

## TERMS OF REFERENCE

### REQUEST FOR PROPOSALS FOR THE APPOINTMENT OF A SUITABLE CONSULTANTS/LAW FIRM TO CONDUCT A REVIEW ON DEBT COLLECTION AND RECOVERY PROCESSES OF THE GAUTENG ENTERPRISE PROPELLER (GEP).

#### 1. PURPOSE

The purpose of this engagement is to appoint suitable consultants/law firm to conduct a review on the debt collection and recovery processes of the Gauteng Enterprise Propeller (GEP).

The prospective service provider shall assist GEP's management and oversight committees with the following:

- Assess the adequacy and effectiveness of the existing debt collection and recovery processes including legal processes and securities in place, in line with the applicable laws and regulations and internal policies and procedures;
- Identify gaps and weaknesses on the debt collection, legal and recovery processes and provide recommendations that will strengthen the internal controls, improve collections, and prevent debtors from prescribing;
- Assess the efficiencies of Debt Management, Legal and Post Investment divisions in relation to the debt collection and recovery processes;
- Review the adequacy and effectiveness of the Debt Management, Financial Support and Post Investment policies and Standard Operating Procedures(SOPs);
- Assist management in designing and implementing effective and efficient additional controls;
- Recommend corrective measures in line with Disciplinary Code of Conduct for the responsible persons for debtors prescribing;
- Review the adequacy and effectiveness of GEP's Impairment Methodology and write-off policy in line with nature of business operations and best practice;
- Review the effectiveness of the External Debt Collectors ( ECDs) and recommend effective ways of debt collection;
- Review whether the Legal Services, Debt Collection and Post Investment units are adequately capacitated to fulfil the mandate (skills and experience); and

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#### BOARD

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- Review the effectiveness of Post Investment unit, policies including the effectiveness of post investment visits in line with policies and best practice

## 2. BACKGROUND

The Gauteng Enterprise Propeller (GEP) is a Provincial Government Agency established in terms of the Gauteng Enterprise Propeller Act (No. 5 of 2005), under the guide of the Gauteng Department of Economic Development (GDED) to ensure the development of “Sustainable SMMEs and co-operatives propelled into the mainstream economy of Gauteng.” To achieve this, the GEP has set the following vision for the new five-year term that lies ahead: “Propelling entrepreneurs into sustainable enterprises that contribute meaningfully to inclusive economic growth and job creation.”

As per the resolution that came out of an Audit and Risk Governance Committee (ARGC) meeting dated March 2023, there is a need to appoint a suitable service provider/ consultant/ law firm to assist with the improvement of the Debt collection and recovery processes in the Gauteng Enterprise Propeller (GEP) i.e., reviewing both the pre and post legal processes. This is as a result of the impairment report, debt management reports submitted to the Audit Committee in March 2023, which reflected debtors which have prescribed and were consequently not approved to be written off. The ARGC took a decision to appoint a service provider to conduct a diagnosis on the GEP’s legal processes, debt recovery processes, security, pre and post investment, adequacy of the debt management and impairment policies, amongst others. The committee further requested that investigation on the responsible persons for debtors prescribing and demonstration of consequence management be conducted where there was negligence and dereliction of duties.

GEP thus intends to request the services of the suitable consultants/law firm to provide capacity to the Internal Audit division as the division does not have specialized skills and experience to recommend appropriate detailed and practical debt recovery strategies and mechanisms which will assist in ensuring debt is recovered from the loans provided. The project will be co-sourced with internal audit and the appointed service provider, where internal audit will be responsible for the review and obtaining comfort on a regular basis regarding the adequacy of the work done by the service provider. The appointed service provider will also be responsible for skills transfer to the GEP team.

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### 3. MANDATORY REQUIREMENTS

The following are requirements for potential service providers to be considered:

- All candidates provided by the service provider must have a minimum of 3 years in reviewing formulation/development of debt collection and recovery strategies and processes.

### 4. SCOPE OF WORK

The prospective service provider shall assist GEP's management and oversight committees with the following:

- 4.1 Obtain an understanding on the GEP's policies related to the debt collection, impairment and legal processes; and interrogate and assess the adequacy, relevance, and robustness of these policies in line with best practice;
- 4.2 Assess management's adherence to the requirements of the applicable policies and recommend action plans on weaknesses identified;
- 4.3 Assess the adequacy and identify internal control deficiencies and business-related gaps in the debt monitoring process and recommend appropriate actions to address them;
- 4.4 Assess the adequacy and effectiveness of post investment unit and measures including the post investment visits conducted and recommend action plans for identified gaps;
- 4.5 Assess the legal adherence to the debt collection policy requirements, including the legal handover processes between the legal division and debt management;
- 4.6 Provide recommendation of where the legal and debt recovery processes can be improved to ensure debt is recovered;
- 4.7 Assess processes followed by management to ensure debt does not prescribe and recommend action plans to prevent debtors from prescribing;
- 4.8 Assess the adequacy and effectiveness management activities relating to the monitoring of Debt collectors/agencies appointed by GEP;
- 4.9 Assess the adequacy of the security/collateral management and recovery process for GEP where debtors default in terms of the policy and recommend appropriate forms of security for the entity;
- 4.10 Assist in the valuation of the collateral on the loans provided by GEP and recommend best practices on the management of collateral, including valuation thereof;
- 4.11 Review and recommend appropriate debt collection processes of bad debt written off;
- 4.12 Review the loan book and provide clear recommendations of loans for write-off based on the

existing GEP write-off policy:

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- 4.13 Review the loan book and provide clear recommendations of prescribed loans for write-off based on legal prescripts;
- 4.14 Review the current GEP write-off policy and recommend enhancements based on best practice within the DFI lending environment;
- 4.15 Review the housekeeping and administration of the debt recovery process;
- 4.16 Recommend how the debt recovery process should be reported to executive and oversight committees and assess the quality of reports;
- 4.17 Assess the effectiveness and constitution of the Debt Management Committee( DMC), in line with the Charter; and
- 4.18 Transfer skills to the legal and debt management divisions in line with the objective and scope of the engagement.

## 5. PROPOSED TIMELINES

The period of the project is planned for a total of 6 Weeks. The details of the plan can be broken down as below:

No	Activity	Period
1	Pre-planning and understanding	1 week
2	Field work	4 weeks
3	Final report	1 week

## 6. DELIVERABLES (Will be the property of GEP)

- Detailed project plan (To be discussed and agreed upon by both parties);
- Weekly steering committee meetings;
- Bi-weekly progress report (for EXCO and the ARGC);
- Working papers, Methodologies, Audit procedures; and
- Final detailed report with concise recommendations.

### Technical / Functionality Evaluation:

Functionality Criteria	Description	Weightings
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<b>Reference letters: 10 points</b>  Reference letters issued by the Bidders' previous client for similar service rendered on the company's letterhead.  The letters should have contactable references. The Bidders must have rendered similar service in nature to the required scope.	3 or more references of similar completed project = 10 points	<b>10 points</b>
	2 references of similar completed project = 7 points	
	1 reference of similar completed project = 5 points	
	No reference provided = 0 points	
<b>Company Experience: 20 points</b>  Potential Service Providers must demonstrate relevant experience in reviewing debt collection and recovery processes.  (Attach company profile indicating required experience)	15 years and more = 20 points	<b>20 points</b>
	8-14 years = 15 points	
	4-7 years = 10 points	
	0-3 years = 5 points	
<b>Methodology/Approach and Project Plan: 30 points</b>  (Bidders should submit Methodology/Approach with project plan, detailing how each project activity will be managed and clear timelines for each activity)	The approach details ways to improve the project outcomes and the quality of the outputs. The approach has included value added services that is relevant to the project.  The sequencing and timing of activities are very well defined, indicating that the tenderer has optimized the use of resources and the work plan permits flexibility to accommodate contingencies and risks. = 30 points	<b>30 points</b>
	The approach is specifically tailored to address all scope of work objectives and requirements; and is sufficiently flexible to accommodate changes that may occur during execution.  The work plan fits the approach well; all important activities are indicated in the scope and their sequencing is appropriate and	

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	consistent with project objectives and requirements.  There is a fair degree of detail that facilitates understanding of the proposed scope of work. = 20 points	
	The approach is poor or is unlikely to satisfy project objectives or requirements.  The bidder has misunderstood certain aspects of the scope of work and does not deal with the critical aspects of the scope of the work.  The approach omits important outcomes and understanding of scope of work = 10 points	
	No Methodology or Approach submitted = 0 points	
<b>Proposed team leader relevant qualifications: 10 points</b>  The Potential Service Provider to provide one (1) Team Leader. Attach candidate's certified proof as admitted attorney, LLB or other legal qualifications and proof of registration with legal practice council.  1 X Team Leader must be an admitted attorney	Admitted attorney (submitted proof); Submitted LLB qualifications or other legal qualifications; and Submitted proof of registered with legal practice council = 10 points	<b>10 points</b>
	Admitted attorney (submitted proof); No LLB or other legal qualifications; and No proof of registration with legal practice council = 5 points	
	No certified proof of admitted attorney submitted; No LLB or other legal qualifications submitted; and No proof of registration with legal practice council submitted = 0 points	

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<b>Proposed team leader relevant experience: 10 points</b>  The Potential Service Provider to provide one (1) Team Leader. Attach candidate's CV.  1 X Team Leader must have team leader experience in review and update of debt collection and recovery processes in the public sector.	10 or more years' experience = 10 points	<b>10 points</b>
	7 to 9 years' experience = 7 points	
	4 to 6 years' experience = 5 points	
	0 to 3 years' experience = 0 points	
<b>Proposed team members relevant qualifications: 10 points</b>  2 X candidates must be in possession of LLB or Hons BCom Law or Hons BA Law or other relevant NQF level 8 legal qualification/ Hons BCom Accounting or other relevant NQF level 8 qualifications.	Proof of certified LLB/ Hons BCom Law/ Hons BA Law/ or relevant NQF Level 8 legal qualification or Hons BCom Accounting or other relevant NQF level 8 qualifications submitted for 2 candidates = 10 points	<b>10 Points</b>
	Proof of certified LLB/ Hons BCom Law/ Hons BA Law/ or relevant NQF Level 8 legal qualification or Hons BCom Accounting or other relevant NQF level 8 qualifications submitted for 1 candidate = 5 points	
	No proof submitted of certified LLB/ Hons BCom Law/ Hons BA Law/ or relevant NQF Level 8 legal qualification or Hons BCom Accounting or other relevant NQF level 8 qualifications = 0 points	
<b>Proposed team members relevant experience: 10 points</b>	10 or more years' experience = 10 points	<b>10 points</b>

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2 X candidates must have experience in review and update of debt collection and recovery processes in the public sector.	7 to 9 years' experience = 7 points	
	4 to 6 years' experience = 5 points	
	0 to 3 years' experience = 0 points	
Total Points		100 points
SERVICE PROVIDERS ARE REQUIRED TO MEET THE MINIMUM QUALIFYING SCORE OF 70 TO DETERMINE CAPABILITY AND TO PRPOCEED TO PRICE AND PREFERENCE POINTS		
IN THE INSTANCE NO COMPANY MEETS THE ABOVE THRESHOLD OF 70 CONSIDERATION WILL BE GIVEN TO THOSE WHO SCORE 65		

## 7. COSTS

- 8.1 The service provider would be required to provide a fixed and all-inclusive cost (i.e., cost of resources and any other related cost associated with the project) for the full duration of the project;
- 8.2 The detailed calculation of the project cost must be submitted for consideration; and
- 8.3 The final lump-sum total cost must be VAT inclusive.

## 8. ENQUIRIES

Enquiries can be directed to Mr. Kabelo Matlou at [kmatlou@gep.co.za](mailto:kmatlou@gep.co.za)

Approved by:



**Sibusisiwe Ntuli**

General Manager: Risk and Audit

Date: 12/10/2023

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