

September 7, 2005

**Request for Proposal: Development of a
Guide to International Standards on
Auditing for Use in Audits of Small- and
Medium-sized Entities**



**International Federation
of Accountants**

**REQUEST FOR PROPOSAL: DEVELOPMENT OF A GUIDE TO INTERNATIONAL
STANDARDS ON AUDITING FOR USE IN AUDITS OF SMALL- AND MEDIUM-
SIZED ENTITIES**

TABLE OF CONTENTS

1	Administration.....	2
	1.1 Request for Proposal	2
	1.2 Contact at IFAC	2
	1.3 Confidentiality of Information	2
	1.4 Submission of Proposal.....	2
	1.5 Assessment Criteria.....	3
	1.6 Successful Proposal.....	3
2	Background	4
	2.1 IFAC Profile.....	4
	2.2 Intended Users.....	4
3	Statement of Requirements	5
	3.1 Project Objectives	5
	3.2 Underlying Principles.....	5
	3.3 General Requirements.....	5
	3.3.1 General attributes of the Guide.....	6
	3.3.2 Maintenance	6
	3.3.3 Proposal evaluation criteria.....	7
	3.3.4 Quality review.....	7
	3.4 Copyright.....	7
	3.5 Derivative Products.....	7
	3.6 Indicative Timeline.....	7
4	Information Required	9
	4.1 Proposal Content and Format.....	9
	4.2 Information Summary	9
	4.3 Structure and Format.....	9
	4.4 Supplier Information	9
	4.5 Maintenance	9
	4.6 Delivery, Publication and Payment.....	10
	4.7 Derivative Products.....	10
	4.8 Costs.....	10

1 Administration

1.1 Request for Proposal

This document is a formal Request for Proposal (RFP)¹ for the supply, to the Small and Medium Practices Permanent Task Force (SMPPTF)² of the International Federation of Accountants (IFAC)³, of an explanatory guide (“the Guide”) to International Standards of Auditing (ISAs) for use in the audits of small and medium-sized entities (SME). This RFP has been sent to all of IFAC’s member bodies and a shortlist of other potential suppliers as well as posted to the IFAC website so as to elicit a proposal from any interested party.

The proposal should include all the costs associated with compiling, drafting and editing the Guide as well as the cost of updating it over a three-year time frame⁴. The successful supplier will be responsible for the provision of a suitable product which meets the needs of IFAC as well as for maintenance of the product. As explained in section 3.4, there may be an opportunity to develop related products based on the Guide.

1.2 Contact at IFAC

All enquiries relating to this RFP should be directed to:

Paul Thompson
Technical Manager
Small and Medium Practices Permanent Task Force
Email: PaulThompson@ifac.org

with a copy to:

Jim Sylph
Technical Director, Public Interest Activity Committees
Email: JimSylph@ifac.org

1.3 Confidentiality of Information

All information contained in this RFP is publicly available. We will, however, treat in the strictest confidence all information included in the proposals.

1.4 Submission of Proposals

IFAC is not responsible for any costs incurred by you in the preparation of your response to this invitation. The preparation of your proposal shall be made without obligation by IFAC to acquire any of the items included in the proposal or to discuss the reasons why the proposal is accepted or rejected.

¹ In some jurisdictions this is referred to as an Invitation to Tender (ITT).

² The SMPPTF was established by IFAC to represent the interests of small and medium practices around the world. See <http://www.ifac.org/TaskForces/smpptf.php> for more details.

³ More information on IFAC can be found at www.ifac.org.

⁴ After three years IFAC will consider the commissioning of further updates.

REQUEST FOR PROPOSAL: DEVELOPMENT OF A GUIDE TO INTERNATIONAL STANDARDS ON
AUDITING FOR USE IN AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

If the proposal is accepted, it will form part of the contract that will be negotiated subsequently. Any statements, therefore, included in the proposal as to the performance of the product will be contractually binding.

We may require meetings with suppliers to clarify details included in the proposals and these shall be arranged at the discretion of IFAC. We may also require product demonstrations.

If any sub-contractors or third-party suppliers will be used for any part of the Guide's development or maintenance, this should be clearly stated.

The successful supplier must undertake not to make any reference to IFAC in any literature, promotional material or sales presentation without prior consent from IFAC.

Proposals should be completed and submitted no later than midday (US Eastern Standard Time) on Friday, November 18, 2005 and should be addressed to Paul Thompson with a copy to Jim Sylph at the email addresses shown above.

1.5 Assessment Criteria

The main criteria on which the proposals will be assessed include the:

- Quality of the proposal submitted.
- Ability of the proposed product to meet the stated aims of the Guide as described elsewhere in this document.
- Ability of the supplier to provide the appropriate level of support for the continued maintenance and updating of the Guide.
- Experience of supplier's personnel in the supply of similar products.
- Supplier's long-term product strategy including plans to develop derivative products such as education and training materials and modules, audit software tools and electronic practice aids.
- Ease and speed of development.
- Cost of developing and maintaining the Guide.
- Financial soundness of the supplier.

IFAC reserves the right to award any contract for the development of the Guide which represents value for money. IFAC does not bind itself to accept the lowest or indeed any proposal.

1.6 Successful Proposal

All proposals will be systematically analyzed by IFAC staff in conjunction with members of the SMPPTF. **The final decision as to the successful supplier will be communicated via email to all organizations that submitted a proposal by February 28, 2006.**

2 Background

2.1 IFAC Profile

IFAC is dedicated to serving the public interest through strengthening the worldwide accountancy profession and contributing to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

IFAC's membership comprises 163 member organizations in 119 countries. These members represent 2.5 million accountants employed in public practice, industry and commerce, government, and academia.

IFAC's public interest mandate is critical to the profession in terms of its capacity to both serve the public and contribute to global economic growth and stability.

2.2 Intended Users

The Guide is primarily aimed at IFAC member bodies and through them their members working in small and medium practices (SMPs) and in countries where the profession is in a developmental phase. These are important constituencies for IFAC, together representing a significant proportion of the 2.5 million accountants that belong to IFAC's member bodies. We anticipate the Guide being used by member bodies and other commercial organizations under license as the basis for developing derivative products including education and training materials and modules (in particular to support continuing professional development (CPD)), audit software tools and electronic practice aids.

In addition, we anticipate other constituents of the accountancy community such as students, policy makers, researchers, international development agencies, and academia will have an interest in the Guide.

3 Statement of Requirements

A detailed analysis of the functional requirements is set out in this section.

3.1 Project Objectives

The project has a number of objectives including:

- Increase the capacity of the global accountancy profession to understand and use ISAs.
- Enhance the expertise and competence of professional accountants working in practice.
- Provide practical assistance to those engaged in conducting assurance engagements in compliance with ISAs so as to enhance the quality of such engagements.
- Facilitate convergence to and compliance with ISAs by practitioners, member bodies and others.
- Provide a basis for the development of other products aimed at promoting convergence and auditor competence, for example education and training materials and modules, audit software tools and electronic practice aids etc.

While these objectives are stated in general terms ultimately the Guide needs to be specifically relevant to the SMP / SME environment.

3.2 Underlying Principles

The development of this project is guided by the following underlying principles:

- *Commitment to high quality*
- Available in English in electronic form to IFAC member bodies *free of charge*.
- Relevance maintained through *annual updating*.
- Provide a platform for others to produce *derivative products*.
- Capable of easy *adaptation and translation* to suit national jurisdictions.
- Sector *neutral*

Of these principles the most important is the quality aspect.

3.3 General Requirements

The project to develop and maintain the Guide can be split into the following sections:

- General attributes of the Guide
- Maintenance
- Proposal evaluation criteria
- Quality review

3.3.1 General attributes of the Guide

The first edition of the Guide should reflect all ISAs effective for audits of financial statements for periods beginning on or after December 15, 2006. This body of ISAs would generally represent the ISAs issued by the International Auditing and Assurance Standards Board (IAASB) as of December 2005. The Guide may also need to refer to various other pronouncements of the IAASB and the Ethics Committee, for example International Standards on Assurance Engagements, International Standards on Quality Control and the Code of Ethics for Professional Accountants.

The final product is intended as an explanatory guide to ISAs for SME audit engagements. The Guide would be designed primarily to help auditors around the world understand, comply with, and apply these standards in SME audits. It should be noted that the SMPPTF and the IAASB believe that there is only one level of audit whether performed for a public interest entity or a privately owned SME. The Guide will therefore need to meet all of the basic principles and essential procedures contained in ISAs while tailoring the guidance for SMEs. The Guide will also need to emphasize that it is non-authoritative and that it will not eliminate the need to refer to the ISAs themselves. Aside from these requirements it is left to those submitting the proposals the discretion to determine exactly how their solution will achieve these objectives.

It is understood that auditors in individual jurisdictions may need to tailor the Guide to meet local / national regulatory or legislative requirements. Consequently, the Guide will need to be structured to make it easily capable of adaptation to suit the local / national requirements of all the countries in which IFAC member bodies operate.

The Guide will be as user-friendly and intuitive as possible. It will be written in clear and concise language so that it may be readily understood and translated into other languages commonly used by IFAC's member bodies⁵.

The Guide will as far as possible be sector neutral and so suitable for use on assurance engagements of public, private and not-for-profit entities and in a broad range of industry segments. It should allow for additional tailoring by users to recognize industry specific issues.

Finally, the Guide will be generic enough to make it suitable for the development of derivative products including, for example, audit software tools, electronic practice aids, and education and training materials and modules.

3.3.2 Maintenance

International pronouncements are continually being developed and revised, making it crucial that the Guide be updated on a regular basis. The Guide, therefore, may need to be updated and released once a

⁵ IFAC's translation and permissions policies are located at <http://www.ifac.org/Downloads/TranslationOfStandards.pdf> and http://www.ifac.org/Downloads/permissions_policy.pdf respectively.

REQUEST FOR PROPOSAL: DEVELOPMENT OF A GUIDE TO INTERNATIONAL STANDARDS ON AUDITING FOR USE IN AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

year to reflect the contents of that year's edition of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements*⁶.

Potential suppliers should be mindful of the IAASB's ongoing *Clarity of IAASB Standards* project⁷. This project is likely to have a significant impact on the task of updating the Guide.

3.3.3 Proposal evaluation criteria

A wide range of criteria will be used to judge the proposed solutions. The successful proposal will be the one that best demonstrates its ability to deliver materials that will:

- Be based as far as possible on the current edition of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements*.
- Be capable of easy translation.
- Support a broad base of users, in particular SMPs, member bodies and the developing profession.
- Be user friendly and understandable.
- Be capable of easy adaptation to cope with different levels of convergence with ISAs.
- Be sufficiently generic as to provide a basis for the development of derivative products.

3.3.4 Quality review

The draft of the first edition of the Guide produced by the chosen supplier will be subject to an IFAC quality review by a panel consisting of IFAC staff and volunteers. IFAC undertakes to complete this review and communicate the results, including details of any revisions required, within eight weeks of receiving the draft from the supplier. The process of review and revision is likely to be iterative and may take up to three months in total. Updates to the Guide, including any beyond the initial three-year contract period, will be subject to the same quality review process.

3.4 Copyright

Copyright for the Guide will rest with IFAC. IFAC, however, will consider assigning the successful supplier preferential rights to sell the Guide, in either electronic or hard copy form, directly into the market subject to complying with IFAC's permissions policy at http://www.ifac.org/Downloads/permissions_policy.pdf. IFAC is also willing to consider alternative revenue and cost sharing models suggested by those making proposals.

3.5 Derivative Products

Following publication of the Guide, IFAC may consider commissioning the development of derivative products. If IFAC does commission the development of derivative products it will issue a RFP for such products. IFAC may grant preferred supplier status to the supplier of the Guide. IFAC, however, can neither guarantee that it will be seeking the development of derivative products nor that it will grant preferred supplier status to the producer of the Guide.

⁶ The 2005 edition can be downloaded free of charge at <http://www.ifac.org/Store/Details.tmp?SID=95705605132866&Cart=1123090723612188>. A hard copy will be mailed to potential suppliers free of charge on request to PaulThompson@ifac.org.

⁷ See <http://www.ifac.org/IAASB/ProjectHistory.php?ProjID=0024>

REQUEST FOR PROPOSAL: DEVELOPMENT OF A GUIDE TO INTERNATIONAL STANDARDS ON
AUDITING FOR USE IN AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

3.6 Indicative Timeline

IFAC intends to publish its Guide in the first quarter of 2007. In order to meet this deadline the supplier will need to adhere to the following timeline:

Deadline for submission of proposals	November 18, 2005
Consideration of proposals and meeting with potential suppliers	Up to February 1, 2006
Decision on awarding project	February 28, 2006
Contract signed with supplier	March 31, 2006
Draft Guide submitted to IFAC for internal quality review	December 31, 2006
Final publication approved	March 31, 2007

It is expected that the updates for 2008, 2009 and 2010, and any further updates, will also be subject to an internal quality review and be duly approved on the anniversary of the initial publication.

4 Information Required

4.1 Proposal Content and Format

Proposals should set out clearly all information requested in the following sections.

Where specific questions are asked, individual and factual replies must be given, not general answers or reference to sales literature. Proposals may include relevant technical literature but this should be presented in separate appendices.

Those supplying proposals should be prepared to demonstrate a mock-up publication in advance of any final selection being made.

4.2 Information Summary

Please provide a summary of your intended approach to this project stating the main tasks and milestones involved. The proposal should clearly state that the Guide satisfies our needs as described in section 3 of this invitation.

4.3 Structure and Format

Please provide details as to the proposed structure and format of the Guide and how this lends itself to adaptation, updating, and to being used as a platform for derivative products.

4.4 Supplier Information

Please provide:

- Supplier's name
- Number of existing customers globally of similar products.
- Financial highlights of the supplier for the past 3 years including revenue, net income and net assets.
- Track record in publishing technical products for the accountancy profession.
- Samples of similar products, if any.
- Limited list of references (2 or 3).
- Brief resumes for proposed authors.
- Details of internal quality review process.
- Details of any sub-contractors to be used.

4.5 Maintenance

Please provide details of:

- Procedures for updating the Guide each year over a three-year time frame.
- How updates will be implemented.
- Other on-going maintenance issues.

4.6 Delivery, Publication and Payment

Please supply:

- An outline project plan (that accords with the timeline in section 3.6) clearly showing:
 - Initial drafting schedule
 - Iterations
 - Proofing
 - Formatting
 - Internal quality review
 - Revisions per IFAC review
- The terms and conditions included in your standard contract for the supply of products and any associated maintenance.
- Details of the payment schedule proposed. This will need an acceptance criteria schedule (set in the contract). Final payment will not be made until the Guide has been delivered and has cleared IFAC's quality review process (see section 3.3.4).

4.7 Derivative Products

As indicated in section 3.5, IFAC envisages that the Guide may eventually form part of a suite of products. We would welcome your ideas, however tentative, as to what future related products you may wish to develop for IFAC and what revenue or cost sharing models you would be willing to consider.

4.8 Costs

Separate costs must be presented for the work to be carried out to develop the first edition of the Guide and for its annual maintenance. It is important that IFAC is able to clearly understand what the overall cost is to develop and maintain the guide over a three-year time period.

IFAC accepts that the costs quoted will depend on the revenue and cost sharing model agreed for the Guide. IFAC intends to provide the Guide free of charge to its member bodies for their unreserved use. We envisage that many will wish to make the Guide available to their constituents, free of charge or for a fee, in either electronic form or hard copy, as is or duly adapted to suit their own national requirements. The successful supplier will be free to contract separately with these member bodies for adapting the Guide and producing electronic or hard copy versions for their use.

As indicated at section 3.4, IFAC is willing to consider alternative revenue and cost sharing models suggested by those submitting proposals. If you wish to propose alternative models please provide costs for each suggested model. In addition, you may wish to provide indicative cost estimates of providing derivative products.

REQUEST FOR PROPOSAL: DEVELOPMENT OF A GUIDE TO INTERNATIONAL STANDARDS ON
AUDITING FOR USE IN AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

As noted at section 3.3.2, potential suppliers should be aware of the IAASB's ongoing *Clarity of IAASB Standards* project, a project which is likely to have a significant impact on the task of updating the Guide. The successful supplier will be bound by any formal submission of estimated costs in respect of updating.

This proposal should be based on the provision of the specified product in English. The SMPPTF would be interested to learn whether suppliers have the capability of providing the Guide in other languages. Any commitment to provide the Guide in other languages would be subject to a separate contract.

For the base case of supplying the Guide with no residual rights and for each alternative revenue and cost sharing model quote the following:

Total cost

- Total cost for development
- Total cost for maintenance (for 3 years)
- Total cost