# DANISH REFUGEE COUNCIL (DRC)

TERMS OF REFERENCE (TOR) FOR AUDIT SERVICES

Period of Audit: January 2022 – December 2022

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Assignment : Statutory Audit for DRC Sudan operations for the year 2020Grade : Audit Firm

Contact Person : Finance Manager

Duty Station : Khartoum & central Darfur ‐ Sudan

Time frame : 30 working days (22 of them field work & the remaining is for submitting Audit Report)

1. **BACK GROUND**
   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. **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

 Program 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. **The Auditor, Independence and Qualification**

DRC is requesting proposals from licensed certified public accountant firms to audit its financial statements for the financial year ending December 2022. 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. **Engagement date**

DRC intends to conclude the selection of a firm by 15th February, 2023 Maximum.

1. **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.

1. **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 Program 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.

1. **AUDIT SCOPE**
2. **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 1st January 2022 to 31st December 2022.

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

 Audit of DRC’s Income statement and Balance Sheet Reports covering, in the first year, the period 1st January 2022 to 31st December 2022.

 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.
  1. **The Audit Report**
     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.

* + 1. **Submission Date of the Audit Report**

The audit is scheduled to begin in 1st April 2023 covering the financial period 1st January 2022 to 31st December 2022 and should conclude by 30th April 2023.

* 1. **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.

1. **We offer**

DRC will offer the successful applicant a 20 working‐days service contract, the Statutory Audit must commence no later than 1st April, 2023.

DRC will provide transportation and accommodation in the project areas outside of Khartoum.

DRC staff located in the assessment areas will provide necessary support to the audit team.

1. **Payment schedule**

DRC will pay 100% (one hundred percent) amount to Audit Firm after submission of “Statutory Audit” report.

Or it can be altered as well for 50% Advance & 50% when receiving the report.

1. How to apply
   1. **Application process**

Interested Firms who meet the required qualifications and experience are invited to submit their expression of interest to [rfq.sdn@drc.ngo](mailto:rfq.sdn@drc.ngo) or sealed envelope to DRC office in Plot No: 381 Block No. 9, Burri Al Lamab, Manshia at Khartoum, Sudan

which includes the following documents:

* + 1. Company Profile.
    2. CV's with details of qualification and experiences.
    3. Audit Approach / work plan.
    4. List of Clients & years conducted.
    5. Key area’s that your firm work on, how many staff, management letter quality, Professional behavior
    6. Annex A Signed DRC Request for Quotations (Financial proposal).
    7. Annex B Supplier Code of Conduct signed copy.
    8. Annex C Supplier Registration Form, completed and signed.

Deadline to submit the expression of interest is 20 January, 2023.

\*For Inquiries feel free to contact our supply chain manager Mr. [muhammad.shoaib@drc.ngo](mailto:muhammad.shoaib@drc.ngo)

* 1. **Assessment and award of Consultancy**

DRC will evaluate the proposals and award the assignment based on **technical and financial** feasibility.

DRC reserves the right to accept or reject any proposal received without giving reasons and is not bound to accept the lowest or the highest bidder. Only those shortlisted will be contacted.

Any subcontracting of the consultancy will not be accepted.

**Selection Criteria**

|  |  |  |  |
| --- | --- | --- | --- |
| **Sr No** | **Criteria** | **Points Scale (1-10)** | **Total Weightage** |
| **1** | **Experience** |  |  |
| 1.1 | **Evaluate the Company’s general proposal** submitted as per section 7.a paragraph “Application process - How to apply – following documents” requested [Technical]. | 1-10 | 2.5% |
| 1.2 | Demonstrable experience in auditing, at least **5 years in operation** (include **Certificate of Registration**) [Technical]. | 1-10 | 5% |
| 1.3 | Demonstrable & extensive experience in conducting **past statutory** audits (**5 clients with at least 4 INGOs Financial Audits**) [Technical]. | 1-10 | 15% |
| 1.4 | **Review** their Request for quotation (RFQ) **Financial offer** [Financial] |  | 10% |
| **2** | **Geographical Location** |  |  |
| 2.1 | **Based in Sudan** or **willingness to travel across Sudan** and ability to work under challenging circumstances.  DRC Sudan has 3 sub-field offices other than main office Khartoum which they are in: Central Darfur, Gedaref and South Kordofan where most of the implementation takes place in them.  \*In Central Darfur only, DRC have these sub-locations: Nertiti, Zalengi, Golo and Umdukun. [Technical] | 1-10 | 10% |
| **3** | **Qualification** |  |  |
| 3.1 | Audit Firm must **demonstrate adequate staff** with appropriate professional qualifications and suitable experience in auditing the accounts of INGOs.  Audit staff should have at the minimum a degree in Financial Accounting or its equivalent.  A chartered certificate would be highly valuable. 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 [Technical] | 1-10 | 15% |
| **4** | **Reporting Skills** |  |  |
| 4.1 | Ability to produce **high quality Audit Report** by applying generally accepted international auditing standards in a professional format. Submitted documents should be written in correct English [Financial] | 1-10 | 15% |
|  | Capability of submitting the Financial Report alongside with a signed audit report within 30 working days. (22 working field days & the remaining is to complete the Financial report) – **Lead time** [Technical] |  | 7.5% |
| **5** | **Interview** |  |  |
| 5.1 | Demonstrate technical capability to complete services based on all of the above and adding value to DRC in addition to Demonstrating a strong understanding of the Sudanese Financial regulations and context e.g. Tax rules. [Technical] | 1-10 | 20% |