

DANISH REFUGEE COUNCIL (DRC)
Tax Review – October 2020

Period of Review: January 2016 – October 2020

Table of Contents

1. BACK GROUND	3
1.1 About DRC	3
1.2 Accounting and Financial Management Information	3
1.3 The Auditor, Independence and Qualification	4
2. ACCOUNTING STANDARDS	4
3. AVAILABLE FACILITIES	5
4. AUDIT SCOPE	5
4.1 Scope of Work	5
4.2 The Audit Report	5
4.2.1 Contents of Audit Report	5
4.2.2 Submission Date of the Audit Report.....	6
4.3 Expected Activities	6
5. We offer	6
6. Payment schedule	6
7. How to apply	6
7.1 Application process.....	6
7.2 Assessment and award of Consultancy	7
Selection Criteria	7

Assignment : Review of Application of Tax rules by DRC Sudan
Grade : Audit Firm
Contact Person : Fred Omondi, Abdehakim Mahdi Ibrahim
Duty Station : Khartoum
Time frame : 30 working days

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.

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 The Auditor, Independence and Qualification

DRC is requesting proposals from licensed certified public accountant firms to review the application of the Sudan taxation rules for the period running from January 2016 to September 2020. 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 taxation rules; the Audit Firm must employ adequate staff with appropriate professional qualifications and suitable experience in consulting on tax matters for 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 final tax report, 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 payment to vendors in foreign currencies, 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.

1.4 Engagement date

DRC intends to conclude the selection of a firm by 20th October 2020

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

The Khartoum country Office retains the documents in respect of transactions generated in the whole program in Sudan. The auditor will be expected to specify the sample transactions required prior to the commencement of the exercise to facilitate remittance of the support documents.

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.

4. AUDIT SCOPE

4.1 Scope of Work

DRC Sudan has operated under the tax guidelines for payroll that was launched in 2017 by the tax authorities. Moreover, other forms of taxations have not been diligently applied in all cases hence the need to review the gaps and address the issues surrounding any potential non-compliance. The scope of the assignment will therefore revolve around the following key points;

- i. Income tax – Review all aspects of income tax components and review the applicable tax rules.
- ii. VAT – How DRC Sudan is supposed to implement charges from vendors where VAT is charged.
- iii. Withholding tax against local and foreign based consultants and casuals
- iv. Income tax for international staff – What the rules are for INGOs in Sudan.
- v. Stamp duty on contracts
- vi. Capital gain from sale of assets – this would also need verification against the various grants to see what each donor says.
- vii. Social insurance

Upon completion of this exercise the auditor will prepare a report and share with DRC which stipulates the recommendations from the review and what will be expected from both parties going forward. It is understood that DRC will henceforth undertake to fulfil the requirements of the law on the tax regime.

4.2 The Audit Report

4.2.1 Contents of Audit Report

The expected output from this exercise will be;

1. Computation of the back taxes that DRC has failed to file as a result of using the wrong taxation rates on income tax.

2. Assessment of withholding taxes DRC has failed to pay from not understanding the rules of taxation, for instance with regards to consultants and casuals.
3. Assessment of Capital gains tax, stamp duty, social insurance and other forms of taxes that DRC Sudan has failed to remit from not observing the taxation requirements in Sudan
4. Recommendation on way forward from above.

4.2.2 Submission Date of the Audit Report

The audit is scheduled to begin in October 20th 2020 and should conclude by 19th November 2020.

4.3 Expected Activities

- Review of past audit reports from 2016.
- Review of transaction listing from 2016 to date.
- Interview with relevant DRC Staff in finance.
- Validation of data collected with updated taxation rules from the tax authorities in Sudan.
- Review of bank statements to verify payments made to staff and consultants.

5. We offer

DRC will offer the successful applicant a 30 working-days service contract, the Audit must commence no later than October 20th 2020. DRC staff located in the country office will provide necessary support to the audit team.

6. Payment schedule

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

7. How to apply

7.1 Application process

Interested Firms who meet the required qualifications and experience are invited to submit their expression of interest to rfg.sudan@drc.ngo or sealed envelope to DRC office in Sudan **House No. 23, Block No. 9/H, Street 29, Al Amarat; 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
- 5) Annex A Signed DRC Request for Quotations (Financial proposal)
- 6) Annex B Supplier Code of Conduct signed copy.
- 7) Annex C Supplier Registration Form, completed and signed.

Deadline to submit the expression of interest is 8th November 2020.

International firms may apply to participate in this RFQ, but their offers will only qualify if the proposed Firm(s) having presence

in Sudan.

7.2 Assessment and award of Consultancy

DRC will evaluate the proposals and award the assignment based on **technical (50%) and financial (50%)** 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	Demonstrable experience in applying taxation rules in Sudan	1-10	25%
1.2	Demonstrable & extensive experience in conducting past tax consultancies (at least 5 clients)	1-10	10%
2	Geographical Location		
2.1	Demonstrates in submission a strong understanding of the Sudanese taxation regulations	1-10	20%
2.2	Based in Sudan or willingness to travel to Sudan and ability to work under challenging circumstances	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	1-10	15%
4	Reporting Skills		
4.1	Ability to produce high quality Report in a professional format. Submitted documents should be written in correct English	1-10	20%