

Study on preparing a consolidated financial statement of budget organizations defined by unified municipal budgets

On behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), GIZ Good Governance for Local Development Programme invites organizations to submit proposals for consultancy services.

Terms of reference:

In 2017-2019, assessment of public finance management was carried out by applying PEFA indicators in 29 municipalities of Georgia. Based on the Decree # 2735 of the Government of Georgia dated December 30, 2019, Memorandums of Cooperation were signed between the Ministry of Finance of Georgia and 27 municipalities “on supporting municipalities in improvement of public finance management processes under the Public Finance Management Reform Strategy of Georgia 2018-2021”. The purpose of the memorandums was to eradicate the gaps identified during the assessment and encourage the municipalities to improve their performance. Preparing financial statement by municipalities is one of the most important indicators of the memorandums (indicator 2.1).

According to the current legislation, municipalities should prepare statement of financial position (balance sheet) based on the order #364 of the Minister of Finance dated April 16, 2008 “on Approval of the Forms of Financial Statements (reports) of the Budget Organizations of the Autonomous Republic and Local Self-Governments”. Evaluation of PEFA revealed that municipalities were not fully complying with the requirements defined by the order. In specific cases - financial statements and in most cases – consolidated financial statements are not prepared.

The presented technical assignment is aimed at supporting 5 Georgian municipalities to prepare consolidated financial statements of municipalities in accordance with the legislative requirements. The municipalities are as follows:

Rustavi municipality

Gardabani municipality

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Marneuli municipality

Poti municipality

Khashuri municipality

The basis of the technical assignment is the instruction approved under the order of the Minister of Finance #364, dated 16th of April, 2008, “on approval of the Forms of Financial Statements of the Budget Organizations of the Autonomous Republic and Local Self-Government”. Forms of financial statements (reports) approved by the order are used during the elaboration of the technical assignment (Appendix 1). Service provider should take into consideration the given document. Financial statements (reports) are prepared as of December 31, 2019 within the timeframe set by financial divisions of executive branch of autonomous republic and local self-governments. Financial statements (reports) should be prepared taking into consideration of each aspect of these forms.

Report/Statement forms should include consolidated data of individual statements of financial positions of controlling and controlled entities and they should be presented as unified financial statement (report). According to the principles of consolidation, internal transactions between them should be eliminated.

1. **Form 1. – Balance (Statement of financial position):** Assets, liabilities, net worth and gain/loss before provision (equity) of all financial entities should be reflected in a consolidated report based on the annual statement of financial position submitted to the financial authority.
2. **Appendix form to the balance #2– statement based on economic classification of expenses** – All financial entities should reflect budget performance indicators (approved plan, adjusted plan, liabilities, actual expenses) based on cash method of accounting in accordance with the sheets of budget classification as provided in the forms and aggregated indicators of recognized expenses based on accrual method in accordance with the respective sheets by eliminating of expenses generated by internal transactions.
3. **Appendix form of balance # 2 (1) and form 2 (2) – Statement/report about cash transactions with non-financial assets and statement/report about cash transactions with financial assets and liabilities** – All financial entities should reflect budget performance indicators (approved plan, adjusted plan, liabilities, actual expenses) based on cash method of accounting in accordance with the sheets of budget classification as provided in the forms.

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4. **Appendix form of balance # 3 – Statement/report about net worth** – as a result of budgetary activities of financial entities, actual (accrued) expenses, actual (accrued) income should be reflected; Additionally, expenses and income generated by internal transactions should be eliminated. Financial entities should reflect total funding, total amount of extra changes in assets and liabilities as a result of budget activities in the form of non-operating income/non-operating expenses; Total amount of liabilities created by cash transactions in the budget of all entities. Final outcomes of changes in net worth should be correspondent to the net worth in a balance
5. **Appendix form of balance #4 – Statement (report) about movement of the funding generated by non-budgetary activities**
 - The aggregate budget performance indicators (adjusted plan, actual expenses) generated by non-budgetary funds based on cash method of accounting should be reflected for all financial entities in accordance with the sheets of budget classification, as provided in the form and aggregated indicators of recognized expenses based on accrual method in accordance with the respective sheets by eliminating of expenses generated by internal operations.
 - Changes in non-financial and financial assets and liabilities generated by non-budgetary funding should be reflected in the form of non-operating income/non-operating expenses without transactions.
6. **Appendix form of balance # 5 -1 – Statement (report) about changes of financial assets and liabilities as a result of non-operating income and non-operating expenses** - Changes in financial assets and liabilities generated by the budget funds recognized by all financial entities should be reflected by accrual method of accounting without transaction.
7. **Other appendices of balance should reflect analytical accounting data of each financial entity (in the form of consolidated and individual information).**
 - a. *Report/Statement about receipt and withdrawal of non-Financial assets, form #5;*
 - b. *Information about analytical accounting data of non-financial assets, form # 6;*
 - c. *Information about financial assets accrued on the account of organizations and demands by years of origin, form #7;*
 - d. *Information about the liabilities accrued on the account of organizations by years of origin, form # 8;*

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- e. Liabilities accrued on the account of organizations by years of origin, form #9;**
- f. Information about financial assets and demands by debtors, form #9;**
- g. Information about liabilities by creditors, form # 10;**

Upon completion of the above-mentioned activities/measures, the service provider will deliver half-day online training to the local financial staff of other 22 municipalities of the memorandum regarding the outcomes and recommendations of these activities/measures.

Tentative contract period:

Start date: 30.07.2020

End date: 30.09.2020

Reports shall be produced in Georgian. Executive summary shall be delivered in English as well.

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) organizations, 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.

Selection criteria

1. The technical proposal shall provide evidence of the organization's capabilities and assignment-related experience in executing similar projects in the area of local self – governance. Proposal should demonstrate specific experience in conducting similar studies and elaborating guidelines.
2. The technical proposal shall explain in detail how the company will plan the work and deliver the milestones/objective listed in the Terms of Reference (ToR) considering such aspects as compliance with the ToR (three key directions), implementation plan, timelines of actions included in the technical proposal;
3. A work plan, including implementation schedule of number of workdays per tasks to be performed by the Contractor for completion of this assignment;
4. Experts assigned to executing of the tasks outlined in the ToR shall have at least 5 years of demonstrated experience in development and implementation of similar projects in all relevant topics listed in ToR (municipal finances, accounting, financial reporting and audit). Reference to similar work/projects completed shall be included in his/her CV to be attached to the offer;

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5. Expert shall have demonstrated experience of development of consolidated (city hall and municipal organizations) financial statements for municipality according requirements set by Decree #364 of the Minister of Finance issued on April 16, 2008 on "Approval of reporting forms for budgetary organizations of local governments and autonomous republics"
6. Experts assigned shall possess relevant experience to the scope of assignment in elaboration of documents and guidelines; List of similar work/projects completed shall be included in the CVs of the proposed staff.
7. Budget cost efficiency.

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

Project Duration and Payments

Tentative contract period for the service will be 30.07.2020 – 30.09.2020.

Within the frames of the contract the payments will be made gradually.

Submission of Application

Application should be submitted in English and Georgian.

Technical offer shall contain the following information (*according to the recommended structure*):

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 plan (shall be in compliance with the terms of reference under this tender announcement);

2.3 Activities defined by the project and implementation schedule

#	Activity	July	August	September	October	Comment
1	X					<i>If relevant</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.

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Financial offer shall contain the following information:

Budget in GEL (excl. VAT)

#	Category	Unit	Number of unit	Unit price (GEL)	Total value (GEL)	Comment
1	Salary**					
1.1		[month or man-day]				
1.2						
1.3						
	...					
	sum					
2	Other project related costs					
2.1	Transport					
2.2	Overnight					
2.3	Perdiem			15 GEL/ day		
	Sum					
	Total sum					

** 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.