

SERVICE PROVIDER AGREEMENT



on the Go for Growth

WATERBERG DISTRICT MUNICIPALITY

Entered into by:

The Waterberg District Municipality
(‘The Client’)

And

PROTEA CONSULTING (Pty) Ltd
Registration No:
(‘The Service Provider’)

**In respect of the compilation of 2016/17 Annual Financial Statement
And Audit Support for Waterberg District Municipality**

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Preamble

Whereas:

Waterberg District Municipality expressed its intention to appointment the professional consultants for compilation of 2016/17 Annual Financials Statement and Audit Support in terms of section 32 of the Municipality Supply Chain Management Regulation 32.

Protea Consulting (Pty) Ltd therefore expressed its intention to accept the appointment and consent to regulation 32 appointments with the terms and conditions expressed

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 Waterberg District Municipality;
 - 1.2.3. 'commencement date' means the date on which the parties commenced with the performance of their obligations, namely date of signature of service level agreement ;
 - 1.2.4. 'contract price' means the total amount of fees that will be charged by the Service Provider, including disbursements and VAT, 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, to be submitted within a reasonable time, prior to commencement of project;
- 1.2.10. 'Remuneration schedule' means the details of remuneration.
- 1.2.11. 'Service Provider' means Protea Consulting (Pty)Ltd
- 1.2.12. 'services' refers to the professional work/ compilation of Annual financial Statement and Audit Support to be performed by the Service Provider in terms of this Service Level Agreement.
- 1.2.13. 'Project Duration' means 05 Months
- 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; and,

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- 1.4. Expressions defined in this Agreement shall bear the same meanings in schedules or annexures to this Agreement, which do not themselves, contain their own definitions.

2. Appointment and Duration

- 2.1. The Client hereby appoints the Service Provider to carry out the services detailed in Paragraph 6 to this Agreement upon the terms and conditions set out herein.
- 2.2. The Service Provider will commence and complete the performance of the service on the dates detailed in terms of clause 2.3 .
- 2.3. The Service Provider will commence upon date of signature of service agreement and complete in a period not exceeding thirty 05 months from the date of signature for performance of service as agreed by both parties.

3. Team

- 3.1. The team members that will be involved in the project must be as according to the proposal and where a team member resigns or leave the institution the client must be informed.
- 3.2. In case where one of the team members mentioned in the proposal leaves an institution, the company must replace such a member with a member equivalent (in terms of the rank, qualification and the experience) or more.

4. Shareholders

- 4.1 In case where the shareholdings of the company changes during the year the client must be informed of such changes

5. Extent of terms and conditions

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



- 5.1.1. Letter of appointment,
- 5.1.2. This Agreement, and,
- 5.1.3. The National Treasury General Conditions of Contract
- 5.1.4. Acceptance letter
- 5.1.5. Tender Document

- 5.2. In the event of conflict between the provisions of any of the aforesaid documentation and this Agreement, the provisions of this Agreement shall prevail.
- 5.3. Any additional work which is not part of the initial agreement will have to be requested in writing and approval be given prior to work done.

6. Scope of Services

- 6.1. The Service Provider shall compile financial statement for the year ending 30 June 2017 and coordinate and also provide support during the 16/17 Audit, as required by and as envisaged by the tender
- 6.2. Service shall be rendered with regard to all requirements of the client as per Service Provider's proposal.
- 6.3. Preparation of the Audit file for the year ending 30 June 2017 that has to be submitted with the Annual Financial Statements.
- 6.4. Assistance with the performing duties as per the 2016/17 year-end financial Statements checklist as follows:
 - 6.4.1. Review of supporting documents ,calculation of short-term portion of journals to be posted and preparation of Audit file working papers for post- retirement medical aid and long services awards actuary valuations;
 - 6.4.2. Opening balance check to prior year Trial balance and audited AFS;
 - 6.4.3. Identification of related parties and compilation of Audit file working paper;

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6.4.4. Compilation of audit working paper for salary related AFS disclosure notes, e.g. Councillors 12 months report, official 12 months report, SARS contributions, S57 remunerations packages etc;

6.4.5. Calculation of outstanding commitments on projects per all orders issued as at 30 June and compilation of commitment summary for audit file, should also be done for long term contracts not on the IDP, e.g. insurance, Security

6.4.6. Reconciliation of unspent conditions grants and compilation of audit file working papers/comprehensive grant register on movement on all grants;

6.4.7. Review of accounting policies, determine if any changes are required to accounting policies in terms of accounting requirements changes or changes in the internal environment;

6.4.8. Updating AFS comparative figures with prior period errors, posting of journals to correct prior years of general Ledger;

6.4.9. Review of all the other audit file working papers compiled by Budget and Treasury Officials before inclusion in the audit file

6.4.10. Implementation of charges to AFS as agreed with internal Audit and Audit Committee;

6.4.11. Cosmetic review of AFS;

6.4.12. Review and indexing of completed audit file

7. Audit Support relating to drafting responses and addressing BTO related audit queries and responding to request for information;

8. This entails being in the WDM office at least 2 days a week for a few hours, 1 day to receive audit queries and other day to discuss audit query response with AG, as well as in between addressing these audit queries and providing assistance to the auditors with informal queries as well as addressing BTO related audit queries.

9. Engaging the Auditor General on technical Accounting issues and issues that impacts on the audit and audit opinion.

7. Time Frame :

7.1. The compilation of financial Statements will be from 25 July 2017 to 31 August 2017

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7.2. The Coordination of the 16/17 Audit and provision of audit support will be from the commencement of the project for 25th July 2017, or such later that the parties might agree to, when the audit is concluded.

8. Deliverables:

- 8.1. GRAP compliant 2016/17 financial statement
- 8.2. GRAP and MFMA compliant 2016/17 audit file
- 8.3. Effective Coordination and conclusion of the 2017 audit.

9. Obligation of the Service Provider

9.1. The afforested services shall be rendered diligently and to the standard required by Client

9.2 The service provider appoints **Seelan Chetty** in his capacity as the Senior Manager as well as the project manager and key point of contact and liaison for all matters relating to the project by and between the Service Provider and the Client.

10.1.1 Obligations of the Client

10.1.1 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.

10.1.2. The Client appoint **Gladwin Tloubatla** in her capacity as the Chief Financial Officer the project manager and key point of contact and liaison for all matters relating to the project by and between the Service Provider and the Client.







11. Remuneration

11.1. The client hereby agrees remunerate the service provider strictly in accordance With the provision of fee structure as stipulated and page 7 of 20 the tender document which is attached hereto as Annexure "A"

11.2. If the client defaults or falls into arrears with any payment then service provider reserves its rights to claim payment of interest at the prime rate ,calculated from 30(thirty) days after the payment has become due to the actual date of payment .

12. Penalty Clause

Penalty will be imposed on the following cases:-

- 12.1. Late delivery.
- 12.2. Poor Quality.
- 12.3. Non- compliance to scope of work, reporting requirements and any other tender documents requirements.
Any other misrepresentation or poor performance

13. Variations and cancellations

- 13.1. No agreement varying to, deleting from or cancelling this agreement shall be of force or legal effect unless reduced in writing and signed by or on behalf of the parties.
- 13.2. Any deviation that shall be done without prior approval by the client shall be null and void.

14. Limitation of liability

- 14.1. 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.

- 14.2. The maximum liability of the Service Provider in respect of the aforesated 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.

15. Disputes

- 15.1. 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:

15.1.1. A mediator shall be appointed by the parties, alternatively by the chair of the Attorneys Association in the Province where the dispute arose, to preside over the mediation; and,

15.1.2. The parties shall seek ways and means to resolve the dispute in the most expedient manner.

- 15.2. Should the dispute not be resolved within 10 (ten) business days of the commencement of mediation it shall be referred to arbitration. Accordingly :

15.2.1. 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,

15.2.2. The rules of AFSA shall govern the conduct of the arbitration.

- 15.3. Nothing in this paragraph shall prevent either party from approaching the High Court for suitable judicial relief.

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16. Breach

- 16.1. 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.
- 16.2. Should the party in breach have failed to rectify the breach within the aforesated time period, the other party may cancel this Agreement and claim recovery of damages.

17. Termination

- 17.1. This Agreement may be terminated upon 20 (twenty) business days' written notice, after the terminating party has consulted the other about its intention.
- 17.2. The aforesated 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.

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18. Severability

- 18.1. Any provision of this agreement found or held invalid or unenforceable, such terms shall be severable and the validity of all other terms shall not be affected thereby.

19. Whole agreement

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

20. *Domicilium citandi et executandi*

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

20.1.1. Client :

Office of the Municipal Manager
Waterberg District Municipality
Harry Gwala Street
Modimolle
0510

20.1.2. Service Provider :

Office of Protea Consulting
0007Cleverland Road
Westville
3630

- 20.2. 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.

21. Confidentiality

21.1 For the purposes of the agreement confidential information means any and all information, including but not limited to, technical, financial, product and commercial information – disclosed in writing or otherwise by the disclosing party to the receiving party, whether disclosed in view of the purpose before or after the date of Agreement and shall be deemed to include all documents and other material (including samples, models and computer software) containing or embodying or based on the confidential information (or part thereof) together with all notes, summaries and other material derived there from and all copies or reproductions of the foregoing. Such Confidential Information shall not include information:

21.1.1. which is generally available to the public, or which will become generally available to the public other than by breach by the Receiving Party of its obligation hereunder;

21.1.2. which was or is already known to the Receiving Party before it had been or will be disclosed by the Disclosing Party, provided that such information may not reasonably be considered by the Receiving Party as confidential;

21.1.3. which the Receiving Party has received or will receive on a non confidential basis from any party (including any third party) which is not in breach an obligation of confidentiality towards the Disclosing Party or any party (including any third party), provided that such information may not reasonably be considered by the Receiving Party as confidential; and

21.1.4 Which is independently developed by or on behalf of the Receiving Party.

22. All Parties shall:

22.1.1. hold the other parties Confidential Information in the strictest confidence;

22.1.2. not make use thereof other than for the performance of its obligations under the Agreement; and

22.1.3. Only release such Confidential Information on a "need to know" basis subject thereto that the persons to whom such Confidential Information is released shall undertake to be bound by the confidentiality obligations contained herein.

22.2.4 No parties shall be entitled to use the name of the other Party in publicity releases or advertising or for other promotional purposes without procuring the prior written approval of the Party concerned.

22.1.4. The Parties' obligation in terms of this clause will survive the termination of this Agreement including the termination thereof by the effusion of time.

22.2.5 In the case of a release, announcement or document which is require to be given, made or published by law or under the rules of the JSE Securities Exchange South Africa or any other relevant stock exchange, the Party liable so to give, make or publish the same shall give to the other Party as much advance warning thereof as is reasonable in the circumstances together with drafts or a copy thereof as soon as it is at liberty to do so.

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23. Authority

The persons signing this agreement on behalf of the parties warrant their authority to do so.

Signed at Modimolle on this 25th day of July 2017.

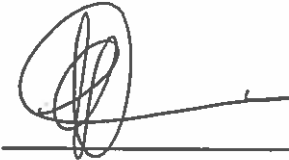
AS WITNESSES:

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For and on behalf of the Client

2.



Mabore Mampa
Acting Municipal Manager

Signed at Modimolle this 25th day of July 2017.

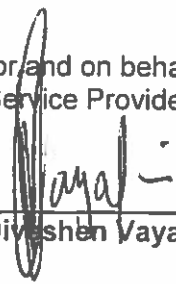
AS WITNESSES:

1.



for and on behalf of the
Service Provider

2.



Divyesh Vayapuri
Director Protea Consulting

SCOPE OF WORK FOR COMPILATION OF WATERBERG DISTRICT MUNICIPALITIES 2016/17 ANNUAL FINANCIAL STATEMENTS AND AUDIT SUPPORT:

Waterberg District Municipality requires the service of a professional financial consultant to assist with the preparation of GRAP compliant Annual Financial Statements for the year ending 30 June 2017. This includes, amongst others, the following deliverables:

1. Preparation of GRAP complaint Annual Financial Statements for the year ending 30 June 2017.
2. Preparation of the audit file for the year ending 30 June 2017 that has to be submitted with the Annual Financial Statements.
3. Assistance with performing duties as per the 2016/17 year-end financial statements checklist as follows:
 - a. Review of supporting documents, calculation of short-term portion, calculation of journals to be posted and preparation of audit file working papers for post-retirement medical aid and long service awards actuarial valuations;
 - b. Opening balance check to prior year Trial Balance and audited AFS;
 - c. Identification of related parties and compilation of audit file working papers;
 - d. Compilation of audit working papers for salary related AFS disclosure notes, e.g. Councillors 12 month report, officials 12 months report, SARS contributions, S57 remuneration packages, etc.;
 - e. Calculation of outstanding commitments on projects per all orders issued as at 30 June and compilation of Commitment Summary for audit file, should also be done for long term contracts not on the IDP, e.g. cell phones, insurance, security;
 - f. Reconciliation of unspent conditional grants and compilation of audit file working paper/comprehensive grant register on movement on all grants;
 - g. Review of accounting policies, determine if any changes are required to accounting policies in terms of accounting requirement changes or changes in the internal environment;
 - h. Updating AFS comparative figures with prior period errors, posting of journals to correct prior years of General Ledger;
 - i. Review of all the other audit file working papers compiled by Budget and Treasury Officials before inclusion in the audit file.
 - j. Implementation of changes to AFS as agreed with Internal Audit and Audit Committee;
 - k. Preparation of lead schedules for all line items in the AFS;
 - l. Cosmetic review of AFS;
 - m. Review and indexing of completed audit files.
4. Audit support relating to drafting audit responses and addressing BTO related audit queries and responding to requests for information:
 - a. This entails being in the WDM office at least 2 days a week for a few hours, 1 day to receive audit queries and another day to discuss audit query responses with AG, as well as in-between addressing these audit queries and providing assistance to the auditors with informal queries as well as addressing BTO related audit queries.
 - b. Engaging the Auditor General on technical accounting issues and issues that impacts on the audit and audit opinion.

5. In addition to the above deliverables, transferring skills and capacity building within the municipality.

DESCRIPTION	TIMEFRAME	RATE PER HOUR	# OF HOURS	TOTAL (R)
Preparation of 16/17 Annual Financial Statements	July to August 2017	750	800	600 000
Audit support relating to the drafting of audit responses and addressing BTO related audit queries and responding to requests for information	September to November 2017	750	133	99 750
Total project fee before disbursements and VAT				
Travel, Accommodation and Subsistence				100 250
VAT				112 000
TOTAL ESTIMATED PROJECT FEE				912 000

