

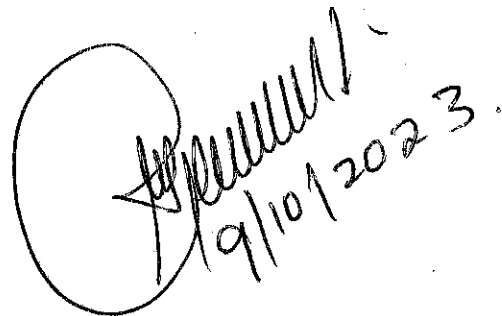


ALFRED NZO
DISTRICT MUNICIPALITY

TERMS OF REFERENCE
BCP 'Risk appetite, Tolerance, and Risk bearing capacity
framework for Alfred Nzo District Municipality
2023/24 FINANCIAL YEAR'

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19/10/2023

Risk appetite, Tolerance, and Risk bearing capacity for the municipality

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1. BACKGROUND AND OVERVIEW OF THE PROJECT

1.1 INTRODUCTION

ANDM has a legislative mandate to provide infrastructure, portable water, sanitation and quality services to its residents amid other deliverables. This mandate inherently gives rise to uncertainties which translate into risks. It is not always efficient or possible to manage risks to zero residual risk or a very low residual risk threshold because of the time, cost and effort that will be required, and which could result in the cost-benefit dynamics to become skewed. On the other hand, it is also poor management practice to accept risks which create unnecessary exposure for the district.

Risk appetite is simply defined as the level of risk the municipality is willing to accept in the pursuit of its strategic objectives whilst risk tolerance is defined as amount of risk the municipality is prepared to bear above the risk appetite in pursuit of its strategic objectives. The concept of risk appetite and risk tolerance are often used interchangeably, but they have distinctly different meanings. Risk tolerance encompasses the broadest expression of risk an organization is willing to assume in executing its strategy. Risk appetite offers a pragmatic view of risk tolerance. On the hand, risk bearing capacity is the capacity that the municipality has in order to be able to absorb/deal with risks once they materialize. Risk bearing capacity is the ability to absorb additional risk-based volatility in its without detrimental effects/negative impact to key plans, strategies, operational and financial resources of the municipality.

Risk appetite and tolerance is a core consideration in embedding effective enterprise risk management approach and principles. The process will assist the municipality in meeting its mandate and expectations imposed by corporate governance standards, key stakeholders including the public. The framework will provide the basis to clearly state

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the general principles for the municipality's risk taking, raise risk awareness across the organization, and to guide the staff regarding acceptable and unacceptable behavior.

Therefore, the framework will help the municipality better manage and understand its risk exposure, make informed risk-based decisions, allocate resources and understand risk/benefit trade-offs, and improve transparency for stakeholders and regulators.

In order for ANDM to benefit from a well composed and structured risk appetite statement and tolerance levels, ANDM seeks to obtain the services of suitably service provider to assist with developing a Comprehensive and tailored Risk Appetite, Tolerance, and Risk-Bearing Capacity Framework. The service provider is also expected to transfer skills to Alfred Nzo District Municipality staff in relation to the framework that will guide the municipality in making informed decisions related to risk-taking, risk mitigation, and strategic planning, ultimately contributing to improved governance and sustainability.

The service provider will closely work with the Risk and Compliance Manager in relation to the developing a Comprehensive and tailored Risk Appetite, Tolerance, and Risk-Bearing Capacity Framework.

1.2 OVERALL AND SPECIFIC OBJECTIVES OF THE PROJECT

1.2.1 Overall objective

Quotations are invited from suitably qualified professional service providers to prepare and submit proposals of this project and the purpose of this project is to enhance the risk management capabilities of Alfred Nzo District Municipality by developing a comprehensive framework for defining and implementing risk appetite, tolerance, and risk-bearing capacity. This framework will guide the municipality in making informed decisions related to risk-taking, risk mitigation, and strategic planning, ultimately contributing to improved governance and sustainability.

1.2.2 Specific Objectives

A well- managed and coordinated project that will deliver the following:

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- Evaluate the existing risk management processes, policies, and practices within the municipality to understand the current state of risk management.
- Engage key stakeholders, including municipal officials, department heads, and relevant external partners, to gather insights, expectations, and risk-related perspectives.
- Define clear and measurable risk appetite and tolerance levels that align with the municipality's strategic objectives, mission, and values.
- Determine the municipality's capacity to bear various types and magnitudes of risks, taking into account financial, operational, and reputational aspects.
- Create a concise and comprehensible risk appetite statement that communicates the acceptable level of risk-taking within the organization.
- Provide recommendations on how the developed risk appetite and tolerance framework can be integrated into the municipality's decision-making processes, including budgeting, strategic planning, and project prioritization.
- Formulate guidelines that specify the boundaries of acceptable risk within different areas and functions of the municipality.
- Design and deliver training programs and workshops for municipal staff to ensure they understand and can effectively implement the risk appetite, tolerance, and risk-bearing capacity framework.
- Develop reporting mechanisms and templates to monitor and report on risk exposure, compliance with risk tolerance levels, and actions taken to manage risks.
- Engage stakeholders for feedback and validation of the developed framework, making necessary adjustments and improvements as needed.
- Provide a finalized risk appetite, tolerance, and risk-bearing capacity framework, along with a detailed implementation plan that outlines the steps for integrating it into the municipality's risk management practices.

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- Ensure knowledge transfer to internal staff or designated personnel who will be responsible for maintaining and implementing the framework in the long term.
- Assist the municipality in setting up a system for ongoing monitoring and evaluation to assess the effectiveness of the framework and recommend adjustments as the municipality's risk landscape evolves.

2. SCOPE AND EXTENT OF WORK

In terms of assisting the municipality in developing Risk appetite, Tolerance, and Risk bearing capacity for the municipality the service provider is expected to:

- a) Conduct a thorough assessment of the municipality's current risk management practices, including a review of existing policies, processes, and risk management culture.
- b) Perform an analysis to determine the municipality's capacity to bear different types and magnitudes of risks, considering financial, operational, and reputational aspects.
- c) Develop a comprehensive framework for risk appetite, tolerance, and risk-bearing capacity that is tailored to the municipality's specific needs and context.
- d) Provide clear and well-documented risk appetite statements, tolerance guidelines, and risk-bearing capacity assessments.
- e) Design and deliver training program for municipal risk champions and senior management to ensure they understand and can effectively implement the framework.
- f) Develop reporting mechanisms and templates to monitor and report on risk exposure, compliance with risk tolerance levels, and actions taken to manage risks.
- g) Set up a system for ongoing monitoring and evaluation to assess the effectiveness of the framework and recommend adjustments as needed.
- h) Operate in compliance with any relevant laws, regulations, and industry best practices.

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- i) Ensure that all deliverables meet high-quality standards and are tailored to the municipality's unique needs.
- j) Engage with key stakeholders, including municipal officials, department heads, and other relevant parties, to gather input and insights into the municipality's risk landscape.
- k) Bring expertise in risk management and assist the municipality in defining clear risk appetite and tolerance levels that align with its strategic objectives.

3. PROJECT TIME FRAME

The project time frame will be one month from the date of appointment of the service provider.

4. KEY OUTPUTS/PROJECT MILESTONES/DELIVERABLES

- a) Comprehensive and tailored Risk Appetite, Tolerance, and Risk-Bearing Capacity Framework; accompanied by an implementation plan, training materials, and monitoring mechanisms for Alfred Nzo District Municipality's enhanced risk management practices.
- b) Submit weekly progress report to Risk Manager,
- c) Produce an assessment reports, depicting the risk profile of the business units,
- d) Submit a close out report with recommendations to the Director: Strategic Governance and the Risk Manager.
- e) A well- managed and coordinated project that will deliver credible Risk Appetite, Tolerance, and Risk-Bearing Capacity Framework.

5. REPORTING MECHANISM

It is expected that regular progress reports will be submitted to ANDM a Weekly basis. The Project Manager has the right to change the frequency of reporting as and when necessary.

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6. SUBMISSION OF BIDS

- Quotations must be emailed to tenders@andm.gov.za : referenced with the bid number. Failure to do so will lead to disqualification.
- NB- No drop box or links will be accepted.

7. CAPACITY TO EXECUTE THE WORK

Evaluation criteria of the Bids;

The bids will be evaluated in two stages, namely:

- Stage 1- Capacity to execute the work
- Stage 2- Price and Specific Goal

Only Bidders who score 70% or more on stage 1 would be evaluated further and therefore eligible for the award

ITEM	Scoring
STAGE 1 OF EVALUATION – CAPACITY TO EXECUTE THE WORK	100
• Previous Experience	50
• Capacity and Expertise	50
Total Scoring	100

Price and Preference

Quotations will be evaluated according to the 80/20 Point System in compliance with Preferential Procurement Policy Act (5/2000) and Preferential Procurement Regulations 2022.

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Preferential Procurement Goals	Proof to be Attached to Claim full Points	Points
Price	N/A	80
Specific Goal		20
Bidders will score Specific Goals as follows		
Empowerment of Women	Attach ID Certified Copies of Directors Claiming Specific Goals; for Bidders to obtain full points the percentage of equity held must be 51% or more.	5
Youth	Attach ID Certified Copies of Directors Claiming Specific Goals; for Bidders to obtain full points the percentage of equity held must be 51% or more.	4
Rural	Attach Proof of Residence of the Business or Lease Agreement.	3
Disabled	Attach a Signed Letter from Health Practitioner	4
Black Owned Companies	Attach CK and ID Certified Copies of Directors Claiming Specific Goals; for Bidders to obtain full points the percentage of equity held must be 51% or more	4
Total Scoring		100

Previous Company Experience	Scoring
Note: The scoring in this section is not cumulative.	
Traceable record for successful completion of a minimum of 3 or more projects of development of risk appetite, tolerance framework or risk management framework/strategy in municipal environment or any public sector institution to a minimum value of R60 000.00 each.	50
Traceable record for successful completion of a minimum of 2 projects of development of risk appetite, tolerance framework or risk management framework/strategy in municipal environment or any public sector institution to a minimum value of R60 000.00 each.	30
Traceable record for successful completion of a minimum of 1 of development of risk appetite, tolerance framework or risk management framework/strategy in municipal environment or any public sector institution to a minimum value of R60 000.00 .	20
Total Scoring	50

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<p>Note COMPULSORY attachments for verifying work done:</p> <p>1. The ANDM Assessment Bidder Form must be completed, stamped and signed by previous employer as a means of verifying references for each project undertaken. If 3 Projects were done, 3 Assessment bidder forms must be completed.</p> <p>2. In addition to the above, a traceable record will be evaluated on the basis of:</p> <ul style="list-style-type: none"> - An appointment letter or - Official purchase order. 	
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<p>Capacity and Expertise to Undertake the Project</p> <p>Note: The scoring in this section is preferably cumulative, unless justifiable to the Specification Committee</p>	<p>Scoring [50]</p>
<p>A Project Team with the following areas of expertise:</p>	<p>[50]</p>
<ul style="list-style-type: none"> • Must have a minimum of National Diploma (NQF Level 6) in Risk Management/Accounting/Internal Auditing. 	<p>15</p>
<ul style="list-style-type: none"> • Completed Articles coupled with post article experience. 	<p>15</p>
<ul style="list-style-type: none"> • One or more personnel must be registered to one of the relevant Professional Body or Proof of registration of the company with Professional Body; i.e. IRMSA or SAICA or IIA. 	<p>20</p>
<p>NB: Attach CV and certified copies not older than 3 months for all qualifications</p>	<p>Total Scoring 50</p>
	<p>Total Scoring [15+15+20] 50</p>

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For any queries regarding this tender, please contact Mr Khambula for project related queries; on (039) 254 5105 or; Supply Chain Management Mr V Cita contact for SCM related queries at telephone number 039-254-5134 during office hours.

Alfred Nzo district Municipality

Erf 1400 Ntsizwa Street

Mount Ayliff

4735

Yours in municipal administration,

Recommended by/Not recommended by

Date



Mr. NR. Xolo
Director Strategic Governance

09/10/2023



Zamide H Sikhundla
Municipal Manager

05/10/2023

Approved/Not Approved

