



MINISTRY OF FINANCE & THE PUBLIC SERVICE

TERMS OF REFERENCE

CONSULTANTS FOR:

**CLEARING OF BACKLOGS OF ANNUAL STATUTORY FINANCIAL
STATEMENTS IN MUNICIPAL CORPORATIONS**

AUGUST 2020

DRAFT

**STRATEGIC PUBLIC SECTOR TRANSFORMATION PROJECT
IBRD LOAN NO.: 8406-JM
Strategic Public Sector Transformation Project: IBRD Loan No. – 8406- JM**



1.0. BACKGROUND:

The Auditor General's Department (AuGD) is tasked to audit annually, the appropriation accounts of Ministries, Departments and Agencies (MDAs). However, the fulfilment of this task is hampered by the delays faced by executives in preparing the appropriation accounts for audits resulting in a serious backlog, as many entities have not submitted accounts for several years. Consequently, Parliament is not provided with actual and recent information on the financial performance of the Executive. Further, because the audits relate to accounts of several years ago, the relevance of these audits are undermined.

All the backlog of unaudited financial statements must be cleared in order to facilitate:

1. Compliance with the law for all stakeholders.
2. Improve the public financial management (PFM) landscape in the GOJ.

To achieve this, the Ministry of Finance and the Public Service, through the Strategic Public Sector Transformation Project will provide assistance to the Statutory Bodies, Executive Agencies and Municipal Authorities with the preparation of their outstanding financial statements.

2.0. INTRODUCTION

The Local Government (Financing and Financial Management) Act 2016, section 7 provides that Local Authorities (LAs) shall adopt an Accrual Accounting System based on the International Public Sector Standards (IPSAS). Although the act was passed in 2016, Local Authorities are yet to comply with the requirements based on a number of issues which include but are not limited to the following:

1. Backlog of statutory financial statements
2. Inadequate staffing to perform duties

The Ministry of Local Government and Community Development in collaboration with the Ministry of Finance and the Public Service has assessed a Technical Cooperation Facility (TCF) via a consultancy through the European Union to provide support in the implementation of accrual accounting. The consultants in their inception report, listed one of the critical success factors of the proposed implementation to be the ability of the LAs to present current balances on their accounts. Current balances can only be produced if the backlog in financial statements is addressed.

The Auditor General's report has highlighted the protracted delay in the submission of their statutory annual financial statements which is in breach of the law and has resorted in recent

times to the issue of qualified reports. The Auditor General has also highlighted the non-compliance of Local Authorities with the law and has in the past, issued a template for statements to be redone in the modified accrual accounting format. This has contributed to the backlog as there is no capacity to redo past financial statements while seeking to keep financial records current. This has also posed a challenge for the Local Authorities as persons are not knowledgeable of this format. The backlog of financial statement raises serious questions regarding the accountability of Local Authorities and the sought-after transparency in their operations.

Most of the Local Authorities have requested external assistance to address the issue of the backlog in financial reporting and a short-term approach to addressing this problem is required. The Transformation Implementation Unit in keeping with its mandate to modernise the Public Sector is supporting this initiative. The TIU is partnering with the Strategic Public Sector Transformation Project, under **Component III**, which is charged to support “*Adaptive Public Sector Approaches to Promote Fiscal Sustainability*.” The imperative to ensure LAs operate within the ambit of fiscal responsibility is integral to GOJ’s focus on an improved and modernised Public Financial Management System (PFMS). This is in keeping with the goals and objectives of the fiscal consolidation measures and public financial reform agenda and aligns with the Component’s activities that contribute to the sustainability of GOJ’s reform process in public administration, fiscal sustainability and growth.

2.1. Strategic Public Sector Transformation Project (SPSTP):

The Project Development Objective (PDO) of the Strategic Public Sector Transformation Project (SPSTP) is to strengthen public resource management and support selected public sector institutions in facilitating a more enabling environment for private sector growth. The project has six components. This consultancy falls under Component III: “*Adaptive Public Sector Approaches to Promote Fiscal Sustainability*.” The components of the SPSTP are:

- Component I: Strengthening the Public Investment Management System
- Component II: Strengthening the Budget Preparation Process & Results-Based Budgeting
- Component III: Adaptive Public Sector Approaches to Promote Fiscal Sustainability
- Component IV: Modernizing the Accountant General’s Department
- Component V: Fostering Industrial Growth and Trade Facilitation
- Component VI: Project Management

3.0. OBJECTIVES OF THE CONSULTANCY:

The objectives of the consultancy are as follows:

1. To clear the backlog of accounts as shown in the table above in order to facilitate the implementation of accrual accounting in the local authorities (**Appendix I**).
2. To satisfy the requirements of the Local Government (Financing and Financial Management) Act, 2016
3. To improve accountability and transparency in the operations of the Local Authorities by providing up to date and accurate statements regarding financial performance

A consultant may be contracted for one or more LA

4.0. SCOPE OF WORKS (SOW):

Specifically, the SOW requires the execution of the following set of activities:

- i. Conduct an assessment of the current system in line with the level of assistance required;
- ii. Provide a comprehensive work plan which:
 - o provides a summary of the anticipated work
 - o describe the activities and necessary resources required for achieving the projects results and purpose
 - o provide an activity schedule template
 - o describe the resources allocated to the project
- iii. Collect, review and analyze all the necessary source documents;
- iv. Preparation of the Financial Statements by: -
 - o Updating and completing source documents including but not limited to the following – cash book adjusted and balanced
 - o Preparation of bank reconciliation statements
 - o Preparation of Trial balance
 - o Preparing and posting journals
 - o Preparing and positing subsidiary ledgers
 - o Balancing subsidiary ledgers
 - o Posting and balancing general ledger
 - o Preparing opening & closing trial balance
- v. Verification of all transactions and balances;
- vi. A Summary report itemizing details of activities conducted must be presented upon completion of consultancy.

Most of the Local Authorities have financial software in place; however, these systems have not been fully utilized, therefore some of the activities listed at 1 – 4 above may have to be done manually. Notwithstanding, two (2) of the Local Authorities operate on a manual system

5.0. METHODOLOGY:

The consultant will strictly follow the work plan and the time schedule agreed on by the Ministry of Local Government and the respective Local Authority in undertaking the contract assignment.

- An appropriate methodology will have to be determined by the consultant in consultations with the respective Local Authority and the Ministry of Local Government & Community Development
- The consultant will work in close collaboration with the Ministry of Local Government & Community Development and the respective Local Authority
- The consultant will undertake collection of all the required data/information
- The consultant will undertake review, make assessments and judgment of the data/information in close consultation with the Local Authority

6.0. DELIVERABLES OF THE CONSULTANCY:

The consultant will be required to deliver the Financial Statements in accordance with the template prescribed by the Auditor General as well as in accordance with the basic requirements of the accrual IPSAS. Expected outcomes will be based on the level of assistance required as indicated by the respective Local Authorities. They include but are not limited to the following as detailed in the table below:

No.	DESCRIPTION	SERVICE STANDARDS	PAYMENT SCHEDULE
1.	Report on findings of the assessment of the current system and agreement arrived at.	Comprehensive report covering demands detailed at item (i) of the SOW at section 4.0 above	10% of agreed contract sum
2.	Detailed work plan and time schedule, detailing the appropriate and agreed methodology	A comprehensive plan responsive to the activity as detailed at item (ii) of the SOW at section 4.0 and as detailed in the methodology at 5.0 above.	15% of agreed contract sum
3.	Preparation of financial statements	Must be responsive to the requirements detailed at items (iii, iv) of the SOW at section 4.0 above.	40% of agreed contract sum
4.	Report of verification of all transactions and balances	Must be responsive to the requirements detailed at item (v) of the SOW bearing in mind the conditions as stated at item (vi) of the SOW at section 4.0 above	20% of agreed contract sum
5.	Summary report at the end of the assignment	Must be responsive to the requirements detailed at items (vii) of the SOW at section 4.0 above.	15% of agreed contract sum

6.1. Reporting:

Consultants will be required to provide weekly progress reports and monthly reports.

A final report is required upon completion of the project. Reporting will be to the designated contact in the LAs and the Ministry representative in the Ministry of Local Government (MOLG). All monthly reports are also to be submitted through the TIU to the Technical Coordinator Component III, SPSTP. Approval for payment will be by the Project Manager, SPSTP.

6.2. Variations:

Any proposed changes to the work plan and deliverables must be discussed with the Project Sponsor, and must receive the endorsement of the TIU, and Component III Technical Coordinator. Approval for all variations will be provided by the Project Manager, SPSTP on the advice of that project's Procurement Manager.

7.0. CHARACTERISTICS OF THE CONSULTANCY:

Type of consultancy:	Individuals
Duration of Contract	3 months
Place of Work:	Various Local Authorities: a) The consultant will undertake a mix of in-office and distance mode of working based on the agreed work-plan and methodology b) The consultant is expected to use appropriate tools provided by the local authority
Working conditions	Normal office conditions. Work hours aligned to general public service requirements; however extended hours may be required to meet service deadlines.
Type of Contract:	Fixed Price Contract
Payment Responsibility	MOF&PS/SPSTP
NB: The contract amount includes all costs related to undertaking the consultancy.	

8.0. CONDITIONS:

The Consultant must exhibit integrity, effective coordination and professional working relations with all stakeholders in the LAs and the MOLG in accordance with established professional standards of conduct. Information and materials accessed in the course of fulfilling the requirements of the assignment are to be kept confidential and may not be used for any other purpose outside of this assignment unless specifically approved in writing by the Permanent Secretary MOLG, on the advice of the head of the LA.

9.0. REQUIRED QUALIFICATIONS, EXPERIENCE AND COMPETENCIES:

9.1. *Qualification & Experience:*

- i. First degree in Accounting or other related discipline; OR minimum of an ACCA level II from a recognised tertiary institution;
- ii. At least 5-7 years of prior work experience in dealing with the preparation of final accounts;
- iii. Knowledge and experience in working with an established accounting package;
- iv. Experience in using Epicor would be an asset;
- v. Sound knowledge of International Public Sector Accounting Standards.

9.2. *Technical Competencies:*

- i. Knowledge and experience in preparing Final accounts in both cash accounting and modified accrual accounting;
- ii. Knowledge and skills in updating source documents, preparing journals and subsidiary ledgers and bank reconciliation statements.

9.3. *Core Professional Competencies:*

- i. Good interpersonal and communication skills.
- ii. Ability to demonstrate commitment to efficient and effective service delivery and client-centered focus.
- iii. High adaptability and knowledge-sharing/learning capacity.
- iv. Strong customer orientation/client focus

10.0. EVALUATION CRITERIA:

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| ▪ Qualification | 10% |
| ▪ Knowledge and experience in working with an established accounting package | 15% |
| ▪ Work experience in dealing with the preparation of final accounts | 25% |
| ▪ Meeting the required technical & core professional competencies | 30% |
| ▪ Demonstrated understanding of the Terms of Reference | 20% |

Deadline for EOI submissions: Tuesday, August 11, 2020

APPENDIX I**LIST OF OUTSTANDING FINANCIAL STATEMENTS**

	LOCAL AUTHORITY	ANNUAL FINANCIAL STATEMENTS TO BE COMPLETED
1.	Kingston and St. Andrew Municipal Corporation	10
2.	St. Thomas Municipal Corporation	7
3.	Portland Municipal Corporation	6
4.	St. Mary Municipal Corporation	6
5.	St. Ann Municipal Corporation	10
6.	Trelawny Municipal Corporation	1
7.	St. James Municipal Corporation	3
8.	Hanover Municipal Corporation	4
9.	Westmoreland Municipal Corporation	6
10.	St. Elizabeth Municipal Corporation	4
11.	Manchester Municipal Corporation	4
12.	Clarendon Municipal Corporation	6
13.	St. Catherine Municipal Corporation	7
14.	Portmore Municipal Council	8
	TOTAL	82