



CONTRACTED OUT AUDIT AND ASSURANCE SERVICES 2016

How we know about existing audit firms

- PAAB list of firms

(Which also shows the existing partners in firms)

- Auditor General's list of approved audit service providers (Approved by the State Procurement Board)

Categorisation of audit firms

- Three categories
- SMALL, MEDIUM and LARGE

- Small- only one partner
- Medium(2- 3 partners)
- Large (At least 4 partners)

Categorisation of public entities

Three categories

- SMALL, MEDIUM and LARGE
- **Special requests category**
- Consideration was made taking into account the following factors
- Size of entity in terms of physical assets and balance sheet/statement of financial position figures
- Income generation
- Staff compliment
- Geographic footprint
- National security and sensitivity aspects
- Nature and complexity of operations

TENDER INVITATIONS

Invitations may be sent to all firms or may be category based i.e.

- Firm size
- Size of public entity
- Special request

REQUEST FOR PROPOSALS

- **Background to tender/Instructions to tenderers**
- **Format of Proposals.. Proposals in four (4) copies with the original clearly marked.....**
- **Details of Partner and any other team members**
- **Specialist Audit Requirements**
- **Commitment to maintain Audit Capacity and Experience-(Balance of experienced and junior staff)**

REQUEST FOR PROPOSALS.....cont

- Firm Selection Criteria
 - The firm must indicate the full time partners.
 - Bidders must be registered with the Public Accountants and Auditors Board (PAAB).
 - Bidders must be registered with the Zimbabwe Revenue Authority (ZIMRA) and must provide a valid Tax Clearance Certificate /VAT certificate.
 - Current auditors are not eligible for this tender
 - Firms should be registered with the State Procurement Board.
 - The firm should have at least three (3) full time partners as listed in the PAAB list of partners of the firm.

REQUEST FOR PROPOSALS.....cont

- Proposed Pricing Schedule
- Bid Validity Period
- Bid Bond or Tender Security
- General terms and conditions

REQUEST FOR PROPOSALS.....cont

- METHOD OF EVALUATION
- Content and depth of the proposed audit methodology,
- Demonstrated experience in financial audits/special audits/investigations
- Sound understanding of the operations and activities of the public entities.
- Technical Evaluation
- Financial Evaluation

The lowest bidder to specification will be awarded the tender.

REQUEST FOR PROPOSALS.....cont

- Scope of work or terms of reference
- Submission of bids
- Closing date and time

BID DOCUMENTS

Areas for improvement

- Fundamental errors (Boiler plating or failure to edit templates-presented doc relates to some other tender)



BID DOCUMENTS

- **Areas for improvement**
- Presented partners not on PAAB list(Advise PAAB)
- Failure to show team structure and experience of team members.eg Partner or manager not presented.
- Failure to follow instructions
(e.g. current auditors should not tender, firm does not provide risks or responses)
- Failure to state public sector entities that the firm has audited.

TENDER DOCUMENTS

Areas for improvement...continued

- Failure to respond to terms of reference
- No demonstration or practical feel in document in terms of how the public entity operates. (Desktop research done on public entity. No evidence to show that the firm engaged management of the entity.)
- Failure to detail firm's experience or related sector experience
- Failure to meet submission deadlines. Submissions done at the last minute.

BID DOCUMENTS

- Submission and closing date and time
- Opening of tenders
- Adjudication-awarded to lowest bidder to specification
- Communication(sent to all bidders)

- **Post tender period**

Contractual documents...

Warrant of appointment (annual renewal).

Firms sign contract with Auditor General.

Performance bonds

- Auditor General's agreement unpacked-salient points

- Deliverables

Planning memo/audit plan

Draft reports

Final reports

(Reports should include wider mandate issues)

Firms view this as a separate assignment

Timing of meetings and reports

- Audit fees

- Conflict of interest (Unpacked in agreement)

• **AUDIT FEES**

- Budgets to be discussed with Auditor General (not with clients prior to meeting AG)
- Instances of lowballing
- Instances where overruns are paid to firm without knowledge and concurrence of Auditor General

OTHER ISSUES

- Acceptance of audit assignments from public entities without approval or concurrence of Auditor General.
- Public sector perspective/operations, compliance issues, legislation and regulations (service delivery, budgeting and capital commitments, approval of salaries, appointment of boards etc.) In the process of developing guidelines/framework for public sector audits with PAAB

- END OF SESSION
- QUESTIONS/COMMENTS