

Technical assignment for promotion improvement of financial management in the municipalities (support 8 municipalities of Georgia to increase awareness and knowledge on risk assessment, risk-based annual and strategic planning, analysis and control environment) in the frame of Public Financial Management Reform Strategy 2018-2021

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ is implementing the Good Governance for Local Development Programme (GGLD) and invites 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 in South Caucasus (GGLD)

Objective: public institutions in the South Caucasus region are better able to provide citizen-oriented public services at the local level in a sustainable and environment friendly manner in accordance with the principles of democracy, rule of law and transparency that improves the living conditions of local population.

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 Ministry of Finance Georgia (MoF) and in particular with Internal Control Department (ICD). In recent years GIZ GGLD supported MoF with various projects in the decentralization process and with the reform of the Public Finance Management sector on municipal level in Georgia.

In 2017-2019, public financial management assessments using PEFA indicators (based on PEFA 2016 methodology) with support of our program were conducted in 7 municipalities. In order to encourage the measures to be taken by the municipalities to eliminate the weaknesses identified by the assessments, on the basis of Government Decree # 2735 of

December 30, 2019 and # 637 of 27 April 2021 , the MoF and 39 municipalities signed a memorandum of understanding. One of the important indicators of the memoranda is the municipalities's internal audit reports and the efficient functioning of the internal financial management and control system (indicator 2.3).

Internal Audit reports prepared by internal audit entities in Georgia are often not based on risk assessment. Risk based internal auditing (RBIA) is a methodology that links internal auditing to an organisation's overall risk management framework. RBIA allows internal audit to provide assurance to the organizations steering bodies that risk management processes are managing risks effectively, in relation to the risk appetite. Thus, risk management is a comprehensive process, supported by appropriate strategies and frameworks that are designed to identify, assess, treat, and monitor risks that could prevent a department or organization from achieving its objectives. On the contrary to this, Georgian municipalities mainly prepare compliance audits, i. e. that they are establishing the compliance level against the binding regulations (laws and bylaws), standards, policies and etc.

Therefore, it is important to prepare risk-based audits and monitor recommendations to improve the direction of internal audit.,

3. Objective of the assignment and scope of work

3.1. The objective of the assignment is to support 8 municipalities of Georgia to increase awareness and knowledge on risk assessment, risk-based annual and strategic planning, analysis and control environment preliminary and general review. It supports selection of the most vulnerable areas for auditing and establishing risk-based internal auditing in country.

In the process of developing a strategic and annual plan, risk assessment is vital while internal auditors are having limited resources it is very important to have possibility to properly select the auditee they intend to inspect throughout the year. Risk assessment also helps internal auditors to exclude all subjective approaches, and to examine the most important and high-risk areas.

The risk-based audit carried out in accordance with the action plan prepared by the internal audit units shall be compatible with the requirements developed by the Harmonization Unit of the MoF: the basic principles of the internal financial control system, international and local standards.

For this purpose: the mission aims at the establishment of an effective risk based audit approach in Georgia, especially in chosen municipalities. This should be achieved by reviewing and analysing existing European good practice, creating understanding of SMART

objective settings, KPIs, improving Control Environment and at the end creating ground for effective risk based audit and in future Risk management System. Goals, Indicators, targets of program budgeting and partner strategies should be incorporated into the system.

Results to be achieved and performance indicators:

Result to be achieved:

Phase 1: Preparation and analysing the is situation

- ✓ 1.1. Preparation for information session for 8 municipalities, presenting the project scope and action plan to be conducted in order to develop Strategic and Annual plans; and increase awareness of internal auditors on strategic and annual planning process;
- ✓ 1.2. Preparation of list of documents to be used during the planning process, receive documents and review the completeness, quality, informativeness of the documents; Identify the missing information and agree with internal auditors about the ways how to collect them;
- ✓ 1.3. Facilitation and preparation of internal audit units for the meeting with the Mayor or Deputy Mayor in order to discuss and collect information about the goals, priorities, expectations and potential risks of the municipality;
- ✓ Sharing of knowledge how to collect and document gathered information;
- ✓ 1.4. Facilitation of and preparation of internal audit units for the meeting with the Heads/ Deputy Heads of the structural units of the municipality; Share the templates and/or potential questions to be asked;

Phase 2: Risk Assessment

- ✓ 2.1. Support and facilitate internal audit units to develop audit universe of the municipality;
- ✓ 2.2. Support internal audit units to define the risk assessment method (selection of risk factors, criteria, weights, etc.);
- ✓ 2.3. Support internal audit units to assess the audit universe in line with selected method and identify the priorities.

Deliverable:

- ✓ Developed Audit Universe for each selected municipality
- ✓ Developed Risk Assessment templates for each selected municipality

Phase 3: Strategic and Annual plan development

- ✓ 3.1. Preparation and sharing the draft Annual and strategic plan templates with internal audit units

- ✓ 3.2. Conducting SWOT analysis of internal audit units and support preparation of development plan, which will be included in strategic and annual plan
- ✓ 3.3. Support internal audit units to finalize strategic and annual plan;

Deliverable:

- ✓ Developed Strategic and Annual plan for each selected municipality
- ✓ Improve the transparency and accountability of PFM and improving the quality and timeliness of public service delivery

As well

- ✓ General recommendation for improving internal control in municipalities, taking into account the training of internal auditors in accordance with international standards.

After the end of the project, tentatively within 10 days a final report in English with up to 10 pages is to be provided which will include recommendations for the Partners. The deliverables described above, information about the process and outcome of the mission should be annexed to.

4. Reporting

4.1. Submit mid-term and final reports on project implementation. Reports should also include the assessment and analysis of strength and weaknesses and respective recommendations regarding the changes to be made for the next fiscal year.

4.2. 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. Service provider shall regularly provide information on results and perform all the assignments listed in the ToR in a close coordination and agreement with GIZ. 5.2. During the performance of the assignment, service provider shall meet the personal data protection standards envisaged by the legislation.

5.3. GIZ contract responsible officer 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. Entrepreneurial (LLC) and non-entrepreneurial legal entities (NLE, NPO), NGOs/CSOs are eligible to participate in the competition. GIZ reserves the right to check the information indicated in the application. Application will be cancelled in case of inaccurate information.

7. Selection criteria

1. The technical proposal shall provide evidence of the organization's (or staff presenting by the organization) capabilities and assignment-related experience in executing similar projects in last two years;
2. At least three experts should have experience strategic and annual planning in last two years and more than 5 years of experience working on internal audit field in public sector; working with municipalities and knowing the audit universe;
3. At least two years' experience in conducting internal audit training in particular in risk-based planning;
4. A work plan, including implementation schedule of number of workdays per tasks to be performed by the contractor for completion of this assignment;
5. Technical proposal describing the methodology of the assignment;
6. 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 09.08.2021 –27.11.2021. Within the frames of the contract the payments will be made gradually.

8.1. Interim payment will be based on following deliverables:

- Detailed workplan.
- After submitting the interim report.

9. Submission of Application.

Application should be submitted in English.

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 under this tender announcement);

2.3 Activities defined by the project and implementation schedule

| # | Activity | Sept | Oct | Nov. | Comment |
|-----|----------|------|-----|------|-----------------------------|
| 1 | X | | | | <i>[Indicate if needed]</i> |
| 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. Applicant may attach any additional relevant information to the application

Financial offer shall contain the following information:

Budget in GEL (excl. VAT)

| # | Category | Unit | Unit quantity | Unit price (GEL) | Total Price (GEL) | Definition |
|----------|------------|---------------|---------------|------------------|-------------------|------------|
| 1 | Fee | | | | | |
| 1.1 | | [Per man-day] | | | | |

| | | | | | | |
|----------|--------------------|--|--|--|--|--|
| 1.2 | | | | | | |
| 1.3 | | | | | | |
| | ... | | | | | |
| | Total | | | | | |
| 2 | Other costs | | | | | |
| 2.1 | | | | | | |
| 2.2 | ... | | | | | |
| | Total | | | | | |
| | | | | | | |
| | Grand total | | | | | |

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

Budget should not contain the 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.

Fee rate of experts assigned should cover all personnel costs, including ancillary personnel costs; backstopping, communication and reporting costs; and all overheads, profit, interest, risks, etc. (As indicated in the Article 10.2 General Terms of Contract/ Annex.4)