

**DANISH REFUGEE COUNCIL (DRC)**

**TERMS OF REFERENCE (TOR) FOR AUDIT SERVICES**

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**1. BACK GROUND**

## 1.1 About DRC

The Danish Refugee Council (DRC) has been providing relief and development services in Sudan since 2014. Using a protection of human rights framework, DRC has mainly focused on refugees who are displaced by conflict and natural disaster. DRC’s programs include Protection, Food security & Livelihoods, Shelter/NFI.

As a requirement DRC performs annual audit to be in line with the statutory obligation as provided by law and by HAC as a necessary requirement for annual license renewal. In this regard, DRC Sudan needs to submit annual returns in the prescribed form as stipulated in the regulations.

## 1.2 Accounting and Financial Management Information

DRC processes are guided by Policies and Procedures contained in the DRC Operations Handbook. The Operations Handbook documents policies on the following:

* Procurement and Logistics
* Accountability
* Finance
* Human Resources and Administration
* Programme Management

DRC uses DRC Dynamics Accounting system, which is a multi-currency accounting software, with the Danish Krone (DKK) and local currency (SDG - The Sudanese Pound) as the base currencies. Data is captured in the currency of expenditure and translated by the system into DKK or SDG for reporting. Each Donor Contract has a designated Project Code that distinctively identifies each contract. Donor Funds received are coded to the relevant Project code and expenses incurred are also charged to the relevant project code and donor reference budget line, hence allowing for expense tracking, monitoring and reporting.

The Sub Offices also have DRC Dynamics and at the end of each month, the transactions are consolidated together and posted to the database by use of journals

## 1.3 Contact Details

**Danish Refugee Council**

Plot No: 381 Block No. 9,

Burri Al Lamab, Manshia

Khartoum, Sudan

## 1.4 The Auditor, Independence and Qualification

DRC is requesting proposals from licensed certified public accountant firms to audit its financial statements for the financial statements. The Auditors must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The Auditors should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as Director for, or have any financial or close business relationships with any senior member in the management of Danish refugee council Sudan program.

The Auditors should disclose any relationship that might possibly compromise their independence.

The Auditors should have demonstrable experience in applying generally accepted audit standards; the Audit Firm must employ adequate staff with appropriate professional qualifications and suitable experience in auditing the accounts of Non-Governmental organizations.

A firm profile and the Curriculum vitae (CVs) of the firm’s partners should be provided to DRC Sudan by the principal of the Audit firm who would be responsible for signing the opinion, together with CVs of Manager, Supervisors and Key personnel proposed as part of the Audit team. In particular, the firm should:

* Be able to demonstrate that the audit team has vast experience in the sector.
* Be able to demonstrate ability to engage with different stakeholders in the sector, including the Sudan Revenue Authority and other government departments.
* Meet with the organization’s representatives to agree on the scope of the audit and address queries arising from the audit.
* Be competent to provide Value-added services on matters related to taxation, Insight on changing operating environment and audit standards.
* Submit for reference a list of similar credible INGOs they are engaged with.
* Short listed auditor must submit to senior management and the Board if available their bid.

## 1.5 Engagement date

DRC intends to conclude the selection of a firm by **25th April 2022.**

# *2.* ACCOUNTING STANDARDS

DRC follows the Danish Accounting Standards. DRC is bound by and is compliant with the Sudan laws and the Humanitarian Aid Commission of Sudan (HAC) under which it is registered. Further, DRC follows the accounting guidelines as set out in the DRC Operations Handbook, Finance section and implements projects in conformity with Donor Standards and Regulations.

# 3.AVAILABLE FACILITIES

Each Sub Office in DRC Sudan retains the documents in respect of transactions generated in their area. The auditor will be expected to specify the sample transactions required prior to the commencement of the audit to facilitate remittance of the support documents from the sub offices. Payroll however, is a centralized function and is done, for Sudan Programme in the Khartoum Capital Office.

The Auditors will have full and complete access during working hours to all records and documents (including books of accounts, legal agreements, Program Grant Agreements and Budgets, minutes of meetings, bank records, invoices and contracts) and employees. The Auditor will also have right of access to information on banks, consultants, contractors, and partners and other persons or firms engaged by DRC.

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# 4. AUDIT SCOPE

## 4. 1 Scope of Work

The audit is geared towards providing an audit opinion on the overall financial statements of DRC in line with the statutory requirements and conducting an independent appraisal of key financial and operational controls.

The audit will therefore examine the Income statement, Balance Sheet and Trial Balance records for DRC. The statements for DRC will be generated from DRC Dynamics ERP financial system in Sudanese Pounds for the audit period.

Specifically the Audit Scope will include but will not be limited to:

* Audit of DRC’s Income statement and Balance Sheet Reports for each financial year
* Obtain sufficient audit evidence to substantiate, in all material respects, the accuracy of the information contained in the Balance Sheet reports.
* Obtain an understanding of internal controls and perform tests of internal controls
* Perform procedures to determine whether DRC has complied with laws, rules and regulations
* Issue an independent Auditor’s Report that states but not limited to the following:
	+ An Opinion (or disclaimer of opinion) as to whether the Financial statements present fairly in all material respects.
	+ A report on internal controls which shall describe the scope of testing of internal controls and the results of the tests.
	+ A schedule of findings and questioned costs that includes a summary of the auditor’s results.
	+ A statement on the organization’s compliance with legal and regulatory requirements
	+ Whether the financial statements and supporting documents of Danish Refugee Council Sudan, fairly present the cash receipts and expenditure in all material respects and that the funds were used for the purposes defined by Danish Refugee Council Sudan program.

## 4.2 The Audit Report

### *4.2.1 Contents of Audit Report*

The Auditor should issue Consolidated Audit Reports for DRC operations in Sudan which will include but are not limited to the following:

* The Accounting Standards that have been applied and indicate the effect of any deviations from those standards
* Donor Project accounts
* The period covered by the Audit Opinion
* Income and Expenditure Statement
* Audit opinion stating whether the Income & Expenditure Statement and supporting schedules present fairly in all material aspects that the funds were utilized for the purposes intended.
* Audited financial statements in Sudanese Pounds currency

## 4.3 Management Letter

The Auditor will submit a separate Management Letter at the completion of the audit. The Management Letter shall include but not limited to the following:

* An assessment of the Internal Control System with equal emphasis on the general effectiveness of the Internal Control System in protecting the assets and resources of the organization
* A description of any specific weaknesses noted, the audit procedures followed to address or compensate for the weaknesses, risk exposure and recommendations to resolve/eliminate the weaknesses noted should also be included.
* Management comments/responses to audit findings and recommendations.

**THE END**