**Terms of Reference**

 **for an Internal Audit Assessment**

**in the Chernivtsi and Zhytomyr City Councils**

## Background and context

**The European Union Anti-Corruption Initiative (EUACI)**

The European Union Anti-Corruption Initiative (EUACI) in Ukraine is a joint EU and Government of Denmark financed programme aimed at supporting Ukraine to reduce corruption at the national and local level through the empowerment of citizens, civil society, businesses, and state institutions. In January 2024, the EUACI entered into phase III which runs till mid-2027.

This specific assignment concerns the EUACI's support for Integrity Cities (Component 2). It is in this context that the EUACI is seeking a Consultant (Consulting firm or a consortium of organisations) that can work closely with the EUACI and its partner cities to deliver the integrity assessment of the Control and Inspection Unit of the Chernivtsi City Council and the Control and Analytical Unit of the Zhytomyr City Council and provide practical recommendations (solutions) on enhancing the internal control procedure and establishing the internal audit function within mentioned units. It is expected that establishing the comprehensive system will ensure effective management of all risks affecting the performance of Сity Сouncils.

These Terms of Reference (ToR) provide more details about the assignment.

**The Partnership with Integrity Cities**

The six integrity cities with which the EUACI has entered into a partnership are Chernivtsi, Chervonohrad, Mykolaiv, Nikopol, Zhytomyr and Mariupol.

During phases 1 and 2, the EUACI worked with these cities to further strengthen their systems and tools for enhancing integrity, transparency, and accountability. The partnership will continue in the 3rd phase of EUACI, focusing on the continued development of the various integrity tools launched during phases 1 and 2 and the implementation of new tools agreed expressly for phase 3.

These Terms of Reference (ToR) are intended to meet the partner cities' need for technical assistance with enhancing the internal control function, establishing the internal audit system, and the potential preparation for the certification following ISO 9001:2015 - Quality Management Systems standard.​​

1. **Purpose:**

The project’s objective is to establish the efficiency, transparency, and effectiveness of the internal control and audit process in Chernivtsi and Zhytomyr City Councils.

The project aims to conduct the assessment of internal audit and control functions, encompassing processes, methodologies, documentation, and reporting procedures in the Control and Inspection Unit of the Chernivtsi City Council and the Control and Analytical Unit of the Zhytomyr City Council, with a resulting report detailing findings, recommendations, and a plan for addressing any identified gaps.

1. **Scope of work**:

The scope of work includes all activities necessary to ensure the achievement of the above objective, including, but not necessarily limited to:

**Kick-Off:**

1. Present the work plan and assignment implementation strategy and considerations to the EUACI Component Team during the Kick-Off meeting.

**Main tasks**

1. Review of Current Internal Audit Practices:

a. Conduct an in-depth analysis of the existing practices, including regulatory documentation, procedures, policies, and regulations, as well as reports by the Ministry of Finance and their comments, underlying potential changes in the organisational structure and policies within the mentioned units.

b. Evaluate the strengths and weaknesses of the current system, identifying bottlenecks, inefficiencies, and potential risks.

1. Stakeholder Consultation:

a. Engage key stakeholders, including City Councils' staff, procurement officers, and finance department representatives, to understand their perspectives, challenges, and suggestions for improvement.

1. Best Practices Overview:

a. Benchmark of both City Councils' internal audit processes against recognised standards and successful case studies.

b. Identify tools and approaches that can be leveraged to streamline and improve the internal audit process.

1. Recommendations and Action Plan:

a. Develop a set of clear and actionable recommendations for establishing the internal audit process within the mentioned units.

b. Prioritize recommendations based on their potential impact, feasibility, and alignment with the City Council’s strategic objectives.

c. Provide a detailed action plan outlining the steps, timelines, responsibilities, and resources required for implementing the recommendations, taking into account ISO 9001:2015 – Quality Management Systems standard.​​

d. Develop updated regulatory documentation, procedures, and policies.

1. **Deliverables:**

The Deliverables are presented below in Table 1 with a tentative schedule.

All results are expected to be provided in Ukrainian unless otherwise agreed. Electronic copies are sent by email to the particular EUACI contact person.

Table 1: Summary of deliverables/outputs and the tentative timeline for delivery.

| **#** | **Deliverable/Output** | **Timeline** | **Note** |
| --- | --- | --- | --- |
| 1 | Consultant's **updated work plan**, showing tentative timing for the visits to the partner cities and for the start and completion of the activities listed under the scope of work section.  | 1 week after contract signing | To be submitted to the EUACI contact person by e-mail ahead of the presentation during the Kick-Off meetingUkrainian version |
| 2 | **Draft Report** based on the results of a comprehensive analysis of the Control and Inspection Unit of the Chernivtsi City Council. | 8 weeks after the contract signing | Ukrainian versionThe report should contain:* The results of analysis of procurement process and procurement cases;
* List of identified corruption risks;
* Templates of regulatory documentation, procedures, and policies.
 |
| 3 | **Draft Report** based on the results of a comprehensive analysis of the Control and Analytical Unit of the Zhytomyr City Council. | 8 weeks after the contract signing | Ukrainian versionThe report should contain:* The results of analysis of procurement process and procurement cases;
* List of identified corruption risks;
* Templates of regulatory documentation, procedures, and policies.
 |
| 4 | **Final report** with recommendations for improving internal control procedures and establishing internal audit function in Chernivtsi City Council. | 11 weeks after the contract signing | Subject to EUACI's approvalA summary of all activities and outputs delivered under the contract.Ukrainian version |
| 5 | **Final report** with recommendations for improving internal control procedures and establishing internal audit function in Zhytomyr City Council. | 11 weeks after the contract signing | Subject to EUACI's approvalA summary of all activities and outputs delivered under the contract.Ukrainian version |

The timelines indicated in the table above are indicative. The Consultant will reflect on and update the timelines for different activities while preparing and updating the Consultant’s work plan. During the Kick-Off meeting with the EUACI Component Team, the Consultant’s work plan will be discussed, including the proposed timeline for the different activities and the submission of deliverables.

1. **Timing**

The expected duration of the assignment is up to three months, with a tentative start on 5 April 2024 and completion on 30 June 2024.

The Consultant is expected to travel to each city 2 times as a minimum (4 times in general – for assessments and final report presentation). Travel costs and other reimbursable costs need to be included in the proposed budget.

1. **Methodology**

The Consultant will work under the supervision of the Senior Project Manager of Integrity Cities.

Based on consultations with the Component II EUACI and other EUACI staff and the needs identified in the documentation provided by partners, the Consultants will prepare work plans and send them to the EUACI for approval at least a full work week ahead of time.

1. **Payment**

Payment will be made in a maximum of two instalments.

The first instalment, representing a maximum of 50% of the total contract value, will be made after receipt of the Consultant's updated work plan, Deliverable 2 and invoice.

Second, and final payment will be made upon receipt and approval of the Final Report and all other supporting documents, including a Final Invoice.

## Estimated budget and level of effort

The maximum budget available for this assignment is approx. EUR 9,000. This amount includes subsistence allowance for fieldwork in the partner cities as well as costs related to local travel, and other project-related costs such as audit of the contract, printing, etc.

1. **Bids evaluation criteria**

Bids will be evaluated in accordance with the criteria provided below:

| **#** | **Criteria** | **Weight** |
| --- | --- | --- |
| 1 | Budget  | 20% |
| 2 | Methodology  | 50% |
| 3 | Participant(s) CV(s) | 30% |

**How to apply**

The proposals with

1) budget proposal;

2) methodology of project implementation;

3) CV(s) of of the tender participant(s)

shall be submitted in electronic format only within the below deadline to the email: oleoho@um.dk, indicating the subject line «Internal Audit Assessment for Integrity Cities».

Any clarification questions for the bid request should be addressed: oleoho@um.dk, no later than 26 March, 18:00 Kyiv time.

**The deadline for submitting proposals is 29 March 2024, 18:00 Kyiv time.**

Bidding language: **English or Ukrainian**.