estimate the cost of the service, to a high degree of accuracy.

Please note that a financial proposal must be submitted in a **separate sealed envelope** together with your submission. The financial Proposal will be opened once all technical proposals have been evaluated. This appointment will be made in line with QBS.

All prices provided must be inclusive of Value-Added Tax (VAT).

Please note that the prices contained in the pricing proposal are the only charges that may be levied if the participant's proposal is successful, unless explicitly agreed to in writing by the National Credit Regulator, and in terms of the General Conditions of Contract.

Part Three – General Conditions and Procedures of the NCR

See Annexure B. Bid participants must indicate clearly that they have read this document, and have no objections to being bound by its contents. Where any provisions of the General Conditions and Procedures conflict with this General Information for Bidders and/or Terms of Reference, the latter will take precedence over the General Conditions of Contract.

Part Four – Contract Form: Rendering of Services

See Annexure C - This will only be completed by the successful bidder once a selection has been made by NCR. Participants do not, therefore, need to complete this form at the bidding stage but their proposals must clearly indicate that they have read this form, and have no objections to signing it as is, if selected as the successful participant.

Part Five – Tax Clearance Certificate

See Annexure D - Please complete form SBD 2. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Failure to submit a valid, original tax clearance certificate issued by SARS will result in a proposal being rejected.

Please note that the Tax Clearance Certificate submitted must be valid for at least one month after the closing date of the tender.

Part Six – Preference Points Claim Form

See Annexure E – form SBD 6.1. Bid participants must complete Sections 8 and 9 in full. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Part Seven – Declaration of Interest

See Annexure F – form SBD 4. **DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Part Eight – Declaration of past Supply Chain Management Practices

See Annexure G – form **SBD 8. DO NOT RETYPE THESE FORMS.** They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Part Nine – Non-Disclosure Agreement

See Annexure H – Non-Disclosure Agreement. Participants must indicate clearly that they have read this agreement, and have no objections to signing it, as is.

Part Ten—Certificate of Independent Bid Determination

See Annexure I – Certificate of Independent Bid Determination Participants. They must be completed on the original and signed, all in black ink. Forms with photocopies and/or other reproductions of signatures may be rejected.

Please note that a BBEE certificate must also be attached to the bid documents. None submission will result in zero scoring in this competitive bidding process

1.5 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.

B-BBEE status level of contributor	Number of points	Price
1	20	80
2	18	
3	16	
4	12	
5	8	
6	6	
7	4	
8	2	
Non-compliant contributor	0	
Total maximum points	20	80

Functionality will be evaluated in terms of section 4

Description

- 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

1.6 Conflict of interest

Service providers are required to provide services that are professional, objective and impartial. Service providers must ensure that there is no conflict of interest between existing assignments, obligations and responsibilities to other clients and the services set out in the TOR. In the event of any uncertainty in this regard, full disclosure in the submitted proposal should be considered. Non-disclosure of a conflict of interest may be grounds for termination of any contract.

1.7 Confidentiality agreement

The successful service provider may have access to confidential data or information. The appointment of a successful bidder is subject to that bidder agreeing to the contents of, and signing, the NCR's standard Non-Disclosure Agreement.

1.8 Contact details

This no-contact policy does not apply to any information deemed to be in the public domain, or which is readily available from organs of State, which are repositories of such information. All communications and enquiries/requests for clarification relating to this proposal should be directed to procurement@ncr.org.za

TERMS OF REFERENCE (TOR)

TO APPOINT A SERVICE PROVIDER TO CONDUCT PERIODIC

AUDIT REVIEWS ON PDA's

2. INTRODUCTION

The National Credit Regulator (“the NCR”) has accredited three (3) companies as Payment Distribution Agents (PDAs) to collect consumer monies and distribute to credit providers in accordance with the debt re-arrangement plan prepared by the debt counsellors.

To ensure and monitor compliance of PDAs, the NCR needs the services of an external and independent service provider to conduct periodic audits on these PDAs.

In view of the above, the services of a consulting firm is required to conduct periodic audits of all three PDAs, two(2) of which are based in the Gauteng Province, and one(1) in the Western Cape.

This service is required for the duration of one (1) year.

3. TERMS OF REFERENCE

Conducting the periodic review on the effectiveness of the PDAs' payment distribution systems, policies and procedures all fall within the remit of the audit service. The audit will be carried out in accordance with International Standards of Auditing, and will include such tests and controls, as the auditor considers necessary under the circumstances.

Below are the terms of reference for these periodic audits:

Review area	Proposed scope
Compliance with SLA on transactional line items	Thoroughly read and understand the Service Level Agreement between NCR and PDA and perform the following: <ol style="list-style-type: none">1. Develop compliance checklist.2. Check and test PDA level of compliance against the signed SLA.

Review area	Proposed scope
	<ol style="list-style-type: none"> 3. Note all instances of non-compliance. 4. Identify reasons of non-compliance. 5. Evaluate the PDAs' complaints resolution process and actual complaints received from consumers, debt counsellors, credit providers and other related stakeholders and advise on the level of resolution and time taken to respond. 6. Suggest and provide remedial action plans to both PDAs and where applicable to NCR.
<p>Opening and closing balances of bank account</p>	<p>Confirm and verify the following:</p> <ol style="list-style-type: none"> 1. That opening and closing balances of bank accounts correspond with bank statements. 2. Compare the closing balance as per the PDA system with the closing balance as per the Bank Account bank statements. 3. Identify any exceptions. 4. Note reasons of exceptions and provide recommendations to correct exceptions.
<p>Bank Reconciliations</p>	<ol style="list-style-type: none"> 1. Perform bank reconciliations to ensure that the amounts received from consumers and distributed to credit providers reconcile to the bank accounts closing balance as reflected on the bank statement. 2. Identify any exceptions. 3. Note reasons of exceptions and provide recommendations to correct exceptions.
<p>Income</p>	<ol style="list-style-type: none"> 1. Confirm that the monthly income, including amounts received from consumers, credit providers and other sources, is reflected correctly and supported with schedules. 2. Verify all the interest accrued on the PDAs' bank account. 3. Verify that all amounts received from customers, credit providers and other sources are supported by signed contracts as provided by Debt Counsellors. 4. Verify completeness of received receipts in comparison to bank

Review area	Proposed scope
	<p>statements for the following:</p> <ul style="list-style-type: none"> DD - Direct Deposits DO - Debit Orders Other <p>5. Identify any exceptions.</p> <p>6. Note reasons of exceptions and provide recommendations to correct exceptions.</p> <p>NB: Testing of all (100%) received income transactions per above scope would be preferable.</p>
<p>Expenditure</p>	<p>Under this review the service provider is expected to perform the following (please note, the list is by no means exhaustive)</p> <ol style="list-style-type: none"> 1. Confirm the monthly expenditure, including debit orders rejected where payment has already been made, refunds to consumers, payments to credit providers, sweeping of Bank accounts to other PDAs, other payments made; 2. Check whether payments to credit providers' are made in line with the debt-rearrangement proposals from the debt counsellor; 3. Determine the exact period between the receipt of funds and outflow of payments to credit providers; 4. Check whether the PDA distributes the debt counsellors' fees in line with the NCR guidelines. If discrepancies are noted, follow up on measures in place to deal with this. 5. For all exceptions noted, provide remedial action plans to both PDAs and where applicable to NCR to improve the distribution process. <p>NB: Testing of all (100%) expenditure related transactions per above scope would be preferable.</p>

Review area	Proposed scope
<p>Composition of closing balance per bank account</p>	<p>Once consumer funds are received and distributed, verify the accuracy and efficiency of the process by:</p> <ol style="list-style-type: none"> 1. Obtaining the closing banking balance per particular period. 2. Verify the composition of the closing balance. 3. Comment on the composition of the closing balance per the bank account. 4. Identify any exceptions. 5. Note reasons of exceptions and provide recommendations to correct exceptions.
<p>Unidentified and undistributed funds</p>	<ol style="list-style-type: none"> 1. Determine and verify the amounts which cannot be identified by the PDA; and investigate the reasons and the remedial action by the PDA. 2. Determine and verify the amount of funds which remain undistributed by the PDA. 3. Ascertain whether the PDA has taken remedial action to resolve this. 4. Determine the amounts of non-distribution funds and the impact this has on the operation of the PDA. 5. Obtain the following reports of undistributed funds and test accuracy of such reports to NCR: <ul style="list-style-type: none"> • Undistributed receipts • Un-identified receipts • Returned funds • Reversals 6. Determine and identify the causes for non-distribution of funds. 7. Identify all outstanding contracts (contracts not uploaded by DC's) and establish reasons. Suggest corrective action plans to ensure

Review area	Proposed scope
	prompt distribution of consumer funds.
Fees	<p>In the whole value chain several stakeholders receive fees as per the Regulations and Guidelines. The appointed audit service provider should ensure that fees to all stakeholders are paid correctly, reflected and supported with schedules by performing the following:</p> <ol style="list-style-type: none"> 1. Obtain fees paid to the following stakeholders <ul style="list-style-type: none"> • PDA • DC • Legal • Other 2. Verify the fees paid and determine if they are in line with the NCR fee guidelines and Regulations from the Act. 3. Note any exceptions. 4. Suggest and provide action plans to correct identified exceptions.
Information Back and Business Continuity	<p>It is imperative that every PDA have sound and effective information back and Business continuity processes in place to ensure that business is not disrupted in the event of a disaster. To this end, the audit service provider should perform the following:</p> <ol style="list-style-type: none"> 1. Determine if formal information back up policies and procedures exists; 2. Check and ensure that backups are done daily; 3. Offsite backups are kept; and 4. Backups are regularly tested.
Contracts entered into with debt counsellors	<ol style="list-style-type: none"> 1. Sample a number of contracts entered into between the PDA and the debt counsellor to determine whether the principal member(s) of the company receiving the debt counselling fees are indeed registered debt counsellors.
Reporting	<ol style="list-style-type: none"> 1. Prepare a report on the findings and draft the letter on the audit findings. 2. Present the audit findings to the NCR and make recommendation

Review area	Proposed scope
	<p>on improvement of PDA operation.</p> <p>3. Include thresholds and distribution performance trends in the report to enable NCR to evaluate if the PDA is being effective operationally.</p>

The appointed service provider appointed will be required to:

- Maintain a high quality assurance program that covers all aspects of the scope described above.
- Conduct the audits in accordance with Internal Auditing Standards, Code of Ethics and relevant regulations and laws.
- Maintain high levels of integrity, objectivity and confidentiality.
- Properly staff and audits to ensure timely completion of audits within agreed deadlines.
- Provide regular feedback to NCR on the audit progress.
- Timely communicate independent objective audit results in writing to NCR.
- Identify opportunities of improvement.

4. The functionality criteria will be evaluated based on the following:

Description	Weights
<p>Understanding of the NCR requirements</p> <ul style="list-style-type: none"> • Does the proposal show bidder's understanding of the NCR requirements in relation to performing quarterly audit reviews on PDA's 	10
<p>Proposals should make clear the <u>relevant</u> skills, experience and capacity of the participant, in respect of this particular TOR</p> <ul style="list-style-type: none"> • The experience of the company in undertaking similar work or projects • The relevant skills level of the entire project team(Brief CV's of the team members) • Capacity and experience in operating at a strategic level; 	30

<ul style="list-style-type: none"> • Capability statement 	
<p>Proposals must contain the details of the proposed approach to be adopted in order to deliver the service in accordance with the TOR.</p> <ul style="list-style-type: none"> • Proposed approach in relation to the scope of work and the outputs above • Project Execution Plan or Framework • Ability to meet tight deadlines and work schedules; • Ability to develop a clear and measurable project plan when appointed to undertake the project; 	30
<p>Proposals should clearly indicate whether or not bid participants have the internal capacity to meet the requirements of the TOR. This will include but not limited:</p> <ul style="list-style-type: none"> • Resources and personnel to be dedicated to the project; • Office and administrative capacity to carry on the work of this magnitude • Project team leader; • The percentage of the work if any that will be outsourced to third parties; • Project team professional resumes • Capability statement 	20
<p>References</p> <ul style="list-style-type: none"> • Contact details of at least two references from amongst recent clients with whom similar work has been conducted in the past 6 Months. 	10

Bidders are required to score a minimum of 70% points on functionality to qualify to be evaluated in the next level (BBBEE and price). Bidders who do not score the minimum of 70% points on functionality will be disqualified and not be evaluated on price and BBBEE.

5. Additional information

- Brief company profile, as relevant to the above mentioned terms of reference.
- Experience in the relevant areas.
- Clientele.
- A proposal including methodology
- Certification of all team members, highlighting experience relevant to this exercise.
Confirmation that the proposed team members will in fact be available to undertake this exercise at the appropriate time and meet the necessary deadlines.
- The proposal should contain a work plan, showing tasks, timelines etc.
- Contact details of at least two references from amongst recent clients with whom similar work has been conducted in the past 6 Months.
- Certificate of incorporation / legal status.
- Financial proposal must include the cost of disbursements, flights, VAT etc.