

Amendment of Notice on
REQUEST FOR EXPRESSIONS OF INTEREST (REoI)
(First Published Notice Date: May 31, 2020)
Ministry of Federal Affairs and General Administration
Singha Durbar Kathmandu
Date of Notice of Amendment: 2nd June 2020

This is with reference to our notice on "REQUEST FOR EXPRESSIONS OF INTEREST (REoI)" published in Gorkhapatra daily on dated 31st May 2020 on which following amendments have been made:

1. Reference No.: NP-MoFAGA-174042-CS-CQS
2. A consulting firm will be selected in accordance with the Consultant Qualification Selection (CQS) Method set out in the Procurement Regulations. set out in the World Bank Procurement Regulations.

Ministry of Federal Affairs and General Administration (MoFAGA)

Singha Durbar Kathmandu, Nepal

REQUEST FOR EXPRESSIONS OF INTEREST (REOI)

(First Published Notice Date: May 31, 2020)

COUNTRY:- Nepal

NAME OF PROJECT:- Integrated Public Financial Management Reform Project (IPFMRP), Kathmandu

Grant No.:- TFA 07474 and TFA 07475

Assignment Title:- Preparation of Model Internal Control System Manual for Local Government

Reference No.:- NP-MoFAGA-174042-CS-CQS

The Government of Nepal has received a grant from the Multi Donor Trust Fund (MDTF) through International Development Association (IDA) toward the cost of Integrated Public Financial Management Reform Project (IPFMRP),, and intends to apply part of the proceeds of this grant for consulting services for "**Preparation of Model Internal Control System Manual for Local Government**". The main objective of this assignment is to hire a consulting firm to prepare a Model Internal Control System Manual for Local Governments (LG) of Nepal. This manual shall be prepared based on the "**Internal Control System General Guidelines, 2018 (2075)**" enforced by Ministry of Finance, GoN. Details of the services are included in the Terms of reference (ToR) available in the website of MoFAGA. The Implementation period is within 4 months from the date of signing the contract.

Interested firms must provide information demonstrating that they are qualified to perform the required services. The short listing will be carried out based on the following criteria:

- General skills and experiences (firms & its professional specialists)
- Specific skills and experiences (firms & its professional specialists)
- Availability of professional staffs in the firm
- Financial information of last 3 years

The attention of interested Consultants is drawn to paragraph 3.14, 3.16 and 3.17 of The World Bank's Procurement Regulations for IPF Borrowers, July 2016 Revised November 2017 and August 2018 (Procurement Regulations), setting forth the World Bank's policy on conflict of interest.

Consultants may associate with other firms in the form of a joint venture or a sub-consultancy to enhance their qualifications. Interested firm/s must submit its **business/professional registration certificate/s along with its confirmed validity period to date, Tax Clearance Certificate up to FY 2018-19 (2075/76), VAT/PAN Registration Certificate and Self declaration Letter of not being ineligible up to submit Date.** The consultant shall submit two separate envelop of technical and financial proposal into a single envelop. Firms shall be assessed and compared using criteria relevant to assignment as stated in Terms of Reference, hence the firm shall submit documents required to support with evidence so as to demonstrate the qualification and experiences of the firm. A consulting firm will be selected in accordance with the **Consultant Qualification Selection (CQS)** Method set out in the World Bank Procurement Regulations. **Short list of consulting firms (with ranking of scores) will be published after evaluation of EOI.**

This REOI notice and ToR can be downloaded from our websites: www.mofaga.gov.np. Interested consulting firms may obtain further information by sending email to the address below or visiting during office hours.

Further information can be obtained at the address below during office hours [10:00 to 17:00 hours]. Expressions of interest must be delivered in a written form to the address below (in person, or by mail, or by e-mail)

Last date of submission: June 15, 2020 at 12.00 Hours Noon

Opening date of EOI: June 15, 2020 at 14.00 Hours P.M.

If the last date of submission happens to be holiday, the next working day will be the last date for submission.

MoFAGA reserves the right to shortlist or not to shortlist any or all the firms without assigning any reason whatsoever.

Contact Address:

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Ministry of Federal Affairs and General Administration

Preparation of Model Internal Control System Manual for Local Government

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Terms of Reference (TOR) for CONSULTANT

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Ministry of Federal Affairs and General Administration (MoFAGA)

Terms of Reference (ToR)
Consulting Service
for the
Preparation of Internal Control System Manual for Local Government

1. Background

Constitution of Nepal promulgated on 2015 changed governance structure of Nepal from constitutional monarchy to republic and unitary system of government to federal system of government. Part 5 of the Constitution sets the Structure of State and Distribution of State Power. According to Article 56 (2) The Federation, State and Local levels exercise the power of State of Nepal pursuant to this Constitution and law. The powers of Federation, State and Local governments are stated in the Schedule 5, 6, 8 respectively and concurrent powers of Federation and State in Schedule 7 and concurrent powers of Federation, State and Local level in Schedule 9. Institutionalization of the local government is one of the major responsibilities to be fulfilled to consolidate federal system in Nepal. In the spirit of fiscal federalization, Government of Nepal has committed to improve overall governance, optimize outputs from public resources, and ensure inclusive, broad based as well as sustainable development. It has engaged in strengthening the overall PFM framework through mainstreaming PFM systems, processes and institutions of the country by the means of various policies, projects and programs in all three tiers governments.

As local government is responsible to provide direct access to basic services required for decent living, people are highly interested to its operational capacity and responsiveness. Elected representatives and employees of local government institutions (Metropolitan, Sub-Metropolitan, Municipality and Rural Municipality) need to be made aware of management system and practices to enhance operational capacity of those institutions. As public expectation from elected bodies is in rise, public servants is quite high, there is an immense pressure at local government to deliver the services effective, efficiently and considering value for money. Employees of LGs need to be aware of internal control system. Ministry of Federal Affairs and General Administration (MoFAGA) is responsible to play lead role in providing model laws, procedures and guidelines to enable them to work effectively and efficiently Local Government Operation Act, 2017 has also provisioned that Local Governments should develop and enforce an internal control system as per the nature of the work to execute the works to be carried out in an efficient and effective manner and to make the financial reporting system reliable. In this respect, MoFAGA requires expertise input of a consulting service to deliver the quality output of an effective internal control system manual (framework). The rationale of preparing this manual are to support LGs to:

- Effective implementation of operations through efficiency, effectiveness and higher level of governance;
- Compliance of relevant laws and regulations;
- Enhance transparency and accountability;
- Effective utilization of resource and safeguard and prevent from misappropriation of resources;
- Provide reasonable assurance on financial and performance report.

Weak institutional foundation has been recognized as a major challenge in strengthening federal system of Nepal. People have high expectations from their elected representatives. They want them to be responsive, accountable, efficient, effective and capable of delivering public services in a timely manner. Elected representatives took charge of 753 Local Governments (LGs) and have been exercising their power. However, there are a number of shortcomings in the exercise of authorities entrusted to them.

2. Objective

The main objective of this assignment is to develop a Model Internal Control System Manual for Local Governments (LG) of Nepal based on the Internal Control System General Guidelines, 2075.

3. Scope of Services

Scope of service covers the following tasks:

- a) To develop a complete operational Model Internal Control System Manual (framework) applicable in local governments of Nepal based on Internal Control System General Guidelines, 2075;
- b) To conduct dissemination workshop for demonstrating by simulating or calibrating and exercising the developed model internal control system manual within at least selected local governments for their objective operational applicability and effectiveness;
- c) To develop training materials and conduct one-time trainings for selected local governments;

4. Methodology

Following methodology will be helpful to carry on the assignments (but not limited on it and the consultant can use other reliable methodology also):

- a) Review and understand overall institution, process and system of public financial management of local governments;
- b) Review and understand the overall objectives of the local government, its organizational and functional structure, business processes and procedures, systems operation, operational requirements, assessment of the functional framework, etc. of local government;
- c) Develop an overall checklist of operations, reporting, and compliance of the local government institutions based on existing laws and practices;
- d) Conduct meetings and consultations with concerned authorities and personnel of local governments;
- e) Conduct desk review of relevant provisions in the Constitution of Nepal, Local Government Operations Act, Financial Procedure Act and Regulation, Public Procurement Act and Regulation, Audit Act, Public Information Act, Inter Governmental Fiscal Transfer Act, National Natural Resource and Fiscal Commission Act, Civil Service Act, Government accounting manual, relevant guidelines, manual, etc.;
- f) Review and analysis of reports of the Office of the Auditor General (OAG/N) related to LGs of past two year's OAG/N reports related to LGs;
- g) Use of questionnaire, interview and discussions with the concerned officials and observation of requirements and current practices;
- h) Conduct field visits of 2 local governments (One Rural Municipality and one Municipality) from different geographic region; and *collect information about the functioning process of all activities being carried out by the LGs, analyse the process and define indicators and functional systems based on the employees role based on given functional performance of the staffs involved.*
- i) *Analyse the functions stated in the LGs laws and given responsibilities and procedural flows of the functional system applied in the performance of the job and also analyse various aspects of local government operation and management;*
- j) Understand COSO framework and INTOSAI Internal Control Standards for the Public Sector;
- k) Prepare draft manual and discuss with MoFAGA and related stakeholders as defined by MoFAGA

- l) Prepare final report with model internal control system manual.

5. Consultant's Qualification and Experience

A. Consulting Firm

Must have experience of developing or designing internal control system and relevant areas in the public sector and provide a list minimum four assignments completed to reveal work experience. The consulting firm should have the experience of at least 2 years of recent working experience in the field of PFM.

B. Key Qualifications of Consultant team

S.N	Experts	Qualifications/Experiences
1	Team Leader-1	<ul style="list-style-type: none"> • Minimum Master's Degree in Finance, Business Administration, Economics, Management or equivalent qualification and preferred professional course completed of Chartered Accounts (CA)/ Certified Public Accountant (CPA)/Association of Certified Chartered Accountants (ACCA)/ Certified Public Finance Accountants (CIPFA); • General working experience of at least of 15 years in the field of PFM basically budgeting, accounting and auditing. • Specific professional knowledge gained through certified course on internal control system or internal auditing will be preferred. • Specific working experience of developing internal control system/guidelines/manual/framework of any public entity. • Knowledge of concepts, principles and techniques of internal control system and its good practices. • Skills of performing research, and analytical reporting and presentations • Nepalese as mother tongue with preferably working level of English • Ability to deliver and work under tight timelines
2	PFM Analyst-1	<ul style="list-style-type: none"> • Minimum Master's Degree in Finance, Business Administration, Economics, Management or equivalent qualification and preferred professional course completed of Chartered Accounts (CA)/ Certified Public Accountant (CPA)/Association of Certified Chartered Accountants (ACCA)/ Certified Public Finance Accountants (CIPFA); • General working experience of at least of 10 years in the field of PFM basically budgeting, accounting and auditing. • Specific working experience of developing or executing of operational internal control system/guidelines/manual/framework in any public entity. • Knowledge of concepts, principles and techniques of internal control system and its good international practices.

		<ul style="list-style-type: none"> • Skill of demonstration, calibration, simulation and exercising of PFM processes and systems.
3	PFM Expert-1	<ul style="list-style-type: none"> • Minimum Master's Degree in Finance, Business Administration, Economics, Management or equivalent qualification and preferred professional course completed of Chartered Accounts (CA)/ Certified Public Accountant (CPA)/Association of Certified Chartered Accountants (ACCA)/ Certified Public Finance Accountants (CIPFA); • General working experience of at least of 10 years in the field of PFM basically budgeting, accounting and auditing. • Specific working experience of developing or executing of operational internal control system/guidelines/manual/framework in any public entity. • Knowledge of concepts, principles, techniques & practices of internal control system and its good international practices. • Skill of conducting training and human resource development related activities.
4	Officer-1	<ul style="list-style-type: none"> • Minimum Bachelors in Public Administration, Commerce, Management, Economics or Accountancy. • Knowledge and skill of preparing deliverables & reporting requirements of this assignment. • Perfect in MS Word, Excel and Power Point development.

6. Deliverables and Reporting Requirements

The selected consulting firm shall be required to undertake this assignment in an objective and independent manner. The firm is required to perform its tasks and provide reports mentioned above in 7 in the following timeline.

S. No.	Report	Timeline
1.	Inception report outlining the objective of assignment procedure to be followed in completing assignment	Within 1 weeks of signing of agreement
2.	Report on Focused Group Discussion (FGD)	Within 1 week of holding FGD
3.	Draft Model Manual on Internal Control System in Local Government	Within 10 weeks of signing of agreement
4.	Presentation on Draft Manual	Within 1 week of submission of draft guidelines.
5.	Final version of Manual on Internal Control System in Local Government	Within 2 weeks of receiving review, feedback and comments on draft manual

7. Timeframe

Total period required to complete this assignment will be 16 weeks (Four months from signing of agreement).

8. Selection Criteria:

The consulting firm shall be selected following Selection Based on the Consultants' Qualifications (CQS) method set forth in *The World Bank Procurement Regulations for IPF Borrowers, July 2016 Revised August 2018*. Firms having the required experience and competence relevant to the assignment shall be assessed and compared, and the best qualified and experienced firm shall be selected. Only the shortlisted firm shall be asked to submit a combined technical and financial proposal.

9. Facilities & Logistic Provided by the Client

The consultant shall arrange all the logistic and utilities required for the accomplishment of assignment. The client shall provide the following whatever required for execution of the assignment:

- i. List of entities for visit ;
- ii. Provide access to archives and documentation required;
- iii. Coordination, communication and correspondence with the local governments for consultation, discussions, meetings, interactions, exercises and required documents;
- iv. Nomination list of participants for training and facilitation;

Annex: 1

Internal control: Brief Introduction

Internal control, as defined by accounting and auditing, is a process for assuring of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies. It comprises systematic measures (such as reviews, checks and balances, methods and procedures) instituted by an organization to: (a) conduct its business in an orderly and efficient manner, (b) safeguard its assets and resources, (c) deter and detect errors, fraud, and theft, (d) ensure accuracy and completeness of its accounting data, (e) produce reliable and timely financial and management information, and (f) ensure adherence to its policies and plans. Its broad objectives can be presented as follows:

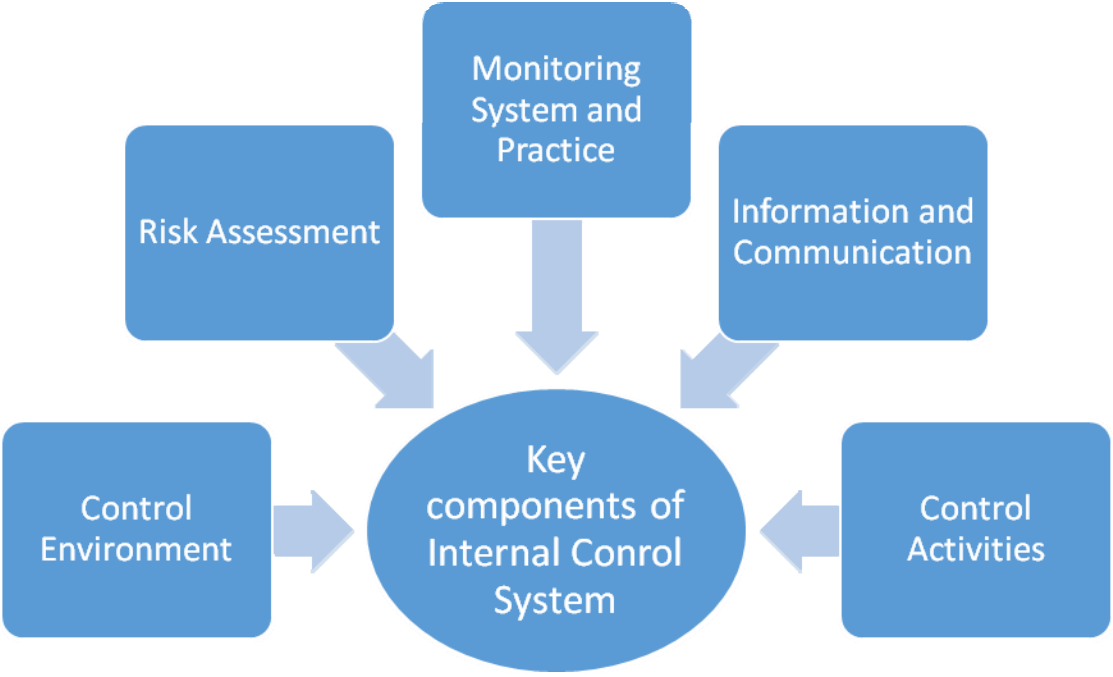
- Strategic – Achieving high level goals, aligned with and supporting the mission of organization;
- Operational – Executing plans and programs in an orderly, ethical, economical, efficient and effective manner and safeguarding resources against loss, misuse and damage;
- Reporting –Ensuring reliability of reporting system including fulfilling accountability obligations;
- Compliance –Promote compliance with applicable laws and regulations and being able to act in accordance with Government policy.

There are three types of internal control system:

- Preventive control;
- Detective control; and
- Corrective control

2.2 Key components of internal control system

The major components of an internal control system are as follows:



MoFAGA plans to engage a consulting firm for the preparation of model **Internal Control System Manual** for LGs.