**Second Montenegro Institutional Development and Agricultural Strengthening Project**

**(MIDAS 2)**

**Terms of Reference**

**CONSULTANT COMPANY FOR ASSURANCE ENGAGEMENT OF THE ACCOUNTING POLICY FOR THE IPARD AGENCY / DIRECTORATE FOR PAYMENTS, MINISTRY OF AGRICULTURE, FORESTRY AND WATER MANAGEMENT**

1. **Background**

Second Montenegro Institutional Development and Agriculture Strengthening (MIDAS2) project became effective in June 2018 and is scheduled to close on June 30, 2023. The Project objective is to improve the competitiveness of agriculture and fisheries in Montenegro through enhanced delivery of government support in alignment with EU accession requirements. The competitiveness in the context of this project is defined as the ability of the supported productive units (individuals and enterprises) to increase their market sales, by meeting established quality standards and identifying different markets.

The project design is aligned with supporting Montenegro in meeting several specific benchmarks for EU’s Chapters 11, 12 and 13, namely: Support for meeting the two benchmarks for Chapter 11 (Agriculture and Rural Development): (i) Integrated Administration and Control System (IACS) to be fully operational by the date of accession; and (ii) Paying Agency to be fully operational by the date of accession. Support for meeting three closing benchmarks for Chapter 12 (Food Safety, Veterinary and Phytosanitary Policy): (i) upgrading of establishments for products of animal origin, including establishments for animal by-products (ABPs); (ii) setting up of an EU compliant system for official control of animal and plant products, including its funding; and (iii) developing, in accordance with the acquis, the relevant administrative structures for food safety controls, and further increasing administrative capacities and infrastructure. Support for meeting two benchmarks for Chapter 13 (Fisheries): (i) adoption of legislation that provides a substantial degree of alignment with the EU acquis for fisheries and ensures that Montenegro will be able to fully apply the Common Fishery Policy upon accession, and (ii) strengthen the administrative, inspection and control capacity required by the CFP and ensure that EU requirements will be fully met at the date of accession.

The project includes the following components and subcomponents:

Component 1: Strengthening the Ministry of Agriculture, Forestry and Water Management, agriculture, rural development and fisheries program.

*Sub-component 1.1: Increasing and diversifying income opportunities of farmers through grants for agriculture, rural development and fisheries*

*Sub-component 1.2: Strengthening* Ministry of Agriculture, Forestry and Water Management *toward fulfilling EU accession requirements*

Component 2: Support for the Food Safety, Veterinary and Phytosanitary Services

*Sub-component 2.1: Safe management of animal by-products (ABPs)*

*Sub-component 2.2: Strengthening the diagnostic capacity of the phytosanitary laboratory*

*Sub-component 2.3: Support to inspection services*

Component 3: Modernization of the Fisheries Sector

*Sub-component 3.1: Development of a network of landing sites (both in ports and other locations) with enhanced access to auxiliary services*

*Sub-Component 3.2: Capacity Building for the Fisheries Directorate and support to Associations of Fishermen*

Component 4: Project Management

1. **Overview**

On 25 October 2017, Montenegro has received accreditation (entrustment for budget implementation task) for Measures 1 and 3 of IPARD II programme, Financing agreement is on force from 6 December 2017 and first IPARD public calls have been announced in February 2018 (for Measure 1) and April 2018 (for Measure 3).

The IPARD II Programme that is currently being implemented in Montenegro has been prepared in line with the provisions of the Commission Regulation (EC) No 1305/2013 and it concerns the IPARD programming period 2014 - 2020.

1. **Overall objective**

The main objective of this consultancy is to provide confirmation (assurance) that Accounting policies in the Directorate for Payment (DfP) of the Ministry of Agriculture, Forestry and Water Management (MAFWM) are in accordance with requirements set out in Sectoral agreement between the Government of Montenegro and the Commission of the European Communities. The Consulting Company shall therefore ensure that the DfP accounting systems meet Internationally accepted accounting principles, i.e. form and content of the accounting information referred to in Article 46(1) (a) of Sectoral Agreement is established in accordance with internationally accepted accounting principles and ensure that total public expenditure for each measure under the IPARD II programme is identifiable in the books and records of the IPARD Agency by an adequate accounting code.

The sub-objective arising from the main objective is to Assure/Ensure that Financial statements are prepared based on General Ledger maintained in accordance with Internationally Accepted Accounting Standards for public sector, applying accrual basis principle for recognizing all transactions and events.

1. **Scope of work – requested services, including methodology**
2. Review of the accounting software and relevant existing procedures of department for accounting and budget and proposal of the applicable international accounting standards based on which the assessment shall be made
3. Detailed analysis with a proposal for the applicable international accounting standards for public sector;
4. Preliminary assessment of the possible non-conformities
5. Assurance on procedures of accounting systems of the Directorate for Payments are in compliance with the relevant requirements defined by the Framework Agreement between Montenegro and EU and the Sectoral Agreement and internationally accepted accounting principles for public sector.
6. A proposal for improvement of current software solution and implemented procedures of the Department for accounting and budget with detailed recommendations on remediating all non-conformities with possibilities for improvement of relevant procedures;
7. Assurance that accounting information referred to in Article 46(1) (a) of Sectoral Agreement is established in accordance with internationally accepted accounting principles and that total public expenditure for each measure under the IPARD II programme (currently applicable) is identifiable in the books and records of the IPARD Agency by an adequate accounting code.

During the introduction meeting, representatives of the Directorate for Payments shall provide the Audit Company with electronic version of documentation relevant for audit assessment.

The company will work with the department for account and budget, and, if necessary, with other sectors/departments responsible for implementation of IPARD in Directorate for Payments;

1. **Outputs**

The following output will be delivered:

1. Inception Report with a proposal the applicable international accounting standards for public sector and a detailed operational work plan
2. Final Report with a detailed analysis, possible non-conformities found and recommendations for improvements of existing software solution and procedures for accounting with the provided assurance that Financial statements are prepared based on General Ledger maintained in accordance with Internationally Accepted Accounting Standards for public sector, applying accrual basis principle for recognizing all transactions and events.

The **final report** should contain all activities defined in this ToR.

**Required qualifications and evaluation criteria**

The consulting company, selected to perform the tasks should have:

* At least 10 years’ experience in performing external audit in the field of accounting
* Minimum 5 similar contracts during last 3 years in scope and nature, particularly in audit services on implementation of accounting standards
* Availability of staff

Consultant Company will be selected in accordance with the Consultant’s Qualification Based Selection method (CQ) set out in the World Bank’s “Procurement Regulations for IPF Borrowers” July 2016, Revised November 2017.

Contract type will be lump sum.

The team will include at minimum the following personnel with required qualifications of the key experts:

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| **Team Leader** |
| *Essential qualifications* |
| At least a University Diploma – in Economic Science or Equivalent |
| At least 5 years of practical experience of work in contracts in auditing accounting, International Accounting Standard implementation and external auditing |
| Professional certification of accounting and audit |
| Excellent command of the English language, and strong oral and written communication |
| *Preferable qualifications* |
| Good organizational skills and team-leading skills |
| Knowledge of one of the ex Yu languages |
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| **Experts \*** |
| *Essential qualifications* |
| At least a University Diploma – Economic science or Equivalent |
| At least 5 years of practical experience of work in contracts accounting audit, preferably in government, public administration, and external auditing. |
| Professional certification of accounting and audit |
| Excellent command of the English language, and strong oral and written communication |
| *Preferable qualifications* |
| Good organizational skills and experience with teamwork |
| Knowledge of one of the ex Yu languages |
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**\*Minimum 2 experts.**

The company is obliged to submit CVs of the proposed key staff.

1. **Reporting**

The working language for the assignment is Montenegrin and English. Final outputs and reports should be available in English.

The Contractor shall report to the Beneficiary on the schedule of implementation of the activities.

**Assignment time table**

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| **Activity** | **Indicative dates** |
| Inception Report with a proposal the applicable international accounting standards for public sector and a detailed operational work plan | Envisaged 4 weeks from the date of contract signature. |
| Final Report with a detailed analysis, possible non-conformities found and recommendations for improvements of existing software solution and procedures for accounting with the provided assurance that Financial statements are prepared based on General Ledger maintained in accordance with Internationally Accepted Accounting Standards for public sector, applying accrual basis principle for recognizing all transactions and events. | Envisaged 8 weeks from the date of contract signature. |

Audit Company shall provide the Directorate for Payments with a list of remaining weaknesses (if any).

The list of remaining weaknesses shall contain recommendations as to how these weaknesses can be remedied.

**Number of reports**

Three copies of each report and an electronic copy of all reports and documentation produced during the assignment have be submitted to the Ministry of Agriculture, Forestry and Water Management.

All reports will be subject of approval of the Directorate for Payments.

**Reports shall be submitted to the Beneficiaries:**

Ministry of Agriculture, Forestry and Water Management:

Ms. Danka Perović, Director General, Directorate for payments

Ms. Lidija Miskovic, Head of Sector for accounting, budget and execution of payments

Ms. Gorica Radulović, Project Manager, MIDAS 2 project

**Location of assignment**

* **Starting date: May 2021**
* **Finishing date of the assignment: July 2021**
* **Location of assignment**

Assignment base: Podgorica, Ministry of Agriculture, Forestry and Water Management (Directorate for payments). Office accommodation of a working standard including IT and telephone connections will be agreed during the negotiation phase.

The assignment will have duration of two (2) month and the required level of inputs is estimated to 30 working days, deployed in several on-site missions. At least 10 working days have to be spent in Montenegro working on the assignment. Video conference can replace opening meeting and/or consultations due to ongoing COVID-19 pandemic.