



## **TERMS OF REFERENCE**

**RFP NO. 96/04/2021: THE APPOINTMENT OF THE SERVICE PROVIDER WHO WILL ASSIST THE LEJWELEPUTSWA DISTRICT MUNICIPALITY WITH AUDIT SUPPORT (MANAGEMENT & TECHNICAL) FOR PERIOD ENDED 30 JUNE 2021**

## **CONTENTS**

<b>1.</b>	OVERALL OBJECTIVES	3
<b>2.</b>	REQUIRED DOCUMENTS	3
<b>3.</b>	OTHER IMPORTANT MATTERS	5
<b>4.</b>	SCOPE OF WORK	6
<b>5.</b>	EVALUATION OF THE PROPOSAL	8
<b>6.</b>	CLOSING DATE AND TIME	10
<b>7.</b>	CONTRACTUAL AND REPORTING ARRANGEMENTS	10
<b>8.</b>	REPORTS	11
<b>9.</b>	CONTRIBUTION BY THE MUNICIPALITY	11

## **1. OVERALL OBJECTIVES**

- 1.1. In awarding this proposal, the Lejweleputswa District Municipality expects to, at minimum, achieve the following objectives:
  - 1.1.1. Training on compilation of Annual Financial Statements (AFS) [including Fixed Asset Register (FAR)] that fully complies with the applicable Generally Recognized Accounting Practice (GRAP) standards;
  - 1.1.2. Improved audit evidence and well prepared audit files in line with the National Treasury guidelines;
  - 1.1.3. Skills transfer to key employees within municipality who will be seconded to the project;
  - 1.1.4. Improve on the current audit opinion
- 1.2. Prospective Service Provider (PSP) must demonstrate specific experience in providing the services required by Lejweleputswa District Municipality with regard to Audit support (Management and Technical). Furthermore, PSPs must demonstrate that they have a proven track record in compiling AFS/FAR for municipalities, more specifically for District municipalities.

## **2. REQUIRED DOCUMENTS**

- 2.1. PSP are requested to submit the following documents together with the proposals:
  - 2.1.1. All relevant MBD forms as per advertisement

- 2.1.2. Certified copy of the company registration certificate / CK Forms / Certificate of Incorporation (certified by SAPS or a duly authorised person / body) reflecting active members (except for sole-traders and partnerships) must be attached;
  - 2.1.3. Valid company Tax Clearance Certificate must be attached (CSD Pin maybe requested at a later stage and PSP are advised to ensure continuous compliance with CSD on tax matters);
  - 2.1.4. A valid Broad Based Black Economic Empowerment Certificate or sworn affidavit [in cases where PSP wants to claim BBBEEA points];
  - 2.1.5. A company profile including details and reference of where similar work has been undertaken, in Municipalities of the similar capacity (specifically local municipalities);
  - 2.1.6. Reference letters [from various municipalities] in that confirms that the officials to be seconded to the project have compiled AFS / FAR must be attached for the purpose of claiming points for functionality.
- 2.2. Proposals submitted must include a project plan in the form of a Gantt Chart detailing key activities and tasks with key milestones and projected dates of delivery, taking into account legislated dates.
- 2.3. It is the intention of the Municipality to finalise the evaluation / adjudication processes and issue an appointment letter by 15 June 2021. As such project plan must be considered from this date. However, PSP must indicate the time frame for each deliverable as monitoring compliance with the schedule will be based on the number hours/days allocated per deliverable;
- 2.4. PSP must indicate the Team that will be seconded to this project by at least indicating their names; qualifications and relevant experience in terms of similar

assignments / projects (please take note that this team must be available on full time basis from date of appointment till conclusion of the audit). Summarised Curriculum Vitae of officials to be seconded to this project must be submitted together with the proposal, specifically highlighting where similar work has been undertaken;

- 2.5. Assessment will be done on an individual basis as far as experience is concerned (i.e. the employee to be assigned to the project to eliminate the instances where a company with a good track record on this assignment, assign individuals/employees with limited experience to the municipality). Experience of a company will also be considered as methodologies used by the company in previous similar work maybe vested in the company.
- 2.6. Detailed skills transfer program for the purpose of skills transfer to municipal officials who will be seconded to this project. At a minimum, the Municipality will avail relevant officials for the purpose of skills transfer on all deliverable [i.e. debtors; creditors; Assets; etc];

### **3. OTHER IMPORTANT MATTERS**

- 3.1. Only one proposal per PSP will be considered;
- 3.2. Should the need arise, your company will also be expected to present its proposal to the Municipality at the date, time and place which will be determined by the municipality should your company be short-listed. Travelling cost to this effect will be borne by the PSP [and shall not form part of the reimbursement];
- 3.3. The Municipality will make available the Management Report and Audit Report for 2019/20 upon request to assist you with your proposal (note should be taken that the documents are strictly confidential and are provided to assist PSPs with their proposal and should be used for this purpose only);

- 3.4. If your company is successful, it will be expected to enter into a Service Level Agreement with the Municipality, prior to commencement of the work. The Municipality reserves the right to cancel the appointment made with a Service Provider who is not willing to conclude a Service Level Agreement with the Municipality in this regard. It is specifically recorded that the terms of appointment are those of the municipality and as such the agreement to be concluded will be provided by the municipality;
- 3.5. No faxed or e-mailed proposals will be accepted and the municipality is not bound to accept the lowest proposal and reserves the right to accept the proposal wholly or partially;
- 3.6. PSPs who are not registered on the Central Supplier Database are urged to urgently register as such [non-registration will lead to disqualification] and should further update their status on regular basis [especially regarding tax matters];
- 3.7. Failure to comply with the above mentioned conditions may invalidate your proposal.

#### **4. SCOPE OF WORK**

##### **4.1. Audit query management process**

Assistance during the audit process on matters pertaining to the timing, quality and validity of explanations for audit findings. This includes:

- Exercising control over issued audit findings and responses provided
- Evaluation of audit findings and management responses through expert technical knowledge
- Assistance with timely compilation of quality responses to audit findings
- Review of client prepared responses to ensure that audit findings are appropriately addressed.

This includes specialist technical enquiry support on key audit findings on GRAP and management’s consideration and application thereof, which have a critical impact on the audit opinion of the entity.

#### 4.2. **Post-audit improvement support: Audit action plans**

<b>Compilation</b>	<b>Compilation</b> of an <b>action plan</b> based on audit findings including detailed corrective measures prior to the next audit.
<b>Monitoring</b>	<b>Monitoring progress</b> of action plans executed by staff members.

#### 4.3 **Capacity building support**

<b>GRAP AFS level</b>	<ul style="list-style-type: none"> <li>• <b>AFS Compilation Plan</b> training</li> <li>• <b>GRAP training</b> (Implementation challenges; GRAP Disclosures; GRAP updates)</li> </ul>
<b>General ledger support</b>	<ul style="list-style-type: none"> <li>• Performing of all relevant <b>reconciliations</b> (bank-, suspense-, debtors- and creditors accounts)</li> <li>• Compilation of <b>registers</b> (assets-, lease-; IFW&amp;U registers;</li> <li>• Clearing of <b>suspense accounts</b> (substantiate transactions through supporting documentation).</li> </ul>
<b>Audit file support</b>	<ul style="list-style-type: none"> <li>• <b>Audit support file compilation</b> training</li> <li>• <b>Validation of debtors and creditors</b></li> <li>• Physical <b>verification of movable and immovable assets</b></li> </ul>

## **5. EVALUATION OF THE PROPOSAL**

- 5.1. Criteria to determine functionality will entail: qualification and skills based on project personnel's curriculum vitae; reference of similar work / general experience in compilation of FAR/AFS; experience in compiling FAR/AFS specifically for local municipality; methodology of compiling the AFS/FAR, preparation of the audit file and skills transfer plan; etc. [the full details are entailed in the latter part of this section].
- 5.2. All invoices will be accompanied by a Progress Report and the Municipality has up to 30 days to make payment (from date of receipt of invoice and not from invoice date as Service Provider sometimes fail to submit invoices on time);
- 5.3. PSP will be subjected to functionality and technical capability / ability of the PSP to perform / render the required services successfully. PSPs who scores less than 70% at this stage will not qualify for the next stage;



<b>EVALUATION CRITERIA ON FUNCTIONALITY</b>				<b>Points allocated</b>
<ul style="list-style-type: none"> <li>• Proof of registration with relevant Professional Bodies (i.e. SAICA) - <b>20 points</b></li> </ul>				<b>20 points</b>
Relevant entity experience in the field: (compilation of GRAP and mSCOA compliant AFS)				<b>45 points</b>
<b>APPOINTMENT LETTERS</b>	<b>AUDIT OPINION</b>	<b>AUDIT OPINION</b>	<b>NO.OF POINTS</b>	
5 Municipalities	Unqualified with Findings (3 max)	Unqualified with no Findings (2 min)	45	
3 Municipalities	Unqualified with Findings (2 max)	Unqualified with no Findings (1 min)	20	
2 Municipalities	Unqualified with Findings (1 max)	Unqualified with no Findings (1 min)	10	
Methodology: <ul style="list-style-type: none"> <li>• A detailed methodology must include: <ul style="list-style-type: none"> <li>▪ Project team members: led by 1 or 2 Chattered Accountants with not less than 3 years' individual experience in the Municipal AFS Compilation - <b>15 points</b></li> <li>▪ Caseware or Equivalent AFS compilation system Specialists (min.2) - <b>10 points</b></li> <li>▪ Detailed project plan with clear milestones - <b>5 points</b></li> <li>▪ Skills transfer methodology - <b>5 points</b></li> </ul> </li> </ul>				<b>35 points</b>
<b>TOTAL POINTS</b>				<b>100 points</b>

**The primary criteria in selection will be cost and BBBEE status level of contribution**

80/20 Preference Points System will be used as per Lejweleputswa District Municipality, Supply Chain Management policy.

- 80 points shall be for Financial Offer and
- 20 points for the BBBEE level contributor which will be evaluated as follows:

<b>B-BBEE STATUS LEVEL CONTRIBUTOR</b>	<b>NUMBER OF POINTS</b>
1	<b>20</b>
2	<b>18</b>
3	<b>14</b>
4	<b>12</b>
5	<b>8</b>
6	<b>6</b>
7	<b>4</b>
8	<b>2</b>
Non-compliant	<b>0</b>

## **6. CLOSING DATE AND TIME**

- 6.1. Closing date and time will be as per the "Request for proposals" as advertised in the newspapers / website / attached to this document;
- 6.2. Proposals submitted after the closing date and time, will automatically be disqualified.

## **7. CONTRACTUAL AND REPORTING ARRANGEMENTS**

- 7.1. Management of the tasks listed above will be managed as per the description in the relevant Service Level Agreement to be concluded and signed between the municipality and the successful service provider;
- 7.2. With respect to the project, the successful service provider will work with designated Project Sponsor from the municipality including municipal officials who will be seconded to the project for the purpose of skills transfer;
- 7.3. Service Providers must identify a Project Manager that will be duly mandated to represent the successful service provider during the duration of the contract, who will serve as liaison between the Service Provider and the municipality;
- 7.4. Note should be taken that the municipality is the one appointing the Service Provider and that such appointment is subjected to the successful Service Provider concluding a Service Level Agreement with the municipality. The terms and conditions of appointment [including consequence management] will be discussed with the successful Service Provider [and where there is no agreement in this regard, the municipality reserves the right to consider appointing an alternative Service Provider who will undertake provision of these services under the same terms and conditions].

## **8. REPORTS**

- 8.1. Progress reports will be submitted every week by Friday [or Monday] from the date of appointment until the end of the Audit period.
- 8.2. Progress report should compare the actual performance against the planned performance as detailed in the project plan to determine if the process is on track to meet the agreed upon time frames [deadlines];
- 8.3. Ad hoc reports may be requested by the Municipal Manager / Chief Financial Officer / Directors at given time during the duration of the project;
- 8.4. Close-out Report will be required as determined in Service Level Agreements, [this report must highlight the risk areas identified and recommendations on how such should be managed during the audit period] and Final Close-out Report must be submitted to the municipality immediately after the Audit Report [audit opinion] has been issued by AGSA at the end of Audit [this should include recommendations on how the municipality can maintain/improve the audit outcome that would have been issued by AGSA]

## **9. CONTRIBUTION BY THE MUNICIPALITY**

- 9.1. The municipality will provide working space for the successful Service Provider;
- 9.2. Provide the relevant information and access to key officials to enable the successful Service Provider to complete their tasks;
- 9.3. Make available staff to be seconded to the project for skills transfer purpose.

