



POLICYHOLDERS COMPENSATION FUND

EXPRESSION OF INTEREST NO. PCF/ 003/2023 -2024

**CALL FOR EXPRESSION OF INTEREST FOR PROPOSED PROVISION
OF INTERNAL AUDIT CONSULTANCY SERVICES**

NOTICE DATE: 21st August, 2023

CLOSING DATE: 29th August, 2023 at 11:00am

INVITATION TO EXPRESSION OF INTEREST

PROCURING ENTITY: POLICYHOLDERS COMPENSATION FUND

DESCRIPTION: EXPRESSION OF INTEREST FOR PROPOSED PROVISION OF INTERNAL AUDIT CONSULTANCY SERVICES

1. The Policyholders Compensation Fund (PCF) invites expression of interest for the proposed provision of internal audit consultancy services.
2. The Expression of Interest is open to all qualified and interested consultants.
3. Qualified and interested consultants may obtain further information during office hours [0900 to 1500 hours] at the address given below.
4. The Expression of interest document will be obtained electronically from the PCF and PPIP websites www.pcf.go.ke; and www.tenders.go.ke ; .
5. Completed expression of interest document must be delivered to the address below on or before 29th August, 2023 at 11:00am.
6. Expression of Interest documents will be opened immediately after the deadline date and time specified above or any deadline date and time specified later. The EOI documents will be publicly opened in the presence of the consultant's designated representatives who choose to attend at the address below.
7. Late EOI documents will be rejected.
8. Application process:
Interested and qualified candidates to submit their applications with the following:
 - (a) Detailed company profile
 - (b) Statutory documents
 - (c) Detailed Curriculum vitae for the lead consultant
9. The addresses referred to above are:

Address for obtaining further information on EOI document

Deputy Director, Supply Chain Management

Policyholders Compensation Fund

6th Floor, KWFT Center, Masaba Road, Upper Hill- Nairobi

P.O.BOX 24203 – 00100

NAIROBI, KENYA

Head of Procurement, Tel: +254 794 582 700 Email: procurements@pcf.go.ke

Address for Submission of EOI

Managing Trustee

Policyholders Compensation Fund

P.O Box 24203- 00100

Nairobi, Kenya

6th Floor, KWFT Center, Masaba Road, Upper Hill- Nairobi

Address for Opening of Tenders.

Boardroom

Policyholders Compensation Fund

6th Floor, KWFT Center, Masaba Road, Upper Hill- Nairobi

TERMS OF REFERENCE FOR THE PROPOSED PROVISION OF INTERNAL AUDIT CONSULTANCY SERVICES

1 Background

Policyholders Compensation Fund (PCF), or the Fund' is a State Corporation under the National Treasury and Planning. The Fund was established to provide compensation to claimants of an insurer that has been put under Statutory Management and for the secondary purpose of increasing the general public's confidence in the insurance sector. The decision to establish the Fund was informed by the collapse of several Insurance companies before the year 2005. The Fund is governed by section 179 of the Insurance Act (Cap 487) and the Insurance (Policyholders Compensation Fund) (Amendment) Regulations, 2014.

The Policyholders Compensation Fund is mandated to:

- a) provide compensation to the policyholders of an Insurance company under Statutory Management;
- b) monitor, in consultation with the Commissioner where necessary, the risk profile of any insurer;
- c) advice the Minister on the national policy to be followed with regard to matters relating to compensation of policyholders and to implement all government policies relating thereto;
- d) participate in the statutory management of an insurer placed under statutory management by the regulator;
- e) liquidate an insurer as may be ordered by a court; and
- f) perform such other functions as may be conferred on it by this Act or any other written law.

PCF's Vision is "To be a Highly Respected Policyholders Compensation Fund".

PCF has established an Audit and Risk Committee whose main objective is to advise the Fund on matters of: -

- i) Governance
- ii) Risk Management
- iii) Legal & Statutory compliances
- iv) Finance & Resources Management

PCF has newly established an Internal Audit Directorate, which reports directly to the Board's Audit and Risk Committee and provides internal audit and investigations services to the Fund. The Directorate is under Section 73 of the PFM Act of 2012, Regulations 160 of the PFM (National Government) Regulations of 2015 and the Mwongozo Code of Governance for State Corporations.

The core mandate of the Internal Audit Directorate is to provide independent, objective assurance on the effectiveness of risk management and the effectiveness and adequacy of internal controls and advisory services designed to add value and improve the operations of the Fund.

The functions of the Internal Audit Directorate are:

- a) Develop, review & implement Internal Audit Policies, strategies and procedures, regulations and guidelines.
- b) Provide assurance and advisory services on governance, risk mitigation, management processes and making appropriate recommendations for improvement.
- c) Evaluate the effectiveness of the risk management processes in the Fund and make recommendations for improvement.
- d) Assist the Fund in maintaining effective controls by evaluating their effectiveness, efficiency and by promoting continuous improvement.
- e) Provide assurance of compliance with accounting standards and make appropriate recommendations.
- f) Facilitate the development and implementation of the Internal Audit Charter
- g) Provide secretariat services to the Audit & Risk Committee of the Board;
- h) Develop an audit work plan, implement and report on progress;
- i) Provide advisory/consulting services as the Board and Management requires.
- j) Facilitate external audit process and carry out corrective actions, and
- k) Monitor and report on performance progress and risk mitigation activities in the Unit.
- l) Conduct risk-based, value-for-money systems audits to strengthen internal controls and compile and issue internal audit reports.
- m) Review and evaluate budgetary performance, financial management, transparency and accountability mechanisms and processes with regard to the finances and assets of PCF.
- n) Evaluate the adequacy and reliability of information available to management for making decisions with regard to PCF and its operations.
- o) Conduct special/adhoc audits requested by the Board or management.
- p) Monitor the implementation of recommendations given by the external auditor.
- q) Develop and implement departmental annual work plan, procurement plan and budget.

2 Statutory and Administrative Requirements

Under Section 15 of the State Corporations Act (CAP 446), the Board is responsible for the proper management of the affairs of the Fund. As part of the measures necessary to ensure that this provision of the law is complied with, the Board is expected to put in place an effective system of internal controls. Mwongozo – the governance code for State Corporations requires Boards to establish audit committees. The mandate of the audit committee includes overseeing the internal audit function and external audit. An effective system of auditing is therefore considered an essential component of ensuring that the objectives of the Board are met.

Currently, the Internal Audit Directorate needs more staff and needs to engage experienced internal audit firms to offer Internal Audit Consultancy on contract from time to time. For this purpose, Internal Audit Directorate seeks established internal audit consultancy firms with suitably skilled and experienced auditors to call upon as required to work with the Directorate.

3 Objectives of The Consultancy

The purpose of the Consultancy is to provide support to the works of the Internal Audit Directorate to serve the Fund, through the Audit & Risk Committee, Managing Trustee, and the Board of Trustees, with an independent and objective opinion on risk management, internal control, financial reporting and governance processes and their effectiveness in achieving the Funds's objectives. The Consultancy Firm will also have an independent and objective consultancy role to help line managers improve risk management, internal control, financial reporting, and governance processes.

4 Scope of Consultancy Services

The Consultancy services will include the following:

1. Examining and reporting whether processes are in place to address key roles and responsibilities in relation to the Fund risk management plan.
2. Evaluating the adequacy of the administrative and financial control environment to provide reasonable assurance that the systems of internal control are of a high standard and functioning as intended.
3. Performing an independent assessment of the financial statements to ensure the integrity and transparency of the financial reporting process.
4. Audit the Fund's expenditures as per the approved quarterly budgets.
5. Assessing the effectiveness of Fund programs and activities and reporting compliance with crucial policies of the Fund, such as the Strategic Plan and Sustainability Plan, as well as monitoring performance reporting requirements.

6. Reviewing and advising on the adequacy of management response to issues identified by external auditors.
7. Review external audit reports and assess compliance with issues raised in the management letter.
8. Reviewing and reporting on the Fund's compliance with relevant legislative and regulatory requirements.
9. Help develop and review Internal Audit Policies, strategies and procedures, regulations and guidelines.
10. Review the systems and methodologies of the Internal Audit Directorate and propose recommendations for improvement.
11. Offer advisory consultancy on matters geared towards supporting the Directorate, which may not necessarily be audit assignments.
12. Offer support services in creating an audit universe to plan assignments in subsequent reporting periods.
13. The consultant may suggest training programs that enhance the Fund's officers' ability to discharge their work. Such programs may be seminars, attachments or any other relevant mode of strengthening capacity.
14. Any other audit tasks that may be assigned occasionally.

5 Reporting and Management

The Consultant firm shall report to the Internal audit Directorate. Still, it will have direct communication with and/or work closely with the Managing Trustee, Senior Management and Staff during the execution of this assignment.

All deliverables will be submitted on dates mutually agreed upon during the inception meeting.

6 Overall Objectives of the Consultancy

The objectives of the consultancy will include, but are not limited to, providing objective and independent assurance to the Audit and Risk Committee on the following:

- a) Effectiveness of Fund governance, risk management, and control processes.
- b) Effectiveness of the financial reporting systems
- c) compliance with relevant laws and regulations.
- d) Observance of the established internal policies and procedures.
- e) Integrity and reliability of financial and operational information.
- f) Efficiency and effectiveness of operations and utilisation of financial and other resources.
- g) Security and safety of assets.

- h) Attainment of established operational goals and objectives.
- i) Status of prior audit findings.

7 Specific Objectives

The Consultancy Firm's auditors would participate as team members and assist the Internal Audit Directorate in conducting audit assignments. The Consultancy Firm would be primarily entrusted with one or more broad audit areas. Still, it might be tasked, where necessary, with any of the other specific audit areas described in the Internal Audit Workplan.

7.1 Governance and Strategic Management

The purpose is to assess the adequacy and effectiveness of the Fund's organisational structure, leadership and ethics, risk management, planning, monitoring and reporting to achieve its mandate and plans.

7.2 Capital Projects Implementation

The purpose is to assess whether the relevant regulations, rules, policies, and procedures carry out the projects. Determining the projects implemented by the Fund:

- a) How projects are justified, defined, and initiated.
- b) How implementing partners are identified, assessed, and recommended for contracting.
- c) How annual project work and procurement plans are developed and approved.
- d) How projects are closed, assessing both programmatic and financial aspects of project closure.

7.3 Human Resources

The purpose is to assess the extent to which the management of Human Resources (HR) ensures:

- a) Adherence to organisational regulations and rules throughout the recruitment processes; and as a result that candidates with the most appropriate skills and knowledge are selected;
- b) Staff members are adequately trained and guided to perform their duties;
- c) Responsibilities, reporting relationships and staff functions are clearly defined and communicated;
- d) Performance assessments are completed transparently and fairly;
- e) Staff benefits and entitlements are administered per the appropriate organisational and contractual guidelines;
- f) Contracts on behalf of agencies are issued and administered per the organisational rules and regulations;

- g) Adequate records for all HR processes are retained as stipulated in the organisational rules and regulations.

7.4 Financial Management:

The purpose is to assess whether the Fund adequately monitors the level and use of financial resources; manages the risk of financial loss; maintains accurate accounting records; enough controls commitments and disbursements; follow up on outstanding receipts, and adequately protects cash in compliance with all relevant Fund's regulations and rules, and policies and procedures.

7.5 Procurement:

The purpose is to assess whether procurements of goods and services supporting the Fund's programmes and operations are carried out according to the relevant regulations, rules, policies and procedures.

7.6 Operational Audits

The main objectives of the operational audit are to:

- Measure the Fund's performance against the strategic plan during the period under review by analysing the outcomes and results achieved by the Fund and coming up with a gap analysis.
- Review the Fund structures, processes and systems and determine what could have impacted the objectives' achievement (or non-achievement).
- Identify factors for the deviation from the Fund approaches and strategies
- Document lessons learnt and best practices.

7.7 Information and Communication Technology (ICT)

The purpose is to assess the adequacy of the ICT function to include provisions for safeguarding critical data and recovery procedures in case of a disaster that would disrupt access to and the availability of the ICT systems and data.

7.8 Asset Management

The purpose is to assess the adequacy of the Fund's management and safeguarding of Capital and non-capital assets, including its processes for recognition, recordation, identification, security and disposal.

7.9 Risk Assessment

The Consultancy Firm will provide reasonable assurance in reviewing the effectiveness of the risk management framework implemented by the Managing Trustee and senior management by assessing the following:

- 1) Risk governance
- 2) Integrating risk management with the business
- 3) Risk management process

8 Roles and Responsibilities of the Consultancy Firm

The main roles and responsibilities of the Consultancy Firm are to perform specific audits of the Fund's operations or other activities. The Consultancy Firm will be required to perform all the steps for the audit areas assigned. The main tasks of the Consultant include, among others:

8.1 During the Planning Phase

Using previous audit reports, and information available, consider risk factors and develop a detailed audit programme for the audit-assigned areas of operation for use in the field execution phase.

8.2 During the Field Execution Phase

- i. Conduct interviews and tests as necessary, per accepted auditing standards, and make conclusions on the adequacy of internal controls and the remedial action that may be required to correct any deficiencies identified. Findings are discussed and confirmed with the auditee staff and management.
- ii. Audit work, results, findings and recommendations are discussed regularly with the Internal Audit Directorate.
- iii. Document the best practices if encountered in the assigned area.
- iv. Liaise and meet with staff and other personnel from the PCF, as well as with counterparts and the beneficiary communities. In exercising this, the utmost professional conduct is expected.
- v. Prepare draft exit meeting notes and minutes of audit issues for clearance by the Internal Audit Directorate.
- vi. Present and discuss the findings and observations with the senior managers of the Fund during the audit exit meeting before the departure of the audit team from the Auditees at the end of the audit fieldwork.

- vii. Sensitise and coach management on comprehensively addressing internal and external audit findings.

8.3 During the reporting phase

- i. Prepare and finalise the working papers and draft audit report considering comments received from the auditees and the management during the exit meeting.
- ii. Perform any other task for the timely completion of the audit missions and other assignments about the range of services provided by the Fund Audit Department, as required.

9 Deliverables

- i. The audit programme for the area assigned
- ii. Participation in entry meetings with management
- iii. Complete a set of working papers for each area assigned to the Consultancy Firm.
- iv. Draft Exit Meeting notes and minutes detailing the findings regarding the audit sections assigned to the Consultancy Firm.
- v. Participation, presentation, and discussion with management during the exit Meeting of the findings and recommendations related to the areas assigned to the Consultancy Firm.
- vi. Draft report for management comments covering the audit sections assigned to the Consultancy Firm; and
- vii. A final internal audit report for the areas assigned.

10 Institutional Arrangement

- The Consultancy Firm will report directly to the Internal Audit Directorate.
- The Internal Audit Directorate will task the Consultancy Firm. All work product produced by the Consultancy Firm as a result of this engagement is owned by PCF and shall be submitted to the Internal Audit Directorate.

11 Time Frame

The assignment shall be a renewable framework contract for one year, subject to performance.

12 Access To Information And Records

To deliver effective audits, the Management will facilitate the Consultancy Firm to obtain explanations and information as required in providing audits.

The explanation and information above include financial and non-financial records and explanations from all service delivery mechanisms. The authorisation to access certain documents may be given in writing if necessary.

If in the opinion of the Internal Audit Directorate, a member of the Consultancy Firm is not considered sufficiently senior in position to be allowed unlimited access to the Fund's information, such a member may be denied access and the same communicated to the person in charge of the Consultancy firm.

The Consultancy Firm cannot take copies of any documents without the Management's authorisation.

The Consultancy Firm will be provided access to a wide variety of documents, reports, schedules and communication including;

- a) Working space
- b) Strategic Plan
- c) Annual Audit plans
- d) Various committee reports and updates
- e) Minutes of meetings
- f) Policies and procedures and manuals
- g) Monthly progress operational and finance reports
- h) Analysis sheets and recommendations
- i) Any other document/facility as may be necessary

13 Confidentiality

The Consultancy Firm should treat all the records and information that come into its possession due to the audit assignment as confidential. To enhance confidentiality, the officers assigned to the audit must be members of a relevant professional association. The Consultancy Firm may be required to take an appropriate oath if this is considered appropriate. Approval should be sought for the engagement of a new team member before being eligible to carry out audits.

14 Qualifications and Experience of The Internal Audit Consultancy Firms

The Internal Audit Consultancy Firm should have the following:

- a) The consultancy firm must possess at least five years of experience in offering Internal Audit consultancy services.
- b) Registered practising Firm with ICPAK

- c) Demonstrate experience in the use of Computer Assisted Audit Tools (CAAT)
- d) Provide relevant CVs and copies of registration, academic and professional certificates of staff proposed to work on the audit.
- e) Provide experience in knowledge and skill in applying internal auditing and accounting principles and practices, management principles and preferred business practices.
- f) Provide a list of similar work undertaken in the last two years.
- g) Supply reference recommendation letters from at least three clients.
- h) Must have not provided Audit or Accounting services to Insurance Firms Under Statutory management by Fund in the last three years.
- i) Internal Audit Certifications and experience in auditing Government, Insurance or Financial Institutions will be desirable.

The Lead consultant must have the following.

- a) At least ten (10) years of relevant work experience, five (5) of which should have been in a supervisory position
- b) Bachelor's Degree in Commerce (Accounting or Finance Option), Business Administration or Business Management (Accounting or Finance Option), Computer Science, Information Technology or equivalent qualification from a recognised University;
- c) Master's degree in Auditing or Business Administration, majoring in Finance or Accounting or equivalent qualification from a recognised university;
- d) Certified Public Accountant (CPA (K) or ACCA
- e) Membership of the Institute of Internal Auditors (IIA), or Institute Certified Public Accountants of Kenya (ICPAK) or ISACA; in good standing
- f) Proficient in computer applications;

For other audit team members, at least Two (2) should possess the following:

- a) Bachelor of Commerce, Business Administration, Economics, Information Technology or their equivalent from a recognized and accredited institution;
- b) Certified Public Accountants (CPA) (K) qualification or its equivalent;
- c) Membership of the Institute of Certified Public Accountants (ICPAK) and Institute of Internal Auditors (IIA) or Chartered Institute of Internal Audit (CIIA) or Information System Auditor & Control Association (ISACA);
- d) A high degree of integrity and dependability;
- e) Sown merit and ability as shown in work performance and results; and

f) Proficiency in computer applications and audit data mining and analysis tools.