

SPECIFIC TERMS OF REFERENCE

Consultancy to assist the NAO to perform a quality audit and to resolve issues concerning the Integrated Financial Management Information System (IFMIS)

FWC BENEFICIARIES 2009 – 2010/233872

**LOT 11: Macro economy, Statistics, Public finance management
EuropeAid/127054/C/SER/multi**

Global Fee Contract

1. BACKGROUND

The Government of Lesotho has implemented an Epicor-based IFMIS, with live operation commencing from 1 April 2009. The IFMIS is a commercial, off the shelf system that has been configured to meet Lesotho's specific public financial management needs. The IFMIS replaces the Government's previous financial system, GoLFIS, a custom built system that had been operating since the early 1990s.

GoLFIS suffered from serious omissions and errors in its accounting data. Further, GoLFIS had a facility to override controls and allowed for suspense accounts and other poor accounting practices. Commitment control was exercised through manual Vote Books and as a result, over-expenditure of approved budgets was common, particularly where these Vote Books were not reconciled with the GoLFIS records. The net result has been that the Government of Lesotho has not been able to produce timely annual Public Accounts with unqualified audit opinion. This has eroded accountability and transparency throughout Government.

1. The tender document comprises a standard request for supplies (the hardware) and the supply of services (consultancy, change management and training, engineering services, and maintenance services) The tender resulted in 1 bid from Soft-Tech Consultants Ltd of Tanzania (STCL) – this comprised a financial bid in response to a detailed specification of the requirements of the system to be installed. The contract is described as the turnkey supply of an integrated financial management system (IFMIS) –Lesotho.
2. There were negotiation with STCL from April–July 2007 and a final financial proposal was received dated 16th July 2007. The negotiations were consolidated as part of the contract. The agreed contract comprised the detailed specification issued by GoL "IFMIS Functional and ICT Requirements Specification in October 2006 under the DFID supported PSIRP/PFM component. In addition, ToRs for the Ancillary Services (change management, capacity building, training and implementation arrangements were provided in the tender). These documents were integral components of the contract and were the basis of what results were expected by GoL of the introduction of the system. The contract indicates that a maintenance plan would be developed and agreed.
3. Following the negotiations, a contract of 36 months duration was signed with STCL on 31 July 2007. The duration of the contract was based on a clear process of delivering all the requirements in Year 0-1, which would subsequently be followed by and a two year maintenance period.
4. The ToRs for the Ancillary Services defined the implementation arrangements and how these arrangements and project management should be established. The contract

is a combination of EDF supply and services contracts. In terms of EDF contracts, the NAO was the Contracting Authority, the Supervisor was the Accountant General and the Supervisor's Representative was the IFMIS Implementation Manager-Project Management Team (PMT)

5. There was agreement between the IFMIS-PMT on a Project Charter as a means of guiding the implementation process. The project management team was put in place for implementation
6. On commencing the contract and undertaking detailed site surveys, the state of readiness for installation and the provision of supporting infrastructure for the system, resulted in increased cost implications for GoL. Despite the turnkey nature of the supply contract, it required pre-investment by GoL. This inevitably led to increased GoL costs and delays in implementation
7. The implementation plan was to fully define GoL requirements in a Requirement Validation Document(RVD) The mandatory requirements of the system are defined in the Contract
8. The full rollout of the system across GoL was undertaken on 1st April 2009. There were user acceptance tests (UAT) undertaken and scheduled interim payments on provisional acceptance were made. No detailed maintenance plan and/or support plan was received from STCL before late 2009. There were issues that could be described as "teething" problems on the introduction of the system. However, the acceptance certificate that needs to be issued would recognise that the system that has been delivered and has full functionality compared to the requirement of the specification. The RVD has not been signed off and the contract specifications of the system reflect the requirements of GoL. There are now long standing issues that arise because of STCL's interpretation of the contract compared to the interpretation of the Supervisor and the Contracting Authority. This manifests itself in statements from STCL that for example, all interface issues are resolved and the reconciliations aspects of the financial module are fully functional. Some of these issues have resulted in GoL incurring extra costs in order to expedite the implementation by procuring services in terms of the payroll interface and the debt management interface. In other areas, for example, the lack of renewal of anti-virus software by STCL threatened the integrity of the whole system and GoL procured anti-virus software. From the perspective of GoL, there is not full functionality of the system as for example debt repayments remain outside the system and no reconciliations are evident for any month of this FY.
 - a. Some of the key outstanding issues can be summarized as follows:
 - i. Comprehensiveness
 - Only 5bn of Expenditure has now been entered into the system
 - Only 60% of revenue has been entered into IFMIS.
 - Public debt payments are not in the system
 - 3rd party payroll payments are not in the system
 - There are other payments made outside the system
 - ii. Outstanding Configuration Issues
 - Front Office Revenue Receipting
 - Doc Link, Document Management
 - Interfaces, DRMS and SLB
 - Bank Reconciliation is not fully operational
 - System for making consolidated payroll payments
 - Budget System, negative balances and budget ceilings (not possible)
 - Suboptimal Technical Configuration

9. The issues can be described as difference caused by interpretation of the contract requirements and issues that concern the functionality of what has been supplied.
10. The relationship with STCL started as a clear partnership based on the Project Charter and shared implementation targets, to more recently one of client-STCL relationship. The GoL has clear expectations of the minimum results it needs to achieve by the end of the FY 2009-2010.
11. The project has been subject to two independent Results Oriented Monitoring Missions. One was critical of the implementation arrangements and the second (late 2009) Mission was positive in terms of progress made in launching the system but recommended that a number of actions were required to achieve the results required by the end of the first FY that system operated

2. DESCRIPTION OF THE ASSIGNMENT

There is a need for a quality audit in terms of assessing whether the system as supplied meets the required specifications /mandatory requirements of the system. This requires an assessment of the functionality of all aspects of the system and its introduction, including, but not limited to, the IT specifications and configurations required for its use on the WAN and, eventually, introduction of the system throughout the Government network and across the country. This assessment would inform any current or future contract disputes. Such an assessment will form the basis for a comprehensive review of the contractual responsibilities/obligations as set out in contract, juxtaposed with the existing output (both in regards to services and supplies) from STCL. This assignment requires expertise in four areas:

1. *hands on* experience with the set-up, configuration and use of the Epicor application in a *whole of government* accounting environment, including any changes and adaptations required for its effective operation (*business process re-engineering/ change management*) and its interfacing with other software applications;
2. with the IT specifications and configurations needed for successful implementation and effective utilisation of the Epicor system, including its interfacing with other applications;
3. drawing on the expertise in the areas above, analysis of whether the requirements of the RVD and of the contract have been, or can within a reasonable time frame, be, met.
4. Managing of contracts and contract disputes. Naturally this will inform the Project Management Team on the Final Acceptance certificate of the system as a whole.

It is anticipated that three experts will be required to cover this range of expertise. The experts will report to the Accountant General of the Ministry of Finance and Development Planning.

It is foreseen that the experts covering points 1 and 2 above will arrive at least one working week prior to the *contractural* expert. . *The first movers* will conduct a preliminary assessment of the technical system – together with the staff of the IFMIS Project Management Team. When all experts are in country, they will agree their approach to the assignment and their working schedule: these will be submitted for approval to the Project Management Team, NAO and EU Delegation and also agree to a working schedule.

2.1 GLOBAL OBJECTIVE

- To assist the Project Management team for the Integrated Financial Management System (IFMIS) to optimise the benefits of the system; to provide technical assistance and expertise on issues associated with implementation of IFMIS, with a special focus on the Epicor system and to resolve contractual issues with Soft Tech..

2.2 SPECIFIC OBJECTIVES AND OUTPUTS

A: ASSESSMENT OF PRESENT FUNCTIONALITY OF EPICOR and of the IT infrastructure on which it depends, including, but not limited to the following questions:

- a) is the current set up and configuration optimal for the needs of the Government in terms of ease of processing longer term planning of expenditure proposals; budgeting in a programme, sub-programme, activity based framework; generating and processing accounting transactions performing all of these operations in a decentralised environment including interfaces with other applications used for recording and control of government resources?
- b) are the IT installations and configurations optimal for the intended usage of the system?
- c) have the re-engineered business processes adopted for the IFMIS become *standard practice*? Do these re-engineered processes adequately exploit the capabilities of IFMIS and the technical platform on which it is based?
- d) are the risks accompanying the re-engineered business processes adopted for the IFMIS being adequately managed?;
- e) are the Data Warehouse functionalities of the Epicor system fully functional? able to be utilised by the IFMIS application team? able to be utilised by other data base applications?;
- f) are the reporting capabilities of the application being widely used to support sound decision making?; how do the *ease of set up* (for new reports) and *ease of use* of the reports compare with current *best standards*?
and
- g) has adequate internal control been established and maintained to allow timely production of financial statements, which, given adequate documentation, are likely to be given an unqualified audit opinion?

In addition, as GoL is considering up-grading to Epicor 9, the expert(s) will provide an assessment of the costs and benefits – in terms of enhanced functionalities in the areas covered above, and in any other areas introduced in Epicor 9 that GoL is likely to use – from such an up-grade.

B: CONTRACT MANAGEMENT

- a) The TA shall assist the MoFDP in managing the contractual obligations of the supplier in accordance with the signed contract.
- b) The TA will assist the MoFDP in complying with any outstanding contractual financial matters on the IFMIS.
- c) The TA will ensure that STCL is clear on what more (if anything) it must do to fulfil its contractual obligations and by so doing ensure that IFMIS will provide final annual

accounts to be audited by the Auditor General no later than three months after the closing of the financial year.

- d) The TA will assist the MoFDP in conducting the Final Acceptance Tests by verifying the test log of existing bugs, errors, and inaccuracies before the Final Acceptance document can be signed. (*this will require significant input from expert 2, 3*). The expert will help to resolve any disputes between the contractor and the GoL in regards to Final Acceptance Tests.
- e) The TA will assist the MoFDP in assessing and negotiating any outstanding claims by either party before Final Acceptance of the system has been agreed.
- f) The TA will assist the MoFDP ensuring that the minutes of the final acceptance testing are prepared and signed by all parties, forming part of the Final Acceptance document.
- g) Since there are emerging contractual issues, the TA will undertake a quality audit of what has been delivered, and is functional compared to the contract specifications and/or any agreed RVD. The TA will advise of the process of UAT undertaken
- h) This will also entail an assessment of what GoL action is required to improve performance of IFMIS.
- i) The TA will assess if maintenance is being conducted in accordance with contract specifications.
- j) The TA will provide a detailed overview to the Government of Lesotho of the expected costs that they will have to budget for to run IFMIS effectively once the EU contract is finished.
- k) The TA will report on whether or not the internal control standards developed by Soft Tech are up to standards as described in the contract.
- l) The TA will report on whether or not the reporting functions of IFMIS are up to standards as described in the contract.

3. REQUESTED SERVICES

This assignment will require three experts who will be asked to work together and to coordinate and harmonize their respective outputs. In this regard, one expert will work on contract management issues, whose primary tasks will be to verify that all IFMIS systems are in compliance with the RVD and contract, It will also be a role of this expert to:

- advise the NAO on how to proceed with any outstanding payments to be made to Soft Tech;
- be responsible for organizing all necessary meetings between Soft Tech and the GoL (PMT, NAO, EU).

The other experts (IT expert and Epicor Expert) will analyze the technical specifications and functionality of the system itself, with a special focus on Epicor. The scope of the review

includes the architecture adopted for the various databases and the implications this has for the accounting system, the allocation of user rights, the Chart of Accounts, budgetary and commitment control measures, interfaces with other core systems (payroll, banking) and the financial and operational reports produced. The review will encompass the training provided or the communication and other change management activities undertaken only to the extent necessary to form the assessments required by section 2.2A (Assessment of the present functionality of Epicore) above. However, if these issues present significant risks, it is expected that the review will identify these and suggest possible mitigation strategies to minimise the potential impact on Government operations.

All expenses of the experts, including equipment, travel, housing and office space, are to be covered by the consultancy.

4. REQUIRED OUTPUTS

4.1 For management of the assignment, the following outputs are required:

- a) Within one week from commencement (in the case of expert #2 and #3 it will be the second working week in Lesotho) the introduction of an agreed work plan to achieve the results required
- b) Minutes of weekly meetings,
- c) Financial Report detailing IFMIS costs,
- d) Monthly Progress Report including documentation on agreements between contracting parties reached during meeting and on tasks with regard to contract management as necessary.
- e) A report setting out the methodology adopted to undertake the review.

4.2 For the substantive results of the review:

- a) a report or reports dealing with all the areas set out in section 2.2A (Assessment of the present functionality of Epicore) and in section 2.2B (Contract management) above;
- b) a summary of recommendations arising from the reviews, particularly recommendations for changing the set up and configuration to better suit the needs of the Government of Lesotho ,together with:
 - a description and timetable for actions required to implement the recommendations;
 - an assessment of the costs of implementing the recommendations and an indication of who should bear these costs. .
 - identification of any risks associated with implementation, or with not implementing the recommendations, that are significant and are not being adequately managed;

4.3 To build capacity in GoL:

- a) Transfer of skills to a suitable counterpart(s) who will work with the experts throughout the assignment;

- b) Proposals for ensuring that the set up and configuration of the IFMIS remains relevant to the changing needs of the Government over time.

5. EXPERTS PROFILE or EXPERTISE REQUIRED

- Number of requested experts per category and number of person-days per expert or per category.
- ***Expert 1: One Senior Expert in IT contract management.*** will be required.
(45 working days)
 - The expert will be required to work 35 working days over a span of 9 months in Lesotho. Prior to arriving in Lesotho it is expected that this expert will work a total of 1 working day in her/his home country (or place of employment) to study the contract in detail. Additionally the expert will have a total of 3 additional working days in the course of the contract to draft the required reports. The schedule of working days as well as all extended absences must be agreed with the NAO and EU Delegation following the first month of work. The expert will perform no less than three separate missions to Lesotho, the first being equal to 15 working days and each subsequent mission being equal to 10 working days. Weekends are not to be counted as working days. An additional 1 day will be accepted for travel to Lesotho and an additional travel day for travel from Lesotho for each mission, which shall raise the total amount of working days to 45 – all inclusive.
 - This expert will be considered as the Team Leader and will be responsible to ensure that all the outputs of the experts are coordinated.
 - ***Expert 2: One Senior Expert on the Epicor application and its use in a whole of government environment for an IFMIS***
(39 working days)
 - This expert will be required to work 30 working days over a span of 9 months in Lesotho. Additionally the expert will have a total of 3 additional working days in the course of the contract to draft the required reports. The schedule of working days as well as all extended absences must be agreed with the NAO and EU Delegation following the first month of work. The expert will perform no less three separate missions to Lesotho, each being no less than 5 working days. Weekends are not to be counted as working days. An additional 1 day will be accepted for travel to Lesotho and an additional travel day for travel from Lesotho for each mission, which shall raise the total amount of working days to 39 – all inclusive.
 - ***Expert 3: One Senior Expert on IT specifications and configuration necessary for*** successful implementation of Epicor across a WAN and, eventually, across the country, including inter-facing with other applications
(29 working days)
 - This expert will be required to work 25 working days in Lesotho over a span of 6 months. The schedule of working days as well as all extended absences must be agreed with the NAO and EU Delegation following the first month of work. The expert will perform no less two separate missions to Lesotho, each being no less than 10 working days. Weekends

are not to be counted as working days. An additional 1 day will be accepted for travel to Lesotho and an additional travel day for travel from Lesotho for each mission, which shall raise the total amount of working days to 29 – all inclusive.

➤ Profile per expert or expertise required:

- Expert 1 (Contract Management Expert)
 - Category and duration of equivalent experience
 - Senior Expert
 - Minimum 10 years of professional experience in a relevant field.
 - Education
 - Postgraduate degree in public financial management (or graduate degree with extensive experience) and/or business management.
 - Experience
 - experienced in the introduction of Management Information Systems and in the management of supply and service contracts in the public sector. Significant experience with working with EPICOR systems in the public sector is an advantage.
 - Adequate IT skills and should have a suitable qualification involving the introduction and management of Financial Management Systems
 - Language skills
 - Fluency in English, both written and oral, is a prerequisite.
- Expert 2 (IT Expert)
 - Category and duration of equivalent experience
 - Senior Expert
 - Minimum 10 years of professional experience in a relevant field.
 - Education
 - Postgraduate degree in public financial management (or graduate degree with extensive experience), degree in IT related field and/or computer programming.
 - Experience
 - experienced in the introduction of Management Information Systems.
 - Experience with working with EPICOR systems in the public sector is an advantage.
 - Advanced IT skills in the specification and configuration necessary for successful implementation of Epicor across a WAN and, eventually, across the country, including inter-facing with other applications.
 - Language skills
 - Fluency in English, both written and oral, is a prerequisite.

- Expert 3 (EPICOR Expert)
 - Category and duration of equivalent experience
 - Senior Expert
 - Minimum 10 years of professional experience in a relevant field.
 - Education
 - Postgraduate degree in public financial management (or graduate degree with extensive experience) and/or computer programming.
 - Experience
 - experienced in the introduction of Management Information Systems.
 - Significant *hands on* experience working with EPICOR systems in a *whole of government* environment is a prerequisite.
 - Language skills
 - Fluency in English, both written and oral, is a prerequisite.

6. LOCATION AND DURATION

- Starting period
 - No later than 5 July 2010.
- Foreseen finishing period or duration
 - The contract should not extend beyond March 2011.
- Location(s) of assignment
 - The assignment will take place primarily in Maseru, Lesotho. There is an expectation that if required the team will be expected to travel outside of Maseru (within Lesotho) to complete their work. In this regard, none of the trips are foreseen to last longer than one working day and will therefore not require any overnight stays in hotels.

7. REPORTING

- Content
 - Inception report, detailing the problems and proposed way forward (including recommendations and methodology to be followed). The report should also include a work plan for the duration of the contract. This should naturally also include a proposed timeline of all working days for the two experts. This report should be produced within the first two weeks of the Experts mission and must be approved by the IFMIS Project Management Team, NAO office and EU Delegation.
 - Financial Report detailing IFMIS costs. This report should analyze which costs that were foreseen by the contract were in fact covered by the Government as well as a possible costing of incomplete components of the contract. The report should also detail future costs associated with implementation of IFMIS – detailing what costs the Government will have to incur after EU contract will finish and are unforeseen (example includes upgrade to Epicor 9).
 - Mission Progress Report including documentation on agreements between contracting parties reached during meeting and on tasks with regard to contract management. This report should include an evaluation of which areas of IFMIS implementation have improved. These reports should be presented following each mission by the consultants to Lesotho.

- Final Report, detailing all the issues that were presented and addressed during the course of the FWC. This report should also include a detailed list of recommendations for the Government of Lesotho in regards to IFMIS.
- Language
 - All documents and reports should be written in English
- Submission/comments timing
 - Submission of reports should be made according to the aforementioned timeline or when requested by the IFMIS Management Team, NAO or EU Delegation.
- Number of report(s) copies
 - Inception Report and Final Report (*inception report due one week after the first mission to Lesotho and Final Report due no later than 2 weeks following the conclusion of the last mission*)
 - Mission report (
 - Submitted electronically to the IFMIS Management Team, NAO and EU Delegation.
 - Submitted with a hard copy to the IFMIS Management Team, NAO and EU Delegation (each party receiving a single hard copy) after all comments from the original submission (made in electronic form) are incorporated into the Final Documents.
 - Financial Report, Monthly Progress Report and Minutes of weekly meetings should be submitted electronically to the IFMIS Management Team, NAO and EU Delegation.