

### 1. Background

Financial reporting in the Royal Government of Bhutan (RGoB) is guided by the provisions of the Public Finance Act, 2007; Public Finance (Amendment) Act, 2012 and the Financial Rules and Regulations 2016. These legislation and rules, therefore prescribe the country's legal framework for preparation of the Annual Financial Statements (AFS) which have been consistently applied over time. The Department of Public Accounts (DPA) under the Ministry of Finance (MoF) prepares AFS based on these provisions and as per information provided by the relevant government agencies. The AFS covers government budgetary bodies comprising of the constitutional bodies, autonomous bodies, the judiciary, ministries, dzongkhags, and gewogs.

An attempt was made in FY 2006/07 by the RGoB to apply Cash-basis International Public Sector Accounting Standards (IPSAS)<sup>1</sup> to the AFS, which could not progress due to capacity and information constraints, and AFS continue to be prepared based on the country's legal framework. A benchmarking exercise was also conducted by International Monetary Fund (IMF) - Fiscal Affairs Department (FAD) for accounting reforms in March 2016 identifying gaps for Cash-basis IPSAS adoption, which is yet to be followed through. According to the Bhutan's Public Expenditure and Financial Accountability (PEFA) Assessment 2016, dimension 29.3 (*Annual financial reports - Accounting Standards*) was rated "C".

The RGoB intends to further enhance the quality and transparency of its AFS by adopting IPSAS which is reflected in the official vision statement of the DPA and also supported by the Royal Audit Authority (RAA). Considering the limitation in the current capacity and information system, the RGoB plans to adopt IPSAS in a graduated manner starting with adoption of Cash-basis IPSAS. Building on success of the Cash-basis IPSAS implementation, accruals IPSAS adoption could be considered in the longer term.

To support RGoB in this objective of Cash-basis IPSAS implementation, the Public Financial Management Multi Donor Fund (PFM-MDF) financed Strengthening Public Financial Management Project includes a sub-component to provide required technical assistance and capacity building. The funds will largely provide for consulting support towards this end.

The consulting assignment will provide services as presented in the following pages. The consultant will support DPA in managing and coordinating the entire process throughout RGoB.

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<sup>1</sup> The International Public Sector Accounting Standards Board of the International Federation of Accountants (IFAC) is the relevant standard-setting body for IPSAS. Two standards have been issued - a single standard for cash-based accounting systems<sup>1</sup>, and a set of 24 standards for accrual-based accounting systems based on the corresponding International Financial Reporting Standards (IFRS) for commercial entities. Cash-based IPSAS has two parts: Part 1 lists the mandatory disclosures in AFS and Part 2 lists additional disclosures that are encouraged. At present, it is mandatory to consolidate the accounts of all government entities that are "controlled" by the reporting entity (RGoB), including extra-budgetary bodies like the NPPF and five Trust Funds, and public enterprises, both financial and non-financial. Around the world, this requirement has been the biggest single obstacle to meeting the standard. However, it is expected that IFAC/IPSASB will relax the mandatory requirements for compliance in 2017.

## **2. Objective(s) of the Assignment**

The main objectives of the assignment are:

- To support implementation of cash basis IPSAS in preparing the annual financial statements of the RGoB by providing required technical assistance, detail gap analysis building on the previous exercises, develop Roadmap for Cash-basis IPSAS implementation,
- providing required capacity building and recommending modifications in information system/ software, policy, processes and other required changes as deemed necessary.
- work with DPA, MoF in preparing the annual financial statements of the RGoB for FY 2017-18 & 2018-19 based on cash-basis IPSAS.

## **3. Scope of Services, Tasks (Components) and Expected Deliverables**

### **3.1 Technical assistance to DPA**

- i) Conduct Gap analysis and develop Roadmap for IPSAS implementation that:
  - a) build on benchmarking exercise done by International Monetary Fund - Fiscal Affairs Department for accounting reforms (March 2016) identifying gaps for Cash-basis IPSAS adoption.
  - b) analyze all relevant aspects – capacity, policies, procedures, regulatory, information system/ software etc. including review of existing chart of accounts and alignment with GFSM 2014 and recommends necessary enhancements/ modifications for Cash-basis IPSAS adoption.
  - c) develop comprehensive roadmap with specific actions, timeline and responsible agencies incorporating all relevant aspects as above.
  - d) analyzes pre-requisites for accruals IPSAS adoption in the longer term and recommends measures, on aspects as b) above, to be taken for preparation of such adoption in the longer term.
- ii) Work with Accounting and Auditing Standards Board of Bhutan (AASBB) and relevant agencies of RGoB to develop the Bhutanese Public Sector Accounting Standards (BPSAS) aligned with cash basis IPSAS.
- iii) Further support DPA in consultation and outreach activities to obtain feedback from stakeholders on the draft standards and thereafter incorporate the changes and finalize the standards.
- iv) Develop manuals/ guidelines/ templates/ checklists as required to guide Cash-basis BPSAS implementation.

- v) Assist DPA in providing handholding support on implementation of the developed roadmap.
- vi) Assist DPA in preparing consolidated cash-basis BPSAS annual financial statements for FY 17/18 and 18/19 with required opening balances/ conversions.

### **3.2 Hand-holding of individual government agencies**

- i) based on individual nature/ scope of work of government agencies, prepare additional agency-specific guidelines/ templates/ checklists as required for Cash-basis BPSAS adoption.
- ii) assist respective government agencies in preparing opening balance and other contents of the Cash-basis IPSAS financial statements.

### **3.3 Training and workshops**

- i) Develop training materials including e-training modules based on requirement of the Department of Public Accounts/Ministry of Finance.
- ii) Train accountants and other relevant personnel of the concerned government agencies for Cash-basis BPSAS adoption (as identified by DPA).
- iii) Train relevant personnel of the Royal Audit Authority of Bhutan for effective audit of Cash-basis BPSAS financial statements.

## **4. Team Composition & Qualification Requirements for the Key Experts (and any other requirements which will be used for evaluating the Key Experts under Data Sheet 21.1 of the ITC)**

**The consultant interested for this assignment should fulfill the following criteria:**

- a) the consultant shall have necessary infrastructure and team of experts to fulfill the requirements.
- b) the consultant shall have experience in carrying out similar assignments.
- c) the team shall comprise of at least two people with at least 10 years of relevant experience (*details below*).

### **4.1 Consultant's Qualifications and Experience:**

**I. Consulting Firm:-**The consulting firm should have the following qualifications and experience to carry out the assignment:

- Company/Firm/Business registration certificate
- VAT and PAN registration

- Tax clearance certification

**Experience of the consulting firm:**

- **General experience:** At least of 10 Years in the field of financial accounting and accounting in the **public/ private sector**
- **Specific experience:** The consultant must have considerable experience in the field of international public/ private sector financial reporting standards (i.e. IPSAS/ IFRS) and at least 2 years of experience (during job or as independent) in the field of development /application of accounting.
- **Special Requirement as advantage:** Consultant having experience with the study of similar assignments (IPSAS) in the government entity/others shall have added advantage.

**II. Qualification of Team members**

**a) Team Leader (One)**

- Chartered Accountant, CPA, ACCA or equivalent or at least Master degree in Management/ Business Studies or equivalent with accounting subjects.
- IPSAS professional qualification from the Chartered Institute of Public Finance and Accountancy (CIPFA) or similar recognized body will an added advantage.
- Experience: At least of 10 years' experience in the field of financial accounting and auditing of which at least 5 years in the public/private sector. Should have experience of at least one assignment as team leader/project manager in the last three years.

**b) Expert (One)**

- Chartered Accountant, CPA, ACCA or equivalent or at least Master degree in Management/ Business Studies or equivalent with accounting subjects.
- IPSAS professional qualification from the Chartered Institute of Public Finance and Accountancy (CIPFA) or similar recognized body will be an added advantage.
- Experience: At least of 5 years' experience in the field of financial accounting and auditing of which at least 2 years in the public sector. Should have experience of at least one similar assignment in a key position.

The consulting firm may engage additional support staff in proportion to the work as assessed by them.

## TERMS OF REFERENCE (TOR)

### 5. Payment schedule, Reporting Requirements and Time Schedule for Deliverables

The consultant shall submit the following reports and documentation to DPA:

Sl. No.	Deliverables	Timeline (months from contract signing)	Percent of payment
1	Inception Report including broad implementation plan to support DPA in Cash-basis IPSAS adoption for RGoB	0.5	5%
2	Diagnostic Report including Gap Analysis and Roadmap as per 3.1.i of TOR	1.5	10%
3.	Draft Bhutanese Public Sector Accounting Standards (BPSAS) aligned to IPSAS along with Guidelines/ Manuals/ Templates/ Checklists as per 3.1.ii and 3.2.i of TOR and training materials	3	10%
4	Finalize Bhutanese Public Sector Accounting Standards (BPSAS) aligned to IPSAS after due consultations and assisting RGoB in making necessary modifications in policies, procedures, systems etc. as per the Diagnostic report (roadmap)	6	20%
5	Deliver required trainings as per 3.3 of TOR	8	10%
6	Hand-hold individual government agencies as per 3.2	12-16	15%
7	Consolidated Cash-basis BPSAS financial statements prepared for FY 18/19.	20	25%
8	Closure Report with summary of activities carried out, lessons learnt and recommendations for continuation of Cash-basis IPSAS financial statements along with pre-requisites for accruals IPSAS in the longer term	24	5%

In addition, consultant will hold consultations with relevant government and other officials as required to fulfill the assignment. The consultant will also communicate on regular basis with DPA and provide monthly updates on issues, constraints and potential solutions to carry out the assignment.

### 6. Client's Input and Counterpart Personnel

- (a) Services, facilities and property to be made available to the Consultant by the Client:
- i) Office Space and necessary furniture
  - ii) Support for coordinating with relevant government agency/ official