ALFRED NZO
DISTRICT MUNICIPALITY

TERMS OF REFERENCE
CONDUCT VAT COMPLIANCE RISK ASSESSMENT – ANDM FOR 2025/26 FINANCIAL YEAR

Issued and prepared by:
Alfred Nzo District Municipality
ERF 1400 Ntsizwa Street
P/Bag x 511
Mount Ayliff
4735

Chief Risk Officer (OMM): Mr M.E. Khambula
Contact Person: Ms. BL. Rodolo
Tel: 039 254 5105
Fax: 039 254 0343

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BACKGROUND AND OVERVIEW OF THE PROJECT

1.1 INTRODUCTION

In terms of Section 62(1)(c)(i) of the Municipal Finance Management Act (MFMA), the accounting officer of a municipality is responsible for managing the financial administration of the municipality and must take all reasonable steps to ensure that effective, efficient, and transparent systems of financial and risk management and internal control are maintained.

The Alfred Nzo District Municipality (ANDM) is committed to strengthening the quality, reliability, and sustainability of its financial management practices to support efficient service delivery to its residents. The risk management unity has the responsibility to identify and assess the risk and advise the Accounting Officer about the risk threatening the strategic goals of the municipality. The municipality VAT compliance is critical to safeguarding municipal revenue, avoiding penalties, and maintaining accountability in the use of public funds.

Given the complexity of VAT regulations and the municipality's diverse financial transactions including procurement, service delivery contracts, grants, and intergovernmental transfers ANDM recognizes the need for a comprehensive VAT Compliance Risk Assessment. This assessment will identify, evaluate, and prioritize risks associated with VAT administration, reporting, and payment processes, thereby enabling proactive risk management and informed decision-making.

The appointed service provider will collaborate closely with ANDM's Risk Management Unit and Finance Department to ensure a thorough and accurate assessment of VAT compliance risks. The project will involve document reviews, transaction testing, stakeholder consultations, and the preparation of a detailed risk assessment report. This initiative is essential for strengthening financial governance, improving compliance with tax legislation, and safeguarding the municipality's fiscal integrity.

2. OVERALL OBJECTIVE

The overall objective of this project is to conduct a comprehensive VAT Compliance Risk Assessment in line with the South African Tax Regulation and SARS requirements and guidelines. The purpose is to ensure the effective management, monitoring, and sustainability of the municipality's VAT compliance processes, thereby strengthening financial governance, safeguarding public resources, and promoting accountability in service delivery.

2.1 SPECIFIC OBJECTIVES

This assessment will enable the municipality to:

- Identify and mitigate VAT compliance risks across all financial transactions.
- Enhance transparency and accuracy in VAT reporting and submissions.
- Reduce exposure to penalties, interest charges, and reputational risks.
- Support informed decision-making and strategic financial planning.
- Contribute to the overall fiscal integrity and economic sustainability of the district

3. SCOPE & EXTENT OF WORK

Quotations are invited from suitably qualified professional service providers to prepare and submit proposals to undertake the **VAT Compliance Risk Assessment**. The service provider is expected to:

(a) **Understand the Municipality's Strategic Context:** Achieve a deep understanding of the municipality's mission, vision, strategic goals, and objectives, as well as its long-term development plans as reflected in the Integrated Development Plan (IDP), with specific focus on financial governance and compliance.

(b) **Gain a Thorough Understanding of VAT Processes**: Review the municipality's VAT-related processes, including procurement, invoicing, revenue collection, grant funding, and intergovernmental transfers, along with the financial systems and reporting capabilities as reflected in municipal records and plans.

(c) **Collect and Analyse Financial Data:** Collect and analyse data on VAT transactions, including invoices, receipts, payment records, and VAT returns, to assess accuracy, completeness, and compliance with statutory requirements.

(d) **Review and Update VAT Documentation**: Review and update existing VAT compliance documentation to ensure it reflects the current state of financial transactions, reporting obligations, and operational practices.

(e) **Conduct Stakeholder Consultations**: Engage with key stakeholders, including finance staff, procurement officers, and management, to gather insights into VAT processes, challenges, and compliance practices.

(f) **Facilitate Risk Identification Sessions**: Facilitate sessions to identify inherent risks that pose a threat to VAT compliance, including risks related to incorrect VAT calculations, late submissions, misclassification of transactions, and inadequate record-keeping.

(g) **Assess Existing Controls**: Facilitate sessions with management and relevant stakeholders to identify current controls in place to mitigate VAT compliance risks, such as internal audits, reconciliations, and system checks.

(h) **Determine Residual Risks**: Facilitate sessions to identify desired residual risks and assess their potential impacts on the municipality's ability to maintain compliance and avoid penalties.

(i) **Develop Controls and Mitigation Strategies**: Facilitate sessions to develop sound controls and mitigating strategies to ensure VAT compliance risks are managed within the municipality's risk appetite and tolerance levels.

(j) **Prepare a Preliminary VAT Risk Profile**: Prepare a preliminary risk profile based on the identified VAT risks, existing controls, and proposed mitigating strategies.

(k) **Validate and Finalize the VAT Risk Profile**: Validate and finalize the VAT compliance risk profile with the municipality's management team, incorporating feedback and additional insights as necessary.

(l) **Develop a VAT Compliance Risk Register**: Develop a comprehensive VAT compliance risk register that includes all identified risks, controls, and mitigating strategies, and provide training and guidance on its use and maintenance.

(m) **Develop a Risk Management Action Plan**: Develop a VAT compliance risk management action plan outlining the steps and timelines for implementing the proposed controls and mitigating strategies.

(n) **Communicate Findings and Recommendations**: Communicate the finalized VAT compliance risk profile and risk management action plan to the municipality's management team through a detailed report and presentation, ensuring clear understanding and commitment to the proposed measures.

4. PROJECT TIME FRAME

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

5. KEY OUTPUTS/PROJECT MILESTONES/DELIVERABLES

The appointed service provider will be expected to deliver the following outputs and milestones:

- **Inception Report:** A detailed inception report outlining the methodology, work plan, timelines, and stakeholder engagement approach for the VAT Compliance Risk Assessment.
- **Data Collection and Analysis Report:** A comprehensive review of VAT-related documentation, including invoices, receipts, contracts, and VAT returns and Analysis of transaction testing results to identify potential compliance gaps.
- **Preliminary VAT Risk Profile:**
  - ➢ Draft risk profile highlighting inherent VAT compliance risks, existing controls, and areas of concern.
  - ➢ Presentation of findings to the municipality's Risk Management Unit and Finance Department for validation and Stakeholder Consultation Sessions
  - ➢ Development of a comprehensive risk register documenting all identified VAT risks, controls, and mitigation measures.
  - ➢ A detailed report consolidating all findings, risk profiles, and recommendations.

6. 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.

7. SUBMISSION OF QUOTATIONS

Completed quotations in sealed envelopes endorsed bid number above, must be deposited in the bid box at Alfred Nzo district municipality offices, erf 1400, Ntsizwa street, MT Ayliff not later than stipulated time and date, where bids will be opened in public. shortly afterwards at ANDM conference centre. Late, incomplete, electronic, telegraphic, telexed, faxed bids will not be considered. The lowest or any proposal will not necessarily be accepted and Alfred Nzo district municipality reserves the right to accept or not to accept any proposal either in whole or in part. And any assistance in completing partly or full the proposal from ANDM official or councillor will result in disqualification of bid.

8. 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.

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 The scoring in this section is non-cumulative	Scoring
Traceable record for successful completion for minimum 2 or more projects of strategic tax compliance assignments, operational risk assessments or risk related projects in municipal environment or any public sector institution to a minimum value of R39 600.00 each.	50
Traceable record for successful completion for minimum 1 project of strategic tax compliance assignments, operational risk assessments or risk related projects in municipal environment or any public sector institution to a minimum value of R39 600.00 each.	40
Total Scoring **Note COMPULSORY attachments for verifying work done:** **1. The ANDM Assessment Bidder Form (available on our website, www.andm.gov.za) must be completed, stamped and signed by previous employer as a means of verifying references for each project undertaken. If 2 Projects were done, 2 Assessment bidder forms must be completed.** **2. In ADDITION to the above, a traceable record will be evaluated on the basis of:** **- An appointment letter or;** **- Official purchase order specifying the contract amount for each project completed.**	**50**
Capacity and Expertise to Undertake the Project **Note: The scoring in this section is preferably cumulative, unless justifiable to the Specification Committee**	**Scoring** **[50]**
A Project Team with the following areas of expertise:	**[50]**

• Must have a minimum of Post Graduate Diploma (NQF Level 8) in Risk Management/Accounting/Internal Auditing with minimum if five years' experience.	20
• One or more personnel must be registered to one of the relevant Professional Body or Proof of the company accreditation with Professional Body, i.e. IRMSA, SAICA, IIA and SAIT.	20
• Chartered Tax Adviser (SA)	10
Total Scoring **NB: Attach CV and certified copies not older than 3 months for all qualifications**	**50**
Total Scoring **[30+20]**	**50**

For any queries regarding this tender, please contact Ms. BL Rodolo for project related queries; on (039) 254 5105 or. Supply Chain Management Mr BCW Makiwane contact for SCM related queries at telephone number 039-254-5218 during office hours.

RECOMMENDED/NOT RECOMMENDED BY **DATE**

08/12/2025

MR. ME. KHAMBULA
ACTING DIRECTOR STRATEGIC & GOVERNANCE

APPROVED/NOT ~~APPROVED~~ BY

08/12/2025

MR. ZAMILE H. SIKHUNDLA
MUNICIPAL MANAGER

Comments