

**Small and
Medium
Practices
Committee**

Request for Proposal
October 31, 2006

**Request for Proposal: Development of a
Guide to Quality Control for Use by
Small and Medium Practices**



**International Federation
of Accountants**

**REQUEST FOR PROPOSAL: DEVELOPMENT OF A GUIDE TO QUALITY CONTROL
FOR USE BY SMALL AND MEDIUM PRACTICES**

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Section 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 (SMP) Committee² of the International Federation of Accountants (IFAC),³ of an explanatory guide (“the Guide”) to Quality Control for use by small and medium-sized practices (SMPs). This RFP has been sent to all of IFAC’s member bodies and a short list 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 frame.⁴ 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.

1.2 Contact at IFAC

All enquiries relating to this RFP should be directed to:

Paul Thompson
Technical Manager, Small and Medium Practices Committee
Email: PaulThompson@ifac.org

with a copy to:

Russell Guthrie
Director, Quality Assurance and Member Body Relations
Email: RussellGuthrie@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.

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.

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

² The SMP Committee, formerly the SMP Permanent Task Force, was established by IFAC to represent the interests of small and medium practices around the world. See www.ifac.org/smp 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.

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, December 29, 2006 and should be addressed to Paul Thompson with a copy to Russell Guthrie 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 does not bind itself to accept the lowest proposal or any proposal. In this respect, IFAC reserves the right to award any contract for the development of the Guide which, in its opinion, represents value for money.

1.6 Successful Proposal

All proposals will be systematically analyzed by IFAC staff in conjunction with members of the SMP Committee. **The final decision as to the awarding of the project will be communicated via email to all organizations that submitted a proposal by June 30, 2007.**

Section 2: Background

2.1 IFAC Profile

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong

international economies. IFAC's current membership consists of approximately 160 professional accountancy bodies in 120 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. IFAC, through its independent standard-setting boards, sets international standards on ethics, auditing and assurance, education, and public sector accounting. It also issues guidance to encourage high-quality performance by professional accountants in business.

2.2 Intended Users

The Guide is primarily aimed at IFAC member bodies and through them their members working in 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.

Section 3: Statement of Requirements

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

3.1 Project Objectives

The project's objectives include:

- Increasing the capacity of the global accountancy profession to understand and implement the standards relating to quality control at the firm and engagement level as issued by the International Auditing and Assurance Standards Board (IAASB)⁵ and the International Ethics Standards Boards for Accountants (IESBA);⁶
- Enhancing the expertise, competence, and efficiency of professional accountants working in practice;
- Providing practical assistance to those engaged in conducting assurance engagements and related services in compliance with the relevant IAASB and IESBA standards so as to enhance the quality of such engagements;
- Facilitating convergence to and compliance with the relevant IAASB and IESBA standards by practitioners, member bodies and others; and
- Providing a basis for the development of other products aimed at promoting convergence and auditor competence, such as education and training materials and modules, audit software tools and electronic practice aids, etc.

⁵ See www.ifac.org/iaasb

⁶ See www.ifac.org/ethics

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;
- Availability in English in electronic form to IFAC member bodies free of charge;
- Ongoing relevance through annual updating;
- A platform for others to produce derivative products;
- Jurisdiction neutrality;
- Easy adaptation and translation to suit national jurisdictions; and
- Sector neutrality.

3.3 General Requirements

Product Specification

The first edition of the Guide should reflect all relevant IFAC standards effective for audits of financial statements for periods beginning on or after December 15, 2007. The Guide will need to refer to International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements* and, to a lesser extent, International Standard on Auditing (ISA) 220 (Revised), [*Quality Control for Audits of Historical Financial Information*](#), both of which became effective on June 15, 2005. The Guide may also need to refer to various other pronouncements of the IAASB and the *Code of Ethics for Professional Accountants* issued by IESBA.

The final product is an explanatory guide to quality control for use by SMPs. The Guide will be an IFAC SMP Committee publication and will not carry the endorsement of the IAASB or IESBA. The Guide will be designed primarily to help SMPs around the world understand, implement and comply with the relevant quality control standards.

The Guide will provide documentation on quality control policies and procedures to assist practitioners in complying with the relevant IAASB and IESBA standards referred to above. The Guide should contain separate sections for key definitions, guidance, and practice aids and tools.

It should be noted that the SMP Committee and the IAASB believe that “an audit is an audit” and that there is only one level of audit whether performed for a public interest entity or a privately owned SME and whether performed by a Big Four firm or an SMP. The Guide will, therefore, need to meet all of the basic principles and essential procedures contained in the relevant IAASB and IESBA standards while tailoring the guidance for SMPs. As such the Guide will need to emphasize that it is non-authoritative and that it will not eliminate the need to refer to the relevant standards themselves.

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 must be structured to make it easily adaptable to the local/national requirements of all the countries in which IFAC member bodies operate.

The Guide will be user-friendly and intuitive. 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 bodies.⁷

In May/June 2007 the SMP Committee will be publishing its first explanatory guide, the ISA Guide. The ISA Guide is intended to help practitioners, especially SMPs, understand, implement and comply with ISAs when conducting audits of SMEs. It is vital that the successful supplier endeavors to ensure that the style and content of the Quality Control Guide are compatible with and complimentary to the ISA Guide,⁸ especially with respect to the treatment of ISA 220.

Finally, the Guide must be generic enough to allow development of derivative products including, for example, electronic practice aids, and education and training materials and modules.

Aside from these requirements, it is left to those submitting the proposals to determine exactly how their solution will satisfy the project's objectives.

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 year to reflect the contents of that year's edition of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements*.⁹

Potential suppliers should be mindful of the IAASB's *Clarity of IAASB Standards* project.¹⁰ This project may have a significant impact on the task of updating the Guide.

Quality Review

Although the supplier will be expected to warrant that the draft Guide supplied to IFAC is free of material error and faults, the draft Guide will also be subject to a quality review by IFAC staff and volunteers. This review will address both the utility of the Guide to the end user and its technical accuracy. IFAC undertakes to complete this review and communicate the results, including details of any revisions required, within 90 days of receiving the draft from the supplier. The process of review and revision is likely to be iterative and may take an

⁷ 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.

⁸ A free copy of the ISA Guide will be made available to the successful supplier.

⁹ The 2006 edition can be downloaded free of charge at <http://www.ifac.org/Store/Details.tmp!SID=114140585740731&Cart=1154718965277382>. A hard copy will be mailed to potential suppliers free of charge on request to PaulThompson@ifac.org.

¹⁰ See <http://www.ifac.org/IAASB/ProjectHistory.php?ProjID=0024>

additional month, therefore up to four months in total. Updates to the Guide, including any beyond the initial contract period, will be subject to the same quality review process.

3.4 Copyright

All rights to the Guide and related intellectual properties will rest solely with IFAC and only limited acknowledgment of the author will be given in the Guide itself. IFAC, however, will permit the successful supplier the rights to use the content of the Guide as a basis for developing domestic versions of the Guide provided this is not sold into the international marketplace. IFAC is also willing to consider alternative revenue and cost sharing models suggested by those making proposals.

3.5 Indicative Timeline

IFAC intends to publish its Guide in the first quarter of 2008. In order to meet this deadline the supplier will need to adhere to the following timeline:

Deadline for submission of proposals	December 29, 2006
Consideration of proposals and meeting with potential suppliers	Up to March 31, 2007
Decision on awarding project	June 30, 2007
Contract signed with supplier	July 31, 2007
Draft Guide submitted to IFAC for internal quality review	October 31, 2007
Final publication approved	February 28, 2008

It is expected that all updates will also be subject to an internal quality review and be duly approved on the anniversary of the initial publication.

Section 4: Basis for Award of Contract

The criteria that will be used to judge the proposals are as follows:

4.1 Product

- Conforms to the product specification and the underlying principles outlined above.
- Based on the relevant standards contained within the relevant edition of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements*.
- Capable of easy translation.
- Able to support a broad base of users, in particular SMPs, member bodies and the developing profession.
- User friendly and understandable.
- Capable of easy adaptation to cope with different levels of convergence with IAASB and IESBA standards.
- Sufficiently generic as to provide a basis for the development of derivative products.

4.2 Supplier

- Has experience in developing similar products.
- Demonstrates ability to complete the project on time and in accordance with the product specification.
- Utilizes rigorous quality control processes to ensure a high quality product.

4.3 Terms and Conditions

- Cost.
- Conditions surrounding supply.

Section 5: Information Required

5.1 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.

5.2 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 how the Guide satisfies our needs as described in section 3 of this invitation.

5.3 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 the development of derivative products.

5.4 Supplier Information

Please provide:

- Name of supplier;
- Number of existing customers globally of similar products;
- Financial highlights 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; and
- Details of any sub-contractors to be used.

5.5 Maintenance

Please provide details of:

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

5.6 Delivery, Publication and Payment

Please supply:

- An outline project plan (that accords with the timeline in section 3.5) 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; and
- 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 3.3.3).

5.7 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 the overall cost to develop and maintain the guide over a further 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. The existence of any contractual restrictions surrounding provision of the materials by IFAC to its member bodies must be articulated in your submission.

We envisage that many IFAC member bodies 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.

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 SMP Committee 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 for development;
- Total cost for maintenance (for an extra 3 years, 2009-2011 inclusive); and
- Total cost.