



## **SECTION D.2 - SELECTION AND USE OF SHORT TERM CONSULTANTS AS PART OF THE INTERNAL AUDIT TEAM**

### **Introduction**

Internal Audit generally hires short term consultants for two types of scenarios:

- (a) ad hoc consultancies, usually in order to obtain specialist expertise or knowledge of local conditions, or keep costs down by using geographically co-located auditors, for non-repetitive audits. In such cases each audit assignment will require a separate, distinct procurement effort.
- (b) retainer consultancies, whereby the full time internal audit team is supplemented on a part time basis. In such cases, the consultant is identified in a single procurement effort and thereafter assigned engagements under an umbrella contract (usually for a 12 month period) without repeating procurement steps for each assignment.

In either scenario, the consultants may be individuals (even if incorporated as a company for business reasons) or firms. Individual consultants are employed on assignments for which (a) teams of personnel are not required, (b) no additional outside (home office) professional support is required, and (c) the experience and qualifications of the individual are the paramount requirement. Where a team is required and coordination, administration, quality assurance, or collective responsibility may become difficult because of the number of individuals, it is recommended that a firm be engaged.

The majority of internal audit consultancies are engaged by the CGIAR IAU but Center Internal Auditors may also engage consultants directly from time to time.

Ref.	Policy and Practice Requirements	IIA Standards and Other references
D.2-1	<p><b>Policy:</b> All internal audit work by short term consultants shall be governed by mutually agreed terms of reference.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"><li>▪ The terms of reference will be prepared for</li></ul>	CGIAR FG6



	<p>each audit engagement. In the case of ad hoc consultancies each contract will have individual terms of reference. In the case of retainer consultancies, there may be one umbrella contract and terms of reference for each audit engagement under the contract.</p> <ul style="list-style-type: none"> <li>▪ The terms of reference will be preferably prepared on the basis of a preliminary survey (see Audit Manual Section I.1) carried out by Internal Audit.</li> <li>▪ The terms of reference should be prepared by Internal Audit but may incorporate suggestions on a draft version received from the consultant.</li> </ul>	
<b>D.2-1:1</b>	<p><b>Practice Requirement:</b></p> <p>The consultant terms of reference shall consist of:</p> <ul style="list-style-type: none"> <li>▪ the standard audit terms of reference (see section I.1 of this Manual)</li> <li>▪ the requirement of the consultant to adhere to the international IA standards, either by following the relevant sections of the CGIAR IA Manual or (for firms) applying their own policies/standards where these are compatible with the international IA standards.</li> <li>▪ specific requirements on the consultant's deliverables, and timing of delivery and</li> <li>▪ quality assurance arrangements by the Head of Internal Audit.</li> </ul>	
<b>D.2-2</b>	<p><b>Policy:</b> Unless justifiable under sole sourcing criteria as set out in CGIAR Financial Guideline No 6, a competitive selection process shall be adopted to identify the most appropriate consultant.</p>	<b>CGIAR FG6</b>



	<p><b>Discussion:</b></p> <ul style="list-style-type: none"><li>▪ The relevant sole sourcing criteria taken from FG6 are:<ul style="list-style-type: none"><li>○ Contracts are of small value, as defined by the Center through which the service will be contracting. This will normally include contracts below US\$10,000 in value;</li><li>○ assignments with total expected duration of less than six months;</li><li>○ tasks that are a continuation of previous work that the consultant has carried out and for which the consultant was selected competitively;</li><li>○ The required expertise is of a proprietary nature and obtainable from only one source or it can be demonstrated that only one source is fully qualified with clear cost advantages or has the exceptional experience;</li><li>○ When in exceptional circumstances, it would not be in the interest of the Center to proceed with the normal procurement process in situation of urgent need for the work to be completed as soon as possible.</li></ul></li><li>▪ There may be scenarios where firms have been engaged competitively on a co-sourcing basis to provide ongoing internal audit services over multiple assignments. In such cases, a similar approach to the engagement by Centers of external auditors will apply, i.e. the contracts may be for one year renewable up to a specified maximum number of years, subject to satisfactory performance and without the need for renewals to go through a further competitive process.</li><li>▪ Where the consultant is an individual</li></ul>	
--	---	--



	<p>consultant who is hired on an umbrella contract to supplement permanent Internal Audit staff for multiple assignments, and the consultancy is a device to hire staff on a part time or limited term basis, the selection of such consultants will follow the policies and procedural requirements adopted for permanent staff recruitment and contract renewal – see Section D.1 of this Manual. Their renewals will not be required to be subject to a competitive process, but rather will be based on their performance and availability of funding.</p> <ul style="list-style-type: none"> <li>▪ The consultant must not have conflict of interest from previous engagements e.g. the consultant cannot be hired to audit an area where he or she had previously undertaken consulting work for the Center in the last 12 months.</li> </ul>	
<p><b>D.2-2:1</b></p>	<p><b>Practice requirement:</b></p> <p>For competitive selections, at least three potential consultants should be sourced to provide proposals for the assignment. This should be done through the issue of a Request for Proposal.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ Where location of the consultant is not going to be an important factor, e.g. the consultant will work virtually and physical visits are not required for the assignment, the Head of Internal Audit should aim for a geographically diverse shortlist.</li> <li>▪ The shortlist for a competitive selection should be put together on the basis of knowledge of potentially suitable consultants for the assignment. Sources may include local chapters of the IIA or ISACA.</li> </ul>	



<p><b>D.2-2:2</b></p>	<p><b>Practice requirement:</b></p> <p>While the detail and complexity of solicitation package may vary with the size, nature and method of procurement of the proposed contract, the Request for Proposal should normally contain:</p> <ul style="list-style-type: none"><li>▪ invitation to bid;</li><li>▪ instructions to submit bids;</li><li>▪ evaluation criteria and weightings;</li><li>▪ conditions of contract (copy of standard Center contract); This should include the methods of dispute resolution.</li><li>▪ proposed terms of reference, setting out the technical and personnel requirements; deliverables and delivery schedules.</li></ul> <p><b>Discussion:</b></p> <ul style="list-style-type: none"><li>▪ The usual selection method for competitive selections of consultants will be the Quality Cost Base Selection (QCBS) method. Under this method, both quality and price are evaluated and the technical proposals should be evaluated before the price proposals.</li><li>▪ The Request for Proposal may provide a maximum budget, to avoid receiving impossibly priced proposals.</li><li>▪ The Request for Proposal may provide a minimum budget, to avoid receiving low ball proposals which will likely not permit the quality of work expected. Alternatively a minimum technical score may be indicated to ensure quality is not overwhelmed in the evaluation process by a very low and unrealistic price.</li><li>▪ The solicitation period should be sufficiently long to allow prospective consultants to</li></ul>	
-----------------------	---	--



	<p>participate and submit a bid. Any clarification to a respondent’s question must be provided, in writing, to all consultants receiving the solicitation.</p> <ul style="list-style-type: none"> <li>▪ For high value and very complex consultancies, the evaluation process should be conducted by a team.</li> <li>▪ The evaluator(s) shall evaluate each technical proposal taking into account several criteria – the following are the most relevant recommended in FG6: (a) the consultant’s relevant experience for the assignment, (b) the quality of the methodology proposed, (c) the qualifications of the consultant or the key staff proposed, and (d) method of transfer of knowledge, if required in the terms of reference (TOR). Each criterion shall be marked on a scale of 1 to 100. Then the marks shall be weighted to become scores. The following criteria and weights are indicative. The actual percentage figures to be used shall fit the specific assignment and shall be within the ranges indicated below. The proposed weights shall be disclosed in the Request for Proposal:</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding: 5px;">Consultant’s specific experience:</td> <td style="padding: 5px;">0 to 10 points</td> </tr> <tr> <td style="padding: 5px;">Methodology:</td> <td style="padding: 5px;">20 to 50 points</td> </tr> <tr> <td style="padding: 5px;">Key personnel:</td> <td style="padding: 5px;">30 to 60 points</td> </tr> <tr> <td style="padding: 5px;">Transfer of knowledge (if applicable):</td> <td style="padding: 5px;">0 to 10 points</td> </tr> <tr> <td style="padding: 5px;"><b>Total:</b></td> <td style="padding: 5px;"><b>100 points</b></td> </tr> </table> <ul style="list-style-type: none"> <li>▪ For firms, evaluation of only the key personnel is recommended, since they primarily determine the quality of</li> </ul>	Consultant’s specific experience:	0 to 10 points	Methodology:	20 to 50 points	Key personnel:	30 to 60 points	Transfer of knowledge (if applicable):	0 to 10 points	<b>Total:</b>	<b>100 points</b>	
Consultant’s specific experience:	0 to 10 points											
Methodology:	20 to 50 points											
Key personnel:	30 to 60 points											
Transfer of knowledge (if applicable):	0 to 10 points											
<b>Total:</b>	<b>100 points</b>											



	<p>performance.. The evaluation team shall review the qualifications and experience of proposed key personnel in their <i>curricula vitae</i>. The individuals shall be rated in the following three sub criteria, as relevant to the task:</p> <ul style="list-style-type: none"> <li>○ general qualifications: e.g. general education and training, length of experience, positions held, time with the consulting firm as staff, experience in the location;</li> <li>○ adequacy for the assignment: e.g. education, training, and experience in the specific sector, field, subject, relevant to the particular assignment; and</li> <li>○ experience in the region: e.g. knowledge of the local language, culture, administrative system, government organization.</li> </ul> <ul style="list-style-type: none"> <li>▪ Evaluator(s) shall evaluate each proposal on the basis of its responsiveness to the TOR. A proposal shall be considered unsuitable and shall be rejected at this stage if it does not respond to important aspects of the TOR or it fails to achieve a minimum technical score specified in the RFP.</li> <li>▪ At the end of the process, the evaluator(s) shall prepare a Technical Evaluation Report of the “quality” of the proposals. The report shall substantiate the results of the evaluation and describe the relative strengths and weaknesses of the proposals. All records relating to the evaluation, such as individual mark sheets, shall be retained on file.</li> </ul>	
<p>D.2-3</p>	<p><b><u>Policy:</u> Even where firms are sole sourced, they shall be required to respond to a Request for Proposal as the basis for negotiating the terms of the assignment.</b></p>	



	<p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>This practice helps ensure there is full clarity over the expectations for the engagement, encourages firms to offer economical proposals, and provides a basis for discussion where aspects of the proposal, including price, may not be fully acceptable.</li> </ul>	
D.2-4	<p><b>Policy: No consultants shall be considered where their hire would represent an actual or perceived conflict of interest</b></p>	CGIAR FG6
D.2-4:1	<p><b>Practice requirement:</b></p> <p>A Center’s external auditor shall not be contracted to undertake internal audit work for that Center.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>All Center external auditors are affiliated with or members of, partnerships of international audit firms. No other practices or members of the same partnership/affiliated network shall be considered for consultancies in that Center.</li> <li>The local practice or member of an international audit firm which is an external auditor for one CGIAR Center will not be considered for consultancies in other CGIAR Centers.</li> <li>However a different national practice or member of the same international audit firm network may be considered for internal audit consultancies in other Centers, provided that these Centers are not also audited by a local practice or member of the same network.</li> </ul>	
D.2-4:2	<p><b>Practice Requirement:</b></p> <p>Consultants who are already engaged by management to undertake service assignments for a Center shall not be considered for internal</p>	



	audit consultancies during the same period.	
D.2-4:3	<p><b>Practice requirement:</b></p> <p>An individual who is closely related to the Head of Internal Audit or another member of the audit staff, or a firm in which they or their close relatives have a financial interest, should not be considered for audit consultancies.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ This does not exclude ex-Internal Audit staff who may be considered for internal audit consultancies after retirement.</li> </ul>	
D.2-4:4	<p><b>Practice requirement:</b></p> <p>A close relative or associate of the management or staff of the area to be reviewed by the consultant should not be considered for the audit consultancy</p>	
D.2-5	<p><b>Policy:</b> The consulting contract or terms of reference shall be specific regarding the arrangement for disposition of the audit working papers, and, where these are retained by the consultant, the contract should confirm that the consultant will provide copies of or reasonable access to the originals to the Head of Internal Audit or other Internal Audit team members.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ The preference would be for the Head of Internal Audit to keep the original or a complete copied set of the audit working papers, to facilitate internal and external quality assurance or external audit inspection of the work.</li> <li>▪ The maintenance by the consultants of working papers in electronic format will facilitate this.</li> </ul>	



<p>D.2-6</p>	<p><b>Policy:</b> Consultants and/or the Head of Internal Audit shall propose amendments to the terms of reference or contract when either unforeseen events or the Head of Internal Audit make it necessary to modify the ToR or the consultant’s scope of work.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ Amendments to the contract will follow the procedures adopted for this by the Center which issued the contract.</li> </ul>	
<p>D.2-7</p>	<p><b>Policy:</b> Where short-term consultants have been engaged to carry out internal audit work, the Head of Internal Audit shall nominate an Auditor in Charge from within the Internal Audit team to supervise the work.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ The Auditor in Charge may be the Head of Internal Audit or another adequately experienced Internal Auditor</li> <li>▪ The Auditor in Charge will monitor progress of the work against the agreed timetable and review the completeness and quality of the deliverables (reports, working papers) and provide timely feedback to the consultant where necessary</li> </ul>	
<p>D.2-7:1</p>	<p><b>Practice Requirement:</b></p> <p>The Auditor in Charge should ensure that records of their supervision are kept as part of the overall working papers for the assignment.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ The records may include email exchanges with the consultants and notes of discussions with the consultants</li> </ul>	



	<ul style="list-style-type: none"> <li>▪ The records may be kept with the copy of the consultants working papers retained by Internal Audit, or in a separate file.</li> </ul>	
D.2-7:2	<p><b>Practice Requirement:</b></p> <p>Actual or potential delays in the work shall be identified promptly by the Auditor in Charge and the implications of such delays discussed with the consultants, and changes to the terms of reference agreed if necessary.</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ Consulting services may be delayed for a variety of reasons. The consultants should notify the Auditor in Charge of such delays. If corrective action requires extra work, and the delay cannot be attributed to the consultants, the extra work should be reimbursed in accordance with the contract.</li> <li>▪ Extra costs due to delays attributed fully to the consultants are not reimbursed.</li> </ul>	
D.2-7:3	<p><b>Practice Requirement:</b></p> <p>Where, during execution of the assignments, disputes arise between the Auditor in Charge and the consultants, the parties involved shall attend to such disputes promptly and constructively. Unresolved disputes relating to technical and administrative matters, such as interpretation of the contract, payment of services, or replacement of personnel, shall be treated in accordance with the provisions of the contract.</p>	
D.2-7:4	<p><b>Practice Requirement:</b></p> <p>Where it is judged by the Auditor in Charge, and confirmed by the Head of Internal Audit, that the consultant is not performing adequately, timely notice under the terms of the contract and request for improvement shall be made and documented:</p>	



	<p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ Poor performance may involve one or more particular staff of the consultant’s team, or the whole team. Based on the provisions of the contract, the Head of Internal Audit will advise the consultants to take the necessary measures.</li> <li>▪ Poor performance should not be tolerated, and the consultants should act quickly to comply with a reasonable request to improve the performance of the team or to replace any particular staff members who is not performing adequately.</li> <li>▪ If the consultants fail to take adequate corrective actions, the Head of Internal Audit should initiate steps in the Center issuing the contract to terminate the contract.</li> </ul>	
<p>D.2-8</p>	<p><b>Policy:</b> The performance of the consultants shall be evaluated at the end of the assignment and shall be considered when evaluating the consultant for future assignments or contract extensions</p> <p><b>Discussion:</b></p> <ul style="list-style-type: none"> <li>▪ The results of evaluations should be documented to facilitate future reference</li> <li>▪ The evaluations of individual’s/ firm’s performance should form a permanent record for Internal Audit, so that there is good background information readily available when considering further consultancy contracts</li> </ul>	



## *Appendix 1 - Section D.2*

### **EXAMPLE OF REQUEST FOR PROPOSAL (CGIAR IAU CONSULTANCIES)**

#### **1. INTRODUCTION**

- 1.1 The International Potato Center (CIP) is one of 15 international agricultural research centers supported by the Consultative Group for International Agricultural Research (CGIAR). CIP's headquarters are located in Lima, Peru and CIP enjoys the status of an international organization in Peru and a number of other countries where it works. Information about the mission and organization of CIP and the CGIAR more generally can be found at [www.cipotato.org](http://www.cipotato.org) and [www.cgiar.org](http://www.cgiar.org).
- 1.2 Internal audit services are supplied to CIP by the CGIAR Internal Auditing Unit, based at the International Rice Research Institute in the Philippines.
- 1.3 The CGIAR Internal Auditing Unit seeks technical and financial proposals for outsourced audits of (1) the management of liquid assets, and (2) of human resources salaries and benefits administration, at its headquarters; and (3) an audit of its office near Quito, Ecuador. Depending on funds availability all three or some of these assignments will be outsourced in 200X. Your proposal could form the basis for future negotiations and ultimately a contract between your firm and CIP on behalf of the CGIAR Internal Auditing Unit.
- 1.4 A description of the objectives and scope and the desired timing and period of each of these three assignment are described in the Audit Terms of References in Annex A-C. The audit will be supervised by Mr. XXXXX, Director [or other staff member] of the CGIAR Internal Auditing Unit. You may request clarifications or submit questions on the Terms of Reference by email to the Director of the CGIAR Internal Auditing Unit at [x.xxxxxxx@cgiar.org](mailto:x.xxxxxxx@cgiar.org)

The cost of preparing a proposal shall be borne by the firm, regardless of the outcome of the solicitation process.



## 2. PREPARATION OF PROPOSAL

2.1 During preparation of the proposal, you must give particular attention to the following:

- i. The CGIAR Internal Auditing Unit requires that the firm nominate a partner who would have overall responsibility in the firm for the quality and timeliness of the assistance to be provided under the assignment, and for formal communication on the assignment between the firm and the CGIAR Internal Auditing Unit and CIP;
- ii. The CGIAR Internal Auditing Unit requires that a firm wishing to respond to this proposal must disclose in their proposal any current situations or existing client relationships that may give rise to perceived or actual conflicts of interest in undertaking the assignment; and
- iii. The working languages of CIP are both English and Spanish. While it will be satisfactory for the fieldwork of the audit to be conducted in Spanish, communication with the CGIAR Internal Auditing Unit will be in English. Final reporting may be in Spanish but must be accompanied by an English translation..

2.2 The technical proposal must provide the following information, but is not limited to:

- i. any comments on or suggestions for improving the Terms of Reference, and a description of the approach and plan of execution which the firm proposes to perform each of the three assignments requested;
- ii. the proposed individual/staff team to be deployed for each assignment, the tasks which are proposed to be assigned to each team member, and the allocation of time to each team member;
- iii. curriculum vitae for proposed staff indicating their qualifications and experience, particularly experience relevant to the services requested, and confirmation of which ones can work and report in English;



- iv. The standard CIP letter of contract for consulting services will be the basis for a letter of contract or engagement letter for this assignment. However if the firm wishes to issue an engagement letter the terms of CIP's letter should be incorporated therein – see Annex D for a template.
- 2.3 The financial proposal must be supported with a breakdown analysis in the format prescribed in Annex E. In considering out of pocket expenses in the price proposal, the firm should bear in mind that all reporting will be required to be electronic, rather than printed.
3. **SUBMISSION OF PROPOSAL**
  - 3.1 Technical and Financial Proposals must be submitted electronically to [XXXXXX@cgiar.org](mailto:XXXXXX@cgiar.org) and copied to XXXXXX@cgiar.org
  - 3.2 The firm's proposal with any subsequent modifications and counter-proposals, if applicable, shall become an integral part of any resulting contract.
4. **AWARD OF CONTRACT AND ASSIGNMENT TIMETABLE**
  - 4.1 The Contract will be awarded after successful negotiations and agreement to the contract terms and conditions with the firm, and subject to funds availability and the approval of CIP management.
  - 4.2 The selected firm is expected to commence the assignments according to the proposed timetables in the Terms of Reference.

**Attachments:**

- Annex A Audit Terms of Reference – Audit of XXXXXXXXXX**
- Annex B Audit Terms of Reference – Audit of YYYYYYYYYY**
- Annex C Audit Terms of Reference – Audit of ZZZZZZZZZZ**
- Annex D CIP Standard Letter of Contract**



*RFP Annex E: Format of Financial Proposal*

**BREAKDOWN OF FINANCIAL PROPOSAL**

**ASSIGNMENT 1 – AUDIT OF XXXXXXXXXXXXX**

*Breakdown of Hours by Staff and Task*

<b>TASK</b>	<b>PERIOD (Target Dates)</b>	<b>Number of Days (by staff)</b>	<b>COST</b>
PLANNING/PREPARATION			
AUDIT TESTING AND REVIEW			
DRAFT REPORT			
FINAL REPORT (incorporating comments on the draft report)			

*Breakdown of Out of Pocket Expenses*

<b>EXPENSE ITEM</b>	<b>COMMENTS</b>	<b>EST. AMOUNT</b>
Transportation		
Communications		
Others (Pls. Specify)		



**ASSIGNMENT 2 – AUDIT OF YYYYYYYYYYYYY**

*Breakdown of Hours by Staff and Task*

<b>TASK</b>	<b>PERIOD (Target Dates)</b>	<b>Number of Days (by staff)</b>	<b>COST</b>
PLANNING/PREPARATION			
AUDIT TESTING AND REVIEW			
DRAFT REPORT			
FINAL REPORT (incorporating comments on the draft report)			

*Breakdown of Out of Pocket Expenses*

<b>EXPENSE ITEM</b>	<b>COMMENTS</b>	<b>EST. AMOUNT</b>
Transportation		
Communications		
Others (Pls. Specify)		



**ASSIGNMENT 3 – AUDIT OF ZZZZZZZZZZZZZZZZZZZ**

*Breakdown of Hours by Staff and Task*

TASK	PERIOD (Target Dates)	Number of Days (by staff)	COST
PLANNING/PREPARATION			
AUDIT TESTING AND REVIEW			
DRAFT REPORT			
FINAL REPORT (incorporating comments on the draft report)			

*Breakdown of Out of Pocket Expenses*

EXPENSE ITEM	COMMENTS	EST. AMOUNT
Transportation		
Communications		
Others (Pls. Specify)		