

Invitation to Tender (ITT):

The provision of professional services for scenario development, facilitation and delivery of an audit market resilience exercise.

Reference	FRC2024-005 Audit Market Resilience Exercise
Date	28 August 2024

FRC-sponsored Audit Market Resilience Exercise

1. Background

The Financial Reporting Council (FRC) regulates auditors, accountants and actuaries and sets the UK's Corporate Governance and Stewardship Codes. We seek to promote transparency and integrity in business; our work is aimed at investors and others who rely on company accounts, audit, and high-quality risk management. As the Competent Authority for audit in the UK, the FRC sets auditing and ethical standards and monitors and enforces audit quality. Further information can be found on www.frc.org.uk

A key FRC strategic objective is to create a more resilient audit market through greater competition and choice. The FRC's supervisory activities work towards achieving this aim through its 'four faces' model, that encourages UK audit firms to prudently manage their risks and so reduce their likelihood of failure. The FRC also has a role to play in responding to the challenges faced by the largest providers of audit services, as firm shocks that could harm resilience could cause market instability, and/or could result in reduced audit quality and choice in the market for statutory audit services.

The FRC has launched a Project to test its responsiveness to one of its principal market risks occurring. The Resilience Project will culminate in a market-wide exercise involving the FRC and the organisations listed in Section 2.2.

The FRC now seeks tender submissions from experienced providers to help plan and facilitate the proposed market-wide exercise from Autumn 2024.

The nature of the project will involve a degree of confidential and sensitive information. All confidential and sensitive information, whether written or oral must be kept confidential and secure and not disclosed, used or exploited except for the purposes anticipated under the Contract. The FRC might request successful contractors to delete all confidential and sensitive information after the end of the contract.

2. Project Description

2.1 Purpose and Objective

The project aims to achieve the following overall objectives:

- a) To test through a planned simulation exercise, the coordination, readiness and responsiveness of key audit market stakeholders in the event of a significant audit firm failure, in support of wider market resilience and financial stability objectives.
- b) To identify lessons and actions for improving our individual, and joint, responsiveness.

The results of the market resilience exercise will inform the FRC's ongoing supervision of the largest audit firms, including factors that could affect audit market stability, audit firm choice, or audit quality delivery, and ongoing preparedness in response to a resilience challenge.

2.2 Scope

The audit market resilience exercise is likely to involve representatives from the FRC, the larger audit firms, UK financial regulators (e.g., PRA/BoE and FCA, among others) who may regulate the clients of the larger audit firms, the Government (i.e., Department for Business & Trade), and possibly an international audit regulator.

2.3 Suggested Approach

The FRC will provide the successful contractor with a high-level plan and timeline (see Section 2.6), setting out key project milestones. Upon appointment, the contractor, with oversight from the FRC, will develop a detailed project plan to ensure delivery of the project (including capturing lessons learned from stakeholders) within agreed FRC project timeframes.

The FRC will retain overall sponsorship and accountability for the project. The contractor will have access to a small number of in-house FRC resources to support the delivery of this project. The contractor's will be responsible for, and have experience in, the planning, executing and facilitating of an industry resilience exercise within a financial services context, involving a range of different stakeholders.

The FRC will require the successful contractor to conduct all three key project stages (set up, evidence gathering, and reporting) in accordance with the Competition Act 1998, Competition and Markets Authority Guidance, and other applicable laws and regulations. The management of (potential or actual) competitively sensitive information (CSI) in compliance with Competition Law is of the essence of the contract. Successful contractors will be required to avoid facilitating the exchange or disclosure of CSI between competitors (e.g., audit firms).

2.4 Outputs and Deliverables

The deliverables required will be the following:

- a) The creation of a costed Project Plan with key milestones and "critical success factors" (i.e. outcomes), as agreed with the FRC;
- b) Engagement with the stakeholders in Section 2.2 to document and embed in the Project Plan their resilience exercise objectives and critical success factors (outcomes) in advance of the exercise;
- c) The creation of credible, qualitative scenarios, scripts, injects and instructions for the resilience exercise;

- d) The provision of advice relating to the quality delivery and structure of the facilitation exercise, including factors such as venue, timeframe (i.e., benefits of a concentrated exercise versus an exercise that is extended over several days or weeks to simulate the escalation path of a real crisis), participant numbers, communication style, presentation of materials, etc.)
- e) The facilitation of the resilience exercise.
- f) The capture of key learnings, risks, actions, barriers, and strengths from the exercise.
- g) A brief post-evaluation summary (max. 10 pages), setting out those matters listed in f) above, and a presentation of such summary to FRC management.

2.5 Liaison arrangements

The FRC will receive regular project progress updates (at least fortnightly if desired) via Microsoft Teams and email.

- a) Regular progress update meetings (by video or in person)
- b) FRC sign-off on all deliverables/milestones above

2.6 High-level project timeline

The project is expected to run from November 2024 to July 2025. The timeline below is indicative; proposals should explain what is possible while maintaining high quality standards.

Date	Deliverable / milestone
4 November 2024	Kick-off meeting, agree detailed project timeline and methods for each phase.
18 November 2024	Develop Project Plan, identify key requirements, develop stakeholder communication strategy, schedule/book venue and block diaries.
Mid-Nov 2024 to end-Jan 2025	Prepare facilitation materials for Resilience Exercise, continue to liaise with stakeholders and firm up requirements and participants.
Feb to April 2025	Finalise all requirements and prepare for facilitation exercise.
May 2025	Facilitate and manage delivery of Audit Market Resilience Exercise
June 2025	Conduct post-exercise evaluation and draft short report.
July 2025	Stand down Project.

Tender Timelines

<u>DATE/TIME</u>	<u>ACTIVITY</u>
28/08/2024	Publication of the Invitation to Tender
18/09/2024 by 12.00noon	Supplier's deadline to submit clarification questions
27/09/2024 by 12.00noon	FRC's deadline for publication of responses to clarification questions FRC will endeavour to meet this deadline
07/10/2024 by 12.00noon	Deadline for supplier submission of tender to the FRC.
Note	The FRC reserves the right to invite the top scoring supplier(s) to a virtual tender clarification session. Date / time to be confirmed.
w/c 21/10/2024	FRC tender decision made.

2.7 Cost and financials

Bidders should provide a fixed fee for the work, exclusive of VAT, inclusive of all expenses. Costs should be detailed in the Tender Response Documents in the format specified. No other costs should be charged on top of the fixed fee, unless the scope materially changes from what is set out / agreed. Bidders should be mindful of delivering value for money in line with the principles of Managing Public Money. Changes to the scope / cost of the project must be mutually agreed.

The FRC anticipates tender bids in the range £60k to £100k excl. VAT.

2.8 Your tender response

The proposal should be no more than 10 pages in total, excluding annexes.

REQUIREMENT	YOUR PROPOSAL SHOULD DEMONSTRATE/ PROVIDE	WEIGHTING
Understanding of our requirement (supported by relevant experience, track record and / or transferrable knowledge).	Your organization's experience of similar projects and relevant transferable experience and capability.	18%

<p>The suitability of the approach (including methodology and management).</p>	<p>Your proposal should specify how you would plan to undertake and deliver this project (to achieve / surpass the projects aims). An estimated timeline of project milestones and deliverables (and when / if any of the deliverable have a dependency). Example materials and workbooks for the facilitation. Although not needing audit profession-specific content at this stage, these should be of sufficient depth and breadth to demonstrate knowledge of the relevant steps in providing a market resilience facilitation exercise. Your response should include anticipated challenges the project is likely to encounter and anticipated solutions, including management of CSI.</p>	<p>32%</p>
<p>Management and experience of the proposed personnel.</p>	<p>The arrangements to be put in place for managing this work and quality assuring outputs. Details of personnel to be involved including their role for this project and their relevant experience (ensuring knowledge transfer / continuity).</p>	<p>25%</p>
<p>Pricing / cost of your proposal.</p>	<p>A budget, including a breakdown of time and costs per activity, per team member, in line with the project objectives outlined above. If your proposal includes options, these should be costed separately. Note: CVs for the project team should be included in an annex, along with any additional information about why your organisation is the optimum partner for this requirement.</p>	<p>25%</p>

Bids should identify any real or perceived conflicts of interest.

2.9 Tender Evaluation

Please submit all documents in a Microsoft Word compatible format (or Open Document format).
You may additionally send a PDF version.

Bids will be assessed on the following basis:

- a) (18%) Understanding of our requirement (supported by relevant experience, track record and / or transferrable knowledge).
- b) (32%) The suitability of the approach (including methodology and management).
- c) (25%) Relevant experience of the proposed personnel.
- d) (25%) Pricing / cost of your proposal.

Score	Criteria for awarding score
0	Unacceptable Does not satisfy any part of the requirement. Does not comply with and/or insufficient information provided to demonstrate that the bidder has the ability, understanding, experience, skills, resource and quality measures required to provide the services, with little or no evidence to support the response.
25	Poor Satisfies only minor aspects of the requirement. Or can carry out some or all of the required services but not to a sufficient standard. Strong concerns over relevant ability, understanding, experience, skills, resource, and quality measures required to provide the services.
50	Fair Satisfies part of the requirement only, not the full requirement. Or can carry out all required services but not to a sufficient standard. Minor Concerns over relevant ability, understanding, experience, skills, resource, and quality measures required to provide the services.
75	Good Satisfies the requirement, with minor additional benefits. Supplier has the relevant ability, understanding, experience, skills, resource and quality measures required to provide the services, but the supplier has also provided relevant innovative methodology, or relevant added value services which will directly enhance the service required, giving minor additional benefit to FRC.
100	Excellent Satisfies the requirement, with major additional benefits. Supplier has the relevant ability, understanding, experience, skills, resource and quality measures required to provide the services, but the supplier has also provided relevant innovative methodology, or relevant added value services which will directly enhance the service required, giving major additional benefit to FRC.

2.10 References

The FRC reserves the right to take up references. You will be required to provide references within the Tender Response Document. References must be relevant to the FRC requirement and within the last five years.

3. Use of ITT & publication

Tenderers **must not** undertake any publicity activity regarding the procurement within any section of the media.

4. Questions & Clarifications

- a) Tenderers may raise questions or seek clarification regarding any aspect of this further competition at any time prior to the tender clarification deadline.
- b) 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

- c) FRC will not enter into exclusive discussions regarding the requirements of this ITT with tenderers.
- d) 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.
- e) Responses will be published in a questions and answers document to all Tenderers who have indicated that they wish to participate.

5. Conduct

- a) 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.
- b) 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.
- c) The tenderer must not make any arrangements with any other person about whether or not they should tender, or about their tender price.

- d) 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.
- e) 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, the FRC reserves the right to disqualify the tenderer from the procurement.
- f) The tenderer represents and warrants that a conflicts of interest check has been carried out, and that check revealed no conflicts of interest.
- g) 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.
- h) 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.

6. Due Diligence

- a) 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.
- b) 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.
- c) 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.
- d) 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.

7. Submitting a Tender

- a) Tenderers must submit their tender response within the deadline to procurement@frc.org.uk.
- b) Where a Tender Response Template is provided, potential providers must align their tender response with that format.
- c) 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.

8. Evaluation

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

9. Acceptance of Tender & Notification of Award

- a) FRC reserves the right to amend, add to or withdraw all or any part of this ITT at any time during the procurement.
- b) 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.
- c) The tenderer will be notified of the outcome of the tender submission at the earliest possible time.
- d) 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.
- e) 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.

10. Additional Information

- a) Please use the attached Tender Response Document for your reply.
- b) The Terms and Conditions that will apply to this proposed Agreement are attached.
Suppliers should accept the T&C's with no material changes.