

BAVIAANS MUNICIPALITY

PREPARATION OF FINANCIAL STATEMENTS AND GRAP CONVERSION

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1. EXECUTIVE SUMMARY

Altimax is a public sector consultancy with its main focus on GRAP/GAAP/IFRS consulting to its clients. Our service to our clients has a direct impact on their audit reports and has in many cases lead to clearing many of the prior year management report matters.

Altimax has a close working relationship with the Auditor General both from a client viewpoint as well as one where the Auditor General uses Altimax to present training to its staff.

Altimax furthermore developed a number of templates on behalf of National Treasury which are currently used by many public entities and municipalities. Altimax is also a member of the public sector forum and meets with the other role players on a frequent basis. We are therefore on top of the latest developments and able to pass the benefit on to our clients.

We believe that Altimax can assist you in the same professional and advantageous manner than what our clients experienced.

A combination of the following resources will be allocated to the different tasks:

Level	Description
• SFRC	• Senior Financial Reporting Consultant: CA (S.A.) or equivalent
• FRC	• Financial Reporting Consultant: B Com Honours/CTA + articles or equivalent with experience
• AFRC	• Assistant Financial Reporting Consultant: B Com Honours/CTA + articles or equivalent with some experience
• TS	• Technical specialist: CA (S.A.) or equivalent
• TA	• Trainee accountant: B Com or B Tech degree

The billing codes as indicated below will be the identifiable codes on the invoices in order to easily link billed activities to the proposal as well as detailed explanations thereof.

All performed activities are recorded on weekly timesheets which forms the basis for the invoicing. Invoices will be provided to BAVIAANS MUNICIPALITY on a weekly basis and are payable within 30 days.



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2. WHY ALTIMAX WILL BE ABLE TO SUCCESSFULLY DELIVER THIS PRODUCT

Altimax has undertaken numerous similar projects at various municipalities in South Africa. In addition to the various consulting assignments, Altimax has a fully fledged training department which frequently presents training seminars to the public sector and more specific in statements of GRAP. Altimax is also responsible for the training of the second year trainee accountants of the Auditor-General. Altimax meets with the Accounting Standards Board on a monthly basis to discuss the latest issues arising out of the public sector. We have extensive experience in the public sector both operationally and technically. A company profile is attached to this document which includes a list of all clients to whom Altimax has consulted in the past. Our staff are constantly updated on current technical accounting changes and are therefore properly skilled to deliver the product as promised.

The satisfactory and timely completion of this assignment is dependent on:

- Management and staff of BAVIAANS MUNICIPALITY's cooperation with reasonable Altimax requests pertaining to **each phase of the project**.
- Management and staff of BAVIAANS MUNICIPALITY's cooperation with reasonable Altimax requests for assistance with **administrative matters**.
- Availability of source documents which will be identified during the project, detail of which a separate list will be presented upon acceptance of this proposal.
- Altimax will rely on completeness of information received by BAVIAANS MUNICIPALITY and will not be held responsible if such information is not complete.
- Hours indicated in this proposal are man-hours and should not be divided through 8 to get the length of the project. It is mostly allocated to more than one resource in order to complete the job as soon as possible.
- Time is of the essence to successfully complete this assignment. We would like to recommend that council consider allowing 2 months to complete the financial statements and GRAP conversion to enable us to complete most of the sections necessary to improve the audit report.
- Municipal assets and especially infrastructure assets are very complicated by nature. Altimax will not produce a GRAP compliant asset register but instead will improve the reporting quality of the asset register. We cannot take responsibility for the completeness or valuation of the register.
- Travel costs and disbursements are estimated amounts and are subject to change. Additional S&T or other daily costs necessarily incurred in the completion of the assignment will be billed on a cost recovery basis.

OUR UNDERSTANDING OF THE ASSISTANCE REQUIRED

It is our understanding that you need assistance as follows:

1. Compilation of the 2009/2010 annual financial statements in accordance with GRAP and the applicable accounting framework.
2. Prepare supporting documents to support the annual financial statements.



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3. Review of ledger accounts in support of working paper file.
4. Review the asset register and improve where possible.
5. Provide audit assistance during and after the audit.
6. Perform skills transfer during the assignment.



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PLANNED APPROACH AND PROPOSED DELIVERABLES

We propose that the following process be followed in meeting your needs:

1. Scrutinize the audit and management report of the entity for 2008/9.
2. Meet with various stakeholders to clear issues identified and action corrective measures.
3. Prepare working papers of each applicable section in the annual financial statements.
4. Prepare the 2009/10 annual financial statements
5. Liaise, in workshop form, with the various stakeholders and discuss the statements of GRAP which were previously exempted.
6. A 2 day training session with issues and practical examples experienced in the municipality.
7. Review the asset register and asset processes in order to put together a business case for raising funds to overhaul the asset register.

Detail of the planned phases is listed below in the costing section.

3. FIRM PROFILE

Altimax is a financial training and consulting company which is driven by quality, excellence and world class standards. The Altimax approach is based on a client first principle. Through our uniquely designed approach, we go the extra mile by putting our clients first at all times, and forming strategic partnerships which provide value added business and training solutions. We strive to be our clients' service provider of choice by offering an individualized customer care approach focusing on and understanding our clients' organisational cultures, values and needs. Our solutions, services and products are innovative and creative, constantly aiming at exceeding the expectations of our clients, yet tailor-made and flexible to address the ever changing and demanding business and compliance environments of our clients. We do not believe in "one solution fits all". A client will therefore always be provided with a custom-designed solution and unique implementation time line after we have performed a careful needs analysis. Quality is paramount and several quality measures ensure that our clients receive the highest standard of delivery throughout. Our teams are highly qualified industry or areas specialists.

Our clients spread across all provinces and all sectors of the economy locally as well as abroad and are serviced from our head office in Gauteng as well as from our satellite office in the Free State. This first satellite office based in Bloemfontein opened its doors in 2008 to make services accessible to the Free State clientele and its neighbouring surroundings. Altimax's success is directly related to its people. We mainly employ accounting professionals and attracting talent is part of our strategy. Altimax employs individuals who are innovative and creative, people who can provide solutions and are able to combine their expertise in a team to add value to our clients and provide them with our highest standards possible. We offer learning and development programs designed to provide our people at the cutting edge of new developments always ensuring that they always have the knowledge and the essential tools to adapt to the ever-changing needs of our clients and the environments in which our clients function.

Altimax's range of financial and business services encompasses the following:



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- Consulting services
- Technical services
- Training services

These services and facilities are designed to complement each other to maximize the financial ability of our clients.

4. BACKGROUND ON ALTIMAX'S EMPLOYEES

Altimax's employment policies set a very high standard when it comes to employing our accountants. Any employee would have passed a three hour assessment which tests IFRS knowledge, basic accounting skills, public sector accounting knowledge and some other soft skills related to our daily tasks. These assessments are marked by an independent staff member and moderated by the directors of the company and therefore the process is completely transparent. Altimax also hosts a training week once a year where all staff members are updated with the latest accounting changes. Any staff member is further free to attend any of the continuous professional development accounting seminars we offer to our clients. It is a must that all professionals stay up to date with the requirements of their various professional bodies.

Any team provided by Altimax will always consist mainly of individuals with at least a B Com Honours degree often including CA (SA)s, Professional Accountants (SA) etc. All team members have significant experience.

5. METHODOLOGY

In order to achieve our clients' objectives and expectations, Altimax will work closely with the clients' staff and ensure the involvement of all staff at the relevant levels to enable staff to take ownership of the processes during the project and once the project has been closed out. This will also ensure skills transfer throughout the project.

6.1. Planning

The team leader will perform the planning phase of the project that includes the following:

- Discussions with several employees
- Walkthrough test to see how the process works and what the status of financial information is
- Scrutinise the necessary documents to gain an understanding of the job at hand
- Perform a GAP analysis
- Compilation of an action/project plan
- Meeting with CFO and senior management to get their inputs

After the action/project plan is compiled, it is reviewed by the project manager

6.2. Scope Management



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Altimax compiles a proper project plan that includes all items in the scope of the engagement. The plan is compiled by the team leader after sufficient knowledge of the business is gained. The plan is then reviewed by the project manager. Altimax and the client then discuss the plan and both parties sign of the plan if it is agreed upon. All performed activities are updated on the plan on a weekly basis. A formal progress report is compiled by the team leader and updated weekly. This progress report stipulates all activities and the status/progress of it. The project manager then reviews the progress report. A weekly meeting is conducted between Altimax and the client to discuss the progress made.

6.3. Quality management

Altimax has developed standard working papers throughout the years that are used at clients. This is to ensure that all work is of a high standard, continuity take place and that work adhere to all required accounting standards and other legislation. Altimax only appoints employees with the necessary qualifications and experience. On each project, all work will go through 3 levels of review, first through the team leader, second through the project manager and the final review through our technical department.

6.4. Risk management

Altimax has a fully fledged technical department who ensures that Altimax is always on track with the latest developments in the accounting as well as public sector worlds. This is done through continuous research, meeting regularly with the ASB and providing entities with technical opinions on highly technical issues. Risk is also managed by the teams we allocate on each project, quality reviews that take place as well as weekly progress reports and meetings.

6.5. Time management

Altimax set out targets with strict deadlines in the initial project plan. The weekly progress report gives an indication whether we are on track or not. Backlogs are managed on a case by case basis where appropriate action is taken.

6.6. Cost management

In the initial project plan, Altimax allocates the level of resource and budgeted hours to a specific activity. All performed activities are updated on the plan as indicated in 5.1. The progress report will also present a reconciliation between the budget and the actual cost. This is in line with the quotation.

6.7. Communication management

Altimax suggests that a steering committee be formed that consist out of the team leader and project manager from Altimax, as well as two or more senior employees from our client. A weekly steering committee meeting is then held where the progress report and other important matters are discussed. Altimax also suggests that the client provide us with a senior person for this specific cycle. All communication will then take place between the team leader from Altimax and the representative for each cycle and the CFO of the entity.



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6.8. Report Writing

A Weekly progress report is written by the team leader from Altimax. The report is reviewed by the project manager. It is then discussed on the steering committee where information required by the client will be added. The progress report will then be distributed to all officials nominated by the client.

6.9. Skills transfer

Altimax involves employees from the entity from the start of the project. This ensures that employees do not just get theoretical training at the end of the project, but practical experience. Due to the involvement from the employees from the beginning of the project an excellent relationship is established between Altimax and the entities' employees. This relationship ensures that employees are more comfortable in asking questions and thus improving their skills.



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6. SUCCESFULL IMPLEMENTATIONS OF GRAP

No	Entity	GRAP Conversion Status
1	Johannesburg City Power	GRAP conversion and compilation of Annual Financial Statements
2	Johannesburg City Parks	GRAP conversion and compilation of Annual Financial Statements
3	Johannesburg Civic Theatre	GRAP conversion and compilation of Annual Financial Statements
4	Johannesburg Development Agency	GRAP conversion and compilation of Annual Financial Statements
5	Johannesburg Fresh Produce Market	GRAP conversion and compilation of Annual Financial Statements
6	Johannesburg Social Housing Company	GRAP conversion and compilation of Annual Financial Statements
7	Johannesburg Roads Agency	GRAP conversion and compilation of Annual Financial Statements
8	Johannesburg Tourism Company	GRAP conversion and compilation of Annual Financial Statements
9	Johannesburg Water	GRAP conversion and compilation of Annual Financial Statements
10	Johannesburg Zoo	GRAP conversion and compilation of Annual Financial Statements
11	Johannesburg Metrobus	GRAP conversion and compilation of Annual Financial Statements
12	Johannesburg Metro Trading Company	GRAP conversion and compilation of Annual Financial Statements
13	Johannesburg Pikitup	GRAP conversion and compilation of Annual Financial Statements
14	Johannesburg Rodepoort Theatre	GRAP conversion and compilation of Annual Financial Statements
15	Johannesburg Property Company	GRAP conversion and compilation of Annual Financial Statements
16	Mskaligwa Local Municipality	GRAP conversion and compilation of Annual Financial Statements – in progress
17	Mangaung Local Municipality	GRAP conversion and compilation of Annual Financial Statements – in progress
18	Nkomazi Local Municipality	GRAP conversion and compilation of Annual Financial Statements

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19	Mogaka Local Municipality	GRAP conversion and compilation of Annual Financial Statements – in progress
20	South African social Security Agency	Cash accounting to accrual accounting in terms of GRAP conversion and annual financial statements – in progress

Please note that contact details for references will be supplied on request. Altimax values the privacy of our clients and do not divulge any contact details in proposal documents.



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Activity	Duration	Frequency	Staff	Rate	Total Cost
1. Dealing with accounting policies, housekeeping matters and reconciliations of sub ledgers.					
• Assistance with investigating, reconciling and clearing all suspense accounts (estimated @ 15 accounts)	• 80 hours	• TA	• R300	• R 24,000	• FFAFS
• Review of reconciliations of all sub ledgers	• 40 hours	• TA	• R300	• R 12,000	• FFAFS
• Review of work performed	• 4 hours	• SFRC	• R 950	• R 3,800	• CQUAL

2. Assistance with clearing of audit findings for 2008/9					
• Mix of activities	• 228 hours	• Mix of all	• Mix	• R 122,400	• FFAFS

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3. Preparation of the 2009/10 Annual Financial Statements						
• Property, plant and equipment	• 24 hours	• FRC	• R800	• R 14,400	• FAAFS	
• Long term receivables	• 4 hours	• FRC	• R600	• R 2,400	• FAAFS	
• Inventory	• 8 hours	• SFRC	• R950	• R 7,600	• FAAFS	
• Trade and other receivables (Includes Circular 9/2006 calculations)	• 16 hours	• SFRC	• R950	• R 15,200	• FAAFS	
• Short term portions of assets and liabilities	• 8 hours	• AFRC	• R450	• R 3,600	• FAAFS	
• Cash and cash equivalents	• 4 hours	• AFRC	• R450	• R 1,800	• FAAFS	
• Provisions	• 12 hours	• FRC	• R600	• R 7,200	• FAAFS	
• Leases (Operating and finance)	• 8 hours	• FRC	• R600	• R 4,800	• FAAFS	
• Other long term liabilities	• 4 hours	• FRC	• R500	• R 2,400	• FAAFS	
• Trade and other payables (Including Circular 9/2006 calculations)	• 16 hours	• SFRC	• R950	• R 15,200	• FAAFS	
• Reserves	• 16 hours	• SFRC	• R950	• R 15,200	• FAAFS	
• IFRS 7 disclosure	• 16 hours	• SFRC	• R950	• R 15,200	• FAAFS	
• Related parties	• 8 hours	• FRC	• R600	• R 4,800	• FAAFS	

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• Compilation of financial statements taking into account changes due to audit adjustments etc.	• 16 hours	• SFRC	• R950	• R 15,200	• FAFS
• In-depth review of working paper file	• 8 hours	• SFRC	• R950	• R 7,600	• CQUAL
• Review of annual financial statements	• 8 hours	• TS	• R 950	• R 7,600	• CQUAL
• Meetings	• If required	• N/A	• N/A	• N/A	• CMCL
• Audit assistance	• 24 hours	• Level 1 Cadv	• R950	• R 22,800	• AUPAS
• Progress meetings	• 8 hours	• All levels	• N/A	• R 7,600	• CMCT
Total (excl VAT, travel and direct cost recoveries*):	200 hours			R 170,600	

4. Training and skills transfer					
• Extract practical examples from experience gained during project and develop presentation	• 8 hours	• SFRC	• R950	• R 7,600	• FAFS
• Present workshop with key management and staff on above presentation	• 8 hours	• SFRC	• R950	• R 7,600	• FAFS

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Annexure A

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5. Travel and accommodation				
• Accommodation, car rental and flight costs.	• N/A	• N/A	• R 80,000	• TRAVEL

[Redacted section]

6. Total cost for project (All seven activities)				
• Total cost for project (All seven activities)				

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