COVER PAGE

Content

This document references various standards and specifications applicable to the relevant business sector within the Republic of South Africa. Changes to these standards and specifications made during the preparation of this document have not been taken into account and may therefore vary. Any changes or queries detected in this document must be brought to the GPT's attention.

Compliance with this specification does not in itself confer immunity from legal obligations.

End-User 1st	GPT Quality Specialist	BSC Chairperson Approval

NEW SPECIFICATION	NO	**EXISTING SPECIFICATION**	YES
Creation date	N/A	Date of review	15 April 2026
Completion date	N/A	Date of final review	

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1. PROJECT BACKGROUND AND GOALS

Gauteng Province comprises eleven municipalities. All municipalities are preparing their financial statements in accordance with the standards of Generally Recognized Accounting Practice (GRAP).

GRAP 104 requires municipalities to recognize Expected Credit Losses (ECL) on financial assets measured at a mortised cost or fair value through surplus or deficit. The ECL model requires municipalities to measure impairment based on historical loss experience, current conditions, and forward-looking information.

Municipalities within Gauteng hold significant financial assets such as:

- Consumer receivables (rates, electricity, water, sanitation, refuse)
- Other receivables
- Loans receivables
- Investments and cash equivalents

Given the complexity of the ECL methodology and the requirement for consistent, audit-ready impairment calculations, municipalities within Gauteng require the services of a qualified service provider to develop a customized and implementable solution for operations that support an Expected Credit Loss model compliant with the revised GRAP 104.

The model will support the preparation of municipal financial statements for the financial reporting period up to 30 June 2026 and facilitate audit review by the Auditor- General of South Africa.

1.1 PURPOSE OF THE ASSIGNMENT

The Gauteng Provincial Treasury seeks to appoint a credible and suitable service provider to develop a customized and implementable solution for operations that supports a GRAP 104-compliant Expected Credit Loss (ECL) model that can be applied by the One (1) Local and One (1) District Municipalities in Gauteng.

The model must enable municipalities to:

- Accurately calculate impairment losses on financial assets.
- Apply consistent and defensible methodologies.
- Incorporate forward-looking information into credit loss calculations.
- Produce reliable financial reporting disclosures.
- Improve audit readiness and compliance

1.2 OBJECTIVE OF THE PROJECT

The objectives of the project are to:

- Develop a GRAP 104-compliant Expected Credit Loss methodology suitable for municipalities.
- Customize the ECL models to accommodate the different revenue streams and debtor profiles of the local and district municipalities.
- Ensure the model incorporates historical data, current economic conditions and forward-looking adjustments.
- Provide a practical and user-friendly model that can be updated annually by municipal finance officials.
- Support audit readiness for AGSA reviews.
- Build technical capacity within municipal finance units.

2. CUSTOMER AND STAKEHOLDERS

2.1 Customer

Gauteng Provincial Treasury – GPT

2.2 Stakeholders

Gauteng Municipalities

3. SCOPE OF WORK

3.1. Project Inception and Planning

The service provider shall:

- Conduct a project kick-off meeting with two (2) participating municipalities
- Confirm the project scope, methodology, and timelines
- Develop a detailed implementation plan.

Deliverables:

- Inception report
- Detailed project plan
- Stakeholder engagement plan

3.2. Diagnostic Assessment

The service provider shall perform a diagnostic review of the financial assets held by the two (2) participating Municipalities.

This review must include:

- Identification of financial instruments subject to ECL
- Review of debtor categories such as:
  - Property rates
  - Electricity
  - Water and sanitation
  - Refuse removal
- Assessment of historical collection patterns and write-offs.
- Review of current impairment methodologies
- Assessment of available historical data

Deliverables:

- Diagnostic assessment report per municipality
- Consolidated findings report

3.3. Development of ECL Methodology

The service provider shall develop a GRAP 104-compliant impairment methodology suitable for municipal financial instruments:

This must include:

- Segmentation of debtor categories
- Determine default definitions
- Development of loss rates
- Application of appropriate modelling techniques such as:
  - Provision matrix approach
  - Probability of Default (PD)
  - Loss given Default (LGD)
  - Exposure at Default (EAD)
- Incorporation of forward – looking macroeconomic information

Deliverables:

- EL Methodology framework
- Model assumptions documentation
- Governance and control framework

3.4. Model Development and Customization

The service provider shall:

- Develop and configure the ECL model.
- Customize the model for the different types of municipalities' requirements.
- Ensure the model supports different financial asset categories.

The model should:

- Being transparent and auditable
- Allow adjustments of assumptions
- Allow recalculation of expected credit losses annually.
- Provide clear audit trails and clear calculation logic

The model may be delivered through data-driven analytical tools and or system-based solutions.

Deliverables:

- Functional ECL model
- Data input templates
- Calculation modules

3.5. Model Implementation and Testing

The service provider shall:

- Implement the ECL model for two (2) Gauteng Municipalities.
- Perform testing and validation of model outputs.
- Conduct parallel calculations for financial reporting

Deliverables:

- Model validation report
- Implementation report
- Initial impairment calculation outputs

3.6. Documentation

The service provider must prepare comprehensive documentation, including:

- Model methodology documentation
- Technical model documentation
- User manuals and operating procedures
- Model assumptions register
- Data sources and data quality assessment
- Model governance and control frameworks
- GRAP 104 disclosure support schedules.

Documentation must be sufficient to support review by internal audit and the Auditor-General of South Africa.

3.7. Training and Capacity Building

The service provider shall provide training to Gauteng municipal officials on:

- Application of GRAP 104 ECL requirements
- Operation of the ECL model
- Updating model assumptions
- Performing annual recalculations procedures

Deliverables:

- Training workshops
- Training manuals
- Knowledge transfer sessions

3.8. Ongoing Support

The service provider shall provide ongoing support to municipalities until 30 November 2026.

This support shall include:

- Assistance with ECL calculations
- Updating forward-looking assumptions
- Technical assistance during audits
- Model maintenance where required

Deliverables:

- ECL calculation support
- Model update reports where applicable

4. DELIVERABLE SUMMARY

Deliverables	Description
Inception	Project plan and methodology
Diagnostic Reports	Municipal Impairment Environment Analysis
ECL Methodology	Documented impairment framework
ECL Model	Customized calculation model
Implementation Report	Deployment and validation
Documentation	Audit -ready documentation
Training	Capacity building workshops
Ongoing Support	ECL calculation support up to 30 November 2026.

5. BIDDER/S EXPERIENCE

The bidder must demonstrate:

- Minimum 10 years' experience in financial modelling or credit risk modelling.
- Proven experience implementing GRAP 104 or IFRS 9 impairment models.
- Experience working with municipal or public sector entities.
- Availability of a qualified multidisciplinary team, including:

- Chartered Accountant or equivalent
- Financial modelling specialist
- Data analytics specialist
- Public sector accounting expert

6. REPORTING AND GOVERNANCE

The project will be overseen by the Gauteng Provincial Treasury (GPT) and participating municipalities

The bidder will be required to:

- Submit regular progress reports.
- Attend project steering committee meetings.
- Provide progress updates

7. PROJECT TIMELINES

Phase	Period
Project initiation	Month 1
Data collection and validation	Months 1-3
Model development	Months 3-4
Model implementation	Months 3-4
Audit support	Months 5-7
Ongoing updates	Monthly

8. PRICE SCHEDULE

Bidders are required to submit a detailed cost breakdown for the design, implementation, and maintenance of the project, organized by the various phases of implementation. All costs must include VAT.

9. ACTS AND REGULATIONS

Bidder/s should comply with all applicable laws, acts, and regulations as amended that are specifically applicable to the service offered. In this regard, special reference is, inter alia, made to the following Acts, which do not constitute an exhaustive list:

- Preferential Procurement Regulations, 2022, Of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000)
- Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003)
- Government Notice GNR 1258 of 21 July 1972 Justices of the Peace and Commissioners of Oaths Act,1963 (Act No.16 of 1963)
- Public Finance Management Act, 1999 (Act No. 1 of 1999)
- The Promotion of Access to Information Act, 2000 (Act No. 2 of 2000)
- Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)
- Protection of Personal Information Act, 2013 (Act No 4 of 2013)
- The Constitution of the Republic of South Africa, 1996 (Act No 108 of 1996)
- Independent Communications Authority of South Africa, 2000 (Act No 13 of 2000)
- Gauteng Provincial Languages Act, 2016 (Act 3 of 2016)
- GPT SCM Policy

10. SPECIAL CONDITIONS

Special Conditions of Contract

The bidder confirms that he/she has read, understood, and accepted the special conditions of the contract which are attached.

Fees

Fees for services rendered will be payable in the South African rand on successful completion of milestones as agreed in the Service Level Agreement.

Data Protection and Intellectual Property

All the departmental work, using the modelling software that the successful bidder/s will prepare, create or author for the department under this project in any media or format and whether this is done by the bidder/s alone or by the bidder/sin conjunction with any third party of the bidder/s or the department, will belong exclusively and in totality to the department and the bidder/swill cease all rights, title and interest in and to such intellectual property rights to the department. The bidder/s must ensure that any third party that the bidder/s may appoint for the execution of its obligations under this project agrees to the provision of this clause.

The source code developed for the solution shall remain the exclusive intellectual property of Gauteng Provincial Treasury (GPT) and will not be co-owned by the Service Provider. The Service Provider is prohibited from retaining or using the source code for any purpose other than those directly related to Gauteng Provincial Treasury.

Since the solution is specifically developed for GPT and its affiliated entities, GPT reserves the right to extend the installation and use of the solution to these entities as needed. Upon successful completion of the Go-Live phase and receipt of full payment for the development and implementation stage, the Service Provider shall transfer all system source code to Gauteng Provincial Treasury.

The Service Provider shall be required to deliver all relevant documentation and ensure that no copies of the source code are retained or reused for any other purposes.

GPT Invoice Submission and Tracking

Section 38(1)(f) of the PFMA and Treasury Regulation 8.2.3 regulate the Payment to suppliers within 30 days of invoice receipt. In support of this, it is compulsory for the successful bidder/s, on the award, to register for GPT Electronic Invoice Submission.

The GPT shall assist the successful bidder/s in this regard if required. The bidder is required to submit a detailed breakdown of all costs associated with the initial development of the solution, including any future costs associated with annual licenses, maintenance, and support. In addition, the bidder/s should submit different types of billing models available for the solution.

11. AWARD CONDITIONS

GPT reserves the right to:

- Negotiate with one or more preferred bidder(s) identified in the evaluation process, regarding any terms and conditions including price, without offering the same opportunity to any bidder(s) who has not been awarded the status of the preferred bidder(s).
- Award to one or multiple service providers, and the department reserves the right to award the tender in part or full.
- Should there be a need to replace a resource based on whom a consulting firm was appointed, it should be noted that the

replacement will not be automatic, i.e., provision of another resource by the service provider. GPT has the right to request a replacement resource with equivalent experience and expertise or better credentials; failing which, GPT will appoint the second-best service provider, should they qualify or re-advertise the position to find a suitable replacement.

– Conduct reference checks and verification of qualifications to authenticate the submitted information.

12. EVALUATION METHODOLOGY

STAGED APPROACH WHICH WILL BE APPLIED IN THE EVALUATION OF BIDS

Evaluation of the bids will be conducted in two stages as per the Preferential Procurement Regulations, 2022, issued in terms of section 5 of the Preferential Procurement Policy Framework Act, Act number 5 of 2000 (PPPFA), as follows:

Stage One will involve evaluating bids for **Administration Compliance** and **Desktop Evaluations**.

During these stages, the bidder/s that do not meet the minimum requirements and thresholds as per each stage of evaluation 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 1A: ADMINISTRATIVE COMPLIANCE

1. Submission of fully completed and signed Standard Bidding Documents Forms (SBD 01 and SBD 04)
2. Submission of completed and signed Integrity Pact for Businesses Form.
3. Submission of completed and signed Protection of Personal Information Act Consent form
4. If there is a share of services between Tenderer, i.e., Joint Venture/Consortium, all participating parties must submit the following supporting documents:
   – Service Agreement stating the roles and the share percentage of the value of the undertaken project, signed by all parties, i.e., Letter of Authority from both or all companies bidding for this tender.

NOTE: Bidder/s that do not comply with the above requirements shall be eliminated and such bids shall be regarded as non-responsive.

OTHER REQUIRED DOCUMENTS:

– A valid Tax Compliance Status (TCS) Pin code issued by the South African Revenue Services (SARS)

– A Valid B-BBEE Certificate or Sworn Affidavit.

– Supporting Documents to claim preference points

– Provide the latest independently reviewed financial statements with comparative years. Alternatively, if no audited annual financial statements are available, provide the latest management accounts with comparative years signed by the accountant. Companies that are not required to be audited must provide a letter from the accountant attesting thereto. Companies that are new or dormant are not required to submit audited financial statements.

– Proof of registration with the National Treasury Supplier Database (CSD) report.

– A valid copy of the Company and Intellectual Property Commission (CIPC) Certificate.

STAGE 1B: DESKTOP EVALUATION

- A total of **60 points** is allocated for stage **1B**.

The threshold for this part of the evaluation is **45 points**; any bidder who fails to meet this minimum requirement shall be deemed non-responsive and eliminated from any further evaluation.

This information will be used for evaluation before the pricing and preference points' evaluation

AREA	COMMENTS	POINTS
1. DEMONSTRATED KNOWLEDGE OF THE MUNICIPAL GRAP REPORTING ENVIRONMENT	Reviews the bidder's technical understanding of GRAP frameworks, including standards interpretation, financial modelling implications (e.g., ECL under GRAP 104), and alignment with municipal reporting practices.. **<u>SCORING ALLOCATION 15 POINTS</u>** • **15 Points:** Bidder provides verifiable evidence of direct involvement with the Accounting Standards Board in drafting Revised GRAP 104, supported by appointment letters by ASB, meeting records, or written confirmation from ASB • **10 Points:** Bidder provides evidence of indirect involvement (minimum 2 formal submissions OR participation in recognized ASB technical structures), supported by documentation. • **7 Points**: Bidder demonstrates leading role in at least 3 GRAP 104 implementation projects, including ECL modelling, supported by signed references letters indicating the role. • **4 Points:** Bidder demonstrates involvement in 1–2 GRAP 104-related projects in a supporting capacity accompanied by reference letters.	**15**

2. PROFESSIONAL REGISTRATION OF TEAM LEADER AND REVIEW MANAGER	Assesses whether the bidder has appropriately qualified senior personnel assigned to the project. The bidder must demonstrate that both the Team Leader and the Review Manager are registered as Chartered Accountants [CA(SA)] and are also registered auditors with the Independent Regulatory Board for Auditors (IRBA). Proof of validity and current registration must be provided. **SCORING ALLOCATION OF 10 POINTS** • **5 Points** Team Leader is a registered Chartered Accountant [CA(SA)] and a registered auditor with IRBA. • **5 Points** Review Manager is a registered Chartered Accountant [CA(SA)] and a registered auditor with IRBA. • **0 Points** No evidence provided that the Team Leader and/or Review Manager hold the required CA(SA) and IRBA registrations.	**10**
3 DEMONSTRATED EXPERIENCE IN THE DEVELOPMENT AND IMPLEMENTATION OF REVISED GRAP 104	Assesses the bidder's depth of experience in developing, interpreting, and implementing the revised GRAP 104 standard, particularly within a municipal environment. This includes experience in designing Expected Credit Loss (ECL) models, applying impairment methodologies, aligning financial instruments with GRAP 104 requirements, and supporting audit processes. Bidders should provide evidence of relevant projects, including scope, role, and outcomes. **SCORING ALLOCATION OF 15 POINTS** • **15 Points** Bidder provides clear evidence of direct involvement with the Accounting Standards Board (ASB) in the development or drafting of Revised GRAP 104, supported by appointment letters by ASB or written confirmation by ASB. • **10 Points** Bidder demonstrates significant indirect involvement in the development of Revised GRAP 104 (that is 2 formal submissions or, participation in working groups, technical committees, or structured engagements supported by documentation.) • **7 Points** Bidder demonstrates advanced practical experience in implementing Revised GRAP 104, including leading multiple projects involving Expected Credit Loss (ECL) modelling and compliance within the municipal or public sector. Supported by at least three (3) reference letters. • **4 Points** Bidder demonstrates limited experience (at least 1 -2 related projects) in implementing Revised GRAP 104, with involvement in a small number of relevant projects or supporting roles. • **0 Points** Bidder provides no evidence of involvement in the development or implementation of Revised GRAP 104.	**15**

4. PROFESSIONAL REGISTRATION OF PROJECT TEAM MEMBERS	Assesses whether the bidder's proposed project team members hold relevant professional registrations and memberships applicable to their roles. This includes registrations with recognized professional bodies (e.g., SAICA, IRBA, SAIPA, or equivalent), demonstrating technical competence, credibility, and adherence to professional standards. Bidders must provide valid and current proof of registration for all key team members. **SCORING ALLOCATION OF 10 POINTS** • **10 Points** Bidder demonstrates that at least one project team member is a registered Chartered Accountant [CA(SA)] and a registered auditor with IRBA, with proven experience as a pre-issuance reviewer for the Auditor-General. • **7 Points** Bidder demonstrates that at least one project team member is a registered Chartered Accountant [CA(SA)] and a registered auditor with IRBA. • **4 Points** Bidder demonstrates that at least one project team member is a registered Chartered Accountant [CA(SA)]. • **0 Points** Bidder does not demonstrate that any project team member is a registered Chartered Accountant [CA(SA)] or fails to provide sufficient supporting evidence.	**10**
5. EXPERIENCE IN THE DEVELOPMENT AND IMPLEMENTATION OF EXPECTED CREDIT LOSS (ECL) MODELS IN TERMS OF IFRS 9	Assesses the bidder's demonstrated experience in the design, development, and implementation of Expected Credit Loss (ECL) models in accordance with IFRS 9 requirements. Particular consideration will be given to bidders who have acted as lead consultants or joint venture (JV) partners in the development of existing, operational ECL models within the private sector. Evidence of role, scope of work, and successful implementation must be provided. **SCORING ALLOCATION OF 10 POINTS** • **10 Points** Bidder provides evidence of involvement in the application and implementation of IFRS 9 ECL models for more than 10 private sector entities. • **7 Points** Bidder provides evidence of involvement in the application and implementation of IFRS 9 ECL models for between 6 and 10 private sector entities. • **4 Points** Bidder provides evidence of involvement in the application and implementation of IFRS 9 ECL models for between 1 and 5 private sector entities. • **0 Points** Bidder provides no evidence of involvement in the application or implementation of IFRS 9 ECL models in the private sector.	**10**
TOTAL		**60**

STAGE 2: PRICE AND PREFERENCE POINTS

The second stage of evaluation will be on the 80/20 preference point evaluation.
The contract will be awarded in Regulation 4 of the Preferential Procurement Regulations, 2022. 80/20 preference point system in terms of which points are awarded to bidders as follows:

AREA	POINTS
Price	80
Preference	20
TOTAL	**100**

PREFERENCE POINTS BREAKDOWN

THE SPECIFIC GOALS ALLOCATED POINTS IN TERMS OF THIS TENDER	NUMBER OF POINTS ALLOCATED
Enterprises owned by historically disadvantaged Individuals :Women	**20**
Total points	**20**

Points for the above specific goals will be measured by calculating the pro rata percentage of ownership of the bidding company that meets this criterion. E.g., Company A has five shareholders, each of whom owns 20% of the company. Three of the five shareholders meet the criterion, i.e., they are women/ PwD/Youth. Therefore, this bidder will obtain 60% of the points allocated for the goal, and the resultant number will be rounded off to two decimal places.

NOTE: Bidders must complete and sign SBD 6.1; failure to submit completed and signed SBD 6.1 will lead to non-award of points.

The bidder must also submit the following Proof of evidence to claim the allocated points:

Enterprises owned by historically disadvantaged Individuals :Women **– certified copy of a valid B-BBEE certificate or a valid Sworn Affidavit/ ID Copy/ Full CSD report**

Note: Submitted information will be verified through various platforms.

Price Points:

80 points will be allocated in respect of a tender with a Rand value equal to or below R50 Million, inclusive of all applicable taxes. The formula used to calculate price points out of 80 is indicated on page 3 of the Standard Bidding Document (SBD 6.1) attached in Section 2 of the tender document**.**