



**ALFRED NZO**  
DISTRICT MUNICIPALITY

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**TERMS OF REFERENCE**  
**ANDM/MM- PI-AFS/01/2019-20**  
**ALFRED NZO DISTRICT MUNICIPALITY'S**  
**ANNUAL PERFORMANCE INFORMATION AND ANNUAL FINANCIAL**  
**STATEMENTS REVIEWS**

**2019/20 FINANCIAL YEAR**

**Issued and Prepared by:**  
**Alfred Nzo District Municipality**  
**ERF 1400 Ntsizwa Street**  
**P/Bag x 511**  
**Mount Ayliff**  
**5735**

**Senior Manager: Municipal Manager – Mr. Z.H. Sikhundla**  
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## 1. BACKGROUND AND OVERVIEW OF THE PROJECT

### 1.1 INTRODUCTION

In terms of section 45 of the Municipal Systems Act, No. 32 of 2000, audit of performance measurements- the results of performance measurements in terms of section 41 (1) (c) must be audited-

- a. as part of the municipality's internal audit processes; and
- b. annually by Auditor-General.

Furthermore, Section 14(1) (a) of the Municipal Planning and Performance Management Regulations 2001 stipulates that a Municipality must develop and implement mechanism, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

- b) Any auditing in terms of paragraph (a) must include assessment of the following:
  - i. The functionality of the municipality's performance management system;
  - ii. Whether performance management system complies with the act; and
  - iii. The extent to which the municipality's performance management systems are reliable in measuring performance municipalities on indicators referred to in regulation 9 and 10.
- c) A municipality's internal auditors must –
  - i. On continuous basis audit the performance measures of the municipality; and
  - ii. Submit quarterly reports on their audits to the municipal manager and performance audit committee referred to in sub regulation (2)

Furthermore section 166 (2) of the Municipal Finance Management Act, No 56 of 2003 also state that an audit committee is an independent advisory body which must- (b) review the annual financial statements to provide the council of the municipality or, in the case of a municipal entity, the council of the parent municipality and the board of directors of the entity, with an authoritative and credible view of the financial position of the municipality or municipal entity, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation.

## **1.2 OVERALL AND SPECIFIC OBJECTIVES OF THE PROJECT**

### **1.2.1 Overall objective**

To review the credibility of the municipality's Annual Financial Statements and Annual performance Report before submission to the Audit Committee and Auditor General respectively.

### **1.2.2 Specific Objectives**

- Raised audit observations, along with recommendations, through communication of audit findings pertaining to AFS and APR of Alfred Nzo District Municipality.
- Solicit Management Comments / responses
- Analyse and evaluate submitted management responses
- Prepare draft internal audit report with management responses
- Table draft internal audit report to the Internal Audit Manager, and discuss key observations
- Prepare final report for tabling to management and audit committee respectively.

## **2. SCOPE & EXTENT OF WORK**

Quotations are invited from suitably qualified professional service providers to Review Annual Financial Statements and Annual Performance Report 2018-19. The service provider will focus on the following:

- Test the extent of alignment Annual Performance information Report with targets as set in District Municipality's and Service Delivery and Budget Implementation Plan 2019-20,
- (Determine the extent of compliance with Performance Management Regulations and Municipal Systems Act.
- Determine the extent of compliance with Performance Management policy of the municipal entity.

- Verify the achieved targets as indicated in the Annual Performance Report.
- Test Completeness of Annual performance information report
- Also review the credibility of the municipality's Annual Financial Statements before submission to the Audit Committee and Auditor General respectively.
- 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.

It should be noted that it is the responsibility of the service provider to ensure that upon submission of proposals, a valid entity registration document, Tax Clearance Certificate/pin and BBEE Certificate/affidavit is included.

### **3. PROJECT TIME FRAME**

The project time frame will be 10 days from the date of appointment of the service provider, which is anticipated to take place at the 07 September 2020.

### **4. KEY OUTPUTS/PROJECT MILESTONES/DELIVERABLES**

- Raised audit observations, along with recommendations, through communication of audit findings
- Solicit Management Comments / responses
- Management responses
- Internal audit report with management responses
- Prepare final report for tabling to management and audit committee respectively.

## **5. STAKEHOLDERS CONSULTATION**

- MANAGEMENT
- SCM UNIT
- BUDGET AND REPORTING SECTION

## **6. PROJECT MANAGEMENT**

The entire project management exercise will be performed by Chief Audit Executive- Alfred Nzo District Municipality. Ongoing progress reports will be forwarded to the Chief Audit Executive. All invoices pertaining to the work done will also be submitted to the Chief Audit Executive.

## **REPORTING MECHANISM**

It is expected that regular progress reports will be submitted to Chief Audit Executive- of Alfred Nzo District Municipality. The Project Manager has the right to change the frequency of reporting as and when necessary.

## **7. SUBMISSION OF BIDS**

Proposals must be placed in a sealed envelope and clearly marked: "Project proposal – Name of Project **Annual Performance Information and Annual Financial Statement 2019-20**" and placed in the tender box in the Alfred Nzo District Municipality not later than 10H00. Bidders are requested to ensure that their proposals include; Company Registration, a Tax Clearance Certificate/pin and BBBEE Certificate/affidavit.

## 8. EVALUATION CRITERIA

Evaluation criteria of the tenders;

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.

**EXAMPLE:**

ITEM	Weight
<b>STAGE 1 OF EVALUATION – FUNCTIONALITY</b>	<b>100</b>
• Previous Experience	50
• Capacity and Expertise	50
<b>STAGE 2 OF EVALUATION – PRICE &amp; PREFERENTIAL POINTS</b>	<b>100</b>
<b>BBBEE POINTS</b>	<b>20</b>
<b>Price</b>	<b>80</b>

Previous Company Experience	Weighting
Traceable record for successful completion carrying out Annual Performance Information Report & Annual Financial Statements Reviews: 5 and above municipalities and municipal entities.	50
Traceable record for successful completion carrying out Annual Performance Information Report & Annual Financial Statements Reviews: 4 municipalities and municipal entities.	40
Traceable record for successful completion carrying out Annual Performance	30

Information Report & Annual Financial Statements Reviews: 3 municipalities and municipal entities	
Traceable record for successful completion carrying out Annual Performance Information Report & Annual Financial Statements Reviews: 2 municipalities and municipal entities.	20
Traceable record for successful completion carrying out Annual Performance Information Report & Annual Financial Statements Reviews: 1 Municipalities and municipal entities.	10
<p style="text-align: right;">Maximum Weighting</p> <p>Note COMPULSORY attachments for verifying work done:</p> <ol style="list-style-type: none"> <li>1. The ANDM Assessment Bidder Form must be completed, stamped and signed by previous employer as a means of verifying references for each project undertaken. If 5 Projects were done, 5 Assessment bidder forms must be completed.</li> <li>2. In ADDITION to the above, a traceable record will be evaluated on the basis of: <ul style="list-style-type: none"> <li>- Appointment letters/ purchase Order</li> </ul> </li> </ol>	50

<b>Capacity and Expertise to Undertake the Project</b>	<b>Weighting</b>
<b>Note: The scoring in this section is preferably cumulative, unless justifiable to the Specification Committee</b>	<b>[50]</b>
<b>A Project Team with the following areas of expertise:</b>	<b>[30]</b>
The Team Leader of the project must be a Chartered Accountant (CA)/ Certified Internal Auditor with 7 years' experience in the Auditing/ Internal Auditing and Accounting in municipal environment.	15

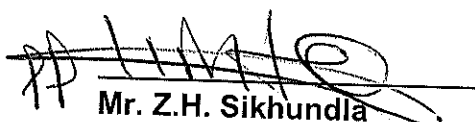


Team member with NQF Level 7 Qualification in Accounting, Auditing/ Internal Audit or equivalent , couple with minimum of three years' experience in the Auditing/ Internal Auditing and Accounting in municipal environment	10
A Team member must be registered with relevant professional body, anyone of the following: South African Institute of Chartered Accountants (SAICA), Institute of Internal Auditors (IIA), Association of Certified Chartered Accountants (ACCA) or Chartered Institute of Governance Finance, Audit or Risk Officers (CIGFARO). Proof of registration be attached.	5
<b>Maximum Weighting</b> NB: Attach CV and certified copies not older than 3 months for all qualifications	<b>30</b>
<b>Resources to execute the work</b>	<b>[20]</b>
Team members be on site along with their tools of trade ( Attach Affidavit detailing availability of resources to the incubates to deployed for the project)	20
Team members be on site and work with internal Audit Team in order to transfer skills. The skills transfer plan of the project plan with timeframes, to be included at no cost to the project.	10
<b>Maximum Weighting</b>	<b>20</b>
<b>Total Maximum Weighting</b> <b>[30 + 20]</b>	<b>50</b>

For any queries regarding this tender, please contact Mr. S. Nelani for project related queries; on (039) 254 5108 or; Supply Chain Management contact for SCM related queries at telephone number 039-254-5134 during office hours.

**Alfred Nzo district Municipality**  
**Erf 1400 Ntsizwa Street**  
**Mount Ayliff**  
**4735**

Yours in municipal administration,

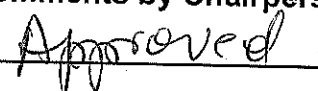
  
Mr. Z.H. Sikhundla  
MUNICIPAL MANAGER

Recommendation by Specification Chairperson:

 Approved/Not Approved

\_\_\_\_\_  
Mr. L. Mdutyana

Comments by Chairperson:

  
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