



ILO Country Office for Nepal

Terms of Reference

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| Requirement | Chartered Accountant |
| Assignment | Support design of strategic direction and oversight mechanisms for Social Security Fund's finances |
| Start date | 20 th May 2021 |
| End date | 20 th November 2021 |
| Total working days | 120 days |

I. Background

The Government of Nepal in line with a new Constitution (2015) moved to pass or amend new laws to reflect new federal system of governance. Since two key initiatives that laid foundation for creating a social safety net for workers in Nepal – Right to Employment Act (2019) and Social Security Act (2017).

The framework for the Social Security fund was first established in the Budget Speech of 2071/72 (2014-15) by enacting “the Unified Social Security Act for the effective implementation of social security programme”. During this period several studies were carried out to develop a comprehensive social security policy and framework for Nepal in accordance with the ILO Social Security (Minimum Standards) Convention, 1952 (No. 102). A combined effort of tripartite stakeholders with technical support of the ILO lead to the passing of the Social Security Act and Regulations (2017 & 2018) which completed the legal process to create the Social Security Fund.

The fund has currently under consideration the following nine social security schemes: medical care, sickness benefit, unemployment benefit, old-age benefit, employment injury benefit, family benefit, maternity benefit, invalidity benefit and survivors' benefit. It has been agreed that these nine branches of social security will be introduced in a phased manner starting with the schemes providing maternity benefit, medical care, sickness benefit, employment injury benefit and old age retirement scheme. Design and delivery of a comprehensive social security as envisioned in the Social Security Act and represented by the Social Security Fund will mark a significant achievement in Nepal's progress towards promoting decent work and advancing social justice in Nepal.

The possibilities embodied by SSF are immense but so were the challenges. ILO Skills for Employment Project (ILO SEP) provided support to SSF under its industrial relations component which saw the successful implementation of the tripartite Social Security Act (2017) as a basis for sound labour relations and domestic employment creation in Nepal. ILO SEP together with SSF conducted a complete technical review of fund operations in 2019. The review outlined critical constraints in scheme design, mechanisms, human resources, and administration. Weak administrative capacity, namely lack of adequate manpower to cater to even the then number of enterprises and workers registering within the fund was seen as a key issue. The SSF staff then were neither permanent nor expected to stay for long in that position which meant that any individual capacity building initiative would not be sustainable.

SSF took proactive immediate steps to resolve issues. A new Executive Director in 2019 and other changes paved the way for hiring of over 60 permanent staff spread across the 4 main departments in their central office. A series of meetings between SSF, GiZ and ILO SEP helped develop a joint plan for technical support in November 2019, under which ILO SEP provided training and other administrative capacity building support to SSF till July 2020. Part of the technical support included an update of technical review done in 2019. This update incorporated new changes and support provided under ILO SEP, GiZ, and SSF joint plan, and outlined areas where continued technical support to SSF would be necessary in the coming months.

II. Context

ILO Country Office for Nepal at the time started implementation on a new project entitled, *'Enhancing Social Protection System and Synergy with Public Finance Management in Nepal'* (ILO SP&PFM) as part of the European Union's global Action on improving synergies between social protection and public finance management. The objective of the project is to support the Government of Nepal (GoN) in improving social protection policies; financing strategies; coordination mechanism; and implementation and monitoring systems in order to increase coverage to the excluded, including persons with disabilities (PWD), informal sector workers and people living in disaster prone areas

A meeting of SSF, ILO SEP, and ILO SP&PFM projects was held in September 2020 to discuss how ILO can continue supporting capacity needs of SSF going forward. Follow up meetings with SSF, especially department heads under IT and Scheme Implementation and Promotion Unit department helped to unpack urgent capacity needs. Based on these meetings, ILO SEP and ILO SP&PFM worked to develop a joint plan for immediate technical support.

Under the joint areas for work, an immediate area for support was to stem the growing capacity gap in managing fund resources. Registration rates for SSF have been going up

and with its contribution collection and pay outs. SSF has been working to develop operational guidelines for managing collected funds and is now looking for immediate technical support on financial and internal control mechanisms

A follow up discussion with the Executive Director identified that a trained and experienced chartered accountant would provide immediate support needed until SSF and ILO can together identify a more permanent solution. This Terms of Reference was developed as per SSF requirements and in line with joint areas for technical support agreed between ILO SEP Project, SSF, and ILO SP&PFM.

III. Objective & Tasks

The objective is to support design of strategic direction and oversight mechanisms for Social Security Fund's finances. This will be done in line with Fund Vision and Mission. Key tasks are as follows;

1. **Support ongoing efforts to set up and update internal control mechanism for Fund operation and funding.** Sub tasks here include:
 - a. Ensure that SSF is compliant on government's Financial, Tax and Legal requirements such as, annual accounts, internal audit, external audit and discovered '*BERUJU*' (i.e. pending verification amount of expenses due to lack of documentation and reasonability besides other technical issues);
 - b. Prepare budget and monitoring mechanisms for effective and efficient implementation;
 - c. Check compliance with GAAP, public accounting and financial reporting requirements.
2. **Support development and implementation of SSF financial monitoring and reporting systems.** Sub tasks here include:
 - a. Assist SSF in finalizing requirements for setting up of an accounting system including ensuring alignment with business processes. Further to that, the consultant will also ensure alignment of work performed in strengthening governance and management of ITC supported by the ILO SP&PFM and provide inputs as part of the systems review of the SSF;
 - b. Develop a periodic reporting system on financial status of fund and policy compliance to SSF leadership;
 - c. Develop a periodic financial forecasting system;
 - d. Monitor adherence to SSF's financial policies and procedures, including through oversight of the internal audit function;
3. **Support capacity development of the SSF.** Sub-tasks here include:
 - a. Develop a capacity development and knowledge transfer plan;

- b. Ensure effective development of financial management capacities of all responsible staffs of the fund;
- c. Prepare the job description for a Finance Director that would take over the responsibility of the Finance Department; and,

Consultant will be expected to conduct additional tasks and work as per need by SSF during contract period.

IV. Deliverables

- a) Report on internal control mechanism for Social Security Fund;
- b) Report on design and implementation of financial monitoring and reporting systems
- c) Capacity building and knowledge transfer plan to be shared with the SSF and the ILO team for technical inputs and feedback;
- d) Training provided to SSF IT team based on the capacity building and knowledge transfer plan developed as per
- e) Develop and finalize job description for the Finance Director;
- f) Final report outlining complete details of support provided to Scheme Implementation and Promotion Unit at Social Security Fund.

Note that each report shall be accompanied by relevant means of verification.

V. Payment Schedule

Payment will be made in three instalments upon submission of agreed deliverables to the satisfaction of the ILO and SSF

First instalment: 30% will be made on delivery of IV a)

Second instalment: 30% will be paid upon delivery of IV b)

Third instalment: 20% will be paid upon delivery of IV c), d), e)

Final instalment: 20% will be made at the end of the contract, upon submission of all remaining deliverables to the satisfaction of SSF and ILO Country Office for Nepal.

VI. Tentative Timeline

| SN | Key Activities | Working days |
|---------------------------|--|---------------------|
| 1. | Set up and update internal control mechanism for Fund operation and funding | 50 |
| 2. | Development and implementation of SSF financial monitoring and reporting systems | 50 |
| 3. | Capacity development of the SSF | 20 |
| Total working days | | 120 |

VII. Required Qualification

Interested applicants must meet following minimum criteria;

- Licensed Chartered Accountant;
- At least 5 years of relevant experience; and,
- Knowledge of contributory social security system in Nepal preferred.

Submission

Qualified and experienced national experts are requested to submit your application (expression of interest) by 17:30hrs on Tuesday, May 4th 2021 to kathmandu@ilo.org along with;

- Updated CV;
- Expected daily rate of consultancy and;
- Confirmation of availability for the period.

Please indicate “**Chartered Accountant – SPPFM**” in your email subject line.