

Invitation to Tender (ITT):

Independent Expert: Mutual Recognition Agreements (MRAs)

Reference	FRC2022-0113 Independent Expert: Mutual Recognition Agreements
Date	27 June 2022

1 Background

The purpose of the Financial Reporting Council (FRC) is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them.

Delivering on our purpose will bring a variety of benefits. Improved outcomes, created by each of our regulatory activities are shown in the circle (below); each of which can positively reinforce others in the circle and contribute to overall benefits for a wide range of stakeholders such as greater transparency, increased trust in UK markets and a lower cost of capital for companies. Our direct stakeholders include companies, institutional investors, auditors, actuaries, accountants and their respective professional bodies. Our indirect stakeholders include retail shareholders, suppliers, employees, customers, communities, pensioners and savers, and financial institutions, all of whom have an interest in the health of companies and other organisations within our existing and future regulatory scope and in the success of the UK corporate sector as a whole.



The FRC is a public body, and a partner body of BEIS. Although funded by member and levy contributions, not by the taxpayer, the FRC is subject to public sector requirements and engages closely with other regulators and public bodies.

The FRC is committed to

- Supporting the creation of a new regulator, the Audit, Reporting and Governance Authority (ARGA), into a high performing new robust and independent regulator, acting in the public interest and provide increased confidence in the UK market. Protecting and improving audit and reporting quality.
- Making company reporting fit for the future.
- Supporting the creation of the audit of the future
- Ensuring that the world-leading UK Corporate Governance and Stewardship Codes make the UK a great place to do business, helping support Covid-19 recovery and UK prosperity.

The UK Stewardship Code is a voluntary code for asset managers (investment managers), asset owners and service providers (such as proxy advisers, investment consultants and data providers). The Stewardship Code promotes the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Further information: - <https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code-Dec-19-Final-Corrected.pdf>

We also monitor and take action to promote the quality of corporate reporting and operate independent enforcement arrangements for accountants and actuaries. Further information about our role can be found at www.frc.org.uk.

2 Project Requirements

2.1 Purpose & Background

Following the UK's exit from the EU and UK auditors' loss of automatic statutory audit rights, the FRC (as competent authority responsible for approving third country qualifications) is seeking to secure several mutual recognition agreements (MRAs) with key countries around the world.

Via a process of engagement with a number of countries we have identified some priorities and have focused, in particular, on the qualifications of accountancy professional bodies in Australia and New Zealand with the intention of reaching MRAs with the authorities in Australia and New Zealand later this calendar year.

We are currently reviewing the audit qualifications of Chartered Accountants Australia and New Zealand (CAANZ) and CPA Australia (CPAA) relevant to the approval of their qualifications by the FRC as approved third country qualifications under section 1221 Companies Act 2006. Although Australia and New Zealand are likely to be the earliest MRAs that we are able to achieve, we are seeking an Independent Expert able to assist subsequently in assessing the qualifications of other countries with whom MRAs are agreed. Our plans estimate that these further MRAs will number two per year.

Our next step will be to appoint an independent expert to review the evidence we have identified, the conclusions we have drawn and report on the equivalence of the CAANZ, CPAA and audit qualifications granted by UK recognized qualifying bodies. This authoritative report will state whether in the opinion of the author the audit qualifications granted in Australia and New Zealand are comparable to UK qualifications. The report will be carried out with full academic rigour and will be impartial. Accordingly, it will provide assurance to the FRC Board, the accounting profession and government as to the equivalence of the qualifications concerned.

The review will be desk based; however, we will facilitate full access to the educational framework for audit qualifications granted by CAANZ and CPAA as they are applied in Australia and New Zealand, access to the relevant syllabuses, training materials and examination infrastructure, and to the officials of the professional bodies and competent authorities concerned.

The author / **independent expert** of the report will be required to have regard to the terms of reference at Annex1.

Code of Conduct

The independent expert should discharge their responsibilities in the public interest and with integrity, objectivity and independence. The independent expert must notify the FRC if they are the subject of a disciplinary sanction by any professional or other body or tribunal, if they are found guilty of an offence by any court, declared bankrupt, enter into an arrangement with creditors, or are disqualified from acting as a Director. Any breach to the Code of Conduct or any breach of the contractual obligations may result in the termination of the appointment, without notice, prior to the expiry of the Term.

2.2 Objective & Scope

The objective of this project is to ensure that the audit qualifications of auditors in Australia and New Zealand afford an assurance of professional competence equivalent to that afforded by a recognized professional qualification i.e. a qualification granted by a recognised qualifying body under the Companies Act 2006.

The FRC requires the external partner to:

- Phase 1: Provide a first draft of their report and discuss this with the FRC's appointed representatives on a mutually convenient date as soon as possible. Thereafter making any mutually agreed amendments.
- Phase 2: Provide a final report by 31 October 2022.

The FRC requires the external partner to deliver:

- A written report on whether in the opinion of the author the qualifications of CAANZ and CPAA recognised for the purposes of becoming a statutory auditor in Australia and New Zealand meet the requirements of section 1221 the Companies Act 2006.
- If appropriate, the report should set out the ways in which, and the extent to which, in the expert's opinion, the CAANZ/CPAA qualifications do not meet the requirements; and make recommendations to the FRC on any compensatory measures that will address the gaps identified.

2.3 Liaison arrangements

The successful Supplier will liaise with the FRC's Project Leads and ensure the FRC's requirements are delivered within the required timeline.

2.4 Cost and financials

The tenderer should provide a fixed fee for the delivery of the Services required. Tenderers should detail their costs in the Tender Response Documents in the format specified.

2.5 Your tender response

You should submit one proposal (using the provided Tender response document) addressing how you meet / propose to meet the FRC's Requirements.

	FRC's requirement	Criteria / Evaluation
1	<p>The FRC is seeking an independent expert to undertake the review and report on whether the qualifications of CAANZ and CPAA as recognized for the purposes of becoming a statutory auditor in Australia and New Zealand provide an assurance of equivalent professional competence to a UK audit qualification granted by a Recognised Qualifying Body in the UK. The independent expert should be able to demonstrate a portfolio of qualifications, skills and experience to demonstrate subject matter expertise and experience of comparing accountancy and audit qualifications between different jurisdictions.</p> <p>Note:</p> <p>The intention is that the independent expert works with the FRC over a three year duration for a number of MRAs. MRAs with authorities in Australia and New Zealand are likely to be the first such MRAs, but MRAs with further countries are likely to be negotiated in the future. In responding you should therefore bear in mind that international experience is highly desirable.</p> <p>The FRC reserves the right to award a reserve place to the second highest scoring supplier in the event that the volume of assessments of qualifications required exceeds expectation or the capacity of an individual independent expert.</p>	<p>You/ Your proposal must demonstrate</p> <ul style="list-style-type: none"> how you meet this FRC requirement, including experience, knowledge and key transferrable skills. <p>In addition, your proposal must</p> <ul style="list-style-type: none"> Address whether there is any actual/ perceived conflict of interest and how this would be managed.
2	<p>You must be able to deliver the requirement to a high standard.</p>	<p>Your proposal must demonstrate</p> <ul style="list-style-type: none"> how you will work with the FRC to deliver this requirement what you will do to achieve this requirement (i.e. your approach / methodology).
3	<p>Effective time management to deliver the requirements (within the deadline).</p>	<p>Your proposal must detail</p> <ul style="list-style-type: none"> a high-level timeline / key activity that you would typically follow (include how you would work with the FRC to plan /

		manage availability for the proposed two MRAs per annum).
4.	Cost	You should provide a cost proposal that reflects value for money. (Please ensure there is a clear cost breakdown).

2.6 Tender evaluation

Bids will be scored on your ability to meet our requirements using the scoring approach: -

Score	Criteria for awarding score
0	Unacceptable Failed to provide confidence that the proposal will meet the requirements. An unacceptable response with serious reservations.
25	Poor A poor response with reservations. The response lacks convincing detail with risk that the proposal will not be successful in meeting all the requirements.
50	Fair Meets the requirements – the response generally meets the requirements but lacks sufficient detail to warrant a higher mark.
75	Good A good response that meets the requirements with good supporting evidence. Demonstrates good understanding.
100	Excellent An excellent (well detailed) response that fully meets the requirements and business needs. Provided a clear & comprehensive response and evidence of expertise, experience and/or capabilities to the benefit of the FRC resulting in a high level of confidence.

Questions & Clarifications

- Tenderers may raise questions or seek clarification regarding any aspect of this further competition at any time prior to the tender clarification deadline.
- Tenderers may raise questions or seek clarification within the timeframe by sending questions to procurement@frc.org.uk in the following format.

Nature of query / clarification	Query / Clarification

- FRC will not enter into exclusive discussions regarding the requirements of this ITT with tenderers.
- To ensure that all tenderers have equal access to information regarding this tender opportunity, FRC will publish all its responses to questions raised by Tenderers on an anonymous basis.
- Responses will be published in a questions and answers document to all Tenderers who have indicated that they wish to participate.

3. Indicative Tender process timeline

DATE/TIME	ACTIVITY
27/06/2022	Publication of the Invitation to Tender
04/07/2022 (by 12:00 noon)	Deadline to submit clarification questions
08/07/2022	Deadline for publication of responses to clarification questions FRC will endeavour to meet this deadline
15/07/2022 (by 12:00 noon)	Deadline for supplier submission of tender to the FRC.
25/07/2022	Shortlisted suppliers advised (by close of play)
TBC 28/07/2022 / 29/07/2022	Tender clarification / supplier presentations to take place (if required)
w/c 01/08/2022	Tender Outcome
08/08/2022	Contract Start Date

4. Conduct

- The tenderer must not communicate to any person the tender price, even approximately, before the date of the contract award other than to obtain, in strict confidence, a price for insurance required to submit the tender.
- The tenderer must not try to obtain any information about any other person's tender or proposed tender before the date of the contract award.
- The tenderer must not make any arrangements with any other person about whether or not they should tender, or about their tender price.
- The tenderer must not offer any incentive to any member of FRC's staff for doing or refraining from doing any act in relation to the tender.
- If the tenderer engages in any of the activities set out in this paragraph or if FRC considers the tenderer's behaviour is in any way unethical FRC reserves the right to disqualify the tenderer from the procurement.
- The tenderer represents and warrants that a conflicts of interest check has been carried out, and that check revealed no conflicts of interest.

- Where a conflict of interest exists or arises or may exist or arise during the procurement process or following contract award the tenderer must inform the FRC and submit proposals to avoid such conflicts.
- Tenderers must obtain for themselves at their own responsibility and expense all information necessary for the preparation of tenders. The FRC is not liable for any costs incurred by the tenderer as a result of the tendering procedure. Any work undertaken by the tenderer prior to the award of contract is a matter solely for the tenderer's own commercial judgement.

5. Due Diligence

- While reasonable care has been taken in preparing the information in this ITT and any supporting documents, the information within the documents does not purport to be exhaustive nor has it been independently verified.
- Neither FRC, nor its representatives, employees, agents or advisers:
 - makes any representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the ITT and supporting documents; or
 - Accepts any responsibility for the adequacy, accuracy or completeness of the information contained in the ITT and supporting documents nor shall any of them be liable for any loss or damage, other than in respect of fraudulent misrepresentation, arising as a result of reliance on such information or any subsequent communication.
- It is the tenderer's sole responsibility to undertake such investigations and take such advice, including professional advice, as it considers appropriate in order to make decisions regarding the content of its tenders and in order to verify any information provided to it during the procurement process and to query any ambiguity, whether actual or potential.
- It is a requirement that the successful supplier (i) comply with all applicable laws and regulations including, without limitation, the Bribery Act 2010, the Equality Act 2010 and the Modern Slavery Act 2015; and (ii) in addition to any contractual requirement(s), inform the FRC immediately upon becoming aware of any event (including actual or threatened court proceedings) which may impact upon the reputation of the FRC, whether or not connected with the Supplies and/or Services.

6. Submitting a Tender

- Tenderers must submit their tender response within the deadline to procurement@frc.org.uk.
- Where a Tender Response Template is provided, potential providers must align their tender response with that format.
- A Tender must remain valid and capable of acceptance by the Authority for a period of 90 days following the Tender Submission Deadline. A Tender with a shorter validity period may be rejected.

7. Evaluation

- FRC will award the contract on the basis of the tender which best meets the evaluation criteria aligned to the requirements.

8. Acceptance of Tender & Notification of Award

- FRC reserves the right to amend, add to or withdraw all or any part of this ITT at any time during the procurement.
- FRC shall not be under any obligation to accept the lowest price tender or any tender and reserves the right to accept such portion or portions as it may decide, unless the tenderer includes a formal statement to the contrary in the tender. FRC also reserves the right to award more than one contract to fulfil the requirement.
- The tenderer will be notified of the outcome of the tender submission at the earliest possible time.
- Where the procurement process is subject to EU public procurement directives, a minimum standstill period of 10 calendar days will apply between communicating the award decision electronically to tenderers and awarding the contract.
- Nothing in the documentation provided by FRC to the tenderer during this procurement or any communication between the tenderer and FRC or FRC's representatives, employees, agents or advisers shall be taken as constituting an offer to contract or a contract. No tender will be deemed to have been formally accepted until the successful tenderer has received a formal contract award letter from FRC.

9. Additional Information

- Tenderers must not undertake any publicity activity regarding the procurement within any section of the media.
- The FRC reserves the right to take up references. You will be required to provide references in the Tender Response Document. References must be relevant to the FRC requirement and in the last five years
- Please use the attached Tender Response Document for your reply.
- It is proposed that the standard [FRC Purchase Order \(PO\)](#) conditions will apply with any necessary special conditions. Suppliers should accept the T&C's with **no material changes**.

Annex 1

Draft terms of reference for review of the professional audit qualifications of Chartered Accountants Australia and New Zealand (CAANZ) and CPA Australia

These terms of reference relate to an assessment of the extent to which CAANZ and CPA Australia's examination systems meet the requirements of the UK Companies Act 2006.

Terms of reference

1. To undertake a review of whether CAANZ and CPA Australia's Professional Qualifications meet the requirements in Paragraphs 6-11 of Schedule 11 to Companies Act 2006, which state:

6(1) The qualification must only be open to persons who—

(a) have attained university entrance level, or

(b) have a sufficient period of professional experience.

(2) In relation to a person who has not been admitted to a university or other similar establishment in the United Kingdom, "attaining university entrance level" means—

(a) being educated to such a standard as would entitle him to be considered for such admission on the basis of—

(i) academic or professional qualifications obtained in the United Kingdom and recognised by the Secretary of State to be of an appropriate standard, or

(ii) academic or professional qualifications obtained outside the United Kingdom which the Secretary of State considers to be of an equivalent standard, or

(b) being assessed, on the basis of written tests of a kind appearing to the Secretary of State to be adequate for the purpose (with or without oral examination), as of such a standard of ability as would entitle him to be considered for such admission.

(3) The assessment, tests and oral examination referred to in sub-paragraph (2)(b) may be conducted by—

(a) the qualifying body, or

(b) some other body approved by the Secretary of State.

(4) The reference in sub-paragraph (1)(b) to "a sufficient period of professional experience" is to not less than seven years' experience in a professional capacity in the fields of finance, law and accountancy.

7.(1) The qualification must be restricted to persons who-

(a) have completed a course of theoretical instruction in the subjects prescribed for the purposes of paragraph 8, or

(b) have a sufficient period of professional experience

8. (1) The qualification must be restricted to persons who have passed an examination (at least part of which is in writing) testing-

(a) theoretical knowledge of the subjects prescribed for the purposes of this paragraph by regulations made by the Secretary of State, and

(b) ability to apply that knowledge in practice.

and requiring a standard of attainment at least equivalent to that required to obtain a degree from a university or similar establishment in the United Kingdom.

(2) The qualification may be awarded to a person without his theoretical knowledge of a subject being tested by examination if he has passed a university or other examination of equivalent standard in that subject or holds a university degree or equivalent qualification in it.

(3) The qualification may be awarded to a person without his ability to apply his theoretical knowledge of a subject in practice being tested by examination if he has received practical training in that subject which is attested by an examination or diploma recognised by the Secretary of State for the purposes of this paragraph.

9(1) The qualification must be restricted to persons who have completed at least three years' practical training of which—

(a) part was spent being trained in statutory audit work, and

(b) a substantial part was spent being trained in statutory audit work or other audit work of a description approved by the Secretary of State as being similar to statutory audit work.

(2) For the purpose of sub-paragraph (1) "statutory audit work" includes the work of a person appointed as the auditor of a person under the law of a country or territory outside the United Kingdom where it appears to the Secretary of State that the law and practice with respect to the audit of accounts is similar to that in the United Kingdom.

(3) The training must be given by persons approved by the body offering the qualification as persons whom the body is satisfied, in the light of undertakings given by them and the supervision to which they are subject (whether by the body itself or some other body or organisation), will provide adequate training.

(4) At least two-thirds of the training must be given by a person—

(a) eligible for appointment as a statutory auditor, or

(b) eligible for a corresponding appointment as an auditor under the law of an EEA State, or part of an EEA State

(5) For the purpose of sub-paragraph (4), Gibraltar is to be treated as if it were an EEA State.

10(1) Periods of theoretical instruction in the fields of finance, law and accountancy may be deducted from the required period of professional experience, provided the instruction—

(a) lasted at least one year, and

(b) is attested by an examination recognised by the Secretary of State for the purposes of this paragraph;

but the period of professional experience may not be so reduced by more than four years.

(2) The period of professional experience together with the practical training required in the case of persons satisfying the requirement in paragraph 7 by virtue of having a sufficient period of professional experience must not be shorter than the course of theoretical instruction referred to in that paragraph and the practical training required in the case of persons satisfying the requirement of that paragraph by virtue of having completed such a course.

11 (1) The body offering the qualification must have—

(a) rules and arrangements adequate to ensure compliance with the requirements of paragraphs 6 to 10, and

(b) adequate arrangements for the effective monitoring of its continued compliance with those requirements.

(2) The arrangements must include arrangements for monitoring—

(a) the standard of the body's examinations.....

2. To prepare and submit a report to the FRC on the findings of the review which:
 - a. Concludes whether in the assessor's opinion, CAANZ and CPA Australia's qualifications provide assurance of professional competence equivalent to that afforded by a UK recognised professional qualification;
 - b. If the assessor concludes that there are deficiencies, sets out in what ways the qualification fails to do so; and
 - c. Makes recommendations to the FRC on any compensatory measures required to address these deficiencies;

Possible Work programme (for further discussion with those bidding)

In concluding whether the CAANZ and CPA Australia qualifications afford an assurance of professional competence equivalent to that afforded by a UK audit qualification, we consider that the assessor will need to:

- (a) Review the requirements of the Companies Act and match this to CAANZ and CPA Australia's examination syllabuses;
- (b) Review the syllabus and examinations to assess whether the qualifications are of degree standard;
- (c) Review the syllabus and examinations to determine whether they provide adequate testing of the prescribed subjects, including testing of the practical application of these subjects;
- (d) Review all the relevant examination papers for the audit qualifications, including any Case Study examination, to determine whether the standard of the examinations requires a level of expertise sufficient for someone to become audit qualified; this should include reviewing model solutions, marking plans, marking process and moderation of the examinations;
- (e) Review CAANZ and CPA Australia's arrangements for the delivery of courses of theoretical instruction to students, including the quality of the learning materials and the extent of pupil-tutor interaction.
- (f) Review the procedures that CAANZ and CPA Australia have in place for granting exemptions from any of their examinations;
- (g) Review CAANZ and CPA Australia syllabuses, examinations and learning materials to ensure that the practical application of the prescribed subjects is adequately tested in papers for which no exemption is available to students;
- (h) Review the length of time available to students within which they must pass all the CAANZ and CPA Australia examinations to determine whether, where the maximum time is taken, the level of attainment required is sufficiently high for someone to become audit qualified.