

20 March 2023 Accountancy Quality Advisory Group Meeting
Agenda Item 5.1.1



Initiative to Advance Audit Quality in Africa
Request for Proposals from Consultants

Service	Updating the PAFA guidance on quality assurance reviews for professional accountancy organisations or regulators considering International Standards on Quality Management 1 and 2, International Standard on Auditing 220 (Revised), and other international developments
Client	Pan African Federation of Accountants (PAFA)
Call Issue Date	8 March 2023
Call Close Date	29 March 2023
Service Commencement Date	19 April 2023
Service Completion Date	19 July 2023
Proposal Form	Link https://www.surveymonkey.com/r/G7TSQHH
Inquiries	ceo@pafa.org.za

Letter of Invitation

Midrand, South Africa, 8 March 2023

Initiative to Advance Audit Quality in Africa

Dear Consultants –

Three new standards—International Standards on Quality Monitoring (ISQM) 1 and 2 and International Standard on Auditing (ISA) 220 (Revised)—aim to strengthen and modernise quality management. The standards became effective on 15 December 2022.

In 2017, PAFA issued extensive guidance on quality assurance reviews for professional accountancy organisations or regulators. The development of the guidance was funded by the African Development Bank.

PAFA is inviting Proposals from Consultants to update the guidance on quality assurance reviews considering the new ISQM, ISA 220 (Revised), and other international developments.

Consultants should carefully review the Request for Proposals (RFP) and ToR before deciding whether to submit the Proposal Form. The Proposal Form should be submitted only if the Consultant can perform the service if selected.

The Proposal Form can be accessed via this [link](https://www.surveymonkey.com/r/G7TSQHH) (<https://www.surveymonkey.com/r/G7TSQHH>).

The Request for Proposals includes the following:

- Letter of Invitation

- Information About

 - PAFA

 - Initiative to Advance Audit Quality in Africa

- General Instructions to Consultants

- Information to be Submitted by Consultants

- Terms of Reference

Information About

PAFA

The Pan African Federation of Accountants (PAFA) is recognised by the International Federation of Accountants (IFAC) as the representative organisation of the accountancy profession in Africa. PAFA's membership is comprised of 56 national professional accountancy organisations (PAOs) in 45 countries in Africa and five international affiliates.

PAFA's vision is sustainable value creation to benefit the citizens of Africa. This is achieved through strengthening the influence and capacity of the accountancy profession to enhance trade, the quality of services and trust in institutions.

PAFA's strategic objectives and their economic and societal benefits are linked to the Seven Aspirations of the African Union Agenda 2063 and the United Nations Sustainable Development Goals (SDGs).

PAFA is determined to play a key role in the development and sustainability of the African continent, founded on the ideals of honesty, integrity, and good governance, and in its renaissance as exemplified in the African Union.

Initiative to Advance Audit Quality in Africa

The International Auditing and Assurance Standards Board (IAASB) has raised the bar for quality management. Three new standards—International Standard on Quality Management (ISQM) 1 and 2 and International Standard on Auditing (ISA) 220 (Revised)—aim to strengthen and modernise quality management in an evolving and increasingly complex accountancy ecosystem that includes growing stakeholder expectations and a need for quality management systems that are proactive and adaptable. The standards became effective on 15 December 2022. They replace the International Standard on Quality Control (ISQC) 1 and ISA 220. The new standards provide an excellent opportunity to review and enhance firm quality management in Africa. Smaller PAOs and their SMP members in particular will require support to implement the new standards.

A country-level quality review mechanism is key in ensuring quality financial reporting critical for enhancing confidence in business, trust in government, foreign direct investment, and the effective use of development assistance. Consequently, IFAC has included in the Statements of Membership Obligations (SMOs) the need for PAOs to ensure that professional accountants registered with them or operating within their jurisdiction are subject to quality reviews. Nevertheless, many PAOs / regulators lack resources to establish and maintain effective quality review systems, while peer-to-peer quality reviews of self-regulated PAOs could be challenging.

PAFA is uniquely positioned to harness our comparative advantages—integrated Pan African platform for engagement | influential voice | effective convener | expert advisor | knowledge gateway | trusted intermediary—to support the adoption and implementation of the new international quality management standards and IFAC SMOs 1 and 6 economically, efficiently, and effectively.

PAFA recognises the diversity of models applied across Africa to regulate the accountancy profession. The objective therefore is not to promote a specific model but rather work towards an effective country-specific fit-for-purpose model.

General Instructions to Consultants

Eligibility of Consultants

The Consultant should review the Conflicts of Interest, Corrupt and Fraudulent Practices, and Criteria for Evaluation set forth in the ToR and be prepared to provide evidence of eligibility satisfactory to the PAFA Management.

The Consultant will be ineligible:

- If they have a conflict of interest.
- If they engage in any corrupt or fraudulent practices as defined below.
- If their Proposal is incomplete.

PAFA will declare misprocurement and cancel a contract and any funding allocated to the contract if it determines at any time that the Consultant engaged in corrupt or fraudulent acts.

The Consultant is required, upon request, to permit PAFA to inspect all accounts, records, and other documents relating to the Proposal and – if applicable – the Contract, and to have them audited by auditors appointed by PAFA.

Clarification and Amendment of Instructions to Consultants

Requests for Clarification

If a Consultant requires any clarification of any of the instructions for the submission of a Proposal, they should write to ceo@pafa.org.za.

PAFA will endeavour to respond by email to any request for clarification provided that such request is received no later than five (5) business days prior to the submission deadline. However, any delay in such response will not cause an obligation on the part of PAFA to extend the submission deadline unless PAFA deems that such an extension is justified and necessary.

Amendments

At any time prior to the submission deadline, PAFA may amend the Instructions to Consultants and issue a notice via email titled Clarification and Amendment of Instructions to Consultants. The contact person shown on any Proposal received prior to the date of such change will be informed of the change by email. It is the Consultants' responsibility to update their submissions.

To give the Consultants reasonable time to consider a change in preparing their submissions, PAFA may, at its discretion, extend the submission deadline.

Completing the Online Proposal Form

Form

PAFA has prepared an online Proposal Form, which can be accessed at via this [link](https://www.surveymonkey.com/r/G7TSQHH) (<https://www.surveymonkey.com/r/G7TSQHH>). The Consultant should submit all relevant information via the form. Consultants should carefully review this RFP and ToR before deciding whether to complete the form. Completing the form should only be pursued when the Consultant can render the service set forth in the ToR should they be selected.

Cost

The Consultant will be responsible for all costs associated with the completion and submission of the Proposal Form. PAFA will in no case be responsible or liable for those costs, regardless of the conduct or outcome of the process.

Language

The Proposal Form and all correspondence and documents exchanged by the Consultant and PAFA should be in English. The Consultant should be fluent in English.

Currencies

All monetary amounts will be indicated in South African Rands (ZAR).

Submission of the Completed Proposal Form

Submission Deadline

The Consultant should complete and submit the online Proposal Form by the submission deadline.

PAFA may, at its discretion, extend the submission deadline, in which case all rights and obligations of PAFA and the Consultants subject to the previous deadline will thereafter be subject to the deadline as extended.

Late submissions

PAFA reserves the right, but is not obligated, to accept submissions received after the submission deadline.

Confirmation

If the Consultant would like to confirm receipt of the completed Proposal Form, they should write to ceo@pafa.org.za.

Evaluation of Proposal

Criteria for Evaluation

The Consultant will be assessed against the Criteria for Evaluation set forth in the ToR. The Consultant should review the criteria carefully and provide relevant, recent, accurate, complete, and sufficient information to enable an evaluation against the criteria.

References

The Consultant should provide three (3) references relevant to the assignment, including: dates; names of organisations; positions held / assignments conducted; types of activities performed and locations; and contact information of previous employing organisations or clients.

Right to Annul

PAFA reserves the right to annul the RFP and reject all submissions at any time, without thereby incurring any liability to any of the Consultants.

Confidentiality

Detailed information relating to the Proposals and their evaluation will not be disclosed. After the submission deadline, any Consultant that wishes to contact PAFA on any matter related to the process (other than confidential matters) may do so by email at ceo@pafa.org.za.



Terms of Reference

Initiative to Advance Audit Quality in Africa

Service to update the PAFA guidance on quality assurance reviews for professional accountancy organisations or regulators considering International Standards on Quality Management 1 and 2, International Standard on Auditing 220 (Revised), and other international developments

Background

1. Three new standards—International Standard on Quality Management (ISQM) 1 and 2 and International Standard on Auditing (ISA) 220 (Revised)—aim to strengthen and modernise quality management in an evolving and increasingly complex accountancy ecosystem that includes growing stakeholder expectations and a need for quality management systems that are proactive and adaptable. The standards became effective on 15 December 2022.
2. A country-level quality review mechanism is key in ensuring quality financial reporting critical for enhancing confidence in business, trust in government, foreign direct investment, and the effective use of development assistance. Consequently, IFAC has included in the Statements of Membership Obligations (SMOs) the need for PAOs to ensure that professional accountants registered with them or operating within their jurisdiction are subject to quality reviews. Nevertheless, many PAOs / regulators lack resources to establish and maintain effective quality review systems, while peer-to-peer quality reviews of self-regulated PAOs could be challenging.
3. PAFA is uniquely positioned to harness our comparative advantages—integrated Pan African platform for engagement | influential voice | effective convener | expert advisor | knowledge gateway | trusted intermediary—to support the adoption and implementation of the new international quality management standards and IFAC SMOs 1 and 6 economically, efficiently, and effectively.

Objective

4. The objective is to update the PAFA guidance on quality assurance reviews for professional accountancy organisations or regulators considering the new ISQM, ISA 220 (Revised), and other international developments.

Scope of Service

5. The PAFA guidance on quality assurance review for professional accountancy organisations or regulators to be updated is comprised of the following:

A	For PAO or Regulator	Methodology for Quality Assurance in Africa for Professional Accountants and Registered Auditors and Regulators and Professional Accountancy Organisations (19 pages)
B	For PAO or Regulator	<p>Master Firm Inspection Methodology</p> <ol style="list-style-type: none"> 1. Pre-arrival <ol style="list-style-type: none"> a. Annual assurance declaration (3 Excel sheets) b. High risk and PIE considerations (IESBA) (3 pages) c. Notice of planned firm inspection (1 page) d. Mapping of ISA to audit methodology (Excel spreadsheet, 1132 rows) e. Firm inspection requirements (Excel spreadsheet, 107 row) f. Quality control questionnaire (11 pages) 2. At inspection <ol style="list-style-type: none"> a. ISQC 1 checklist (83 pages) b. IESBA checklist (71 pages) c. Firm inspection / re-inspection criteria (3 pages) 3. Reporting <ol style="list-style-type: none"> a. Evaluation firm inspection (2 pages) b. Report template firm inspection (8 pages) 4. Concluding <ol style="list-style-type: none"> a. Letter satisfactory firm inspection results (2 pages) b. Letter unsatisfactory firm inspection results (1 pages)
C	For PAO or Regulator	<p>Master Engagement Inspection Methodology</p> <ol style="list-style-type: none"> 1. Pre-arrival <ol style="list-style-type: none"> a. Notice of planned engagement inspection (1 page) 2. At inspection <ol style="list-style-type: none"> a. ISA checklist (Excel spreadsheet, 350 rows) b. IFRS for SMEs checklist (Excel spreadsheet, 45 rows) c. IFRS disclosure checklist (external publication) d. Engagement inspection / re-inspection criteria (2 pages) 3. Reporting <ol style="list-style-type: none"> a. Preliminary report on engagement inspection (2 pages) b. Evaluation engagement inspection (1 page) 4. Concluding <ol style="list-style-type: none"> a. Letter engagement inspection results satisfactory (1 page) b. Letter engagement inspection results unsatisfactory (1 page)
D	For PAO or Regulator	Annual Public Report (36 pages)
E	For Regulator	Examples of Legal Agreements (3 external examples)
F	For PAO or Regulator	Training of Inspectors (PowerPoint, 39 pages)
G	For Firms	Master QCM Methodology

		<p>Chapter 0 – Introduction and information</p> <p>Preface (1 page)</p> <p>Glossary of Terms (2 pages)</p> <p>Chapter 1 – System of quality control</p> <p>Policies and procedures (8 pages)</p> <p>Training agenda (1 page)</p> <p>Training register (3 pages)</p> <p>Declaration of employees (1 page)</p> <p>Views and concerns (1 page)</p> <p>ISQC 1 matters excluded from assignment (2 pages)</p> <p>Chapter 2 – Leadership</p> <p>Policies and procedures (5 pages)</p> <p>Annual general policy statement (2 pages)</p> <p>Assignment of operational responsibility for QC (2 pages)</p> <p>ToR QCP (3 pages)</p> <p>Minutes of planning meeting (audit) (5 pages)</p> <p>Minutes of planning meeting (other assurance) (4 pages)</p> <p>Chapter 3 – Relevant ethical requirements</p> <p>Policies and procedures (86 pages)</p> <p>Annual independence declaration (2 pages)</p> <p>Engagement independence declaration (3 pages)</p> <p>EP declaration ethics and independence (1 page)</p> <p>Review of declarations (1 page)</p> <p>Threats to independence (3 pages)</p> <p>Second opinions (2 pages)</p> <p>Gifts register (1 page)</p> <p>Rotation plan PIEs (2 pages)</p> <p>Rotation decision tree (country relevance) (3 pages)</p> <p>RI considerations (country relevance) (2 pages)</p> <p>RI register (country relevance) (1 page)</p> <p>Money laundering considerations (country relevance) (2 pages)</p> <p>Money laundering register (country relevance) (1 page)</p> <p>FIC threats (country relevance) (2 pages)</p> <p>FIC register (country relevance) (1 page)</p> <p>Mergers and acquisitions considerations (3 pages)</p> <p>PIEs considerations (country IR to decide) (3 pages)</p> <p>Consolidated high risk entities list (country relevance) (3 pages)</p> <p>Chapter 4 – Acceptance and retention of clients</p> <p>Policies and procedures (11 pages)</p> <p>CEO declaration (1 page)</p> <p>Acceptance audit (7 pages)</p> <p>Acceptance other service (8 pages)</p> <p>Continuance of client relationships (8 pages)</p> <p>Threats to independence (2 pages)</p> <p>Register of declinations, resignations, withdrawals (1page)</p> <p>Chapter 5 – Human resources</p>
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H	For Firms	Training of the Profession (PowerPoint, 52 slides)

6. In updating the guidance, the Consultant should use with permission already-existing material and ensure consistency with / comparability to international guidance and good practice.
7. The Consultant should enrich the guidance with already-existing examples and case studies.

Deliverable

8. The Consultant should deliver updated PAFA guidance on quality assurance reviews for professional accountancy organisations or regulators.

Conflicts of Interest

The Consultant should not be seen to operate or act in a manner that creates a conflict or appears to create a conflict between the public interest nature of PAFA and the Consultant's business or financial interests.

The Consultant should disclose any potential conflicts of interest for consideration by the PAFA Management. A conflict of interest is any personal or institutional interest which may affect or be seen to affect impartiality in any matter relevant to duties.

The Consultant should alert the PAFA Management if there are any close business or family relationships with PAFA that might create the perception of a conflict of interest.

Corrupt and Fraudulent Practices

The Consultant should comply with the following policy on corrupt and fraudulent practices.

The Consultant should observe the most stringent standards of ethics during procurement and contract execution and should not engage in any corrupt, fraudulent, collusive, or coercive behaviours. In this context, any action to influence the procurement process or contract execution for undue advantage is improper.

In pursuance of this policy, PAFA prohibits:

- Any offering, giving, receiving, or soliciting of anything of value to improperly influence another party (bribes or kickbacks).
- Any acts or omissions that misleads, or attempt to mislead, another party for financial benefit.
- Any collusive arrangements between two or more parties for an improper or illegal purpose, including improperly influencing another party.
- Any impairing, harming, or related threats, harassment, or intimidation that are designed to improperly influence another party.
- Any attempts to falsify, alter, conceal, or destroy material evidence or information in an investigation or any false statements made in an investigation.

The Consultant should observe, in competing for and executing any contract, the laws against fraud and corruption, including bribery applicable in South Africa and applicable in the country where the Consultant is based. Where such laws differ, the Consultant should follow the most stringent laws.

The Consultant is required, upon request, to permit PAFA to inspect all accounts, records, and other documents relating to the procurement and contract execution, and to have them audited by auditors appointed by PAFA.

Criteria for Evaluation

The Consultant should:

- Be appropriately established to perform the service.
- Have an extensive knowledge of national quality assurance review systems.

- Have extensive knowledge of firm quality management systems.
- Have extensive knowledge of ISQM 1 and 2 and ISA 220 (Revised).
- Understand the status of, and actions necessary to strengthen, audit quality in Africa.
- Have a proven track record of prior work in areas relevant to the service with evidence of successful delivery of project outcomes and positive impacts on clients.
- Possess the human and financial capacity and capability to deliver at the standard and in the period contracted for.
- Demonstrate that they can deliver value for money (VFM). VFM is defined as *the optimal use of resources to achieve intended outcomes*. This means that the Consultant should demonstrate and continually strive to improve VFM in all that they do.
- Not have any pending litigation against them (unless such litigation is disclosed to the PAFA Management and the PAFA Management determines that the litigation does not present a problem for participation in the Programme).

Duration of Service and Expertise and Experience Required

9. The service will commence on 19 April 2023 and should be completed by 19 July 2023.

Reporting

10. The Consultant will report to the PAFA Management on progress against agreed key performance indicators, measures, and targets, and at agreed intervals.

Budget

11. The budget for the service is ZAR 300,000.