

Annex - D

Terms of Reference (TOR)

OBJECTIVE

Danish Refugee Council (DRC)/Danish Demining Group (DDG) wish to engage the services of an external auditor of international reputation for conducting the annual audit of its financial statements and some of the projects in accordance with the statutory requirements, International Reporting Standards Guidelines, Generally Accepted Government Auditing Standards (GAGAS), and International Standards on Auditing (ISA). DRC-DDG invites your firm to submit technical and financial proposals for this purpose. The objective of the audit is to enable the auditors to express an opinion of the financial position and performance for the year 2019 and 2020 and on donor financial reports sent by DRC-DDG.

SCOPE OF AUDITS

The audit will be conducted in accordance with ISA as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC) and Generally Accepted Government Auditing Standards (GAGAS) as a whole and along with relevant donor's guidelines. Besides, the audit will also be based on instructions for the programme accounting and in compliance with DRC-DDG Operation Handbook.

To ensure that audit objectives are met at organizational/program/units/geographical level, special attention should be paid to the following:

1. Assessment of the adequacy of internal controls over funds received by DRC-DDG and subsequently utilised by the different organisational units.
2. Assessment of the adequacy of the system of internal control over procurement of supplies, equipment, and services, hereunder verify whether DRC-DDG procedures and guidelines regarding procurement are followed.
3. Verification of income and expenditure and the control of fixed assets at all levels as specified hereunder (but not limited to):
 - a) Check and/or verify the vouchers and other relevant documents.
 - b) Evaluate the evidence i.e. vouchers and receipts, to determine reliability and authenticity of these.
 - c) Assess the usage of the assets by going through the various records.
 - d) Check and control that DRC-DDG complies with local laws and regulations, e.g. deduction of any imposed taxes on deliveries from suppliers and that any withheld amounts are remitted to the relevant authorities on time.
4. Detect any expenditure variances by attaching the budget against the actual expenditure and extract explanation.
5. During the year, physical count of assets should be carried out including cash checks, confirmation and reconciliation of bank accounts, direct confirmation of selected accounts receivables and observation and verification of physical inventories and fixed assets where applicable. Random inspection of accounting records including detailed examination of vouchers will be part of the audit.
6. Audit of DRC-DDG payroll system to ensure salaries paid to employees are according to the rules and contracts and whether the relevant statutory deductions are made from the staff earnings and remitted to the relevant authorities on time.

REPORTING & DELIVERABLES

Report on any audit carried out must be submitted to the Country Director within 10 working days after the audit has been performed. Draft audit reports along with financial statements should be submitted within ten days of completion of the audit executions/detailed examination. Final audit reports shall be issued within a week upon receipt of comments from DRC-DDG.

The reporting in connection with audit of project accounts shall consist of audited accounts according to relevant donor guidelines and further reporting if so, required in the guidelines.

The reporting in connection with the annual accounts of DRC-DDG shall consist of audited accounts according to statutory requirements and a management letter highlighting issues revealed during the audit and related to the scope of audit. The management letter shall be sent to management for comments and comments shall be included in the final management letter as per above time schedule.

TIME FRAME

The annual audit of Financial year 2019 must be completed finally before Mar 31, 2021.

The annual audit of Financial year 2021 must be completed finally before May 31, 2021.

For more details, please refer to Annex 1 Time Frame

PROVISION OF INFORMATION BY DRC-DDG

Auditors will be provided with DRC-DDG draft annual financial information for the year ended 2019-20, consisting of:

- Statements for the projects' income and expense.
- Notes to the financial statements including statement of sources and allocation of funds.

For the purpose of project audits, DRC-DDG will provide donor format financial reports for the contract period. Furthermore, auditor will be provided with a draft financial statement for the project consisting of:

- Statement of income and expenditure
- Notes to the financial statement if needed.

For both types of audit, the auditors will be given access to all supporting documents, correspondence and any other documents deemed necessary for the purpose of audit.

DELIVERABLES

The auditor will issue an audited financial statement for DRC-DDG and an audit opinion on DRC-DDG's overall Financial Statements for the year ended December 31, 2019 and 2020 and/or project wise audited financial reports (specific projects only). In addition to the audit opinion, the auditor will prepare a "management letter," in which the auditor will:

1. Give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit.
2. Identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement.
3. Report on the lack of compliance of each financial covenant in the relevant financing agreement.

4. Communicate matters that have come to their attention during the audit which might have a significant impact on the operations of the organisation; and
5. Include management's comments in the final management letter.

LOCATION OF AUDIT

The audit will be carried out at DRC-DDG's Country Office, Kabul, Afghanistan.

PROPOSAL STRUCTURE AND OTHER INFORMATION FOR BIDDERS

Information should be provided in two sections listed below:

TECHNICAL (max. 20 pages)

1.1 Understanding of the work:

- Demonstrate understanding of the work in audit and guidelines of donors.
- Information regarding
 - Firm's legal status and membership with professional firms of auditing.
 - Number of partners and types of services provided.
 - Humanitarian sector auditing experience.
 - List of main clients in humanitarian,
 - Previous experience with NGO's and donors especially DANIDA, SIDA, UN Donors, US Donors, EC, and ECHO.

1.2 Methodology:

- Internal procedures (tools and techniques) to ensure the quality of the deliverables, accuracy of the figures, audit trail, unambiguity of the findings and the conclusions is included under this criterion.
- Describe how firm's procedures and methods adheres to ISA, GAGAS, and local auditing standards and documentation of the whole process.

1.3 Work plan:

- Indicating the main types of quality checks that will be performed.
- Measures taken in order to avoid discontinuity of services; and,

1.4 Human resources:

- The justification of the allocation of human resources by indicating the number of man-days and profiles proposed by the contractor for each phase of the assignment.
- Concerning the profiles, the experts must have received sufficient and adequate training in the fields
- Understanding the engagement context and the financial system of NGOs in Afghanistan

The figures in brackets indicate the maximum score that can be attributed to each individual criterion.

FINANCIAL

A separate cost proposal specifying separate fee for Audit along with any other cost required for agreed upon procedures, boarding and lodging and travelling of audit team.

ASSIGNMENT

Contract period will be for 45 Days starting mid-February 2021 for the year 2019 and 45 Days starting from early April 2021

Evaluation Method

The procedure for the selection of tenderers is intended to assess their economic, financial, technical and professional capacity.

1 Economic and Financial Capacity

The following documentation shall be supplied in the tender bid:

- 1.1 Evidence of **professional risk indemnity insurance**
- 1.2 A statement of overall turnover concerning the services covered for tender, during the last **three** financial years

if you rely on the capacities of other entities (e.g. your parent company), a **written undertaking** on the part of those entities confirming that they will place the resources necessary for performance of the contract at your disposal.

- 1.3 The following table shall be filled in by the tenderer (not mandatory but desirable to share)

Financial and Economic Capacity Overview			
Currency: USD		Figures (000)	
	N* (* most recent figures available)	N-1	N-2
Total Balance Sheet			
TRADE DEBTORS <i>Amounts due by commercial customers</i>			
CAPITAL and RESERVES (Equity) <i>Amounts owned by the company</i>			
TRADE CREDITORS <i>Amounts due to commercial suppliers</i>			
SHORT TERM DEBT			

LONG TERM DEBT			
LIQUIDITY <i>Bank accounts, cash at hand</i>			
<u>About PROFIT & LOSS</u>			

TURNOVER			
ORDINARY RESULT			
EXTRAORDINARY RESULT			
INCOME TAX			
NET RESULT			

1.3 The tenderers may add any data that they would consider of vital relevance for their organization and for the understanding of the related figures. Comments: Please, explain briefly important variations from one year to another, if appropriate. In case of negative equity or repeated losses, please explain how the future of the organization will be ensured.

2 Technical and professional capacity

Tenderers are required to prove that they have sufficient technical and professional capacity to perform the contract.

Such capacity shall be assessed with regard in particular to their know-how, efficiency, experience and reliability.

Evidence of the technical and professional capacity is to be furnished on the basis of the duly *Technical and Professional Capacity*."

2.1 TENDERER'S STRUCTURE

Have you described your organizational structure detailing the departments and allocated number of staff on all levels of your company(ies), as well as the division(s) responsible for the delivery of services requested in the present call for tenders

YES / NO
Reference:

2.2 QUALITY ASSURANCE AND CONTROL MECHANISMS

Have you given a description of your standard procedures for ascertaining the quality of the services you deliver to clients and the conformity of the deliveries with their orders?

<YES/NO>

Reference: <Ref>

2.3 QUALITY ASSURANCE MANUAL

Have you enclosed title and Table of Contents of your quality assurance manual?

<YES/NO>	Reference: <Ref>
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2.4 QUALITY STANDARDS CERTIFICATIONS

Do you have quality procedures for your delivery organization conforming to the EN29000 (ISO 9000) series of quality standards or equivalent?

<YES/NO>	Reference: <Ref>
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IF YES,

Specify the certification body, the year, and the country for which the accreditation has been obtained.

Have you enclosed a copy of the certificate?

<YES/NO>	Reference: <Ref>
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Have there been any follow-up audits? If yes, specify the dates and results.

<YES/NO> - <Date/Result>

2.5 STAFFING TABLES

Indicate your total staff size for the last three years as well as the current year.

As of	1/1/2018	1/1/2019	1/1/2020	1/01/2021
Total staff size				
Permanent expert staff				
Non-permanent expert staff				
Total of permanent management staff				
Other				

If the total (permanent and non-permanent) of expert staff does not equal or exceed 7 experts for each of the years in the table above, the bid will be disqualified.

2.6 PROFILE AVAILABILITY & THRESHOLDS

Table 1 : Expertise Thresholds

Profiles and skills	Threshold for experts	Bidder's number of experts
Junior Consultant in public accounting	3	<..>
Senior Consultant in public accounting	2	<..>
Partner/Director	2	<..>
Total	7	<..>

The bidders who do not comply with the threshold for each profile will be disqualified.

2.7 CURRICULA VITAE (CVs)

The contracting authorities shall consider all CVs as strictly **confidential information**, to be used only for control purposes and restricted to the scope of this tender evaluation. As such, the contracting authorities reserve the right to contact directly CV holders for verification purposes.

If the contracting authorities fail to establish contact with the CV holder using the coordinates supplied by the bidder, the corresponding CV will be declared void.

2.8 CLIENT REFERENCES

The bidder must provide an ordered list of at least **5** references and at most **10** references. Each reference consists of an individual client with whom the tenderer has signed one or more contracts in the period 1/1/2018 - 31/12/2020 for the rendering of services in relation to this tender.

For confirmation purpose, a valid contact must be supplied for each client.

If the reference client is not contactable or does not reply to our enquiry, the corresponding client reference will be declared void.

Order	Client Organization (legal name, legal address)	Number of man-days to execute the assignment	Period covered by the services	Detailed description of the content of the assignment.
1				
2				
3				
4				
5				
6				
7				
8				
9				

10				
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For a reference to be accepted, the assignment should be an ISA consultancy assignment. Audit assignments do not constitute relevant references either.

The provision of services directly relevant to the tender submitted must have been provided within the last three years. The list will include the amount, date and public or private recipients of the services:

- if supplied to contracting authorities, evidence must be provided in the form of certificates issued or countersigned by the competent authority.
- if supplied to private purchasers, provision of service is to be certified by the purchaser or, failing this, simply declared by the tenderer to have been provided.

Award criteria

The contract will be awarded to the tender offering the best value for money, i.e. the one with the best price-quality ratio. The method which will be used to determine the best-value-for-money tender will be as follows:

1 Technical Evaluation

1.1 Understanding of work (30 Points)

1.2 Methodology (20 points)

1.3 Work plan (20 points)

1.4 Human resources (30 points)

The figures in brackets indicate the maximum score that can be attributed to each individual criterion.

The maximum quality score is 100 points. Tenders, which do not obtain at least 50% of the maximum score for each award criterion and at least 60% of the overall score for all the criteria, will not be admitted to the next stage of the evaluation procedure.

2 Financial Evaluation

The contract will be awarded to the tender that offers the best-value-for-money. Priority is given to offers with a good quality. Consequently, the minimum threshold for quality is set to 60% of the maximum score and the ranking will be based according to the following rule:

$$\text{Overall Technical Score} = 60(Q_i/100) + 40 * (P_{\min} / P_i)$$

Where?

- Q_i is the result of the evaluation scoring in above table for the tender at hand,
- P_i is the total price for the tender at hand and
- P_{\min} is the minimal price, evaluated over all the tenders meeting all the criteria.

It is stipulated that the cheapest price can only derive from an offer which does not fail the technical evaluation.