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FINANCE DIVISION

PROVISION OF PROFESSIONAL AUDIT FINDING ASSESSMENT AND ASSOCIATED ADVISORY SERVICES TO ESKOM HOLDINGS SOC LTD

SCOPE OF SERVICES

Action	Function	Designate	Signature
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ABSTRACT

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

The document defines the Scope of *services* required from the *Consultant* to provide professional audit finding advisory services.

CONFIGURATION CONTROL

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CONTENTS

1. INTRODUCTION	7
1.1 SCOPE	7
1.2 EMPLOYER'S OBJECTIVE.....	7
1.3 BACKGROUND	7
2. APPLICABLE DOCUMENTS	8
2.1 STANDARDS, GUIDELINES, HANDBOOKS AND REGULATIONS.....	8
3. SCOPE OF SERVICES.....	9
3.1 SCOPE FOR THE SERVICES REQUESTED.....	9
4. ASSOCIATED REQUIREMENTS AND ACTIVITIES	11
4.1 PROJECT MANAGEMENT	11
4.2 PRE-REQUISITES	11
4.3 REVIEW AND ACCEPTANCE OF DELIVERABLES	12
4.4 REVIEW MEETINGS.....	13
4.5 PROGRESS MEETINGS.....	13
5. DELIVERABLES	14
5.1 SCHEDULE AND PRICING OF DELIVERABLES	14
5.2 SCHEDULE OF REVIEW MEETINGS	14
6. RECEIVABLES	15
6.1 OTHER RECEIVABLES	15
6.2 ADDITIONAL INFORMATION REQUIRED.....	15
6.3 CHANGES TO EMPLOYER FURNISHED INFORMATION	15
7. REQUIREMENTS APPLICABLE TO DELIVERABLES.....	16
7.1 GENERAL DOCUMENT FORMAT	16
7.2 FORM OF DOCUMENT RETENTION	17
7.3 DOCUMENT COPIES AND SOFTWARE FORMATS	17
8. FACILITIES	18
8.1 LOCATION OF SERVICES	18

TABLES

Table 1: Process for Review and Acceptance of Deliverables 12
Table 2: Schedule of Deliverables 14

ABBREVIATIONS

This list contains the abbreviations used in this document.

Abbreviation or Acronym	Definition
ERA	Electricity Regulation Act
IFRS	International Financial Reporting Standards
KPI	Key Performance Index
NEMA	National Environmental Management Act
PFMA	Public Finance Management Act
PPPFA	Preferential Procurement Policy Framework Act

DEFINITIONS

Term	Definition
Accepted Programme Activity <i>activity schedule</i> <i>Consultant</i> Contract Data <i>Employer</i> <i>key person</i> <i>period for retention</i> Scope <i>services</i> Time Charge	These terms are defined in the New Engineering Contract, Professional Services Contract, 3 rd edition.
Internal controls	Controls may include processes, systems, human resources, or other relevant mechanisms.

Term	Definition
Deliverable	A contractual deliverable in terms of the Scope of <i>services</i>
Technical Review	A review by the <i>Employer</i> of Deliverables, submitted by the <i>Consultant</i> for Acceptance, as part of the <i>Employer's</i> Acceptance process.

1. INTRODUCTION

This document outlines the scope of *services* required from the *Consultant* to provide advisory *services* on the resolution of root causes that led to existing internal and external audit findings, and that will assist in reducing audit findings significantly, across all business areas, from the Financial Year 2026 results onwards.

1.1 SCOPE

The *services* required from the *Consultant* is to provide advisory services that will assist in addressing the causes that led to excessive internal and external audit findings. The scope will include the assessment of internal controls, and/or other causes associated with the audit findings, and solutions to address the concerns. The *Consultant* shall further be required to advise on improvements to existing solutions, propose additional solutions and assist with the prioritisation and implementation of solutions that will strengthen the internal control environment and subsequently reduce the number of audit findings. The detailed scope is described in Section 3.

1.2 EMPLOYER'S OBJECTIVE

The primary objective of the task is to assess internal controls and/or other causes associated with existing audit findings, and solutions that will positively contribute to a significant reduction in related audit findings from the Financial Year 2026 results onwards.

1.3 BACKGROUND

Eskom Holdings SOC Ltd, the *Employer*, has experienced an increase in internal and external audit findings over the last four financial years, across the business. Despite efforts to address these findings, the number of recurring, open, and overdue findings remain excessive. As at the end of September 2024, the *Employer* has accumulated a high number of external audit findings since Financial Year 2020 of which many remain open, and some are overdue. The external audit findings for the Financial Year 2024 audit still need to be included. The key areas of concern include, but are not limited to the following areas:

- Procurement and Supply Chain, and Contract Management
- Forensic and other investigations: Management of investigations.
- Consistency with accounting treatment of certain reporting standards (Finance & Treasury).
- Legal: Litigations and claims management.
- PFMA: Consequence management and financial misconduct.
- Inventory management.
- Environmental legal contraventions.
- Information Technology Systems: Segregation of duties and system access control.
- Performance reporting (e.g., KPI) deficiencies.
- Management oversight and document management associated with the areas of concern.

While the *Employer* has identified root causes and proposed solutions to address these findings, progress has been suboptimal due to resource constraints and time limitations, impeding the sustainable resolution, prevention of recurrences and efficient close out of the audit findings. To ensure a reduction in the number of external and internal findings, the *Employer* requires an independent assessment of the root causes relating to the audit findings and a more robust approach to sustainably resolve the root causes, and effectively mitigate the associated control risks that will further prevent future recurrences.

2. APPLICABLE DOCUMENTS

Applicable documents form an integral part of this document unless specifically stated otherwise.

2.1 STANDARDS, GUIDELINES, HANDBOOKS AND REGULATIONS

Any documentation required for the *services* shall be issued during the Request for Quotation process or presented during a clarification meeting.

3. SCOPE OF SERVICES

The primary objective of the task is to assess internal controls and/or other causes associated with existing audit findings, and solutions that will positively contribute to a significant reduction in related audit findings from the Financial Year 2026 results onwards. The scope of work to achieve this objective shall apply to, and will not be limited to the following areas of concern:

- Procurement and Supply Chain, and Contract Management
- Forensic and other investigations: Management of investigations.
- Consistency with accounting treatment of certain reporting standards (Finance & Treasury).
- Legal: Litigations and claims management.
- PFMA: Consequence management and financial misconduct.
- Inventory management.
- Environmental legal contraventions.
- Information Technology Systems: Segregation of duties and system access control.
- Performance reporting (e.g., KPI) deficiencies.
- Management oversight and document management associated with the areas of concern.

The scope description will be explained in Section 3.1 to 3.3 and consists of three parts: i) Baseline assessment of audit findings, ii) Solutions assessment, and iii) Implementation and Support.

3.1 SCOPE FOR THE SERVICES REQUESTED

3.1.1 Baseline assessment of audit findings

The *Employer* seeks the *services* of an expert *Consultant* to assist in assessing internal areas of concern that have led to excessive external audit findings and recurring issues. The scope of work shall encompass the following:

- a) Reviewing the root causes of internal and external audit findings, that was already identified, from Financial Year 2020 to 2024. As a priority the *Consultant* can commence with the findings in the following order: i) significant findings, and important matters and ii) housekeeping matters or as per the *Consultant's* methodology of the task that will ensure efficient delivery of the task. Note that the findings from the Financial Year 2024 audit forms part of this scope and are still awaited.
- b) Identification of additional root causes, with an emphasis on deficient internal controls and/or other important causes identified. Internal controls may include processes, systems, human resources, or other relevant mechanisms.
- c) Identification of extensive conditions to gain a comprehensive understanding of challenges requiring resolution across the organisation to prevent recurrences.

The *Consultant* shall submit a report stipulating the outcome of the review conducted. This report shall include any additional root causes, trends or issues discovered during the baseline assessment. Areas of concerns should be prioritised from the highest to lowest impact, resolving internal control weaknesses pertinent to the findings, and that will contribute to a reduction in audit findings.

The purpose of this exercise is to ensure that the *Employer* is addressing the correct causes in a prioritised manner that will deliver the objective of the task.

3.1.2 Solutions assessment

The *Consultant* shall assess the effectiveness and appropriateness of implemented and ongoing solutions undertaken by the *Employer* to address the causes of audit findings pertinent to internal controls, particularly in preventing recurrences and addressing potential extensive conditions, and or other contributing factors. Additionally, the *Consultant* shall recommend improvements and additional sustainable solutions aligned to the outcome of Section 3.1.1, focusing on preventative internal controls or other contributing causes identified. Furthermore, the *Consultant* shall propose enhancements to existing control function/s (or structures).

A comprehensive report detailing the solution assessment outcomes will be required. The report shall include:

- a) Results of effectiveness reviews conducted of solutions already implemented.
- b) Improvements proposed to existing solutions implemented and still in progress.
- c) Additional solutions recommended that is practical in nature and preferably within the *Employer's* control.
- d) Prioritised solutions, including those in progress, based on the magnitude of impact on the *Employer's* financial sustainability, and that will result in reduced internal and external audit findings.

This structured approach will ensure a thorough evaluation and identification of the corrective measures required to address the root causes of audit findings and to strengthen the *Employer's* internal control environment in a prioritised manner.

3.1.3 Implementation and support

Based on the outcome of Section 3.1.3, the *Consultant* shall provide an audit recovery implementation plan, including the establishment of appropriate business KPIs aligned with the plan, and shall assist the *Employer* in leading the implementation of the priority solutions identified. The implementation of the solutions shall be handed over in a phased approach, during the contract period, to the *Employer's* team as per enhancements proposed to the control function/s by the *Consultant* in Section 3.1.2. This will ensure that the *Employer* is set up to sustain and improve audit performance on a continuous basis going forward.

The *Consultant* shall further support the *Employer's* team on a part time basis during the external audit that will be conducted on the Financial Year 2026 results.

4. ASSOCIATED REQUIREMENTS AND ACTIVITIES

4.1 PROJECT MANAGEMENT

4.1.1 Project Manager

The *Consultant* shall appoint a Project Manager as a *key person* for the task who:

- Functions as single point of contact between the *Employer* and the *Consultant*.
- Plans and manages the delivery of the *services* in accordance with the contract requirements.

4.1.2 Employer's Team

The *Employer's* leading team for the task will be as follow:

Programme Management Leads - Office of the Chief Financial Officer	[REDACTED] [REDACTED] [REDACTED]
Process Control & Assurance Functional Support - Lead	[REDACTED] [REDACTED] [REDACTED]
Technical Reporting & Accounting Functional Support	[REDACTED] [REDACTED] [REDACTED]
Functional Area Leads	Functional Area Leads will be assigned on request of the <i>Consultant</i> as and when required.

4.2 PRE-REQUISITES

To ensure the successful delivery of the task objective; it is required that the *Consultant* have at least 5 to 10 years' experience in the following areas:

- Auditing: Extensive experience in conducting internal and external audits, and in establishing audit recovery plans preferably in large and complex organisations similar to the *Employer* and other State-Owned Entities.
- Internal business controls: Deep understanding of internal control frameworks and their practical application, as well as experience in designing and implementing effective internal control processes and procedures preferably in large and complex organisations similar to the *Employer* and other State-Owned Entities.
- Risk assessment skills: Ability to identify, evaluate, and prioritise financial and operational risks that could impact audit opinions.
- Regulatory/ legislative compliance: Familiarity with relevant regulatory requirements specific to the *Employer*. Examples include but are not limited to the PFMA, ERA, PPPFA, NEMA, Companies Act etc.
- Standards and codes applicable to the *Employer*: Familiarity with standards relevant to the Employer that include but are not limited to King IV code, and IFRS.
- Business management.
- Root cause analysis.
- Project Management or in leading multifunctional teams. Ability to plan, execute, and oversee related complex projects.
- Extensive understanding of the *Employer's* business.
- The *Consultant* shall demonstrate a proven track record of ethical conduct.

4.3 REVIEW AND ACCEPTANCE OF DELIVERABLES

Deliverables generally follow the process as outlined in Table 1.

Table 1: Process for Review and Acceptance of Deliverables

Ref.	Task	Responsibility
A	Task Completed in accordance with internal quality assurance procedures	<i>Consultant</i>
B	Authorized person within <i>Consultant</i> organization approves deliverable	<i>Consultant</i>
C	<i>Consultant</i> submits the deliverable to the <i>Employer</i>	<i>Consultant</i>
D	<i>Employer</i> reviews the deliverable using the requirements set out in this document as the basis for the review	<i>Employer</i>
E	<i>Employer</i> forwards review comments to the <i>Consultant</i>	<i>Employer</i>
F	Review meeting is held to discuss the <i>Employer's</i> comments	<i>Employer and Consultant</i>
G	<i>Consultant</i> updates the deliverable as per review meeting	<i>Consultant</i>
H	Authorised person within <i>Consultant</i> organisation approves the updated deliverable	<i>Consultant</i>
I	<i>Consultant</i> submits updated deliverable to the <i>Employer</i> for acceptance	<i>Consultant</i>
J	<i>Employer</i> accepts deliverable documents in writing, provided that comments have been incorporated as per agreement between the parties	<i>Employer</i>
K	An authorised person within <i>Consultant</i> organisation approves the revised deliverables	<i>Consultant</i>

Ref.	Task	Responsibility
L	<i>Employer</i> accepts the deliverables	<i>Employer</i>
M	<i>Employer</i> confirms acceptance of deliverables in writing	<i>Employer</i>

4.4 REVIEW MEETINGS

- a. The *Consultant* and the *Employer* will review the Deliverables in meetings organised and scheduled by the *Employer*.
- b. The *Consultant* ensures that all follow-up actions are carried out within the time stipulated.
- c. The *Employer* may, in addition to the scheduled review meetings indicated, request additional reviews.
- d. The *Employer* may involve independent third parties in any of the review meetings.
- e. The *Consultant* may be required to provide feedback in Audit and Assurance Committees as will be prescribed by the *Employer*.

4.5 PROGRESS MEETINGS

- a. The *Employer* and the *Consultant* hold regular meetings (weekly or bi-weekly) to review the progress made with respect to the programme for delivery of the deliverables.
- b. The *Consultant* agrees the frequency and venue of the progress meetings with the *Employer*.
- c. The *Consultant* agrees a schedule for the progress meetings with the *Employer*.
- d. The *Employer* keeps minutes of these meetings.

Note: Minutes of meetings will not form any basis of variations or amendments to the contract. The *Employer* communicates contract variations or amendments formally and separately to the *Consultant* by means of compensation events.

5. DELIVERABLES

5.1 SCHEDULE AND PRICING OF DELIVERABLES

The *Consultant* shall deliver and price the following deliverables in alignment with the Scope defined in Section 3.

Table 2: Schedule of Deliverables

Section	Deliverable	Timeline	Price (ZAR)
3.1	Baseline assessment report*	31 March 2025	
3.2	Solutions assessment report*	30 June 2025	
3.3	Audit recovery Implementation plan*	30 June 2025	
Section	Service	Timeline	
3.3	Solution implementation services with multiple milestones as per implementation plan.	1 April 2025 to 31 March 2026	
3.3	Provide support during the audit conducted on the financial year 2026 results as required on a part time basis.	1 April 2026 to 30 June 2026	

*Note: Updates may occur over time as the priority moves from significant and important findings to housekeeping matters or as per the *Consultants* methodology or other reasons. Initial reports shall be available at the times indicated to ensure progress of work in phases that will achieve the task objective.

5.2 SCHEDULE OF REVIEW MEETINGS

Review meetings for all deliverables will be scheduled as and when required during course of the assignment and in alignment with Table 2.

6. RECEIVABLES

6.1 OTHER RECEIVABLES

The *Employer* shall provide information as required by the *Consultant* to effectively conduct the task as set out in Section 3.

6.2 ADDITIONAL INFORMATION REQUIRED

The *Consultant* identifies any additional information required from the *Employer* and indicates it accordingly as part of the Programme.

6.3 CHANGES TO EMPLOYER FURNISHED INFORMATION

The *Consultant* does not alter the content of any *Employer* furnished information or data for design purposes without the written authorisation of the *Employer*. Should the *Consultant* have any doubt about the design suitability or correctness of any *Employer* furnished information or data, or has proposals for changes, it advises the *Employer* accordingly at the earliest opportunity. The *Consultant* ensures that the design of Deliverables, using *Employer* furnished information or data, is in accordance with the specific requirements of such Deliverables.

7. REQUIREMENTS APPLICABLE TO DELIVERABLES

7.1 GENERAL DOCUMENT FORMAT

7.1.1 General

- a. All documents, except data sheets, conform to the formatting standards as listed in paragraph 7.1.2. Any deviation from this format is to be agreed to in writing by the *Employer*.
- a. Where no standard is prescribed, the *Consultant* proposes the format and contents to the *Employer* for review and acceptance.

7.1.2 Document Format

7.1.2.1 Document and data numbering

A unique Identification Code Number is assigned to each document or data so that it can be:

- correctly associated with its related data and items;
- referred to precisely; and
- retrieved when necessary.

7.1.2.2 Revision identifiers

Documents and data have revision identifiers to indicate the current revision status.

7.1.2.3 Document identification

- a. Each document provides the data, as listed below, to properly identify the document. The following are indicated on each page of a document:
 - Company Name
 - Proprietary Classification
 - Document Title
 - Document Number
 - 'Revision' – document revision identifier
 - Date
 - 'Page number' of 'number of pages'
- b. Each page of a document, including all attachments, is numbered consecutively from the first to the last page.

7.1.2.4 Amendment history

Each document includes an amendment history that indicates the following for each revision:

- Revision identifier.
- Date (either release date or effective date).

- Preparer.

7.1.2.5 Approval signatures

Each document includes the names and signatures of the preparer, reviewer and approver.

7.2 FORM OF DOCUMENT RETENTION

Copies of documents, records, calculations and associated raw data are stored in a format that can be read by the user, or converted to human readable form, regardless of the media used. Copies are stored in such a way that they remain legible, readily identifiable and retrievable for the entire lifetime of the *services*.

7.3 DOCUMENT COPIES AND SOFTWARE FORMATS

Documents are submitted as one hard (paper) copy, one soft copy in Adobe PDF format and another software copy in Microsoft format, on a compact disk which is uniquely identified on it as to its contents.

8. FACILITIES

8.1 LOCATION OF SERVICES

The *Consultant* shall perform the *services* at the *Employer's* head office Megawatt Park: 1 Maxwell Drive, Sunninghill, Johannesburg or as required at other sites.

The *Consultant* shall not be reimbursed for travelling to and from the *Employers* head office. In the case where the *Consultant* needs to visit other sites of the *Employer*, and the *Consultant* does not have offices and resources in the area being visited, the *Employer* will reimburse the *Consultant* for travel and subsistence as required and according to the *Employer's* policy. Travelling shall be kept to a minimum.