

SERVICE PROVIDER AGREEMENT

Entered into by

George Municipality
(‘The Client’)

And

TSHOLO MUBESKO CONSORTIUM
(‘The Service Provider’)

**APPOINTMENT OF A SERVICE PROVIDER FOR THE PROVISION OF
ACCOUNTING SERVICES FOR A PERIOD OF THREE (3) YEARS FROM 01 JULY
2022 AND ENDING 30 JUNE 2025**

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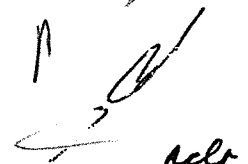
Preamble

Whereas:

(A) The George Municipality seeks to procure the services of the Tsholo Mubeko Consortium in terms of the terms of reference as outlined in Tender Number FIN005/2022 as advertised and duly awarded. The scope of works includes, but is not limited to render any of the following services, as required by the municipality:


1. Implementation of Generally Recognized Accounting Practice (GRAP) for the municipality and possible entities under its control, including any new accounting standard as approved by the ASB for implementation.
2. Assistance with External audit & queries raised by the Auditor General as needed.
3. Asset Management, including assistance as needed with the annual asset count and assuring a GRAP compliant asset register.
4. Calculations of actuarial valuations of employee benefits.
5. Accounting support in addressing accounting backlogs and assisting municipal staff with the implementation of internal control measures.
6. Administrative and accounting support services availability by means of offices and staff available in the Western Cape, preferably in the George Municipal area.
7. Development of policies, strategies, benchmarking of accounting strategies and assist with implementation where needed.
8. Skills transfer through on the job training with the specific aim to empower municipal staff to execute their duties unassisted.
9. Training of Financial and Non-Financial Officials and councillors in the requirements of GRAP and any revised standards budgeting and other financial reforms where needed. Training material must be provided by the service provider.
10. Financial Project Management:
 - Assistance with reporting to National & Provincial Treasuries, as and when needed (MFMA compliance).
 - Assistance with Budget Reforms, reporting and budget schedules, as and when needed (MFMA Compliance).

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- Assistance with any other financial reforms, requirements such as mSCOA requirements.
11. Development and implementation of business processes and standard operating procedures (SOP) aligned with the municipality's system, as and when required.
 12. Compilation of GRAP compliant annual financial statements (AFS) and implementation of GRAP and other relevant new accounting standards and reforms relevant to the AFS presentation for the municipality and possible entities under its control.
 13. Preparation of Annual Financial Statements. The municipality will not provide a final Trial Balance from the onset and the consultant will be required to assist the municipality in the preparation of the final Trial Balance and will include amongst others the following:
 - 13.1 Performing calculations and disclosing information required in all the notes to the AFS including, but not limited to the following:
 - 13.1.1 Calculating annuity loan obligations;
 - 13.1.2 Calculating accrued interest where applicable in respect of annuity loans;
 - 13.1.3 Calculation of finance lease obligations including present value determination;
 - 13.1.4 Calculating the provision for post-retirement and other employee benefits in accordance with actuary reports, effecting corrective journal entries with regards to actuarial gains/losses and advising on appropriate accounting treatment of corrections/restatements and effecting same;
 - 13.1.5 Integration of the Roads agency function performed on behalf of the Department of Public Works;
 - 13.1.6 Calculating other current and non-current provisions as may be required and preparing journals and workings for adjustments;
 - 13.1.7 Calculate and provide workings for payables from exchange transactions including receipts in advance and retention;
 - 13.1.8 Assess fair value of creditors and advise management thereon for disclosure purposes;
 - 13.1.9 Review unspent conditional grants calculation and advise management on correctness and completeness of calculations performed by staff;
 - 13.1.10 Review and confirm tax calculations, i.e. liability/receivables from source documents provided, perform tax reasonability test, calculate apportionment ratio for the year, calculate theoretical VAT balance;
 - 13.1.11 Compile PPE annexures and ensure reconciliation to the GL. Compile Asset register and ensure that it complies with accounting policy and relevant accounting standards;

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- 13.1.12 Assist with year-end GRAP related entries with regards to PPE and Investment property, e.g. residual values, restatements and prepare working papers and correcting journal entries;
- 13.1.13 Review inventory calculation to confirm disclosure amounts;
- 13.1.14 Perform calculations for provision for impairment of receivables for exchange and non-exchange transactions. Provisions to be calculated on individual debtor basis, special attention to be paid to top 200 debtors. Perform GRAP calculations where necessary;
- 13.1.15 Calculate and determine operating lease asset and liability information, perform straight-lining where appropriate;
- 13.1.16 Ensure correct cash and cash equivalents disclosure in accordance with the accounting policy and accounting framework;
- 13.1.17 Review bank reconciliations and advise on clearing of material amounts where appropriate;
- 13.1.18 Review investment register for accuracy and calculate accrued interest where necessary;
- 13.1.19 Review accurate appropriate disclosure of all grant receipts, verify information in grants reconciliation for inclusion in AFS and prepare correction journals if relevant;
- 13.1.20 Ensure accurate disclosure of employee related cost by scrutinising relevant reconciliations and advise if corrections are to be made for staff, management and/or councillors;
- 13.1.21 Analyse finance charges to ensure accurate disclosure of respective components in accordance with accounting standard;
- 13.1.22 Review Bulk purchases amount to ensure completeness, and that adequate consideration for cut-off dates have been accounted for;
- 13.1.23 Calculate provision for rehabilitation of regional landfill site when established and prepare correcting journals;
- 13.1.24 Analyse and review expenditure by nature including general expenditure categories for appropriate disclosure of expenditure;
- 13.1.25 Reclassification note and any other disclosures/GRAP requirements with regards to mSCOA;
- 13.1.26 Analyse and review suspense accounts and provide advice with the clearing of suspense accounts where necessary;
- 13.1.27 Perform all correction of error restatements where necessary, provide adequate narrative disclosure and advise management on accounting treatment of matters to be restated. Prepare correcting journals where necessary;
- 13.1.28 Ensure completeness of capital commitments by reviewing information supplied;
- 13.1.29 Perform classification of financial instruments and appropriately disclose in accordance with applicable accounting standard;
- 13.1.30 Consider information regarding contingent liabilities and ensure adequate and appropriate disclosure measured against GRAP requirements;
- 13.1.31 Ensure that adequate disclosure of material variances is done; and

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13.1.32 Review and adjust accounting policy where necessary to adhere to GRAP requirements.

13.2 The following will be expected:

- 13.2.1 Attendance of meetings to discuss Annual Financial Statements with finance/management /audit committee, etc.
 - 13.2.2 Revise and effect changes to Annual Financial Statements after internal audit, management, audit committee's external review.
 - 13.2.3 Provide advice with regards to the adoption and/or early adoption of relevant accounting standards.
 - 13.2.4 Prepare and provide a complete set of electronic working papers, by means of spreadsheets, setting out calculations and attaching PDF documents as supporting evidence for any and all amounts stated and/or disclosed in the AFS, Notes and Appendices to the financial statements.
 - 13.2.5 Prepare journals for transactions necessary for completion of the AFS and present to management for review.
 - 13.2.6 Annual revision of accounting policy of the municipality to accompany the AFS.
 - 13.2.7 Review accounting policy for relevance, completeness and compliance with accounting standards, to ensure that it is appropriate in accordance with current operational environment.
 - 13.2.8 Assistance with queries from the auditors during the external/internal audit.
 - 13.2.9 Obtain external expert opinion on accounting standards interpretation, if a difference of opinion is evident between the office of the auditor general and the municipality/consultant.
 - 13.2.10 Perform adjustments to the AFS in accordance with audit findings issued during the external audit.
 - 13.2.11 The above work must be concluded timeously to ensure submission of credible AFS to the Auditor General of South Africa by 31 August each year.
14. A clear program to be provided on the approach to transfer skills to the municipal incumbent, to enable them to execute the duties in accordance with accounting policies, standards, framework and compilation of the AFS. The program must clearly set out time frames, hours and resources committed to the empowerment and transfer of skills.
15. The municipality further requires the BBBEE verification and resultant BBBEE compliance report to be completed and reported in the annual financial statements and the annual report.
16. The General activities and Budget related tasks as outlined in the Tender Document of FIN005/2022 will be requested on an ad-hoc basis, as and when needed.

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- (B) The parties wish to record the terms and conditions of acceptance of the tender and proposal of the service provider.

It is therefore agreed as follows:

1. Interpretation

The headings of the paragraphs in this Agreement are for the purposes of reference only and shall not be used in the interpretation of this Agreement. In this Agreement, unless a contrary intention clearly appears:

- 1.1. the singular includes the plural and vice versa;
- 1.2. the following terms shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings, namely:
 - 1.2.1. “**business day**” means any working day, excluding Saturdays, Sundays and public holidays;
 - 1.2.2. “**client**” means the George Municipality;
 - 1.2.3. “**commencement date**” means the date on which the parties commenced with the performance of their obligations, namely 01 July 2022;
 - 1.2.4. “**contract price**” means the fees that will be charged by the Service Provider as stipulated in the tender for the performance of the services in terms of this Agreement;
 - 1.2.5. “**key result**” means an indicator or yardstick in terms of which the Service Provider's successful performance of its obligations may be gauged;
 - 1.2.6. “**methodology**” means the professional expertise and the system of methods required by the Service Provider to perform the obligations set out in terms of this Agreement;
 - 1.2.7. “**prime rate**” means the variable interest rate as charged and calculated by the Service Provider's bankers from time to time;
 - 1.2.8. “**project**” means the services to be performed by the Service Provider in terms of the Tender and the corresponding obligations to be fulfilled by the Client;
 - 1.2.9. “**project plan**” means the strategy prepared by the parties for the successful completion of the Project;

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1.2.10. **“service provider”** means the Tsholo Mubesko Consortium;

1.2.11. **“services”** refers to the professional work to be performed by the Service Provider in terms of this Agreement; and

1.2.12. **“tender”** means Tender Nr.: FIN005/2022 of the George Municipality which the client awarded in terms of the Municipal Supply Chain Regulations.

1.3. figures are referred to in numerals and in letters and if there is any conflict between the two then the letters shall prevail;

2. Appointment and Duration

2.1. The Client hereby appoints the Service Provider on the commencement date, to carry out the services detailed in this Agreement upon the terms and conditions set out herein.

2.2. The Service Provider will commence and complete the performance of the services on the dates as may be agreed by the parties.

2.3. The agreement shall terminate on 30 June 2025.

3. Extent of terms and conditions

3.1. This Agreement consists of the terms and conditions set out in the documentation listed as follows:

3.1.1. The Service Provider's tender to the George Municipality and subsequent approvals from the Service Provider and the George Municipality;

3.1.2. Letter of appointment; and

3.1.3. This Agreement.

3.2. In the event of conflict between the provisions of any of the aforesaid documentation and this Agreement, the provisions of this Agreement shall prevail.

4. Scope of Services

4.1. The Service Provider shall provide accounting support to the **George Municipality**, as listed in par (A) of the Preamble above.

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- 4.2. Services shall be rendered with regard to the proposals and requirements of the **George Municipality**.
- 4.3. Proposal and service levels or requirements as stipulated in this agreement shall govern the Service Provider's performance of its obligations, unless agreed otherwise.
- 4.4. Project and project plans to be agreed upon by both parties and signed off by the Municipal Manager.

5. Obligations of the Service Provider

- 5.1. The Service Provider shall render all required services in compliance with the methodology and timeframes set out in this Agreement or as may further be agreed. In this regard:
 - 5.1.1. The Service Provider shall accomplish the key results set out in this agreement, if the Service Provider fails to perform the municipality reserves the right to terminate the contract and,
 - 5.1.2. The Service Provider shall not be bound to the methodology or external professional assistance it elects to employ, provided that whatever external assistance or methodology is selected enables the Service Provider to successfully perform its obligations.
- 5.2. The aforesaid services shall be rendered diligently and to the standard required by the Client.

6. Obligations of the Client

- 6.1. The Client shall ensure that the Service Provider has reasonable access to and the support of whatever information or personnel, respectively, may be necessary for the Service Provider to fulfil its obligations.
- 6.2. The Client shall effect remuneration to the Service Provider upon the latter's performance of its obligations within 30 days of receiving a supporting invoice. The Service Provider shall submit a statement of account on a monthly basis to the client in order to reconcile payables with the client's own accounting records, and if, for any reason, is unable to submit such statements, will inform the client in writing of the reasons for such failure. The Client will not unreasonably demand such statements or withhold payment because of such failure to deliver statements of account.

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7. Remuneration

- 7.1. The Client hereby agrees to remunerate the Service Provider strictly in accordance with the provisions of payment method utilised in the George Municipality (within 30 days of receiving the Invoice). Should the Client default or falls into arrears with any payment then the Service Provider reserves its right to claim payment of interest at the prime rate, calculated from the day payment has become due to the actual date of payment. For the purpose of GRAP 104 the "due date", as determined in terms of this paragraph, shall be the last day before interest is being charged by the Service Provider and any interest-free extension of payment by the Service Provider beyond the normal due-date should be treated as an extension of the due-date.

8. Limitation of liability

- 8.1. The Service Provider hereby protects and secures the Client against all legal liability with regard to any claims that may arise as a result of a breach of contract or negligence on the part of the Service Provider in respect of its obligations in terms of this Agreement.
- 8.2. The maximum liability of the Service Provider in respect of the aforesaid claims shall be limited to the aggregate of fees that have accrued to the Service Provider for the obligations that form the subject of the breach of contract or negligence as at the time that the cause of action arose.
- 8.3. The Client warrants that all required supply chain procedures were followed for the appointment of the Service Provider and that the Service Provider can act on this appointment in utmost good faith.

9. Disputes

- 9.1. In the event that a dispute arises between the Client and the Service Provider it shall be referred to mediation within 5 (five) business days of either party declaring such a dispute. In this regard:
- 9.1.1. A mediator shall be appointed by the parties, to preside over the mediation; and,
- 9.1.2. The parties shall seek ways and means to resolve the dispute in the most expedient manner.
- 9.2. Should the dispute not be resolved within 10 (ten) business days of the commencement of mediation it shall be referred to arbitration. Accordingly:



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- 9.2.1. An arbitrator shall be appointed by the parties, alternatively by the chair of the Arbitration Foundation of South Africa ('AFSA'), to preside over the arbitration; and,
 - 9.2.2. The rules of AFSA shall govern the conduct of the arbitration; and
 - 9.2.3. The responsibility of carrying the cost of arbitration shall be determined by the arbitrator.
- 9.3. Nothing in this paragraph shall prevent either party from approaching the High Court for suitable judicial relief, but the parties agree that the procedures in paragraphs 9.1 and 9.2 must first be followed before such an approach.

10. Breach

- 10.1. If either party breaches this Agreement or fails to perform any of its obligations, then the other party shall provide written notice, calling upon the first party to rectify its breach within a period of not less than 10 (ten) business days.
- 10.2. Should the party in breach have failed to rectify the breach within the aforesaid time period, the other party may cancel this Agreement and claim recovery of damages.

11. Termination

- 11.1. This Agreement may be terminated upon 20 (twenty) business days' written notice, after the terminating party has consulted the other about its intention in writing.
- 11.2. The aforesaid termination shall not prejudice either party's rights in respect of the obligations already performed or to be performed as at the date of termination.

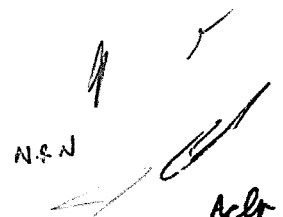
12. Whole agreement

This Agreement constitutes the whole agreement between the parties unless supplemented by further agreements, which shall be in writing.

13. *Domicilium citandi et executandi*

- 13.1. The parties choose as their *domicilia citandi et executandi* the addresses set out hereunder :
 - 13.1.1. Client :

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Office of the Municipal Manager
George Municipality
P.O BOX 19
George
6530

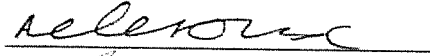
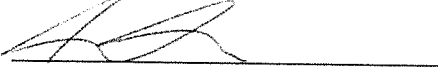

13.1.2. Service Provider:

Tsholo Mubeko Consortium
Postnet Suite 93
Private Bag X680
Oudtshoorn
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13.2. Either party may change its *domicilium citandi et executandi* by giving written notice to the other, the new address becoming effective at the expiry of 10 (ten) business days from the communication of notification.

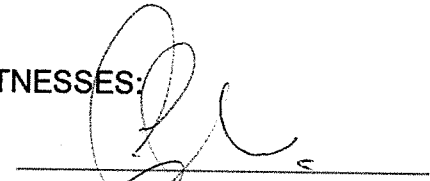
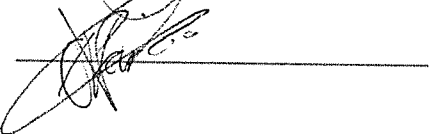

Dated at George this 11th day of June 2022.

AS WITNESSES:

1. 
2.  
GEORGE MUNICIPALITY

Dated at George this 5th day of July 2022.

AS WITNESSES:

1. 
2.  
FOR SERVICE PROVIDER

