

# **Federal Board of Revenue Pakistan Raises Revenue Project**

## **TERMS OF REFERENCE**

### **Selection of Consulting Firm for Review/ Updating of Tax Management Systems**

#### **Background**

Federal Board of Revenue is implementing the Pakistan Raises Revenue Project with the assistance of the World Bank. The objective of the project is to contribute to a sustainable increase in domestic revenue by broadening the tax base and facilitating compliance. This project comprises of two components: Component-1 (US\$ 320 Million): Result-based components and Component-2 (US\$ 80 Million): Investment Project Financing.

The Audit & Accounting Wing of FBR has been entrusted with many technical activities for the implementation of Disbursement Link Indicator No. 06 “Risk-based Audit” under Result based Component of PRR. To impart commitment to the said/ desired reforms, it is imperative for Audit & Accounting Wing to hire services of a consulting firm to provide their expertise in updating the existing systems along with Audit Plan and Manual.

#### **Objective(s) of the Assignment**

Tax system in Pakistan is operating on self-assessment basis aimed at promoting voluntary-compliance, documentation and self-policing. Tax Audit is an effective instrument of control with the FBR through which compliance level is monitored to ensure the quick disposal of audit related issues and bring transparency in clearance of tax audits. Accordingly, Audit wing was established in January 2003 and has been assigned the task of restructuring and reforming the audit policy. The main tasks included drafting National Audit Manual, preparing National Audit Plan and training the FBR workforce in modern auditing techniques etc.

FBR seeks the services of a consulting firm (hereinafter termed as the "Consultant") which shall assess the overall working of audit and FBR's data base for implementation of National Plan for the Purpose of Audit policy related to Taxpayer's Audit and enhancing of Risk Based Audit Management System in line with the international best practices and guide/provide recommendations to FBR for planning, designing, technical support, audit process management, and compliance assurance of the audit methodology, (hereinafter called the "Assignment").

The Assignment has the following components:

- i. Planning and designing audit procedures,
- ii. Evaluating tax audits for all domestic taxes,
- iii. Review and update National Audit Plan & Manual,
- iv. Design selection criteria for coverage of all higher risk areas,
- v. Develop Risk-based audit methodology to enhance audit quality,
- vi. Further development of IT application software “Risk-based Audit Management System” and “Audit Management Information System (AMIS)” as well as integration with External Platforms of M/s. PRAL ie Iris, TAMS etc.

## **Scope of Services, Tasks (Components) and Expected Deliverables**

Federal Board of Revenue (FBR) is looking to modernize its audit processes to meet its existing and future requirements. This modernization is deemed critical to enable FBR deliver upon its commitment with the World Bank and other international donors and to achieve its objectives, FBR is looking to hire consulting services for the planning, design, and further improvement in selection of Risk-based Audit and further development of an IT application software for “Risk-based Audit Management System (RAMS)” and “Audit Management Information System (AMIS)”. Consulting firm will need to understand the FBR AS-IS and To-Be Requirements and provide recommendation and best practice which includes but not limited to the following:

- i. Making of five-Year National Audit Plan/ Audit Procedure Code and Manual (Income Tax, Sales Tax & FED) to ensure compliance with Terms of Reference of Audit Wing’s strategic goal under PRR Project and international best practices.
- ii. Making of annual audit report and to provide technical assistance for ongoing quality assurance of audit and compliance in achieving Audit Wing’s Key Performance Indicators (KPIs) envisioned under PRR Project.
- iii. Equip the Audit Wing With an updated IT application software , state-of-the-art facility which provides:
  - a. an automated system and technical skills to make effective use of taxpayers’ information, with modern risk-based tools for more efficient and targeted compliance control and audit performance evaluation,
  - b. a highly redundant facility with no requirements for shutdown during maintenance and repair period,
  - c. existing and future scalability requirements with a modular approach,
  - d. cyber and physical security to developed systems,
  - e. the international best practices through utilization of modern technologies for facility.

### **A. Consultant Expected Deliverables**

- i. Develop the operational framework for 5 Year National Audit Plan for all key activities;
- ii. Design and Develop Annual Audit Report by ensuring that audit and compliance activities are in conformance with the Annual Audit Plan;
- iii. Analyze the compliance trends and international best practices in setting the objectives and vision of National Audit Plan and National Audit Manual;
- iv. Work closely with Technical Staff of PRAL and Audit Wing and support the Compliance & Audit Unit;
- v. Develop the operational framework for National Audit Manual for all key activities;
- vi. Identify and recommend improvements in transformation of traditional audit process.
- vii. Follow the guidelines and regulations of E-Audit process in making the National Audit Manual to improve quality of audit for ensuring least human interference;
- viii. Coordinate with concerned officers/teams, and field formations to ensure timely completion in submission of relevant documents;
- ix. Work closely with Technical Staff of PRAL and Taxpayers Audit (TPA) Wing to develop National Audit Manual and support the Compliance Unit;
- x. To obtain, and to provide sufficient data to specific KPIs and assist in achieving the KPI targets of Wing;
- xi. Examine and analyze the result of audit cases, evaluate the outcome of audit and identify the issues in performance of quality audit and give recommendations;
- xii. Responsible for coordinating with stakeholders to obtain data and monitoring of all audit related activities for the implementation of policies/ regulations under the said Project;
- xiii. Work as a member of Quality Assurance Committee and identify deviations from the

- annual targets as specified in Annual Work Plan in implementation of DLI No.06;
- xiv. Preparing data for processing by organizing information, checking for any inaccuracies, adjusting and weighing the raw data and managing selected audit cases encompassing details of monthly and annual breakup;
  - xv. Current state Assessment report in respect of Audit management analysis which includes:
    - a. Gathering and Assessment of requirements
    - b. Analysis of Requirements
  - xvi. Concept design, Technical Specification for IT application software's integration with data platforms of M/s. PRAL ie Iris, TAMS etc
  - xvii. Managing the AMIS competency center and technical support in end-to-end integration, implementation, deployment and maintenance of AMIS and allied IT Systems and infrastructure of Audit Wing.

### Qualifications and Experience of the Firm

The firm must meet the following qualifications to be considered;

- i. At least ten (10) years of post-registration advisory/ consulting experience with specialized skills in auditing business information, policies and procedures, control objectives and information systems offering similar services.
- ii. The firm should have completed at least three similar projects of similar scale and complexity in comparable organizations.
- iii. The firm should have technical personnel corresponding to the required areas of the Terms of Reference with adequate logistical capacity.
- iv. The firm should be a current COBIT/ IS09000 or equivalent certified firm.
- v. The firm should provide details (documentary evidence e.g., contract award or reference letter from the clients stating scope of services and deliverables) of all such projects for the last 5 years or more during which they were completed. In case, of joint venture/ consortium, the details of such projects will be provided separately for each member as lead or associated consultant.
- vi. In case of affiliation with a Global Professional Services firm, copy of affiliation document shall be provided.

### Team Composition and Qualification Requirements for the Key Experts

The Firm shall employ and provide such qualified and experienced Personnel and Sub-Consultants as are required to carry out the Services. The titles, agreed job descriptions / experience, and estimated periods of engagement in the carrying out of the Services of the Firm's Key Personnel are as under:

Sr.	Designation/Qualification of Key Experts	No of Positions,	Engagement Period (Weeks)
1	<p><b>Audit Plan &amp; Manual Specialist</b></p> <p><b>Qualification</b> Bachelors/ Masters (minimum 16-years education) in Economics, Accounting, Business Administration, Tax Administration or other relevant field.</p> <p><b>Experience:</b></p> <ul style="list-style-type: none"> <li>• At least Fifteen years of relevant experience in tax administration, taxation and tax policy at national and/or international level.</li> </ul>	1	24

	<ul style="list-style-type: none"> <li>• Solid understanding of federal and provincial tax laws as demonstrated in the relevant experience.</li> <li>• Understanding of government functioning &amp; protocols as evidenced in the past experience of the consultant.</li> </ul> <p><b><u>Hard Skills</u></b></p> <ul style="list-style-type: none"> <li>• Strong conceptual and analytical skills</li> <li>• Proficiency in recommending suitable policy decisions and plans</li> <li>• Written and oral fluency in English required.</li> </ul> <p><b><u>Soft Skills</u></b></p> <ul style="list-style-type: none"> <li>• Optimism</li> <li>• Integrity</li> <li>• Teamwork</li> </ul>		
2	<p><b>Monitoring &amp; Evaluation Expert</b></p> <p><b><u>Qualification</u></b>  Bachelors/ Masters (minimum 16-years education) in Economics, Accounting, Statistics, Business Administration, Computer Sciences, Mathematics, Information Management or other relevant field.</p> <p><b><u>Experience:</u></b></p> <ol style="list-style-type: none"> <li>a. At least 10 years of relevant experience as Data Analyst or Business Data Analyst and in the field of monitoring and impact evaluation at the national and/or international level. Solid understanding of monitoring and evaluation tools and mechanisms and its implementation in the field as evidenced in the relevant experience.</li> <li>b. Fair understanding of government functioning and protocols as evidenced in the past experience of the consultant combined with skills of project management, data collection, data entry, data verification, data analysis, reporting and Technical expertise regarding data models, database design development, data mining and segmentation techniques</li> <li>c. Experience of documenting / preparing quality reports which are concise and brief to allow policy and technical decisions.</li> <li>d. Experience using business intelligence tools (e.g., Tableau) and data frameworks (e.g., Hadoop etc)</li> </ol> <p><b><u>Skills</u></b></p> <ol style="list-style-type: none"> <li>a) Ability to research and gather information from a variety of external and internal sources.</li> <li>b) Ability to apply good judgment in the context of assignments given.</li> <li>c) Proven ability to work in a collaborative, team environment.</li> <li>d) Written and oral fluency in English required.</li> <li>e) Excellent computer usage skills (e.g., desktop</li> </ol>	1	24

	<p>application MS Office such as Word, Excel, and Power Point, MS Project etc.)</p> <p>f) Understanding of machine-learning and operations research</p> <p>Knowledge of R, SQL and Python; familiarity with Scala, Java or C++ is an asset</p>		
3	<p><b>Information Technology Expert</b></p> <p><b>Qualification</b> Bachelors/ Masters (minimum 16-years education) in Information Technology or Computer Science preferably having Master's degree in System Management with a focus on Computer Science and Business.</p>	1	24
<b>Total:</b>		<b>3</b>	<b>24 in total</b>

### **Reporting Requirements and Time Schedule for Deliverables**

The following will be the deliverables and timelines of the assignment:

<b>S. No</b>	<b>Deliverables</b>	<b>Timelines</b>
i.	<ol style="list-style-type: none"> <li>1. Current state Assessment report of FBR's Audit management including suggestions to prioritize business &amp; information needs;</li> <li>2. Identify &amp; recommend improvements in transformation of traditional audit process under international best practices for setting the objectives and vision of National Audit Plan/ Manual;</li> <li>3. Interpret data, analyze results using statistical techniques and provide ongoing reports;</li> <li>4. Provide technical/ analytical expertise and advice including: <ol style="list-style-type: none"> <li>a. Technical/specialist issues, and synthesize multiple sources of potentially conflicting information to understand and assess problems,</li> <li>b. Conduct research and analysis, applying technical experience, knowledge and established assessment frameworks and approaches,</li> </ol> </li> </ol> <p>a) Assist or lead in the development and application of methodologies and best practices related to specific technical areas of Information technology.</p>	One month from the start of the date of signing contract.
ii.	Submission of first Draft of National Audit Manual and National Audit Plan	First five weeks from the start of the date of signing contract after approval of reporting / competent authority.

iii.	Submission of Final Draft of National Audit Manual and National Audit Plan	Two weeks after submission of first draft and with due approval of reporting/ competent authority
iv.	<ol style="list-style-type: none"> <li>1. Preparing data for processing by organizing information, checking for any inaccuracies, adjusting and weighing the raw data and managing selected audit cases encompassing details of monthly and annual breakup;</li> <li>2. Develop and implement databases, data collection systems, data analytics and part thereof along-with other strategies that optimize statistical efficiency and quality</li> <li>3. Acquire data from primary or secondary data sources and maintain databases/data systems</li> <li>4. Identify, analyze, and interpret trends or patterns in complex data sets</li> </ol>	At the end of every month from start of contract till the completion of the contract with approval of reporting/ competent authority
v.	Obtain, and to provide sufficient data to specific KPI targets (linked with KPI targets/ DLI No.6 of PRR project)	At the end of every month from start of contract till the completion of the contract with approval of reporting/ competent authority
vi	<ol style="list-style-type: none"> <li>1. Audit Management requirement gathering and Analysis Report;</li> <li>2. Examine and analyze the outcome of audit cases, evaluate the strengths, weakness, opportunities of audit and identify the issues in performance of quality audit and give recommendations to improve Audit;</li> <li>3. Coordination with stakeholders to obtain data and monitoring of all audit related activities for the implementation of policies/ regulations under the PRR Project;</li> </ol>	At the end of every month from start of contract till the completion of the contract with approval of reporting/ competent authority

vii.	<ol style="list-style-type: none"> <li>1. Design, Develop, Deploy, Test and Maintain highly scalable data management systems</li> <li>2. Leading the design, development and deployment of complex IT initiatives.</li> <li>3. Design, implement, and provide subject matter expertise for the development of custom applications.</li> <li>4. Integrate new data management technologies and software engineering tools into existing structures.</li> <li>5. Compiling, synthesizing and analyzing data and information</li> </ol>	<p>At the end of every month from start of contract till the completion of the contract with approval of reporting/competent authority</p>
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- i. Weekly updates shall be shared with Audit & Accounting Wing, FBR.
- ii. The assignment will be conducted in continuous consultation with Audit & Accounting Wing, FBR.
- iii. Final reports (after incorporating comments of FBR) shall be submitted in soft form in addition to the specified number of hard copies.

### **Client's Input and Counterpart Personnel**

Services, facilities and property to be made available to the Consultant by the Client:

- i. Office space with necessary amenities.
- ii. Key experts to be available during the assignment in the Camp Office established at FBR HQ as required by FBR as well as for various training and consultation sessions.
- iii. The Consultant will report to Audit & Accounting Wing, FBR

### **Selection Method**

The Consulting Firm will be selected in accordance with the Consultant's Qualification Selection (CQS) method as set out in the World Bank's "Procurement Regulations for IPF Borrowers" July 2016, revised November 2017 and August 2018.