

SCOPE OF SERVICES – NSA PANEL

ASSURANCE AND FORENSIC DEPARTMENT

THE PROVISION OF PROFESSIONAL ASSURANCE SERVICES TO ESKOM HOLDINGS SOC LTD AND SUBSIDIARIES

SCOPE OF SERVICES

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1. ABSTRACT

This document forms part of the New Engineering Contract (NEC), Professional Services Contract 3rd Edition.

The document defines the Scope of *services* required from the *Consultant* to perform a variety of services which include assurance and advice in respect of Eskom and its subsidiaries.

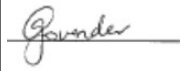

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2. CONFIGURATION CONTROL

Document History

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A	16/09/2020	Jacques van Oordt	Draft
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Document Approval

Action	Function	Designate	Name & Surname	Signature
Prepared	Assurance and Forensic	Middle Manager: Assurance and Forensic	Arthi Govender	
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Document Retention Time

This document is a Quality Record and shall be retained in accordance with Eskom Record Management Procedure.

3. INTRODUCTION

This document outlines the generic scope of *services* required from the Assurance panel *Consultant* to perform a variety of auditing services which include procurement compliance, probity, assurance and resources in respect of Eskom and its subsidiaries.

4. BACKGROUND – NON-STATUTORY AUDIT PANEL

A panel of external assurance providers is required to perform Non-Statutory Audit (NSA) work, including advisory services in respect of Eskom Holdings SOC Limited and its subsidiaries.

Assurance and Forensic (A&F) is mandated to render independent and objective assurance, consulting services that contribute to the achievement of Eskom's business strategy, objectives and operational performance. As valued partners, A&F provide services that are designed to help the organisation and Board to achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

In order to achieve this mandate A&F, in certain instances, source external assistance especially where specific specialised skill is required. Historically the skills sourced were in areas of:

- Treasury
- Information Technology
- Due Diligence and other complex governance requests
- Complex/sensitive Board requests

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This list is not exhaustive, but serves to indicate areas of assurance that have, in the past, seen a use of both in-house and external resources to help manage and mitigate Eskom's risks. To this end, Eskom will need the assistance of a panel of non-statutory auditors that will be available to Eskom on an as-and-when-required basis.

Certain departments also require the use of non-statutory auditors for various audit reviews. These reviews are managed by the requestor. The requestors then utilise the NSA Panel.

The reviews on this panel exclude the Statutory Audit review work.

The various adjudicating committees request independent compliance and probity reviews on certain commercial transactions. Previously the procurement compliance reviews were referred to as Proactive Assurance Reviews.

As per the Eskom Procurement and Supply Chain Management Procedure, Document Identifier: 32-1034, Section "6.1.13 *Proactive Auditing of Commercial Transactions and Contracts: Internal Audit (within A&F) will proactively audit and provide assurance regarding the manner of executing procurement processes for commercial transactions as prescribed by a procurement instruction. Proactive auditing will include the review of the strategy, the enquiry, tender evaluation and contract implementation. This shall be limited to compliance to the applicable procurement legal framework. In all instances, a formal report detailing the audit methodology, findings, risks and recommended corrective actions must be submitted to the CPO and relevant DAA in order to inform decision-making.*"

The adjudicating committees request that certain transactions are accompanied by an external independent compliance and/or probity review audit report. Procurement Compliance reviews test the compliance to the Eskom Procurement and Supply Chain Management Procedure, Document Identifier: 32-1034 and Preferential Procurement Policy Framework Act (PPPFA). The A&F function is not capacitated to perform all these reviews and the use of independent external auditors is necessary.

Table 1 below depicts the types of transactions and the requirements for proactive and probity reviews.

Table 1: Procurement compliance and probity reviews (R500m and above)

Type of submission/transactions being presented to the adjudicating committees (R500m and above)	Procurement Compliance Reviews	Probity Review
Contract Strategy	Yes	No
Mandate to negotiate and conclude contracts	Yes	Yes
Mandate to negotiate but not to conclude contracts	Yes	Yes
Emergencies Procurement	Yes	Yes
Modifications (Value change)	Yes	Yes
Modifications (Time only, no value change)	Yes	No
Single Source (requires NT approval)	Yes	Yes
Sole Source	Yes	Yes
Cessions	No	Yes

In addition, to performing the procurement compliance review where the auditor identifies any material risks to the transaction, these will also be highlighted or reported to management.

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Governance related matters should also be identified and raised with management. Certain risks may need to be escalated to the Company Secretary via the requestor.

The NSA Panel is also used by other departments within Eskom when they require assurance reviews or co-sourcing. These types of reviews are managed by the requestor.

5. INSTITUTE OF INTERNAL AUDITORS (IIA) – STANDARDS

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's International Standards for the Professional Practice of Internal Auditing (Standards) is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the Standards is to:

- Guide adherence with the mandatory elements of the International Professional Practices Framework.
- Provide a framework for performing and promoting a broad range of value added internal auditing services.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organizational processes and operations.

The Standards are a set of principles based, on mandatory requirements consisting of:

- Statements of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of performance that are internationally applicable at organizational and individual levels.
- Interpretations clarifying terms or concepts within the Standards

The Standards, together with the Code of Ethics, encompass all mandatory elements of the International Professional Practices Framework; therefore, conformance with the Code of Ethics and the Standards demonstrates conformance with all mandatory elements of the International Professional Practices Framework.

The Standards employ terms as defined specifically in the Glossary. To understand and apply the Standards correctly, it is necessary to consider the specific meanings from the Glossary. Furthermore, the Standards use the word “must” to specify an unconditional requirement and the word “should” where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

The Standards apply to individual internal auditors and the internal audit activity. All internal auditors are accountable for conforming with the standards related to individual objectivity, proficiency, and due professional care and the standards relevant to the performance of their job responsibilities. Chief audit executives are additionally accountable for the internal audit activity's overall conformance with the Standards.

The audit firms on the panel must be members of the IIA therefore they will need to comply with the IIA standards.

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6. SCOPE – NON-STATUTORY AUDIT PANEL

This document defines the Scope of services required from the Consultant to perform a variety of services which include procurement compliance reviews, probity reviews, assurance reviews and resources in respect of Eskom and its subsidiaries.

The panel of auditors will provide a variety of assurance services which include but not limited to:

- Procurement compliance reviews of the commercial tendering process for commercial transactions R500m and above;
- Probity reviews for the commercial transactions R500m and above;
- Adequacy and effectiveness of business processes, including governance, risk management and controls; and
- Co-sourcing or secondments of resources.

7. MANDATORY CRITERIA:

There are mandatory requirements and failure to meet these requirements at tender closing, the tenderer will be immediately disqualified.

- **Mandatory Professional Registration and Membership - Technical Evaluation Stage:**
All members of the proposed team must be active members of the IIA or South African Institute of Chartered Accountants (SAICA) at the time of tendering and for the entire duration of the contract:

- The IIA membership or SAICA certificates must be provided for all members listed in the tender documents. If an active and current membership certificate is not provided, the team member will not be considered, and the firm will be disqualified.
- Tenderers are discouraged from proposing team members who are not in possession of a valid membership certificated at the time of tender closing. As this will lead to disqualification of the tenderer's proposal

- **Mandatory Pricing Requirement (Hourly Rates) – Financial Evaluation Stage**

Eskom will comply with the Circular 1/2021 - Guideline On Fees For Audits And Audit Performed By Private Firms On Behalf Of The Auditor-General Of South Africa (AGSA). Hourly rates for audit firms on the panel will be aligned to this circular.

- Tenderers will not continue to the next stage of evaluation if their rates exceed the determined charge out rates as specified by the AGSA. If a firm tenders with hourly rates that are above these rates, the tenderer will be disqualified and will not proceed to the next stage of evaluation.
- Eskom is required to abide to the Cost Containment Instruction Notes that are issued by National Treasury. The onus is on the supplier to obtain a copy of this document from National Treasury. **“We agree to comply with Cost Containment Instruction Notes that are issued by National Treasury”**. See pricing schedule few pages below.

Note: The open tender process with negotiable standard rates which are below the Auditor General South Africa (AGSA) rates across the panel for acceptance by the tenderers and phase two which is task order allocation to be controlled by the panel control committee. to ensure fair distribution of work and equitable spend across the panel members. While bringing about significant savings by paying the same rates on all levels of skill and improving service delivery and efficiency in providing assurance services in the organisation.

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8. PROCUREMENT PROCESS

Table 2 below depicts the technical criteria which is applicable for this panel. The related weightings and maximum available points are also listed in Table 2 below.

Table 2:

TECHNICAL CRITERIA	WEIGHTINGS	MAXIMUM POINTS THAT CAN BE SCORED
Capacity	30%	30
Knowledge And Experience	45%	45
Audit Methodology/Approach	15%	15
Quality Control	10%	10
Total	100	100

Technical Evaluation threshold will be applicable in the first stage process with the minimum threshold to be achieved being 75%.

The outcome of this procurement process will result in the award of multiple enabling agreements or panel member contracts. The objective is to have several audit firms to provide assurance services for Eskom.

9. EMPLOYER'S OBJECTIVE – NON-STATUTORY AUDIT PANEL

The *Employer's* objective is to appoint a panel of assurance providers that will benefit the entire business by:

- Ensuring quicker appointment of consultants or firms to address the needs of the business.
- Allowing consultants appointed on the panel to participate in competitive mini tenders for assurance work at Eskom holdings SOC Ltd and subsidiaries using the PPPFA Preferential Point System (80/20).
- Ensuring Firms appointed on the panel have the capacity, skills, experience and qualifications to perform the required services.
- Greater governance in the appointment of consultants through the Panel Control Committee.
- Better co-ordination between Divisions and improved control over financial and related services spend across the business.
- Control of spend on the panel.

10. STANDARD, GUIDELINES, HANDBOOKS AND REGULATIONS – NON-STATUTORY AUDIT PANEL

	Document Title	Document Number
[1]	Eskom Procurement and Supply Chain Management Procedure 32-1034	32-1034
[2]	National Treasury Regulations and Instructions	Instruction Notes

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	Document Title	Document Number
[3]	Public Finance Management Act	Act
[4]	Eskom's Delegation of Authority Framework	240-62072907
[5]	Preferential Procurement Policy Framework Act	Act
[6]	BBBEE Act and regulations	Act

11. EMPLOYER'S AGENT

The Employer's Agent must be informed of all task orders that are created against the panel. A listing of POs allocated each month will be extracted and provided to the Employer's Agent.

12. PRIME ACTIVITY 1 – PROCUREMENT COMPLIANCE REVIEWS

Prime Activity 1 – Procurement compliance Reviews
Description
Procurement compliance reviews shall be carried out by the firm on procurement transactions to provide an independent opinion on compliance to the Eskom Procurement Policy & Procedure 32-1034, Preferential Procurement Policy Framework Act (PPPFA) and other applicable legislation.
Procurement compliance reviews is performed on all transactions greater than R500m.
Scope of work
Procurement compliance reviews scope of work will be defined in each service request.
Deliverables
<p>Deliverables for the procurement compliance reviews are the following:</p> <ul style="list-style-type: none"> • A detailed audit report with all the information regarding the transaction. • A summarised audit report for Divisional Boards and Investment Finance Committee. • Working papers for all the work performed.
Audit personnel qualifications requirements
<p>Where CVs are required to confirm the qualification of proposed personnel by the firm during the panel execution stage and for the personnel to carry out services on a Task Order, the following minimum requirements shall be met specifically for procurement compliance reviews:</p> <ul style="list-style-type: none"> • Director must: <ul style="list-style-type: none"> ○ Be a qualified Chartered Accountant, OR ○ CIA (Certified Internal Auditor), GIA (General Internal Auditor), or PIA (Professional Internal Auditor), AND ○ Have a minimum of twelve (12) years' experience in auditing. • Associate Director/Senior Manager must: <ul style="list-style-type: none"> ○ Have an appropriate degree to support the Procurement compliance reviews and probity knowledge, OR ○ Be a CIA (Certified Internal Auditor), GIA (General Internal Auditor), or PIA (Professional Internal Auditor), AND ○ Have a minimum of ten (10) years' experience in auditing. • Manager/Supervisor must have:

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Prime Activity 1 – Procurement compliance Reviews
<ul style="list-style-type: none"> ○ Have an appropriate degree to support the Procurement compliance reviews and probity knowledge, OR ○ Be a CIA (Certified Internal Auditor), GIA (General Internal Auditor), or PIA (Professional Internal Auditor), AND ○ Have a minimum of eight (8) years' experience in auditing. • Other team members must have: <ul style="list-style-type: none"> ○ Have an appropriate degree to support the Procurement compliance reviews and probity knowledge, OR ○ Be a CIA (Certified Internal Auditor), GIA (General Internal Auditor), or PIA (Professional Internal Auditor), AND ○ Have a minimum of three (3) years' experience in auditing. • Proof of experience and professional qualification in the following formats will be accepted: <ul style="list-style-type: none"> ○ The relevant experience must be documented in the CVs (no longer than 1 page per person) that must be submitted with the proposal. ○ A copy of the qualification must be provided together with the proposal. ○ If a team member resigns or is removed from the review, a replacement holding the same qualifications (or higher) and memberships must be provided. ○ The replacement team member must be agreed with the requestor. • All members of the team must be registered with the IIA: <ul style="list-style-type: none"> ○ Proof of active current registration for all members included in the proposal must be provided with each service request. ○ If membership has expired, the renewal documentation for the team members must be submitted with the tender documentation.
Reviews of Working Papers and Audit Reports
Refer to the Quality Assurance Review process.
Management of Auditors
The requestor will manage the audit firms during the Procurement compliance reviews.
Budget
The requestor must provide a budget letter for the overall cost of the review.
This must accompany the request form.
The requestor will manage the costs/expenses during the Procurement compliance reviews.
Costing Methods
A total cost for the review must be provided by the audit firm in their proposal.
A lump sum method will be utilised.
The firm will be managed according to the hours they quote on in the proposal. The requestor will manage the costs during the Procurement compliance reviews.
Invoicing
<p>The firm will be allowed to invoice at the following 3 stages of the review:</p> <ul style="list-style-type: none"> • Review of the strategy • Review of RFP and tender closure

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Prime Activity 1 – Procurement compliance Reviews
<ul style="list-style-type: none"> Review of Mandate to negotiate/conclude. <p>Timesheets and any other relevant documentation signed by the requestor must accompany the invoice.</p>
Disbursements
<p>No disbursements will be permitted for Procurement compliance reviews that are performed in CMAX facility at Megawatt Park.</p> <p>If the evaluation is not occurring in CMAX, this must be clearly specified in the service request. The National Treasury Cost Containment instructions will then be applicable and must be adhered to. The requestor will manage the costs during the Procurement compliance reviews.</p> <p>If the requirement for disbursements arises during the review, the requestor must apply for a modification to the PO and must ensure relevant approvals are obtained prior to incurring any expenses. The requestor must then manage the disbursements accordingly.</p>
Progress Meetings
<p>The requestor will define the requirements regarding progress meetings in the service request.</p>
Replacement Of Auditors During The Review
<p>If there is a requirement to replace an auditor, the requestor must be notified. The relevant CV must be provided to the requestor.</p> <p>If the requestor agrees, then the consultant may begin the work. A suitable replacement must be found, or this will be considered a breach in the agreement and will be escalated to the Contracts Management team.</p>

13. PRIME ACTIVITY 2 – PROBITY REVIEWS

Prime Activity 2 - Probity Reviews
Description
<ul style="list-style-type: none"> Transactions R500m and above require a probity review report (as listed in table 1 above). The purpose is to ensure that no conflict of interest exists between the Firms Directors/Members and Shareholders and members of Eskom authorising committees members and their respective spouses/partners. The review shall be carried out on the cross functional team members and their spouses, commercial team responsible for the transaction and their spouse, and all persons involved in the transaction to be approved by the Delegated Approval Authority for which the probity review has been requested. Further details are provided in the probity standard document. Each service request will contain the information for each committee to be probed. This information must be kept confidential by the audit firm. The relevant Eskom department will be responsible for providing this information.
Scope of work
<p>Probity reviews scope of work will be defined in each service request.</p>

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Prime Activity 2 - Probity Reviews
Deliverables
Deliverables for the probity review are the following: <ul style="list-style-type: none"> • A detailed audit report with all the information regarding the transaction. The report is only submitted to the relevant Eskom department. The relevant Eskom department will then distribute to the relevant committees/secretariats accordingly. • A summarised audit report for Divisional Boards and Investment Finance Committee. • Working papers for all the work performed.
Audit personnel qualifications requirements
Firms appointed to the panel will have the necessary skills to perform this task.
No additional requirements will be stated in the service request.
Reviews of Working Papers And Audit Reports
Refer to the Quality Assurance Review process.
Management of Auditors
the relevant Eskom department will manage the auditors during a probity review.
Budget
The requestor must provide a budget letter for the overall cost of the review. This must accompany the request form.
Costing Methods
A total cost for the review must be provided by the audit firm in their service request.
A lump sum method will be utilised.
The firm will be managed according the hours they quotes on the service request.
Invoicing
The firm will be able to invoice after the probity review report is submitted to the relevant Eskom department.
Disbursements
No disbursements will be permitted for probity reviews.
Progress Meetings
No progress meetings are required for probity reviews. These reviews are completed within a few days.

14. PRIME ACTIVITY 3 - ADEQUACY AND EFFECTIVENESS OF BUSINESS PROCESSES, INCLUDING GOVERNANCE, RISK MANAGEMENT AND CONTROLS (OTHER AUDITS)

Adequacy and effectiveness of business processes, including governance, risk management and controls (Other Audits)
Description
The scope for services required under prime activity 3 shall be defined in the service request issued to panel members from the approved request form.
Scope of work
Scope of work will be defined in each service request.
Deliverables

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Adequacy and effectiveness of business processes, including governance, risk management and controls (Other Audits)
<p>Deliverables for these reviews are the following:</p> <ul style="list-style-type: none"> • A detailed audit report with all the information regarding the transaction. • A summarised audit report for committees. • Working papers for all the work performed. <p>The details of this and the templates to be used will be specified in the service request issued to the panel.</p> <p>The auditors will be managed by the requestor.</p>
Audit personnel qualifications requirements
This will be specified in each service request and request form.
Reviews Of Working Papers And Audit Reports
This will be specified in each service request and request form.
Management Of Auditors
This will be specified in each service request and request form.
Budgets
This will be specified in each service request and request form.
Costing Methods
This will be specified in each service request and request form.
Invoicing
This will be specified in each service request and request form.
Progress Meetings
This will be specified in each service request and request form.
DISBURSEMENTS
This will be specified in each service request and request form.

15. QUALITY ASSURANCE REVIEWS

The quality assurance reviews will be performed by the relevant Eskom employee. For quality assurance reviews:

- Eskom employees will randomly select at least one (1) procurement compliance review performed by each firm as and when required.
- Eskom employees will then evaluate the firm's conformance with the International Professional Practices Framework (IPPF) Standards and relevant policies/regulations.

Non-conformance reports will be issued to the audit firm that contravenes the IPPF standards and delivers inferior assurance reviews. The non-conformance reports will be shared with the contracts management team as well. The relevant processes will then be initiated and pursued.

If a firm is issued with 3 (three) non-conformance reviews:

- the Supplier Reconsideration Review Process will be initiated, and
- this will be communicated to the IIA and the relevant IIA processes will be followed.

The documentation related to the above will be stored by the relevant Eskom employee on the relevant document repository system.

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16. PENALTY CLAUSES

Non-conformance reports will be issued to the firm that:

- Contravenes the IPPF standards and relevant policies/regulations thereby delivering inferior assurance reviews.
- Contravenes timelines/deadlines as per the project plan as defined in the service request, task order and the firm's proposal.
- Does not address review notes adequately or within the defined timelines.
- Review notes are not adequately addressed or are ignored.

It is the requestor's responsibility to:

- ensure that they follow the correct processes when they are unsatisfied with the quality work performed, and
- ensure that documentation is maintained for audit trail purposes.

An amount that will be negotiated with the firm should be deducted from the proposed amount. Eskom will not pay for this amount that is agreed with the firm.

17. INVOICING AND PAYMENT

All invoices shall be supported, where applicable, by a detailed breakdown of the manpower hours, and rates applicable to a Task Order.

The Invoice shall be addressed to the Requestor responsible for the service request. The Requestor is responsible for ensuring payment.

The *Consultant* shall address the tax invoice to Eskom Holdings SOC Limited and include on it the following information:

- Name and address of the *Consultant* and the Senior Manager: Procurement for whom the services were performed;
- The contract number and title;
- The Purchase order number
- *Consultant's* VAT registration number;
- The *Employer's* VAT registration number 4740101508;
Total amount invoiced excluding VAT, the VAT and the invoiced amount including VAT

The invoice shall be submitted with the signed off breakdown on manpower costs.