



## COVER PAGE

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**GAUTENG PROVINCE**  
PROVINCIAL TREASURY  
REPUBLIC OF SOUTH AFRICA

**PROVINCIAL SUPPLY CHAIN  
MANAGEMENT**

**Technical Support to Gauteng  
Municipalities on Government  
Debt: RFQ-FY20-0280**

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## 1. PURPOSE

The Gauteng Provincial Treasury is seeking professional services to support municipalities with the management of government debt and wish to invite proposals from bidders to audit or review the government debt billing processes of municipalities and after identification of shortcomings in the process; provide training to the municipal and provincial staff on the effective management of the government debt billing process.

## 2. BACKGROUND

(a) Municipalities in Gauteng struggle to manage the entire value chain of government debt which amongst other affects the timeous collection of this debt and which in turn negatively affects the liquidity position of the municipalities. cursory observations by the Provincial Treasury after engagements with municipalities, government departments and parastatals, indicate many challenges in the billing processes of municipalities.

Whilst some municipalities have demonstrated efforts in the process of trying to resolve the problems, others are failing and hence the Gauteng Provincial Treasury is obliged to step in and support the municipalities.

(b) Incorrect billing by municipalities often results to disputes and government debt that cannot be confirmed, which was R165, 306 million as at the end of June 2018, and this adversely affect cash flow of municipalities.

(c) There is a need to align certain properties with asset register of the Department of Infrastructure Development to ensure that municipalities bill the correct owners for rates and taxes. The alignment will ensure that all billed revenue for property rates is collected. Furthermore, user departments and institutions like schools and clinics do not properly manage consumption of services or consumption management devices such as meters are either faulty or not read properly resulting to billing errors.

(d) The Gauteng Provincial Treasury coordinates the management of government debt between departments and municipalities.

(e) Clarification of roles of government departments:

Department	Role	Responsibility
Infrastructure Development	Custodian of properties	Responsible for payment of Property Rates and taxes
Education	Consumption of services	Payment of services like water and electricity



Department	Role	Responsibility
Health	Consumption of services	Payment of services like water and electricity
Human Settlements	Consumption of services	Payment of services like water and electricity Payment of rates and taxes on some properties
Social Development	Consumption of services	Payment of services like water and electricity
Transport	Consumption of services	Payment of services like water and electricity

## 2.1 MANDATE OF THE PROVINCIAL TREASURY

- a) Technical support to municipalities stems from the provincial treasury's role and responsibilities as contained in the Constitution of South Africa and the Municipal Finance Management Act, 2003 (Act 56 of 2003). The Municipal Finance Management Act aims to modernise and improve financial management practices in local government finances to maximise the capacity of municipalities to deliver services to communities.
- b) Sections 5 and 6 of the Municipal Finance Management Act outline the general functions of Provincial Treasuries and the authority of National Treasury to delegate functions. In this regard the National Minister of Finance (National Treasury) formally delegated additional responsibilities to the MEC for Finance (Provincial Treasuries) as per Municipal Finance Management Act Circular 20 dated 16 August 2005.
- c) Provincial Treasuries amongst other should support municipalities with the implementation of the Municipal Finance Management Act and the related Regulations which spans over:
  - Budgeting which includes the effective management of debtors,
  - in-year reporting, annual financial statements and annual reports,
  - supply chain management, risk management, internal auditing, and
  - public private partnerships and related matters.
- d) This intended support to municipalities would be in respect of the management of government debtors by the municipality which is a crucial element in the working capital cycle of municipalities. The proper management of the liquidity position of the municipality in turn is essential in the process to ensure the minimum level of service delivery to local communities.
- e) The Gauteng Provincial Treasury established a separate IGR Structure namely the 'Debt Management Committee' during 2014 for the specific purpose to assist municipalities with the management and collection of outstanding provincial government debt.



- f) As at 31 August 2019, the total outstanding provincial government debt as reported by the municipalities in Gauteng amounted to about R726 million with about R411 million older than 90 days.
- g) The support is mainly aimed at resolving current disputes and billing errors through the verification and confirmation of the accuracy of municipal billing and related processes as it relates to government debt.

### **3. OBJECTIVES**

#### **3.1 The objectives of this support initiative will be to ensure that:**

- a) In terms of revenue management, all municipalities in Gauteng comply with section 64 of the MFMA and section 95 of the Municipal Systems Act.
- b) User departments manage consumption of services (water, electricity, sanitation and waste disposal).
- c) All municipalities in Gauteng effectively manage government debtors.
- d) To resolve the current disputes which mainly originates from unknown government properties and billing errors.
- e) Municipal billings and related processes or systems are accurate and reliable.
- f) Municipal officials and selected Gauteng Provincial Treasury staff are capacitated through training on government billing processes.
- g) A report is produced to inform or influence Annual Performance Plans or Operational Plans of affected departments and parastatals.

#### **3.2 The intended outcomes:**

- a) A comprehensive report (similar to an audit report) based on the verifications exercise of the municipal billing processes.
- b) Improvement in the accuracy of the municipal records of government debtors accounts.
- c) Updated municipal Financial Management Systems in respect of government debtors.
- d) A set of municipal reconciliations of government debtors accounts.
- e) Capacitated municipal and provincial treasury officials.
- f) Reduction of government debt owed to municipalities by departments and municipalities.



## 4. SCOPE OF WORK

### 4.1 PROJECT SCOPE

Against the background of the challenges and status outlined in section 2 above, the Gauteng Provincial Treasury requires a service provider to assist municipalities with:

- a) the review of the entire value chain of the management of government debtors including:
  - the municipal billing records and tariffs of government debtors accounts,
  - analysis of consumption patterns over a 3 year-period;
  - the billing process(es) and cycle(s),
  - the issuance of invoices and statements,
  - the receipt and allocation of payments,
  - the reporting of government debtors accounts,
  - reconciliations of government debtors accounts,
  - identification and mapping of government properties on the municipality's Financial Management System (FMS),
  - the classification of government properties on the municipal valuation rolls, and
  - the audit of properties belonging to Department of Infrastructure Development and the allocation on the municipality's Financial Management System.
  
- b) after the review of the entire value chain of the management of government debtors, implement corrective actions where shortcomings were identified, and
  - develop a reliable consolidated government property register for the Gauteng Province,
  - train both the relevant municipal officials and selected Gauteng Provincial Treasury staff assigned to the project, and
  - develop standard operating procedures and business process maps as part of capacity building and the transfer of skills.

### 4.2 THE LIST OF DELEGATED MUNICIPALITIES

No.	Municipality	District	Capacity classification
1.	Emfuleni Local Municipality	Sedibeng	High
2.	Lesedi Local Municipality	Sedibeng	Medium
3.	Merafong City Local Municipality	West Rand	High
4.	Midvaal Local Municipality	Sedibeng	Medium
5.	Mogale City Local Municipality	West Rand	High
6.	Rand West City Local Municipality	West Rand	High

7.	Sedibeng District Municipality	Sedibeng	Medium
8.	West Rand District Municipality	West Rand	Medium

#### 4.3 THE LIST OF FINANCIAL SYSTEMS PER MUNICIPALITY AS FOLLOWS:

Financial system	Municipalities
Quill - BIQ	Merafong City
	Mogale City
Munsoft	Rand West City Local Municipality
	Rand West District Municipality
BCX – Solar	Emfuleni Local Municipality
	Midvaal Local Municipality
BCX – eVenus	Lesedi Local Municipality
BCX – Venus	Sedibeng District Municipality

It is important that potential service providers understand that the support per municipality may differ based on the different financial systems in use at municipalities.

#### 4.4 OTHER REQUIREMENTS:

- a) The service provider must provide the Gauteng Provincial Treasury with a project implementation plan as part of the tender response.
- b) The service provider must be able to dedicate at least one (1) resource to each of the municipalities.
- c) The service provider cannot remove the names of persons provided as part of its tender response without prior written authorisation from the Gauteng Provincial Treasury.
- d) The service provider will be required to capacitate selected Gauteng Provincial Treasury officials assigned to the project, as part of the transfer of skills.
- e) The service provider must develop standard operating procedures and business process maps to empower municipalities to become self-reliant to continue after the exit of the service provider.

#### 4.5 PROJECT TIMELINES

- a) This project must be completed by 28 February 2020.
- b) The Gauteng Provincial Treasury will host a planning session with the successful service provider within 1 week after appointment.



- c) The successful service provider must be able to mobilise within 2 weeks after the date of appointment.

## **5. GENERAL CONDITIONS**

### **5.1 RFP Pack**

General conditions are stipulated in the various documents which make up the RFP pack.

### **5.2 The use of sub-contractors**

No part of the work covered by the contract may be let or sub-let to persons including companies, unless authorised in writing by the Accounting Officer, which authority, if granted, shall not in any way absolve the contractor of any liability which might result from the contract. Please refer to Pref 00 in the RFP Pack for further information.

## **6. TOWNSHIP REVITALISATION**

The Township Economy Revitalization (TER) is the Strategy of the Gauteng Provincial Government aimed at revitalizing the economy in the townships through the creation of enabling and supportive environment; establish social and economic value of township economy as well as to ensure that the township enterprises become key players in Gauteng. The goal is to ensure that, where practical all goods and services are procured from bidders within townships.

## **7. SKILLS AND EXPERTISE OF THE PROJECT TEAM**

The service provider must ensure that staff provided have at least the following skills and experience:

- a) B.Com Degree in Finance, Accounting or Auditing,
- b) At least three (3) years' experience in Public Sector Finance (either provincial or municipal), Accounting or Auditing, and
- c) At least three (3) years' experience in project management.

## **8. REPORTING**

The Gauteng Provincial Treasury will employ normal project management principles, and monitoring and evaluation will include amongst other:





- a) Providing a comprehensive project implementation plan to the Gauteng Provincial Treasury.
- b) Updating or changes to the project implementation plan with the consent of the Gauteng Provincial Treasury, where deemed necessary.
- c) Weekly progress reports to the Gauteng Provincial Treasury.
- d) Bi-Weekly progress meetings with the Gauteng Provincial Treasury.
- e) A close-out report to the Gauteng Provincial Treasury.

## **9. GPG ELECTRONIC INVOICE SUBMISSION SYSTEM**

Payment to suppliers within 30 days of invoice receipt is a national priority. In support of this and towards compliance to Section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3 an executive decision was taken to make Electronic Invoice Submission (EIS) registration compulsory for all GPG suppliers whose tenders are successful.

Assistance will be provided to the successful supplier(s) in this regard once the tender adjudication and awarding processes have been concluded and a supplier or supplier(s) appointed.

## **10. EVALUATION CRITERIA**

### **STAGED APPROACH WHICH WILL BE APPLIED IN THE EVALUATION OF BIDS.**

The evaluation of the bids will be conducted in two stages as per Preferential Procurement Regulations, 2017 issued in terms of section 5 of the Preferential Procurement Policy Framework Act, Act number 5 of 2000 (PPPFA) as follows:

**STAGE ONE** will be the pre-qualification criteria for preferential procurement and bids that do not meet the pre-qualification criteria will be disqualified and will not be considered for further evaluation. This will be followed by administrative compliance and functionality / technical evaluation, and bids that do not meet the minimum threshold will be disqualified and will not be considered for further evaluation.

**STAGE TWO** evaluation will be based on Price and Preference points only.

- Price = 80 points
- Preference = 20 points



### **STAGE 1: ADMINISTRATIVE COMPLIANCE**

- Submission of Bid Documents Section 1 and 2 (Proposal and Price).
- Bid Commitment and Declaration of Interest Form must be signed by the Bidder (RFP 04).

**NOTE: Bids that do not comply with the above requirements shall be eliminated and be regarded as non-responsive.**

#### **Required Documents:**

1. Original and valid tax clearance certificate /TCS Pin code
2. Original and valid B-BBEE Certificate or certified copies thereof, tenderers who qualify as EME must submit a sworn affidavit signed by the EME representative and attested by a commissioner of oaths will be accepted.
  - For all B-BBEE certificates and affidavits issued after 01 January 2017, only B-BBEE Status Level verification certificates from verification agencies accredited by SANAS will be accepted for entities other than EME's
3. GPT reserves the right to request the latest Annual Financial Statements.
4. Proof of registration on the National Treasury Central Supplier Database (CSD).

**Note: The successful service provider must sign a non-disclosure agreement with relevant stakeholders.**

### **STAGE 1: DESKTOP EVALUATION**

- A total of **100** points is allocated for stage 1.
- This information will be used for evaluation prior to the pricing and preference point's evaluation.

The threshold for this part of the evaluation is **80 points**; any bidder who fails to meet this minimum requirement shall be deemed nonresponsive and be eliminated from any further evaluations.



CRITERIA	COMMENTS	POINTS
1. <b>COMPREHENSIVE PROJECT PLAN</b>	<p><b>Bidder must submit a comprehensive project plan.</b></p> <ul style="list-style-type: none"> <li>• Bidders with comprehensive project plan. [10 points]</li> <li>• Bidders with no comprehensive project plan. [0 points].</li> </ul>	<b>10</b>
2. <b>RELEVANT EXPERIENCE IN PROJECT MANAGEMENT</b>	<p><b>Must have a minimum of at least 3 years' experience in project management. Bidders to provide 'References' of projects done before, accompanied by letters of awards. Treasury to confirm the references.</b></p> <ul style="list-style-type: none"> <li>• More than 5 years [10 Points]</li> <li>• 3 - 5 years [5 Points]</li> <li>• Less than 3 years [0 Points]</li> </ul>	<b>10</b>
3. <b>EXPERIENCE IN PUBLIC SECTOR FINANCE, ACCOUNTING OR AUDITING</b>	<p><b>Must have a minimum of three (3) years' experience in Public Sector Finance, Accounting or Auditing.</b></p> <ul style="list-style-type: none"> <li>• More than 5 years [50 Points]</li> <li>• 3 - 5 years [30 Points]</li> <li>• Less than 3 years [0 Points]</li> </ul>	<b>50</b>
4. <b>QUALIFICATIONS OF RESOURCES (s)</b>	<p><b>Must have at least a B.Com Degree in Finance, Accounting or Auditing. Bidders to attach CV's to outline the proposed resources' qualifications.</b></p> <ul style="list-style-type: none"> <li>• Post Graduate Degree in Finance, Accounting or Auditing [30 Points]</li> <li>• B Com Degree in Finance, Accounting or Auditing. [20 Points]</li> <li>• No relevant qualifications [0 Points]</li> </ul>	<b>30</b>
<b>TOTAL SCORE</b>		<b>100</b>

**NB: Bidders who score below the minimum threshold of 80 out of 100 points on technical evaluation will be eliminated from further evaluation.**

**STAGE 2: PRICE AND PREFERENCE POINTS**

The contract will be awarded in terms of Regulation 6: Preferential Procurement Regulations, 2017) pertaining to the Preferential Procurement Policy Framework Act, 2000 (Act 5 of 2000). Bids will be adjudicated in terms of 80/20 preference point system in terms of which points are awarded to bidders on the basis of: **Price = 80 points and Preference = 20 points.**