**Development of accounting policies based on International Public Sector Accounting**

**Standards (IPSAS)** **and examine and improve internal control systems for the Ministry of Regional Development and Infrastructure of Georgia and 3 units under its control**

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

**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:

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

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

**2.Background information**

GIZ Good Governance for Local Development (GGLD) actively cooperates with the Ministry of Regional Development and Infrastructure Georgia (MRDI) and Ministry of Finance Georgia. In recent years GIZ GGLD supported MRDI with various projects in the decentralization process and with strengthening the Public Finance Management reform on local level. At this stage Ministry of Finance State Treasury Service implements the accounting methodology reforms according to the Decree of Ministry of Finance N 701, 3 November 2009, which is in compliance with implementation action plan of International Public Sector Accounting Standard. To ensure the full coverage of all public institutions starting from January 1, 2015 autonomous republics and self-governments were incorporated in the integrated information system of public financial management. It conditioned the fact that accounting reform covers not only central level budgetary institutions but autonomous republics and self-governments as well. In 2017 changes were made in the initial decree of the ministerial decree on implementation of IPSAS introduction plan and based on the decree #485 main directions and frequency of the reform was set, thereby incorporating local government units in the plan. MRDI requested support in this regard, GIZ will support MRDI in implementation of this plan and in particular by preparation of specifications on accounting policy/internal rules of accrual accounting and financial reporting. It should be noted that no other ministry has been able to elaborate similar rules, hence MRDI will be a flagship in elaborating and introducing this type of rules in its operations.

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

**3.1.** The objective of the assignment is to support development of unified accounting policy for the units within the system of the Ministry of Regional Development and Infrastructure of Georgia. In a number of areas of activity, within the ministry the system units have similar processes, that should preferably be carried out through similar and unified procedures. This will facilitate the thorough preparation of the Ministry's consolidated financial statements and ensure, that similar processes are uniformly reflected and resolved in the consolidated financial statements. This will also contribute to the transparency of accounting processes; the processes will become more understandable at the execution stage and the risks of technical errors at different stages will be significantly reduced. Monitoring and control capabilities will also be significantly improved.

Tasks to be performed:

* Define the main principles, methods, foundations and assumptions that are used to ensure the preparation and presentation transparent and accurate accounting and reporting of public funds during financial reporting based on the instructions approved by the order No. 108 of the Minister of Finance of Georgia regarding the maintenance of financial accounting and reporting in accordance with International Public Sector Accounting Standards and International Accounting Standards by public sector budgetary organizations;
* Establish unit positions and approaches during the recognition, measurement and presentation of separate economical events and items represented in the financial statements - assets, liabilities, income and expenses;
* Design the unified principles for the preparation of the Consolidated Financial Statements for the similar transactions and other events occurring under the same situations in the MRDI and its three units: Department of roads, LEPL Municipal Development Fund and LEPL Eurasian Transport Corridor Investment Fund ;
* Identify specific issues that are not regulated by the Georgian Public Sector Accounting Methodology and IPSAS Standards, develop and approve respective methodology;
* Design of the Working Chart of Accounts in accordance with IPSAS and Chart of Accounts approved by Order #17 of the Ministry of Finance of Georgia dated 15 January 2020, to ensure compliance with: Georgian budget classification requirements, management reporting and analyzing accounting rules and terms, rules for preparation of statistical and other reports, and internal control system requirements;
* Define Accounting and Reporting methods and principles of the projects required by International Agreements (including the preparation phase);
* Reflect the principles of Accounting Policy in the Financial Statement forms and related disclosure notes of budgetary organizations;
* Support MRDI to establish knowledge management structures on IPSAS;
* Define and provide recommendations for minimum qualification criteria and training needs for staff responsible for IPSAS. Especially new appointed staff who will no be present during the current exercise will have these needs.

**3.2.** Examine and give recommendation for improvement internal control systems in the MRDI and its three units, using the international methodology "Best Practice" and COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology:

* Study the unit specifics and its operating environment;
* Describe existing processes, policies and procedures;
* Select main business processes;
* Identify and evaluate the risks of selectedprocesses;
* Evaluate effectiveness of existing processes and control mechanisms;
* List missing controls and controls that do not mitigate the corresponding risks;
* Identify the key controls to be tested;
* Validating and evaluating the effectiveness of key controls;
* Presentation and comparative analysis of the mandatory and sufficient procedures based on operational risk management system, in accordance with the existing control mechanisms for the selected processes and "best practice" methods;
* Development of recommendations and instructions to improve control environment and existing procedures.

**Note: The document shall not contradict the requirements of laws and regulations in force in Georgia.**

**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. Provision of a PPT in English and presentation of results with recommendations on systemtic changes to be made. On demand of GGLD for MRDI.

4.2. Reporting shall be made in Georgian. 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.

**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/CSOsare 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 capabilities and assignment-related experience in executing similar projects;
2. The supplier must be an auditing company registered on the website of the Service for Accounting, reporting and Auditing Supervision (saras.gov.ge) and must have at least 2 years of experience in providing audit services, both in private and public sectors;
3. The Supplier’s staff shall have experience of working in international audit companies. At least two employees presented by the supplier must have a public sector audit certificate issued by the LEPL Public Audit Institute. Reference to similar work/projects completed shall be included in his/her CV to be attached to the offer;
4. At least two employees presented by the supplier must have at least 7 years of experience in auditing;
5. Experience of the staff in the financial and compliance audits of the Ministry of Regional Development and Infrastructure of Georgia (MRDI), budget organizations in its system and the State-owned enterprises under MRDI control will be an advantage;
6. Experience of staff in the field of compliance and performance audit of infrastructure projects financed by international financial institutions will be an advantage;
7. The technical proposal shall explain in detail how the company will plan the work and perform the objectives listed in the Terms of Reference (ToR) document considering such aspects as compliance with the ToR, implementation methodology, timelines of actions includedin the technical proposal;
8. A work plan, including implementation schedule of number of workdays per tasks to be performed by the contractor for completion of this assignment;
9. 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 01.09.2020 –20.11.2020. Within the frames of the contract the payments will be made gradually.

**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 |  |  |  | *[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. 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 month or 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.