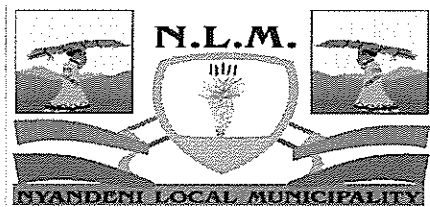


NYANDENI LOCAL MUNICIPALITY

PHYSICAL ADDRESS:
Municipality Building
B.N. Nomandela Drive
LIBODE
POSTAL ADDRESS:
Private Bag X 504
5160



Tel: 047 5555 024
047 5555 000
047 5550 278
Fax: 047 555 0202

"Deciding with the people, not for the people"

DETAILED TERMS OF REFERENCE

QUALITY REVIEW OF GRAP ANNUAL FINANCIAL SERVICES FOR THE YEAR ENDED 30 JUNE 2022

DETAILED TERMS OF REFERENCE

Introduction

Section 122 of the Municipal Finance Management Act states that every municipality and every municipal entity must for each financial year prepare annual financial statements which 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. Such annual financial statements must be prepared in accordance with Generally Recognised Accounting Practice.

Objectives of the project

The purpose of the project is to ensure that the Municipality complies with section 126 (1)(a) of the Municipal Finance Management Act and GRAP standards in relation to the preparation of annual financial statements, ensure that all audit queries that were raised by the Auditor General relating to annual financial statements in 2021/2022 financial year are addressed.

SCOPE OF WORK

1.1 Review of AFS in order to ensure mSCOA GRAP compliant Annual Financial Statements are credible:

- (A) Assistance in the implementation of any new GRAP-standards applicable to the municipality and skills transfer sessions to ensure the standard can be implemented.
- (B) Assistance with the review of the municipality's accounting policies in order to ensure alignment with all relevant accounting standards.
- (C) Review of the draft and final format of the Annual Financial Statement (AFS) against GRAP compliance checklist.
- (D) Compliance check on the AFS with recognition, measurement, Presentation and disclosure requirements in terms of GRAP and mSCOA legislation.
- (E) Review the final audit file to be submitted to the Auditor General (AG)
- (F) Review the compiled GRAP 25 (employee benefit) Actuarial Valuation reports from the actuary which the municipality will appoint separately from this SLA:
 - (a) Long service award calculation

- (G) Review the Employee related benefits
 - (a) Leave accrual
 - (b) Bonus provision
 - (c) Long service awards
 - (d) Post-Retirement medical benefits
 - (e) Policies that are related to the benefits to ensure compliance with the labour agreements
- (H) Review and assist with the Landfill Site provision as follows:
 - (a) Provision for Rehabilitation;
 - (b) The effect on the Landfill Site Asset and
 - (c) Possible closure effect
- (I) Review and test for completeness of the following:
 - (a) Finance Leases
 - (b) Retention
 - (c) Income received in advance
 - (d) Financial Instruments
- (J) Review debtor's classification and ensure the following:
 - (a) Billing is accurate
 - (b) mSCOA debtor classes are accurate in line with the Valuation Roll

- (c) Debtors Age Analysis agree to the AFS
- (d) Proper disclosure of the debtors i.e. Receivable from system to categorise as defined in mSCOA
- (K) Obtain sufficient details in order to perform necessary discounting of debtors as well as the need to provide for possible debt impairments / bad debt;
- (L) Detailed review of fixed asset registers to ensure:
 - a) Asset align to mSCOA classification
 - b) Asset align to GRAP classification
 - c) Audited balances transferred to mSCOA main ledger
 - d) Working papers on all movements – completeness
 - e) Impairment calculations
 - f) Notes and Appendix B
- (O) Vat receivables;
 - (a) perform reasonability test,
 - (b) Review reconciliations to ensure that any reconciling items between SARS Statement and Ledger are taken care of
- (P) Test completeness of creditors and accruals:
 - a) Subsequent payment test
 - b) Cancelled orders
- (Q) Review: Compilation of the cash flow statement.
- (R) Audit Assistance to management to provide adequate response to audit queries from the Auditor General during the audit
- (S) Assistance with matters identified during the prior year's audit which can be rectified before year-end, to prevent repeat audit findings.
- (T) **Skills transfer:**

Practical training sessions with relevant departments in order to demonstrate the requirement of applicable GRAP standards and the detailed information to be presented to the financial department in order to compile fully GRAP-compliant annual financial statements and signed off by the responsible municipal staff members

All proposals should include:

- Costs broken down in number of hours, hourly rate and a total for all the professional staff that will be involved in the project, then overall total for the project
- Disbursements broken down into rate per km
- Estimated time of completion
- All proposals must be inclusive of VAT