

SCOPE OF WORK FOR AUDIT STRATEGIC PARTNERSHIPS

1. DESCRIPTION OF SERVICES

Appointment of a panel of experts to provide Internal Audit services which includes assurance, consulting and investigations to City Power as and when required for a three-year period from date of appointment

2. PREAMBLE

City Power acknowledges the vital role energy supply plays in contributing towards South Africa's economic growth aspirations. As such, City Power's service delivery agreement with the shareholder is rooted in four pillars namely: ensuring energy security, ensuring consistent and reliable energy supply, pursuing energy independence for the residents of Johannesburg (by reducing the City's reliance on Eskom and adopting alternative energy sources), and lastly energy access to all.

3. DESCRIPTION OF WORK

City Power is undergoing a large-scale transformation with the current changes in the internal and external environment. In order to effectively respond to the changing environment, appropriate capacity, capabilities, tools of trade and independence are required. To bridge the capacity, capabilities, tools of trade and independence requirement, we seek the support and skills transfer from experts through a panel of service providers (strategic partners).

On 1 November 2021 South Africa held local government elections. As a result of these elections the City of Joburg has a new political leadership which has a Multiparty Government (MPG) agreement. This means that Joburg has a new political direction. The table below shows the approach taken to develop the political direction.

The *Alignment with GDS2040 Outcomes and Priorities* outlined below:

COJ VISION	STRATEGIC PILLAR	CITY POWER FY26/27 FOCUS AREAS
Johannesburg – a world class African city of the future	Sustainable service delivery: Improve quality of service, access, reduce waste and inefficiency.	Electrification of informal settlements, public lighting, and energy efficiency upgrades
	Energy mix: Transition to renewable energy sources	Rooftop PV and BESS rollout; wheeling readiness; IPP procurement; off-grid and embedded generation
	Infrastructure development & refurbishment: Prioritise key projects, on time and within budget	Network reinforcement, substation upgrades, SCADA integration and digitalisation
	Good governance: Improve transparency and citizen participation.	Compliance Toolkit, policy reviews, audit action resolution
	Financial sustainability: Prioritise high-impact projects and prudent financial management.	Revenue recovery, cost-reflective tariffs, prepaid expansion, collection efficiency

COJ VISION	STRATEGIC PILLAR	CITY POWER FY26/27 FOCUS AREAS
	Active & engaged citizenry: Encourage participation through CBP and feedback	Meter visibility, app-based engagement, data analytics, and digitised customer channels.
	Smart city: Use technology to improve services and promote efficiency.	

City Power's Response

City Power's strategic direction is anchored in the need to deliver sustainable, inclusive energy services while responding to the evolving priorities of its shareholder, the City of Johannesburg.

NATIONAL AND PROVINCIAL PRIORITIES	COJ GDS2040 AND SHAREHOLDER STRATEGIC FOCUS	CITY POWER STRATEGIC RESPONSES (FY2026/27)
Inclusive economic growth and job creation. Education, skills development, and public sector capability Sustainable infrastructure and energy development	Sustainable service delivery	Implement Turnaround Strategy 2024 and TSR Reform Agenda across seven utility performance dimensions: Asset Creation, Asset Maintenance, Finance, Governance, Customer Trust, Capable People, and Leadership.
	Smart City Enablement	
	Energy mix diversification	
	Infrastructure development	Ensure uninterrupted energy access through targeted investments in public lighting, informal settlement upgrades, and infrastructure security.
	Good governance and compliance	Advance the Just Energy Transition through rooftop PV, battery storage (BESS), and IPP/wheeling enablement.
	Financial sustainability	Drive Smart Utility Modernisation via SCADA integration, grid visibility tools, and smart meter deployment. Promote financial sustainability through prepaid metering expansion, loss reduction, and tariff reform. Institutionalise good governance via audit resolution, risk management, and legislative compliance (Top 10 Laws Toolkit). Enhance citizen trust and engagement via digital platforms, CBP-aligned investment planning, and improved service interfaces (MobiApp, WhatsApp SDC alerts).

Internal Audit has one main priority (Good Governance) the short, medium and long term as outlined in the table below:

Short Term (1-3 years)	Medium Term (3-5 Years)	Long Term (5 -10years)
✓ 100% resolution of Internal Audit Findings ✓ 100% resolution of External Audit Findings ✓ Achieve unqualified audit	✓ Achieve and maintain clean audit	✓ Maintain clean audit

Audit Short-, Medium- and Long-Term objectives

City Power seeks strategic partners to enable us to achieve the mayoral and City Power priorities.

4. SCOPE OF WORK

A review of the internal capacity was conducted and revealed that we require external support for the following:

- **Specialized Skills** - City Power is transitioning towards being energy utility utilizing smart technologies. External service providers provide access to specialized skill sets that might not exist in house. By engaging in a consulting firm, City Power will get access to a group of professionals that have skills ranging from Lean Six Sigma process design to finance amongst others;
- **Access to information and resources** - Consultants that specialise in niche areas or particular business functions (for example engineering and ICT) are able to cost effectively invest in systems and data that may not be financially viable for City Power to buy on its own.
- **Knowledge of best practice** - Consultants have the rare privilege of working with multiple organisations in the same sector and often serving various clients facing similar problems across different sectors. This broad view gives them access to a wealth of knowledge and experience on best practices across both industries and functions;
- **An Outside Perspective** - City Power has a perspective on strategy execution but seeks to ensure that what City Power has diagnosed is correct and also requires an external party who are not close to the challenges dynamics to provide an outside perspective. Given that consultants have vast strategy execution and turnaround strategy implementation experience, they can often bring new and innovative ideas to the table;
- **Need Extra Capacity** - With the organogram restructuring came new and changed departments. City Power has a high vacancy rate and also more managers in acting capacity. It is important to note recruiting new employees to fill these gaps is not advisable, seeing that many of these projects are once off. External service providers will serve as temporary injection of highly skilled employees.
- **External validation** - City Power leaders know their market better than anyone. They often already have an idea on how they see a problem or opportunity but would value the opportunity from an objective point of view. Consultants will have a broad overview, understanding, and external perspective. A second opinion can provide reassurance prior to making a key business decision; and

- **Ability to challenge leadership** - The external consultants will bring an objective position, meaning consultants will bring a fresh perspective. City Power leaders will actively invite challenges to provoke them to consider all aspects of a problem or solution before making a decision. The external consultant in their unique position will challenge leadership without the fear of reprisals that employees might have from questioning management decisions. This will foster an open and honest relationship amongst leaders in strategy execution.

4.1 SPECIFIC REQUIREMENTS FOR AUDIT STREAM

The scope of services to be provided by the appointed service provider shall include the following:

REQUIRED SERVICES		
1	Risk Based Audit Services	Audit definition not only deals with providing assurance services but also emphasizes the need to add value to your business and strengthen operations and processes. Risk-Based Audit (RBA) – These are audits focused on areas with the highest levels of risk to the organization, providing assurance on the adequacy and effectiveness of governance. Performance Audit Services (PAS) – These audits are primarily an assurance service that independently evaluates how effectively, efficiently, and economically an organisation uses its resources, rather than focusing only on compliance with rules. Financial Reporting Reviews – These audits review the Interim and Annual Financial Statements.
2	Probity	These audits require external resources with strong procurement audit, compliance, and forensic review skills to assess the integrity and fairness of procurement and decision-making processes. These include, amongst others, expertise in supply chain management and procurement regulations.
3	ICT Audits	These are audits conducted to evaluate the adequacy and effectiveness of information and communication technology systems, controls, and governance within an organization. • General Controls Review • Application Reviews • Cyber Security Reviews

REQUIRED SERVICES		
		Data Analytics
4	Investigations	These services require external resources with strong forensic audit and investigative competencies to identify, analyze, and support accountability for financial misconduct and expenditure irregularities. These include, amongst others, expertise in forensic auditing and investigation techniques, and procurement processes, compliance with applicable legislation and treasury regulations. Investigations of Unauthorised, Irregular, Fruitless and Wasteful expenditure (UIFWE)
5	AD Hocs Audit	These reviews require external resources with flexible, multidisciplinary audit and advisory skills to respond quickly to specific issues or emerging risks. The Specialized Audits which involving Engineering Operations Project Management Reviews

METHODOLOGY		
	Audit Approach and Tools	Detailed methodology, approach and workplan for Governance, Risk and Control for assurance and consulting activities Detailed Workplan for Services offering Details of tools to be used to improve process and analyze data
COMPANY EXPERIENCE		
	Experience	The minimum of three years (03) experience in the Internal Audit Services within Public Sector.
SKILLS TRANSFER		
	Skills	The detailed skills transfer plan with methodologies and deliverables.

MEMBERSHIP REQUIREMENTS		
1	Membership	The following Professional Membership is required for the Director and the team members: IIA - Institute of Internal Auditors (IIA) SAICA – South African Institute of Chartered Accountants ACFE – Association of Certified Fraud Examiners ICFP – Institute of Commercial Forensic Practitioners ISACA- Information Systems Audit and Control Association ECSA – Engineering Council of South Africa ACCA - Association of Chartered Certified Accountants SAIGA- Southern African Institute of Government Auditors
TEAM EXPERIENCE		
	Experience	• The proposed team members must have a minimum of NQF level 7 qualification in Auditing or Accounting • Minimum of 10 Years Experience of the Project Director in the Internal Audit Environment and professional qualification, of which 5 years should be in managerial position. • Minimum of 5 years' Experience in Internal Audit

5. CITY POWER'S STRATEGIC RISKS

- Financial Sustainability & Liquidity Failure
- Governance and Control Environment Weaknesses
- Electricity Infrastructure Failures
- Revenue Sustainability & Customer Risk
- Cybersecurity & Technology Resilience Risk
- Erosion of Stakeholder Confidence & Reputational Risk
- Human Capital & Capability Failure

6. KEY THEMES AS PER THE AUDIT PLAN

All work performed by Strategic Partners shall be aligned to the approved risk-based Internal Audit Plan required on a quarterly basis.

Any material deviations from the approved Audit Plan must be agreed with the Chief Audit Executive and reported to the Audit and Risk Committee.

7. REPORTING AND DELIVERABLES

Strategic Partners shall:

- Report audit findings, conclusions, and recommendations to the Chief Audit Executive.
- Provide clear, evidence-based reports highlighting:
 - Key risks and control weaknesses
 - Root causes
 - Practical, prioritized recommendations
- Support management in agreeing with action plans and timelines.
- Escalate significant or high-risk issues promptly to the Chief Audit Executive.
- Final reporting to the Audit Committee remains the responsibility of Internal Audit.

8. STANDARD AND QUALITY

Services shall be delivered in accordance with:

- The Global Internal Audit Standards
- Relevant professional, regulatory, and ethical standards

9. CONFIDENTIALITY AND INDEPENDENCE

Strategic Partners shall:

- Treat all information obtained during engagements as confidential.
- Complete the Internal Audit declaration of Independence and Objectivity
- Strategic Partners must remain independent and objective in performing audit services.

Approved by



Sandy Makola

Chief Audit Executive

26 August 2026