



**Invitation of Expressions of Interest in
the Provision of Internal Audit Services**

1. Context and Overview

The Irish Auditing and Accounting Supervisory Authority ('the Authority') is a Statutory body by virtue of having been established by an Act of the Oireachtas (the Companies (Auditing and Accounting) Act, 2003 ('the Act')). As provided for by the Act, the Authority operates through a company limited by guarantee.

The Code of Practice for the Governance of State Bodies ("the Code")¹, requires the Authority, *inter alia*, "to have a properly constituted internal audit function or engage appropriate external expertise in this regard which should operate in accordance with the provisions set out [therein]". The Authority has decided to adopt the latter option in meeting the requirements of the Code. The purpose of this document is to set out the arrangements by which the necessary expertise is to be secured.

The Authority has an annual Programme of Expenditure² of approximately €2.5m and has a staff complement of 15³. Pursuant to the Act, the Authority's core funding is provided through a combination of Exchequer funding (which accounts for 40% of the funding of the Authority's core activities) and a levy on the Prescribed Accountancy Bodies ('PABs') (which accounts for the remaining 60% of the funding of the Authority's core functions).

In addition, the Authority has been designated as a competent authority for the purposes of Article 24(4)(h) of the EU Transparency Directive (Directive 2004/109/EC) and the costs associated with this function (approximately €0.44m *per annum*), which are fully Exchequer funded, are included in the above figures.

2. Nature of engagement

Reporting to the Board's Audit Committee, the appointee will be expected to deliver a comprehensive Internal Audit function for the Authority over the three-year period to 31 December, 2012 in line with the Authority's Internal Audit Charter, which attached to this invitation as Appendix I for ease of reference.

In addition to the requirements set out in the Internal Audit Charter, respondents should note that they will also be required to:

- a) draw up a strategic three-year internal audit plan as the basis for delivering the Internal Audit function. This plan will require to be completed for the Audit Committee's approval within one month of being engaged;
- b) consider the scope of, and liaise with, the Authority's external auditor, the Comptroller and Auditor General, for the purpose of providing optimal audit coverage;
- c) issue reports to the Audit Committee detailing the results of audits conducted and providing observations and recommendations as appropriate;
- d) report significant issues relating to the processes for controlling the activities of the Authority and provide information concerning such issues through to resolution;
- e) issue final audit reports to the Chief Executive and to the Audit Committee;
- f) monitor, and report to the Audit Committee on, progress towards the implementation of agreed audit recommendations;
- g) evaluate and assess controls coinciding with the introduction of systems and major changes thereto;

¹ 2009 revision

² The amounts stated refer to the Authority's 2010 proposed Programme of Expenditure, and are subject to Ministerial approval.

³ Due to the extant public service recruitment and promotions embargo, the Authority's staff complement is currently capped at 12.

- h) undertake the necessary reviews to support the assertions contained in the Authority's annual Statement on the System of Internal Financial Control, as detailed in Appendix II; and
- i) annually review and track progress in implementing audit recommendations.

3. Information requested from interested parties

Persons and/or firms who consider that they possess the requisite expertise and experience to meet the Authority's requirements are invited to provide the information set out hereunder:

- a) Name, business address, email address and telephone contact details;
- b) A summary of the Authority's needs in this regard, as understood by the tenderer;
- c) A technical proposal to include:
 - the overall approach to delivering the Internal Audit function;
 - specific methods and approaches to addressing the Terms of Reference;
 - an outline audit plan over the three year period of the assignment; and
 - the benefits and the deliverables clearly identified and, where possible, quantified;
- d) An administrative proposal to include:
 - a corporate biography including details of previous similar or relevant work undertaken. References may be requested by the Authority;
 - composition of the proposed Internal Audit team;
 - biographies, status and respective roles of the team members;
 - the estimated amount of time (expressed in person days, based on an eight-hour day) each team member will spend on the assignment(s); and
 - the reporting and project management arrangements proposed in order to ensure effective communication between the Internal Audit team and the Authority.
- e) A cost proposal to include:
 - the respondent's total fee for the engagement;
 - a detailed breakdown of the total fee, which should be an all-inclusive fixed price basis, and which should include all additional costs and expenses;
 - all assumptions used in preparing the cost proposal.

4. Selection criteria

4.1 Conflicts of Interest

Persons/firms for whom a conflict of interest, or in the Authority's opinion a perceived conflict of interest, would arise were they to undertake the assignment will be excluded from consideration.

4.2 Shortlisting

Dependent upon the number of expressions of interest received, the Authority may consider it necessary or otherwise appropriate to shortlist respondents. In the event that this is the case,

shortlisting will be based solely on the material submitted by respondents. Accordingly, in supplying the information requested above, respondents should ensure that they fully set out the basis upon which they consider themselves qualified to deliver each of the prerequisites detailed at section 2 above. If applicable, shortlisting will be based upon the Authority's assessment of:

- the quality and technical merit of the submitted tender; and
- the details of the human resources and detailed skills that the respondent proposed to apply to the project;

4.3 Interview

Respondents or, in the event of shortlisting, those respondents that have been shortlisted shall be invited for interview. The purpose of the interview will be to:

- a) verify insofar as possible, and obtain any clarifications considered necessary regarding, assertions made by respondents in their initial submissions;
- b) assess respondents' overall understanding of, and operational capacity to deliver on, the Authority's service requirements;
- c) assess respondents' ability to deliver the tasks outlined in section 2;
- d) quantify respondents' previous experience in the handling of a contract of this nature & size; and
- e) respond to any clarifications sought by respondents.

4.4 Cost

Respondents reaching the required minimum standard at interview shall be awarded a ranking based on an assessment of their interview and submitted costs.

4.5 Ranking

Following the foregoing assessments, the table below will be completed for each respondent, and the highest-scored respondent will be selected:

| Criterion | Max score |
|--|------------------|
| General understanding <i>Understanding of IAASA's role and objectives and of the implications of the Authority's status as a statutory body for the work of the internal audit function.</i> | 20 |
| Technical proposal <i>Marks will be awarded in based on the technical proposal detailed in section 3 (c) above, and as expanded upon at interview.</i> | 20 |
| Relevant qualifications and experience <i>Marks will be awarded in respect of relevant qualifications and experience held by respondents detailed in section 3 (d) above.</i> | 20 |
| Cost <i>A mark will be extrapolated for each respondent based on their proposed charges vis-à-vis other eligible respondents.</i> | 30 |
| Overall suitability for appointment | 10 |
| TOTAL MARK AWARDED | 100 |

5. Payment terms and conditions

- a) All fees should be quoted in Euro, including VAT at the appropriate rate.
- b) No additional fees, other than those originally quoted for the work when tendering of the project shall be paid.
- c) To allow sufficient time for tender assessment, a tender validity period of 90 days is required, this period commencing on the closing date for submission of tenders.
- d) Payment will be made in accordance with the provisions of Statutory Instrument 388 of 2002 (EU (Late Payment of Commercial Transactions) Regulations) on receipt by the Authority of a valid invoice from the Service provider.
- e) The successful respondent will be required to produce a current Tax Clearance Certificate.
- f) In accordance with the Irish Finance Acts a deduction of tax at the standard rate may have to be made from all payments in respect of professional services (Professional Services Withholding Tax). The successful respondent will be required to submit details of their tax reference number.

6. Respondents' costs and expenses

IAASA shall not be liable for any costs or expenses howsoever incurred by respondents in pursuing this invitation.

7. Confidentiality

Respondents should note that, as the appointee will be a professional adviser to the Authority, the appointee shall be bound by the statutory obligations with respect to the confidentiality of information imposed by section 31 of the Act. The successful respondent will be required to sign an acknowledgement that he or she is aware of the obligations imposed by section 31 and that all information that is obtained by the respondent in performing the Internal Audit function on behalf of the Authority that has not otherwise come into the public domain shall not be disclosed except in accordance with law. **A breach of section 31(1) is an offence and may result in criminal liability.**

8. Other Information

- a) The Authority shall be free to accept any or none of the proposals tendered;
- b) Intellectual content of any reports/documents produced shall become the sole property of the Authority;
- c) The respondents shall maintain strict confidentiality in relation to the services being sought and the tendering process;
- d) The work of the consultants shall be deemed to be carried out in Ireland and shall be governed by the laws of Ireland;
- e) Any conflicts of interest or potential conflict of interest on the part of a respondent or individual employees must be fully disclosed to the Authority without delay. Respondents should confirm in their tender response that comprehensive searches to identify any conflicts of interest have been completed;
- f) Failure to disclose any material interest at the time of its occurrence may disqualify a bidder or cause the termination of a contract and entitle the Authority to seek appropriate remedies, such as costs or compensation for loss;
- g) The tender response as submitted and this Request for Tenders will form the basis of a contract of services to be agreed between the Authority and the successful respondent;

9. Further information

Relevant legislation, together with further information regarding IAASA and its activities, can be obtained from IAASA's website, www.iaasa.ie.

10. Submission of tenders

Expressions of interest, which should be clearly marked '*Tender – Provision of Internal Audit Services*', should be submitted by **5.00pm on Friday, 20 November, 2009** to one of the contact points set out below:

**Irish Auditing & Accounting Supervisory Authority
Willow House,
Millennium Park
Naas,
Co. Kildare
Ireland**

or

by fax: +353 45 983 601

or

submissions@iaasa.ie

Tenders received after the above deadline will not be considered.

**Irish Auditing & Accounting Supervisory Authority
5 November, 2009**

CHARTER OF THE AUDIT COMMITTEE

Overall purposes/objectives

The Audit Committee is appointed by the Board to assist the Board in discharging its oversight responsibilities. The Audit Committee shall oversee the financial reporting process to ensure the balance, transparency and integrity of financial information. The Audit Committee will also review (a) the effectiveness of the Authority's internal financial control and risk management system; (b) the effectiveness of the internal audit function; and (c) the relationship with external audit.

Reference to the "Authority" shall mean the Irish Auditing and Accounting Supervisory Authority. Reference to the "Committee" shall mean the Audit Committee.

1. Authority

The Committee is authorised to:

- Perform activities within the scope of its charter.
- Engage, at the Authority's expense, independent counsel and other advisers as it deems necessary to carry out its duties.
- Ensure the attendance of officers or employees of the Authority at meetings of the Committee as appropriate.
- Have unrestricted access to members of management, employees and relevant information.
- Establish procedures for dealing with concerns of employees regarding accounting, internal control or auditing matters.
- Be directly responsible for the oversight of the work of the external auditor.⁴

2. Membership

- 2.1 Members of the Committee and the Chairperson of the Committee will be appointed by the Board.
- 2.2 The Committee will comprise at least three members.
- 2.3 The Chief Executive Officer of the Authority shall not be a member of the Committee.
- 2.4 Each member of the Committee shall be financially literate and shall have skills and experience appropriate to the Authority's business.

⁴ According to section 21 of the Companies (Auditing and Accounting) Act 2003, the external auditor of the Authority is the Comptroller and Auditor General.

- 2.5 At least one of the members of the Committee shall have recent and relevant financial experience.
- 2.6 Members of the Committee are appointed for a three year term of office.
- 2.7 In the absence of the Committee Chairperson the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

- 3.1 The secretary of the Committee will be the secretary to the Authority or such other person as nominated by the Board.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members.
- 4.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Meetings

- 5.1 Only Committee members, persons invited by the Committee to attend and, subject to section 5.10 below, the Secretary are entitled to attend meetings of the Committee. The Committee may invite such other persons (including the Chairperson of the Board, the Chief Executive Officer, the Head of Finance & Administration, the internal auditor, etc.) to attend all or part of its meetings as it deems necessary.
- 5.2 The external auditors (Comptroller & Auditor General) will be invited to attend meetings of the Committee on a regular basis.
- 5.3 The Committee should meet four times per annum and, in any event, shall meet at least three times. Where the Committee considers that three meetings in any given year is sufficient to enable it to discharge its functions, the Committee shall record the basis for its conclusions in that regard.
- 5.4 Special meetings may be convened as required. The secretary shall convene a meeting on receipt of a request by the external or internal auditors.
- 5.5 The secretary shall circulate the agenda and supporting documentation to the Committee members at a reasonable period in advance of each meeting.
- 5.6 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 5.7 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

- 5.8 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.
- 5.9 The Chairperson of the Committee (or another member of the Committee) shall attend the Board meeting at which the financial statements are approved.
- 5.10 The Committee shall meet with the appropriate staff of the Office of the Comptroller & Auditor General at least once a year without management or employees of the Authority present.
- 5.11 The Chairperson of the Committee (or another member of the Committee) shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

6. Roles and Responsibilities

The Committee shall have the following roles and responsibilities:

6.1 Internal Controls and risk management systems

The Committee shall:

- 6.1.1 Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and management of risk.
- 6.1.2 Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 6.1.3 Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements and are subject to appropriate management review.
- 6.1.4 Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the internal and external auditors have been implemented by management.
- 6.1.5 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
- 6.1.6 Review and recommend to the Board the statements to be included in the annual report concerning internal controls and risk management.

6.2 Financial Reporting

The Committee shall:

- 6.2.1 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.

- 6.2.2 Oversee the periodic financial reporting process implemented by management and review the financial statements. The Committee shall also review any financial information contained in certain other documents.
- 6.2.3 Meet with management and external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit.
- 6.2.4 Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.
- 6.2.5 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the Authority and the operations and lacks bias.

6.3 *Whistleblowing*

- 6.3.1 The Committee shall review the Authority's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters (including arrangements to allow proportionate and independent investigations of such matters).

6.4 *Compliance with laws, regulations and the Code of Practice for the Governance of State Bodies*

- 6.4.1 Review the effectiveness of the system for monitoring compliance with laws, regulations and Codes of Practice for the Governance of State Bodies and the results of management's investigation and follow-up of any fraudulent acts or non-compliance.
- 6.4.2 Obtain regular updates from management and the Authority's legal counsel regarding compliance matters that may have a material impact on the Authority's financial statements or compliance policies.

Working With Auditors

6.5 *Internal Audit*

The Committee shall:

- 6.5.1 Recommend the appointment, as necessary, of the internal auditor.
- 6.5.2 Consider and recommend the remit of the internal audit function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards.
- 6.5.3 Monitor and review the effectiveness of the internal audit function and ensure that it has appropriate standing within the Authority.
- 6.5.4 Review and assess the annual internal audit plan.
- 6.5.5 Review promptly all reports on the Authority from the internal auditor.
- 6.5.6 Ensure that significant findings and recommendations made by the internal auditor and management's proposed response are received, discussed and appropriately acted upon.

6.5.7 Meet the internal auditor at least once a year, without management being present, to discuss his or her remit and any issues arising from the internal audits carried out.

6.6 *External Audit*

The Committee shall:

6.6.1 Oversee the relationship with the external auditor (the Comptroller & Auditor General)

6.6.2 To review all significant reports received by the Board from the external auditors and management's responses thereto and to consider the implications of the issues raised.

6.6.3 Meet separately with the external auditors to discuss any matters that the committee or the auditors believe should be discussed privately and to ensure that the auditors have access to the Chairperson of the Committee when required.

6.7 *Reporting Responsibilities*

The Committee shall:

6.7.1 Regularly update the Board about Committee activities and make appropriate recommendations.

6.7.2 Make any recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

6.7.3 Within three months following the end of each financial year, the Audit Committee shall formally report to the Board outlining its activities during the year together with such advice and recommendations as it may deem appropriate.

6.8 *Other Matters*

The Committee shall:

6.8.1 Review the Audit Committee Charter annually and discuss any required changes with the Board.

6.8.2 Be responsible for the co-ordination of the internal and external auditors.

6.8.3 Be independent in the performance of its functions and the Committee and its members shall not be subject to the direction of any person in the performance of their duties.

6.8.4 Exercise an advisory role in relation to its duties and functions within the Board.

Chairperson of the Board
April 2009

Chairperson of the Audit Committee

Statement on the System of Internal Financial Control

Responsibility for system of internal financial control

On behalf of the Board of Directors of the Irish Auditing & Accounting Supervisory Authority I [the Chairperson for the time being] acknowledge our responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely manner.

Key control procedures

The Board of the Authority has taken steps to ensure an appropriate control environment is in place by:

- clearly defining management responsibilities;
- formalising a clear separation between the Board's and the Executive's functions and powers;
- setting regular reporting requirements concerning financial and related matters;
- establishing an Audit Committee;
- engaging an external firm of accountants to act as providers of an internal audit service to the Authority;
- publishing Codes of Conduct for both directors and employees of the Authority; and
- seeking to maintain a strong culture of accountability across the organisation.

The Board has also established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implications of the risks facing the Authority, including the extent and categories of risk which it regards as acceptable;
- assessing the likelihood of identified risks coming to fruition;
- assessing the Board's ability to manage and mitigate identified risks; and
- having regard to costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including, to the extent practicable having regard to the scale of the Authority, segregation of duties and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board;
- regular reviews by the Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance; and
- regular internal audit reviews.

The Authority has appointed XXXXXX to act as internal auditors and to report to the Audit Committee. The Audit Committee, which comprises non-executive Directors, includes persons possessing knowledge of accounting, internal control and risk management matters. The Audit Committee is further charged with ensuring that the Board is kept informed of the matters that it has considered.

The internal audit function operates in accordance with the requirements of the Code of Practice for the Governance of State Bodies. A rolling three-year internal audit work plan has been determined in consultation with the Audit Committee and is reviewed annually and revised as and when required. The current internal audit work plan takes account of areas of potential risk identified in a risk assessment exercise carried out by XXXXXX. The internal auditor provides the Committee with regular reports on assignments carried out. These reports, *inter alia*, highlight deficiencies or weaknesses, if any, in the system of internal financial control and the recommended corrective measures to be taken where necessary.

I confirm that, in respect of the period ended 31 December, 20XX, the Board conducted a review of the system of internal financial control and that the Board's review was informed by the work of the internal auditor, the Audit Committee, which oversees the work of the Internal Auditor and the Authority's Executive who have responsibility for the development and maintenance of the financial control framework.