



**African Reinsurance Corporation (South Africa) Limited**  
Member of the Africa Re Group

**REQUEST FOR PROPOSAL:**

**PROVISION OF EXTERNAL AUDIT SERVICES**

**2024 – 2028**



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## REQUEST FOR PROPOSAL – PROVISION OF EXTERNAL AUDIT SERVICES FOR THE PERIOD 2024 – 2028

### 1. INTRODUCTION AND TENDER OBJECTIVES

African Reinsurance Corporation (South Africa) Limited (“ARCSA” or “the Company”) is a wholly-owned subsidiary of the African Reinsurance Corporation Group (“Africa Re”, “the Corporation” or “the Group”).

Africa Re is an international financial institution established by 41 member States of the African Union and the African Development Bank Group (AfDB), committed to the provision of reinsurance services and the development of insurance and reinsurance capacity in support of African economic development. The Corporation’s shareholders include the AfDB as well as more than 100 African insurance/reinsurance companies, Fairfax Financial Holdings (Canada), Axa Africa Holdings (France) and Allianz Group (Germany).

Africa Re Group has its headquarters in Lagos, Federal Republic of Nigeria with regional offices in Lagos, Casablanca (Morocco), Nairobi (Kenya), Abidjan (Cote d’Ivoire), Ebène (Mauritius) and Cairo (Egypt) as well as three subsidiaries in Johannesburg (South Africa), Cairo (Egypt) and Dubai (UAE). In addition, the Group operates a representative office in Addis Ababa (Ethiopia) and an underwriting office in Kampala (Uganda).

The Company (with the involvement of the Group) seeks to appoint an independent External Audit service provider for the five-year period from 2024 to 2028. The Company’s financial statement year-end is 31 December and the financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The key objectives of this appointment are:

- i. To carry out a financial audit as per International Auditing Standards and express an independent opinion whether the financial statements prepared by the Company’s Management give a true and fair view of the state of financial affairs of the Company in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act Number 71 of South Africa for each of the financial years during the period covered by the appointment
- ii. To evaluate the effectiveness of financial, administrative, management and governance systems, controls and structures of the Company; to review the effectiveness of the Company’s risk management systems and processes; and to assist with the identification of material weaknesses in the Company’s system of internal controls and in its risk management framework together with suggested measures to address the identified weaknesses



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- iii. To secure the services of a firm that can provide an engagement partner and team that will add value to the Company's business, governance and operating processes
- iv. To support the Company's implementation of IFRS 17 and IFRS 9 (both of which the Company adopted as required in its 2023 financial year), and other new IFRS statements as and when issued and become due in a manner that does not conflict with the independence and objectivity required of an external auditor
- v. To review the Company's compliance with both internal and external policies and review compliance with the laws of the Republic of South Africa; to assess the Company's compliance with relevant tax legislation, including income tax, VAT, PAYE, Transfer Pricing and withholding tax requirements; and to guide Management and the Audit Committee on technical accounting, taxation and regulatory compliance matters as may be compatible with the standards of independence and objectivity of an external auditor
- vi. To assist with the review of the financial statements of a single-transaction sister company
- vii. To help strengthen the Company's governance, ethical and operational standards and controls
- viii. To enhance the Company's combined assurance framework.

## **2. BACKGROUND AND OVERVIEW INFORMATION**

The Company was incorporated (registration number 2003/031630/06) in December 2003 and commenced operations in January 2004. It operated largely as a non-life reinsurer until 2023 when it started life reinsurance underwriting, following the modification of its license as a composite reinsurer in 2022. The Company operates from Africa Re Place, 10 Sherborne Road, Parktown 2193, Johannesburg and covers the countries of the Rand Zone (Lesotho, Namibia, South Africa and Eswatini) and Botswana. ARCSA currently ranks among the top five by premium volume among registered reinsurers in South Africa.

The Company's affairs are currently superintended by a nine-member Board of Directors, including seven non-executive directors appointed by the shareholder. No director holds any beneficial interest in the shares of the Company. The Board has delegated the responsibility for day-to-day management and implementation of the Company's policies, objectives and strategies to an Executive Management team led by the Managing Director. The Company's financial statements have been audited with a clean audit opinion each year since its first set of financial statements was issued for the year ended 31 December 2004.



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In 2018, the Board of Directors in furtherance of its commitment to high standards of corporate governance revised the audit arrangements from mandatory rotation of audit partners to a rotation of audit firms every five years. The first five-year period under the new arrangement concluded with the 2022 audit. However, the Board recognised the critical transition into two new financial reporting standards (IFRS17 and IFRS9) taking place in 2023 and decided to defer the commencement of a new five-year external audit cycle from the 2024 financial year. The Board also decided to restore audit rotation at the Partner rather than firm level as allowed under a recent court decision on audit rotation.

### **3. DETAIL TERMS OF REFERENCE**

#### **A. PURPOSE**

The purpose of this Request for Proposal (RFP) is to appoint a suitable independent External Audit Service provider.

#### **B. BACKGROUND**

The Company's financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). As a regulated entity, the Company is also required to comply with the requirements of the bodies established under the Financial Sector Regulations Act No 9 of 2017, the Insurance Act No 18 of 2017 and the Companies Act No 71 of 2008, among other applicable legislation.

#### **C. OVERALL OBJECTIVE**

The objective of this RFP is to identify, evaluate and appoint an Audit Firm, registered under the Auditing Profession Act No 26 of 2005 of South Africa, capable of performing the External Audit of ARCSA and capable of being approved by the Prudential Authority. The procurement process of ARCSA will be followed and the final decision on the appointment rests with the Shareholder and the Board of Directors on the recommendation of the Audit Committee.

#### **D. SCOPE OF WORK**

The external auditors will be required to perform the necessary audit work to enable them to express an audit opinion on the Financial Statements and performance for each year ending 31 December.

#### **E. PROPOSAL**

a) Audit methodology and approach



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Tenderers must, at least:

- i. Describe in detail the firm's Audit Methodology / Approach and the technology used
- ii. Describe in detail the firm's approach to auditing areas of significant regulatory compliance exposure for insurance and public interest companies
- iii. Describe the firm's approach to relying on the work of internal auditors or other auditors in a joint audit engagement.

**b) Capacity and Experience**

- i. Total number of audit staff and staff that provide audit related services in the following categories: partners, managers and other
- ii. Provide up to date CV's of all partners and managers that will form part of the audit team. The CV's should indicate at a minimum the level (supervisor, manager, etc.) and experience. Given that the Prudential Authority (PA) must approve the Audit Partner, it is important that the CV of the Partner is detailed enough to include industry experience and especially previous PA approval of similar role.
- iii. Provide details of the technical departments (or equivalent departments) specializing in the audit of insurance and reinsurance entities as well as the Information Systems / Technology used. Details should be provided of the key partners and managers in these fields who can be regarded as specialists.
- iv. Provide details of names of the firm's audit engagements during the preceding 5 years in the Insurance Sector.

**c) Other**

**i. Quality Control**

Describe the firm's quality control system and demonstrate that the firm has established adequate quality control policies and procedures that comply with the provisions in the International Standards on Auditing (ISA).

**ii. Independence and Objectivity**

- a) In terms of ARCSA policy, the external auditors and their consulting arms or related entities may not be engaged for non-audit related work except with the specific approval of the Board of Directors on the recommendation of its Audit Committee
- b) Provide details of all consulting work (description, fee amount and period) performed, being performed or to be performed by the audit firm for ARCSA during the past 3 years 2021 to 2023. This also includes work performed or to be performed as subcontractors.
- c) Provide details of any possible conflict of interests as well as other information where independence and objectivity may be compromised or at risk. Indicate how this would be managed by the firm should it be appointed

as the auditor. (Please note that should the firm be appointed auditor, ARCSA will review the firm's continued involvement in such consulting services).

iii. Insurance

Provide details of local as well as international professional indemnity insurance (where applicable).

iv. Draft Engagement Letter

Please provide a draft engagement letter together with the firm's standard terms and conditions for providing audit services to ARCSA.

**F. DELIVERABLES**

This assignment is expected to generate deliverables including:

- i. An audited set of financial statements on an annual basis together with the auditor's opinion thereon. The first audit under this engagement will be for the year ending 31 December 2024
- ii. A Management Letter on an annual basis containing material weaknesses observed on the Company's governance, risk management, compliance and the totality of the system of internal controls together with the auditor's recommendations to address these weaknesses
- iii. Audit of the annual statutory reports to the regulatory authorities together with the auditor's comments thereon
- iv. Review of the Company's Own Risk and Solvency Assessment (ORSA) Report on an annual basis
- v. Audit sign-off on the Company's financial statements (as a core component of the Group) to the Group's external auditors on an annual basis. We expect the appointed auditor to place reliance on the Group auditor for the testing of the centralised ICT function and controls
- vi. At least a review report, if not an audit opinion, on the annual financial statements of the single-transaction sister company
- vii. Access to the auditing firm's publicly available thought leadership publications, articles, reports, training programmes and events on an ongoing basis
- viii. Regular updates and notifications on developments in accounting, tax, regulations and legislation that affect or are of interest to the Company's business together



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with assistance to the Company on their implementation and compliance, on an ongoing basis and on mutually agreed terms

- ix. Technical support, advice, guidance and training programmes on an ongoing basis, at terms mutually agreed with the Company but without compromising on the auditor's independence and objectivity.

## **G. CONTRACT PERIOD**

The firm will be appointed for a period of five (5) years subject to the following condition:

Confirmation on an annual basis by the Audit Committee of the Board of Directors, based on an evaluation of the effectiveness as well as the independence and objectivity of the External Auditors, and in accordance with the provisions of the Companies Act.

## **H. CONDUCT OF THE WORK**

The work will be performed at the ARCSA premises, Africa Re Place, 10 Sherborne Road, Parktown 2193 in Johannesburg, South Africa.

## **I. EVALUATION OF BIDS RECEIVED**

All proposals received will be examined to determine compliance with the RFP requirements and conditions (completion and attachment of compulsory documents, namely: BBBEE Certificate, Tax Clearance Certificate, Tax PIN)). Proposals with obvious deviations from the requirements/conditions will be disqualified. Any minor ambiguities may however be subjected to requests for clarification by the tender evaluation committee.

The key assessment criteria would comprise:

- i. The Company's requirements detailed herein
- ii. The qualification, capability and experience of the bidder especially in the area of audit of insurance and reinsurance companies
- iii. The approach, methodology, work and project plan in relation to the envisaged scope of work
- iv. Fees
- v. Financial standing
- vi. Quality and clarity of proposal presentations.

#### **J. TENDER OUTLINE**

For ease of tender analysis, bidders are advised to prepare their proposals in simple and concise manner using the following outline:

- i. Executive Summary
- ii. Company Profile and Capability Statement
- iii. Approach and Work Plan
- iv. Client References
- v. Fee Estimate
- vi. South African B-BBEE Status
- vii. Company Financial Information
- viii. Resume of Audit Engagement Team Members
- ix. Supporting documentation

#### **K. SPECIAL PROVISIONS OF TENDER AND SUBSEQUENT CONTRACT**

- a) The proposed total cost of the external audit service must be clearly indicated including pricing for each year and the total cost of the bid.
- b) An overview of the audit methodology used by the bidder is required
- c) The successful bidder shall provide and sign a Service Level Agreement with ARCSA
- d) ARCSA shall verify the names and identity of directors, trustees, shareholders, enterprises, closed corporations and trusts against the proposed audit engagement staff
- e) A due diligence process shall be conducted to determine the capability of the successful bidder to execute the contract
- f) Each tender shall be supported with copies of the tax clearance certificate together with the Tax PIN of the bidder.
- g) The service provider is required to confirm that it will hold its proposal valid for 90 days from the closing date of the submission of proposals during which time it will maintain without change the personnel proposed for the services together with their proposed rates.





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h) Quality Assurance – The successful service provider shall ensure that all work conforms to the signed contract and agreed deliverables.

i) Nothing as stipulated in these terms of reference may be amended without the written confirmation of ARCSA's authorised delegates.

#### **L. REQUEST FOR CLARIFICATION**

Bidders may request for clarification, which must be sent in writing by surface mail or email to the following contact persons:

**Sudadi Senganda**

**Executive Director Finance & Admin**

**Africa Re (South Africa) Limited**

**10 Sherborne Road**

**Parktown 2193**

**Johannesburg, SOUTH AFRICA**

**Telephone: +27 11 484 3764**

**Email: [arcsatender@africa-re.com](mailto:arcsatender@africa-re.com)**

**Copy email: [senganda.sudadi@africa-re.com](mailto:senganda.sudadi@africa-re.com)**

The Corporation will respond to such clarification requests by surface mail or email and send written copies of the response (including an explanation of the query without identifying the source of the query) to all firms that indicate interest in responding to this request for proposal (such indications to be made by simple email to [arcsatender@africa-re.com](mailto:arcsatender@africa-re.com) with a copy to [senganda.sudadi@africa-re.com](mailto:senganda.sudadi@africa-re.com) by 1 December 2023).

#### **M. WORK DURATION**

It is envisaged that the duration of the annual audit assignment shall be concluded by early March (for the financial statements of the year ended 31 December of the preceding year) in time for Group consolidation, for the meeting of the Board of Directors and for the statutory submission to the Prudential Authority.

#### **N. DISCLAIMER**

- ARCSA reserves the right not to appoint any service provider.
- ARCSA reserves the right to:
  - Award the contract or any part thereof to one or more service providers



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- Reject all bids
- Decline to consider any proposal that is adjudged not to conform to any aspect of the bidding process
- Request further information from any service provider after the closing date, for clarity purposes
- Cancel this RFP or any part thereof at any time.

#### **O. TENDER SUBMISSION**

Interested consultants are to submit their Proposals by email or, if by post or hand delivery, two copies of their Proposals detailing their full profiles, qualifications, work plans, fee estimates and other requested information and documentation to reach the following address by no later than 2200hrs GMT on 31 January 2024:

**Chairman, Tender Committee**

**African Reinsurance Corporation (South Africa) Limited**

**Africa Re Place**

**10 Sherborne Road, Parktown**

**Johannesburg 2193**

**SOUTH AFRICA**

**Email: [arcsatender@africa-re.com](mailto:arcsatender@africa-re.com)**

**Copy email: [senganda.sudadi@africa-re.com](mailto:senganda.sudadi@africa-re.com)**

Any proposal received by Africa Re after the deadline for submission shall be rejected.

Good Luck!

A handwritten signature in blue ink, appearing to read "F. Fléjou".

**Frédéric Fléjou**

**Independent Non-executive Director and Chairman, Audit Committee**

**African Reinsurance Corporation (South Africa) Limited**