



**TERMS OF REFERENCE FOR THE APPOINTMENT OF A SERVICE PROVIDER FOR
PROVISION OF ANNUAL FINANCIAL STATEMENTS FOR A PERIOD OF 3 FINANCIAL
YEARS**

Issued and Prepared by:

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1. BACKGROUND

The Alfred Nzo Development Agency (ANDA) is a municipal entity of Alfred Nzo District Municipality established in terms of the Municipal Systems Act (MSA) No. 32 of 2000 and regulated in terms of the Municipal Finance Management Act (MFMA) 56 of 2003. ANDA is registered in terms of the Companies Act No 71 of 2008.

ANDA is governed by a plethora of legislation and regulations that intends to support and strengthen its role in transforming society and the developmental state. The Agency is established as a special purpose vehicle for the objective of driving and facilitating economic development and investment throughout the Alfred Nzo District.

The principal mandate of the agency is to act as the operational arm of the Municipality for the purposes of implementing economic, social and environmental policies and projects within the area of jurisdiction of the Municipality or such areas as the Municipal Council may specify from time to time. It acts to promote development of economic potential on a regional basis by building on opportunities, which recognise the unique competitive strengths of the region's economy.

2. INTRODUCTION

In terms of Section 122(i) of the MFMA 56 of 2003, every municipal entity must for each financial year prepare annual financial statements in accordance with Generally Recognised Accounting Practice which:

- (a) fairly presents the state of affairs of the municipality or entity, its performance against its budget, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at the end of the financial year; and
- (b) disclose the information required in terms of sections 123, 124 and 125.

This legislative requirement is also reaffirmed by Section 30 of the Companies Act when it states that a company must prepare annual financial statements within six months after the end of its financial year, or such shorter period as may be appropriate to provide the required notice of an annual general meeting in terms of section 61(7).

The accounting officer of the municipal entity is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipal entity as at the end of the financial year and the results of its operations and cash flows for the period then ended.

It is also a fundamental requirement that the annual financial statements must be prepared in accordance with standards of Generally Recognized Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB). Although the directors of the agency are primarily responsible for the financial affairs of the municipal entity, they are supported by internal auditors in this regard.

In order to obtain a clean audit, the Entity has identified the need to further strengthen the following areas:

- Development and Support in implementation of Standard Operating Procedures (SOPs)
- Development of an Interim Financial statements.
- Development of In-Year Financial Reports
- Budget and budget adjustment processes
- Addressing of Audit Action Plan findings

The Alfred Nzo Development Agency would therefore like to appoint any competent service provider for the preparation of GRAP compliant Financial Statements for three (3) consecutive years.

3. PURPOSE AND OBJECTIVES OF THE PROJECT

The purpose of this project is to compile Annual Financial Statements (AFS) for the 2019/20, 2020/21, 2021/2022 financial year that fully comply with the applicable GRAP standards, with the objective to achieve a clean audit opinion. This project is aimed at

ensuring compliance with MFMA Section 122, VAT Act and GRAP standards as well as mSCOA where one of the key requirements is well-prepared audit files in line with the National Treasury guideline.

Purpose of the project also seeks to support ANDA in the development of institutional policies and Standard operating procedures.

The service provider will also be expected to assist ANDA in the development of Interim Annual Financial Statements, Quarterly Financial In-Year Report in terms of schedule F of the MFMA Regulations and Budget and Budget adjustment in terms of schedule E of the MFMA Regulations.

The service provider will also assist in alignment of Audit Action Plan for the following periods: 2019/20; 2020/21;2021/22

The service provider will also assist with VAT recovery and submission of VAT claims

4. EXPECTED OUTPUT

- Reviewed Standard Operating Procedures for the Budget & Treasury Office for 2020/21, 2021/22 and 2022/2023 financial year.
- Reviewed Policies of the Budget & Treasury Office for 2020/21, 2021/22 and 2022/2023 financial year.
- Developed Interim Financial Statements for 2019/2020, 2020/2021 and 2021/2022 financial year.
- Developed quarterly Financial In-Year Reports in terms of Schedule F of the MFMA Regulations for 2019/2020, 2020/2021 and 2021/2022 financial year.
- Budget & Budget Adjustment support in terms of Schedule E of the MFMA Regulations for 2020/21, 2021/22 and 2022/2023 financial year.
- Implement Audit Action Plan for 2019/2020, 2020/2021 and 2021/2022 financial year.

5. SPECIFICATION

Alfred Nzo Development Agency (ANDA) invites all interested Service Providers to submit bids for the provision of AFS, Assessment, Compliance, Reconciliations in line with mSCOA for a period of 36 months (3 years).

6. SCOPE OF WORK

The scope of work for the project will entail the following:

- Review of the financial records/transactions, preparation of reconciliations not in place and assistance with adjustment journals to ensure accuracy / correctness of the Trial Balance figures.
- Restatements of prior years- taking into consideration GRAP standards and applying them for the purposes of being compliant. GRAP 3 gives a detailed description of how to treat errors that occurred, restating prior period presented, opening balances of assets, liabilities and net assets for the earliest prior period. Restating the comparative amounts for the prior periods presented and any other correction required. All this should be done in accordance with the accounting standards.
- Review of the asset register to ensure accuracy and completeness. Service Provider will have an obligation to advise the municipal entity on any gaps / discrepancies identified in the Asset Register that can lead to a qualification / disclaimer.
- Perform VAT Reconciliation for current and prior years- perform all reconciliation of Vat both input and output for current and prior years. The institution will provide all relevant schedules for VAT that will assist in reconciling VAT. Consideration of the VAT Act and the Accounting Standards will be necessary when performing the reconciliation.
- Preparation of GRAP compliant draft AFS for which are to be submitted by the 10th August to management for quality assurance. Taking into consideration all requirements set out by the GRAP Standards.
- Addressing audit queries raised by Auditor General during audit and adjust accordingly where necessary / as agreed upon with the AG
- Detailed skills transfer program for the purpose of skills transfer to municipal entity's officials who will be seconded to this project

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- Establish whether the General Ledger aligns with the Trial Balance in line with applicable accounting standards and legislation.
- Establish whether all disclosures are made in the Annual Financial Statements. This includes checking whether the statements reconcile with the Trial Balance as well as with supporting schedules. Also test the presentation and the extent of compliance to the applicable accounting standards and applicable legislation.
- Perform completeness check on opening balances. Completeness check will be vital, to make sure that all requirements are met and performed. And that all relevant documentation used when correcting prior years is available.
- Check the completeness of the listing of irregular expenditure, fruitless and wasteful expenditure and unauthorized expenditure and appropriately disclose the Annual Financial Statements.
- Provision of support to the agency in any manner that may be needed by the agency in relation to this project.
- Review Standard operating procedures for the BTO department.
- Review policies for BTO department.
- Quarterly In-year financial report support in terms of schedule F of the MFMA Regulations.
- Budget and Budget Adjustment support in terms of schedule E of the MFMA Regulations
- Eliminating all qualification issues raised by the Auditor General in the previous years.
- Audit Action Plan implementation support.
- The service provider should be able to address issues related to SAGE VIP Payroll issues including but not limited to leave administration.
- The service provider is required to make themselves available on site when the Agency requests, in order to outline or clarify any COAFs or RFIs.

7. IMPORTANT INFORMATION

- Only one proposal per Prospective Service Provider will be considered
- The service provider to avail all the supporting schedules and workings used to compile

financial statements to the institution including the institution's CaseWare File.

- The service provider is further expected to make themselves available as and when the Agency requests, in order to outline or clarify any COAF's or RFI's.
- Tender documents will be available at the ANDA offices at a price of **R 1 000.00** (VAT Inclusive) All monies should be deposited to the Alfred Nzo Development Agency's Bank Account:

Bank: First National Bank

Account number: 62215290355

Amount: R1 000.00

Reference: Name of Company

Bidders to produce proof of payment on collection of tender documents.

8. REQUIREMENTS

8.1 COMPLIANCE REQUIREMENTS

Note to Prospective Bidders: Compulsory submissions (Failure to submit any of the following will result in disqualification)

- All bids submitted should remain valid for a period of **90 days after** the bid closing date.
- Valid SARS pin number confirmation certificate to be included.
- Municipal clearance certificate certifying that no municipal rates and service charges are owed by the bidder and any of its directors to Alfred Nzo District Municipality or to any other municipality where the bidder's business operations are located, are in arrears for more than three months.
- Certified copies of BBBEE certificate issued by a Verification Agency accredited by SANAS or a Sworn Affidavit in relation to the BBBEE status of the company.
- Copies of ID Documents and all submitted certificates must be certified with a certification that is not older than 3 months.
- The bid will be evaluated according to the preferential procurement model in the Preferential Procurement Policy Framework Act. the bidders' attention is drawn to

Form MBD6.1. Failure to submit will result in zero points score for BBBEE status level

- Company profile with traceable references
- Joint Venture agreement should be in JV agreement format
- Letter of good standing from the Bank for all the tender price below R10 million
- The Alfred Nzo Development Agency is not bound to accept the lowest or any bidder
- Latest Audited Financial Statements for any tender price over R10 million
- Bids received after the published closing date will not be considered and will not be opened
- Bidders are required to submit the CV of the Project Manager who will deal with the account of ANDA.
- **All bidders should complete MBD 1, MBD 4, MBD 8, MBD9**
- All prospective service providers of goods and services and infrastructure procurement are to be registered on Central Database in order to do business with all organs of state in the Republic of South Africa.

Failure to supply all required and supplementary information will result in the tender being deemed non-responsive and therefore, the tender will not be considered for award.

8.2 FUNCTIONALITY REQUIREMENTS

Alfred Nzo Development Agency wishes to obtain the services of a service provider for the preparation of GRAP compliant Annual Financial statements for three (3) consecutive years.

The service provider must possess the following:

- The Team Leader of the project must be a Chartered Accountant (CA) registered with South African Institute of Chartered Accountants (SAICA) with 10 years' experience as a registered CA. Attach CV and proof of registration.
- 4 Team members must be registered with applicable professional bodies and have minimum of Honours Degree or post graduate qualification in Commerce majoring in:
 - Accounting, Auditing / Finance or equivalent, coupled with a minimum of 5 years

practical experience in preparing of Annual Financial Statements in local government sphere. **Attach CV and proof of registration.**

- The service provider must have an experience and knowledge of preparing and reviewing GRAP compliant AFS of a municipality or a municipal entity for a minimum of 5 projects and for a minimum of 5 years combined for all projects. **Attach 5 appointment letters and Reference Letter indicating project was successfully completed and timeously signed by the client.**
- The service provider must demonstrate a proven track record of having assisted clients improve institutional audit opinion for at least 2 clients. **Attach reference letter from client as confirmation and audit opinion for client respectively.**

9. TIME FRAME

The project time frame is 36 months (3 years) starting from the date of appointment of the service provider.

10. DELIVERABLES / KEY OUTPUTS

1. The expected outcome of the project is a credible set of AFS that are free from material misstatements submitted to the office of the Auditor General by the 31st August in accordance with GRAP standards as well as IFRS.
2. Reviewed Standard Operating Procedures (SOPs) for Budget and Treasury Office (BTO) for 2020/2021 FY, 2021/2022 FY and 2022/2023 FY
3. Reviewed Policies for Budget and Treasury Office 2020/2021, 2021/2022 and 2022/2023 Financial Year.
4. Interim Annual Financial Statements for 2019/2020, 2020/2021 and 2021/2020 Financial Year.
5. Quarterly Financial In-Year Reporting for 2019/2020 FY in terms of Schedule F in line with MFMA Regulations for 2019/2020, 2020/2021 and 2021/2020 Financial Year.
6. Budgeting & Budget Adjustment in terms of Schedule E in line with MFMA Regulations for 2020/2021, 2021/2022 and 2022/2023 Financial Year
7. Implementation of Audit Action Plan for 2019/2020, 2020/2021 and 2021/2022 Financial Year.

11. EVALUATION CRITERIA

Proposals must be placed in a sealed envelope and clearly marked: "Project proposal – **THE APPOINTMENT OF A SERVICE PROVIDER FOR PROVISION OF ANNUAL FINANCIAL STATEMENTS FOR A PERIOD OF THREE FINANCIAL YEARS**" and placed in the tender box in the Alfred Nzo Development Agency not later than 12H00 on the 23rd March 2020.

The bids will be evaluated in two stages, namely:

- Stage 1 - Functionality
- Stage 2 - Price and BBBEE Points

Only Bidders who score 70% or more on stage 1 would be evaluated further and therefore eligible for the award.

ITEM	Weight
STAGE 1 OF EVALUATION – FUNCTIONALITY	100
Previous Experience	50
Capacity and Expertise	50
STAGE 2 OF EVALUATION – PRICE & PREFERENTIAL POINT	
BBBEE POINTS	20
Price	80
TOTAL	100

Breakdown for Functionality:

PREVIOUS EXPERIENCE	Weighting
Company Experience with respect to similar projects	
Traceable record for successful completion of a minimum of 06 or more projects of AFS for a Municipality or Municipal Entity (Attach Appointment Letter and Reference Letter)	30

indicating project was completed successfully and timeously)	
Traceable record for successful completion of a minimum of 04 but not more than 05 Projects of AFS for a Municipality or Municipal Entity (Attach Appointment Letter and Reference Letter indicating project was completed successfully and timeously)	20
Traceable record for successful completion of a minimum of 02 but not more than 03 Projects of AFS for a Municipality or Municipal Entity (Attach Appointment Letter and Reference Letter indicating project was completed successfully and timeously)	10
Traceable record for successful completion of 01 project of AFS for a Municipality or Municipal Entity (Attach Appointment Letter and Reference Letter indicating project was completed successfully and timeously)	5
Traceable record for successful completion of 0 project of AFS for a Municipality or Municipal Entity (Attach Appointment Letter and Reference Letter indicating project was completed successfully and timeously)	0
Maximum Weighting	30

Company Experience with respect to similar projects	Weighting
Traceable record for successful completion of a minimum of 02 or more AFS projects for Municipality or Municipal Entity with an improved audit opinion (Attach Appointment Letter And related Audit Outcome)	20
Traceable record for successful completion of a minimum of 01 AFS project for	10

Municipality or Municipal Entity with an improved audit opinion (Attach Appointment Letter And related Audit Outcome)	
Traceable record for successful completion of less than 01 AFS project for Municipality or Municipal Entity with an improved audit opinion (Attach Appointment Letter and Audit Outcome)	0
Maximum Weighting	20

CAPACITY AND EXPERTISE	Weighting
Experience of key staff assigned to the contract	
Team Members	40
Team leader must be a Chartered Accountant (CA) registered with South African Institute of Chartered Accountants (SAICA) with 15 years experience as a registered CA. Attach CV and proof of registration in order to claim points.	20
4 Team members must have minimum of Honours Degree or Post Graduate Qualification (NQF Level 8) in Commerce majoring in: <ul style="list-style-type: none"> - In Accounting, Auditing / Finance or equivalent, coupled with a minimum of 5 years practical experience in preparing of Annual Financial Statements in local government sphere. Attach CV in order to claim points. 	20
Maximum Weighting	40
Professional Registration	

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4 Team Members proposed above as part of the project team to be registered with relevant Professional Body. NB: Attach proof Professional Registration Body / Certificates in order to Claim points.	10
Maximum Weighting	10
Total Maximum Weighting	50

For any queries regarding this tender, please contact Mr Bam at telephone number 039-492-0011 or Email: baml@anda.org.za during office hours.

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**Ms. M. BAMBENI
CHIEF EXECUTIVE OFFICER**