

Annex 1

Development of Accounting Policies based on International Public Sector Accounting Standards (IPSAS) and support to Local Self-Governments Units with On-The-Job Trainings

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

Terms of Reference

1.General information

Program title: Good Governance for Local Development in 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, 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 citizen participation mechanisms in the provision of services;
- 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

To ensure the improvement of municipal finance management by local self-governments, various reforms and measures mirroring best international experiences have been introduced in Georgia and shall be implemented in the near future. Increased transparency of municipal budgets is one significant milestone in this regard. Improved transparency, in combination with other activities aims at increasing the accessibility of municipal public finances for the population in general and other interested stakeholders. GIZ's GGLD program supported the Georgian Government in recent years with various projects in the decentralization process to strengthen the Public Finance Management reform on the local level. At this stage, the 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, autonomous republics and self-governments were incorporated in the integrated information system of public financial management since January 2015. This resulted the fact that the accounting reform now covers both central level budgetary institutions as well as autonomous republics and self-governments. In 2017 changes were made to the initial decree of the ministerial decree concerning the implementation of the IPSAS introduction plan. Based on the decree #485 the main directions and timeframe of the reform were set. This IPSAS introduction plan now incorporates local government units and requires them to reflect municipal assets in line with national accounting standards. GIZ will support Local Self Governments in the implementation of this plan with on-the-job trainings and by preparing specifications of accounting policies/internal rules of accrual accounting and financial reporting. The following assignment builds up on digital IPSAS trainings for municipal financial staff members that started in 2020 and are now entering into a second phase. This way, both gaining expertise (through digital trainings) and as well as practical experience (through on-the-job trainings) will go hand in hand to ensure a smooth application of IPSAS standards in municipal financial reporting.

3.Objective of the assignment and scope of work

3.1. The objective of the assignment is to support local self-government units with on-the-job trainings so as to enable local financial staff (both within City Halls as well as LEPS and non-commercial legal entities NCLEs) to reflect municipal assets in line with IPSAS accounting standards. At the same time, a unified accounting policies shall be formulated to develop and manage a unified financial reporting system based on IPSAS.

A methodological manual, which contains the developed internal accounting policies, and that considers the specific context of the municipalities shall ensure the preparation of reliable and transparent financial statements of the municipalities in full compliance with IPSAS. This will facilitate the thorough preparation of the LSG's consolidated financial statements and ensure, that all accounting processes uniformly reflected and resolved in the consolidated financial statements. This will at the same time 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. Through enhanced transparency, monitoring and control capabilities will also be significantly improved.

3.2 Tasks to be performed:

- (1) Analyse internal LSG control systems

- Study the LSG's specifics and its operating environment;
 - Describe existing processes, policies and procedures;
 - Identify and evaluate the risks of budgetary processes and the targeted use of public funds;
 - Evaluate effectiveness of existing processes and control mechanisms;
 - Evaluate the effectiveness of control mechanisms by using of public funds;
 - Identify the key controls to be tested;
 - Validating and evaluating the effectiveness of key controls;
 - Development of recommendations and instructions to improve control environment and existing procedures.
- (2) Preparation of methodological manual
 - Define the main principles guidelines and methods, to ensure the preparation and presentation of transparent and accurate accounting and reporting of public funds during financial reporting based on the instructions approved by the order No. 108 of Mai 5, 2020 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).
 - Based on the instructions approved by order No. 24 of February 4, 2021 (on the procedure for preparation and submission of financial statements of budget organizations), define the main principles, guidelines and practical methods, that are used by the municipality during the preparation and submission of financial statements;
 - Establish the requirements for the development, execution, adherence to deadlines and control of accounting documents reflecting the economic events of the municipality to ensure
 - the IPSAS mandatory requirements and
 - the reliability of financial statements for the recognition, evaluation and presentation of transactions and other events reflected in the general-purpose financial reports;
 - Develop internal methodological terms and conditions and unified principles for the preparation of the Consolidated Financial Statements by the municipality in accordance with the requirements of the IPSAS;
 - Design 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 for the various 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;
 - Define the financial and non-financial information to be submitted in the explanatory notes in addition to the mandatory components of financial reporting by the municipalities;
 - Support LSG's 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 not be present during the current exercise will have these needs.
- (3) Conduct on-the-job trainings for municipal staff responsible for financial accounting and reporting. A list of selected municipalities (20 municipalities) will be handed over to the consultant.
 - Support LSG's staff at the workplace, while they are actually working on financial reporting.
 - Support LSG's staff with 'learning while doing'. The consultants have to learn the real work environment and gain practical experience dealing with the tasks and challenges during a normal working day. The consultants have to explain the rules, regulations and the work procedures of IPSAS by adopting them in their day-today performance.

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. Both reports should include an assessment and analysis of strengths and weaknesses as well as respective recommendations regarding the changes to be made for the next fiscal year. The reports may be written in Georgian, moreover, the executive summary of both the mid-term and final report shall also be submitted in English. The final report shall be submitted in one coherent document according to the structure and content of the terms of reference

4.2. On demand of GGLD, the service provider shall develop digital slides to present results and recommendations on systematic changes in English.

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/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. Submission of Application

Applicants shall submit a technical proposal as well as a financial proposal.

Application should be submitted in English.

8. Selection criteria

The proposal will be assessed based on the following criteria:

1. Compliance with the ToR as well as quality and efficiency of implementation methodology
2. Quality and efficiency of the timeline of action and work plan (including implementation schedule of number of workdays per tasks to be performed by the contractor)
3. The organization's capabilities and assignment-related experience in executing similar projects with municipalities;
 - a. The supplier must have experience in cooperating with the Treasury Service of the Ministry of Finance of Georgia and must have at least 2 years of experience in providing audit services, both in private and public sectors;
 - b. At least five employees presented by the applicant must have at least 5 years of experience in preparing municipal accounting reports;

4. Experience in financial and compliance audits of LSG's or other budget organizations in its system and state-owned enterprises will be an advantage;
5. Cost efficiency of proposed budget.

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

9. Project Duration and payments.

Tentative contract period for the service: 29.04.2021 – 30.11.2021.

Payments will be issued gradually throughout the contract period.

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.*

Fee rate of experts shall include 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 of the General Terms of Contract /Annex 4).

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.