

## **Technical assignment for promotion transparent and effective management of public finances through developing Internal Control Guide and Roadmap**

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is inviting interested parties to submit their proposals for the consultancy services described below.

### **Terms of Reference**

#### **1. General information**

**Programme Name:** Good Governance for Local Development, South Caucasus (GGLD)

**Objective:** Citizen-oriented services of public institutions improve the living conditions of the population at the local level in a sustainable, environmentally friendly manner and in accordance with the principles of democracy, the rule of law and transparency.

Basic fields of action:

- a) Improving the legal and institutional framework for providing citizen-oriented public services;
- b) Strengthening the capacities of key stakeholders to deliver citizen-oriented services and to finance them;
- c) Introducing public participation mechanisms for the engagement of citizens in service delivery;
- d) Strengthening the procedures, institutions and instruments of regional and local economic development;
- e) Promoting exchange of experience and cross-border learning.

Programme duration: 01/04/2020 – 31/03/2023

#### **2. Background information**

GGLD actively cooperates with the Ministry of Finance Georgia (MoF) and in particular with the Public Internal Control Department (ICD). In recent years GGLD supported the MoF with various projects in the decentralization process and with the reform of the public finance management sector, with a particular focus on the municipal level. The development and enhancement of the PIFC system (Financial Management and Control (FMC), Internal Audit (IA), and Central Harmonization Unit (CHU)) is embedded in broader reform of the country's Public Financial Management system (cf. Public Finance Management Reform Policy Vision). A strategic concept for the reforms of Internal Financial Control within the Public Sector of Georgia was already developed in 2009 and serves as the frame for the reform. The aim of

the PIFC reform is to improve efficiency, effectiveness and accountability of the public financial administration. In addition, the EU approximation is a strong driver of the PIFC reform process (cf. Association Agreement EU-Georgia, European Neighborhood Policy (Georgian AP). The basic idea of PIFC is to help EU candidate countries reform and build a modern internal control system, applying principles of decentralized responsibility (managerial accountability) and establishing functionally independent internal audit units. An effective Public Internal Financial Control system which includes a well-functioning internal control system is critical to improving the quality of public service outcomes. The responsible unit under MoF -the Public Internal Control Department- was established in 2015. The MoF plays a key role in this, as the responsible institution for driving the change in public finance management (PFM) and for supporting the effective implementation of PFM sub-reforms in the country.

Georgia has followed the concept developed by European Commission (EC) and has adopted the Public Internal Financial Control (PIFC) law. Under this, the MoF is responsible for the harmonization and support of two directions of PIFC reform by establishing a sound Financial Management Control system in all public sector institutions of Georgia.

Therefore, since 2020, GGLD and the MoF's cooperation focusses on the improvement of the Public Internal Financial Control (PIFC) system (incl. external quality assessments, GAP analyses and Root cause analyses of municipalities). The development and enhancement of the PIFC system (Financial Management and Control (FMC), Internal Audit (IA), Central Harmonization Unit CHU)) is embedded in the broader reform of the country's Public Financial Management system (cf. Public Finance Management Reform Policy Vision).

In previous years (2020-2021) GGLD implemented and supported various projects to foster the PIFC reform process. These projects included

- Support in conducting GAP-Analyses, External Quality Assurances, Risk Based Planning's, Pilot Performance Audits and
- the elaboration of a root cause analysis of problems in municipal financial management as detected by the State Audit Office of Georgia.

The thus gathered comprehensive methodological material forms a good basis for understanding the needs of financial officers in municipal administrations as well as weaknesses and gaps in municipal finance management.

However, the MoF lacks the capacity and expertise to develop respective guides themselves.

Therefore, GGLD plans to develop a methodological guide for effective internal financial control on municipal level, which inter alia includes practical questionnaires and hand-on guidelines for municipal financial departments and respective financial officers.

### **3. Objective of the assignment and scope of work**

#### **3.1. Overall objective, sub-goals and Target Group**

The overall objective of the assignment is to support the nationwide improvement of the PIFC system and in doing so support the public financial management reform, strengthen managerial accountability, improve the performance management system and enhance the use of public resources.

This shall be done by developing a guide and roadmap for effective municipal internal financial control which provides public servants in the financial sector with the essential knowledge and skills they need to implement internal control systems in the municipal financial management system. Hence, the guide shall include hand-on advise on the

- Effective delegation of decision making power;
- Clear defined responsibilities;
- Clear reporting and accountability lines;
- Risk management/assessment system.

The guide and the roadmap shall contain two broad parts:

1. Practical information on good municipal financial governance, strategic financial planning, risk-management and effective internal control mechanisms on local level.
2. A practical action plan for the implementation of an internal control system in municipalities (this action plan will be context-specific and formulated separately for each municipality – please note that only selected municipalities will be supported under this assignment).

Accordingly, the primary target group of the envisioned guide are managers at any hierarchical level of the financial management system of municipalities.

#### **3.2. To fulfill this objective, the contractor shall perform the following tasks:**

##### **3.2.1 Assessment phase:**

**The assessment phase shall be based on** reviewing and analysing the so called 3E components (Economy, Efficiency and Effectiveness), this includes

- Assessing current formal and informal internal control systems and gaps by
  - desk research:

- Review existing Internal control related legislation and documentation, e.g. existing guidelines, rules and procedures, instruction, etc.
- Review of existing internal control assessments conducted in municipalities, existing GGLD documents, other relevant studies and researches, or reports developed by State Audit Office.
- conducting interviews, and/or focus group discussions which includes
  - collecting of good practices related to the Internal Control implementation guide for municipalities.
- Based on the findings identify key challenges and gaps in internal control (IC) systems of municipalities and detect areas for improvement, including key improvement elements in line with the COSO 5 elements and 17 principles.
- Validate the identified key improvement elements with PICD and discuss their compliance with PFM reform strategy and the Public Internal Control Department vision;

### **3.2.2 Drafting phase:**

- Based on the assessments above, develop and outline for an IC Guide form municipalities and discuss the outline with Public Internal Control Department and relevant third parties (GGLD).
- Formulate the IC guide for municipalities on pre-selected elements including questionnaires, glossary, forms,...
- Present and discuss draft IC guide with Public Internal Control Department, MoF and relevant third parties (tbd with GGLD).
- Incorporate comments of discussion with PICD, MoF and other relevant parties in the guide and finalize the document.

### **3.2.3 Implementation phase**

#### **IC guide and roadmap implementation phase:**

- Present the IC guide and roadmap to selected municipalities.
- Support selected municipalities in formulating a needs-tailored 3-year action plan.
- Support municipalities to raise awareness on how to implement the action plan through coaching sessions and/or awareness raising meetings.

#### Deliverables:

- Internal Control implementation guide with all necessary annexes.
- IC system action plans, roadmap for selected municipalities.

- Conducted capacity development training session for financial managers on how to apply Internal Control guide.
- Mid-Term (submitted by 1. September 2022) and Final report (submitted within 10 days after project end)
  - a. language: English;
  - b. content: see below (4. Reporting)

### 3.3 Schedule and Implementation Details

The assignment is planned to commence on 15.06.2022 and be completed by 10.11.2022. In total, up to 86 expert days are foreseen.

Deliverables		Expert days (up to)	Deadline
<b>Task 1</b> Assessment phase:	Review existing Internal control related legislation and documentation, e.g. existing guidelines, rules and procedures, instruction, etc.	7	
	Review of existing internal control assessments conducted in municipalities, existing GGLD documents, other relevant studies and researches, or reports developed by State Audit Office	8	
	conducting interviews, and/or focus group discussions which includes <ul style="list-style-type: none"> <li>• collecting of good practices related to the Internal Control implementation guide for municipalities.</li> </ul>	5	
	identify key challenges and gaps in internal control (IC) systems of municipalities and detect areas for improvement, including key improvement elements in line with the COSO 5 elements and 17 principles	7	
	Validate the identified key improvement elements with PICD and discuss its' compliance with PFM reform strategy, PICD vision	5	
<b>Task 2</b> <b>Drafting Phase</b>	Develop and outline for an IC Guide form municipalities and discuss the outline with	20	

	Public Internal Control Department and relevant third parties (GGLD)		
	Present and discuss draft IC guide with Public Internal Control Department, MoF and relevant third parties (tbd with GGLD).	3	
	Finalize Internal Control implementation guide	10	
<b>Task 3 Implementation Phase</b>	Present the IC guide and roadmap to selected municipalities.	8	
	Support selected municipalities in formulating a needs-tailored 3-year action plan.	8	
	Support municipalities to raise awareness on how to implement the action plan through coaching sessions and/or awareness raising meetings. Final version of IC manual should be prepared in Georgian language and final report of assignment should be prepared in English language. . The submitted electronic versions of all the tasks shall be sent to GGLD for comments before final submission (contact persons: Tamar Gureshidze). The final submission date is 10.11.2022	5	
		86	

The Contractor is obliged to perform the assignment based on these ToR while ensuring close contact and cooperation with GIZ throughout the implementation of the assignment. The Contractor is further required to submit all the deliverables to GIZ. Approval from GIZ is mandatory at each stage before moving onto the next level

#### 4. Reporting

4.1. Submit mid-term reports latest until 1.09.2022, including

- description of activities conducted so far and results gathered so far

4.2 Submit final report within 10 days after assignment ends, including

- review of all conducted activities

- assessment and analysis of strengths and weaknesses and respective recommendations regarding the changes to be made for the next fiscal year.

4.3. Reporting shall be made in English. Executive summary of the mid-term and final reports shall be also submitted in English. Final report shall be submitted in one document according to the structure and content defined by the terms of reference.

## **5. Other Terms**

5.1. The service provider shall regularly provide information on progress and results and perform all the assignments listed in the ToR in close coordination and agreement with GIZ.

5.2. During the performance of the assignment, the service provider shall meet the personal data protection standards envisaged by the Georgian legislation.

5.3. The responsible contract officer of GIZ is entitled to oversee the training delivery process.

## **6. Submission and selection of proposal**

Partner for the consultancy service will be selected based on a competition. Eligible for participation are Entrepreneurial (LLC) and non-entrepreneurial legal entities (NLE, NPO), NGOs/CSOs. GIZ reserves the right to check the information indicated in the application. Applications will be cancelled in case of inaccurate information.

Application shall include

- information on the organization/ team
  - evidence of the organization's (or staff presenting by the organization) capabilities and assignment-related experience
  - respective CVs
- a technical proposal including
  - concept/ methodology of how to implement the assignment
  - work plan including implementation schedule with number of workdays per tasks
- financial proposal

More information see under 9.

## **7. Selection criteria**

Experience of organization/ team

- capabilities and assignment-related experience in executing similar projects in last two years;
- Experience in working with municipalities and knowing public finance management, public internal financial control reforms
- Proposed staff:
  - At least three experts should have experience in development of internal control systems,
  - at least one expert should have experience in supporting implementation of risk management system in public sector in last three years
  - at least one expert should have more than 5 years of experience working on internal control field in public sector.
  - At least one international expert on IC systems with a solid knowledge of Georgian PFM/PIFC context will be an advantage;

Technical proposal

- Quality of implementation concept/ methodology;
- Efficiency of the work plan: (including implementation schedule with number of workdays per tasks)

Financial proposal:

Budget cost efficiency

*More detailed information on assessment criteria is provided under the annexed assessment grid.*

**8. Project Duration and payments.**

Tentative contract period for the service will be 15.06.2021 –10.11.2022.

Payments will be made gradually during the contract period.

**9.Submission of Application.**

Applications should be submitted in English.

**The technical proposal shall contain the following information** (*recommended structure of the proposal*):

*1. Title page*

Name and registration number of organization; legal address, telephone number, e-mail address, director of organization -signature and stamp of a director.

2. Project name and implementation period (month/year-month/year)

2. 1. Project Description

2.2. Project goals and objectives and implementation methodology (shall be in compliance with the terms of reference of this tender);

2.3 Activities defined by the project and implementation schedule

#	Activity	June	July	Sept.	Oct.	Nov.	Comment
1	X						[Indicate if needed]
2	Y						
3	Z						
...	...						

2.4 Persons involved in the project and their functions

Please, indicate the list and functions of persons, who will be involved in the implementation of the project and will be respectively indicated in the budget.

2.5 Annex

Respective Resumes (CV) of the staff involved in the implementation of the project should be attached to the application.

Applicants may attach any additional relevant information to the application

**The financial offer shall contain the following information:**

*Budget in GEL (excl. VAT)*

#	Category	Unit	Unit quantity	Unit price (GEL)	Total Price (GEL)	Definition
1	Expert Fee					
1.1		[Per month or man-day]				
1.2						
1.3						
1.4						

	<b>Total</b>					
<b>2</b>	<b>Other costs</b>					
2.1	Travel					
<b>2.2</b>						
	<b>Total</b>					
	<b>Grand total</b>					

*\*\*indicated fees shall include income tax and pension fund costs.*

The budget must not contain costs that are not relevant for the activities envisaged under the project. Neither ongoing costs of the organization nor any kind of debt will be covered from the budget.