

PROPOSED PROJECT COSTING

*Enhancing Public Accountability Programme of the Philippine
Commission on Audit:
Risk Based Audit Financial Audit Manual and Training*



UNITED NATIONS DEVELOPMENT PROGRAM
September 2003

DESIGN FOR INTERNATIONAL TENDERING

*Enhancing Public Accountability Programme of the Philippine
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September 2003

**DESIGN FOR INTERNATIONAL TENDERING
CHRONOLOGICAL SEQUENCE OF EVENTS:
PHI/97/022 ENHANCING THE PUBLIC ACCOUNTABILITY PROGRAMME
OF THE PHILIPPINE COMMISSION ON AUDIT**

Annex	Dates	Activity
	15 September 2003	Schedule of Bidding Activities Proposed by UNDP and Approved by COA and AusAID
	17 September 2003	Notice calling for tender posted by UNDP in the Newspaper and UNDP web page
	18 November 2003	Attendance Sheet and Agenda for the UNDP Local Contracts Committee (LCC) on the Occasion of Receiving all bids from Bidders Eligibility Requirements Evaluation Sheet Accomplished by the LCC Chairman
	24 November 2003	Summary of Bid Evaluation Rating for successful proponents duly signed by COA Review Committee Chairman and Members Ranking of Technically Compliant Bidders and Summary of their approved by the UNDP-LCC Chairman and Confirmed by its Members Minutes of the Meeting between UNDP and COA Recommending and Agreeing to the Award of the Contract
	9 December 2003	Report Submitted by UNDP to Advisory Committee on Procurement (ACP) in UNDP Headquarters Summarizing the Selection Process and Requesting for Approval to Award the Contract.
	12 December 2003	Minutes of the ACP Meeting Approving the Award of the Contract.
	16 December 2003	Notice of Award to proponents.
	12 January 2004	Proponent's Acceptance of the Award Communications between UNDP and proponents on the Finalization of the Contract Terms and Conditions
	27 January 2004	Consultancy Agreement Signed by and between UNDP and Proponents, including written Authorization. Copy of the Proponents Eligibility Documents, Technical and Financial Proposals
	30 January 2004	Notice to Proceed Issued by COA to Proponents.

The rules, procedures and requirements contained in the *“Instructions to Bidders”*, *“Eligibility Requirements”* and *“Terms of Reference”* of this Bid Document are hereby established and approved for the implementation of this International Competitive Bidding.

This Bid Document is therefore approved for distribution to, and strict compliance by, all interested bidders for Consulting Services for the Project “Enhancing the Public Accountability Programme of the Philippine Commission on Audit: Government-Wide and Sectoral Performance/VFM Audit” (Ref. PHI/97/022)

Resident Representative

INSTRUCTIONS TO BIDDERS

*Enhancing Public Accountability Programme of the Philippine
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I. INTRODUCTION

This project is under the auspices of the United Nations Development Programme (UNDP) with contribution from the Government of Australia. It aims to provide assistance to the Philippine Commission on Audit (COA) in its effort to enhance its capability to undertake risk based financial audit through development of a new financial audit manual and associated training.

The project requires the services of a consulting firm to conduct a quality assurance review of the new risk based audit (RBA) financial audit manual (FAM) being developed by the Commission on Audit (COA). The services will also include developing and presenting specialised training and assisting with development and conduct of pilot audits.

II. INSTRUCTIONS TO BIDDERS

A. Preparation of Bid Proposals

All bids must be submitted in a sealed envelope duly labelled as “**Eligibility Requirements, Technical Proposal and Financial Proposal**”. All envelopes must contain the name of the bidding firm, and must be duly signed by the authorized signatory across their seal.

All envelope labels should be written in capital letters.

All bids should be addressed to :

MS. ETHELIND B. CAPUNO
Manager
Development Support Services Centre
United Nations Development Program
7th Floor, NEDA sa Makati Bldg.
106 Amorsolo St., Legaspi Village
1229 Makati City

B. Contents of the Bid

The Bid shall be presented in a sealed envelope containing the following set of documents:

Eligibility Requirements, Technical Proposal, Financial Proposal

The Contents of the Eligibility Requirements is duly specified in a separate document herein enclosed and labelled "**Eligibility Requirements**". Contents should be arranged in accordance with the prescribed sequence of the requirements as presented in the list.

The Technical Proposal shall contain all the required documents and information as specified in the herein enclosed and labelled "**Terms of Reference**" (TOR).

The Financial Proposal shall contain the Bid Price quoted only in United States Dollars (US\$).

The Bid Price quotation should be broken down into each major activity/cost component. An all-inclusive single bid price not broken down per activity shall not be evaluated and will be automatically rejected.

Bid prices shall be valid for a period of no less than one hundred twenty (120) calendar days following the opening date of the Financial Proposal.

C. Language of Bids

The bid offer, including all correspondence and documents enclosed in the bid, shall be written in the English language. Any printed literature or official documents furnished by the bidder may be written in another language provided that they are accompanied by an official and authenticated English translation. In which case, for purposes of interpretation of the Bid, the English translation shall govern.

Any important document enclosed in the bid offer which is not translated in English shall be considered "*not submitted*" by the bidder.

D. Number of Copies

The bid envelope containing the Eligibility Requirements, Technical Proposal and Financial Proposal shall contain a set of: one (1) original clearly labeled "*Original*" and four (4) sets of certified true copies, each one clearly labeled as "*Copy*".

In the event of any discrepancy between the contents of the original and the copies, those of the original set shall govern.

If, at any time during the bidding period, UNDP requests for electronic copies of some or all of the documents submitted by the bidder, the bidder should be willing to submit to UNDP said requested documents within UNDP specified period.

E. Signatories

The bid proposal must be signed by only one (1) duly authorized person from the company, wherever applicable. All pages of submitted documents (eligibility, technical and financial proposals) shall be initialled by the authorized signatory to the bid. Signature shall also be indicated across the seal of each of the envelopes.

F. Discrepancies, Omissions and Corrections

Upon purchase of the bid documents, the bidders are expected to examine and review it thoroughly. If a bidder notes any omission or discrepancy in the specifications in the bid documents, or should there be doubt as to their true meaning, the bidder may submit a written request for clarification to the UNDP within fifteen (15) days from the time of their purchase of the bid documents.

The bidder should allow sufficient time for UNDP to reply and to reach the bidder before the submission of bid. Any substantive interpretation given shall be issued by the UNDP to the inquiring bidder, in the form of supplemental notices, copy furnished to all the bidders.

Oral interpretation of bid documents shall not be binding.

No relief shall be granted to any bidder on a plea of error in the bid.

The UNDP may also issue supplemental notice prior to the date of the opening of bids for clarification or modifications on the Eligibility Requirements, the Instruction to Bidders and the Terms of Reference. Each bidder, immediately upon receipt, shall acknowledge receipt of all supplemental notices/instructions and compliance shall be duly indicated in the proposal.

The bidder is expected to conduct his own examination of his bidding documents and before submission, in order to ensure full compliance of the bid to the bidding instructions and completion of requirements. Failure to furnish all data and information requirement or comply with the instructions as per

bidding documents will result in the rejection of bid. Otherwise, it will be considered erroneous and invalid.

Any part of the Bid offer must not contain any interlineation, erasures, overwriting or any form of tampering, except as necessary to correct errors. In which case, the corrected item must bear the initial or signature of the authorized signatory.

G. Submission of Bids

All bid should be in the possession of UNDP by **12:00 Noon of 30 September, 2003.**

Bids may be submitted by hand-carrying / personal delivery, or transmission/ mailing by courier, to the specified official UNDP contact person and address.

H. Receipt of Bids

The UNDP-DSSC shall officially receive the bid envelopes by signing the acknowledgement receipt of the bidder, and by stamping each envelope across the UNDP seal with the date and time of receipt, and the receiving UNDP-DSSC personnel shall also sign the same.

For courier-transmitted bids, UNDP shall also issue an acknowledgement receipt, duly dated and signed, and transmit the same to the bidder both by fax, by e-mail and by courier.

I. Withdrawal and Modification of Bids

All bidders shall be allowed to withdraw his participation. If, after the bid has been submitted, the bidder decides to withdraw his bid, then the bid may be withdrawn only after the bidder communicates his purpose in writing to UNDP, on or before the specified date and exact time of the opening of bids herein specified. In which case, the bid security / bond of a particular bid withdrawn prior to the opening of bids shall not be forfeited and will be returned to the bidder unopened.

No bid can be withdrawn for any reason whatsoever after the opening of bids has commenced. However, should the bidder insist on withdrawing his bid after the bid opening date, such withdrawal shall cause the forfeiture of the corresponding bid security / bond.

Verbal modification of bids shall not be acknowledged nor will it be accepted and therefore shall not be considered by UNDP as valid addition/reduction/modification to the offer.

J. Late Submission of Bids

Bids submitted after **12:00 Noon of September 30, 2003**, for whatever reason or cause, shall be considered late and shall be completely returned to the bidder unopened and without acknowledgement.

K. Opening of the Bids

The bid envelope shall be opened on the following dates:

<u>Date and Time</u>	<u>Venue</u>	<u>Target Dates for Notification of Results</u>
Sept. 30 - 2.00pm	UNDP Office	Dec. 16, 2003

Opening of the envelope shall be done in the presence of duly invited and authorized personnel who shall be duly notified by UNDP before the date of opening.

After the envelopes are opened, UNDP shall ensure that the signatures of all members of the bid committee are indicated on every page of all the original set of documents contained in all the envelopes submitted by the bidders.

L. Comparison of Bids

All proposals and/or bids shall be evaluated according to the bidding evaluation method and guidelines set forth by UNDP.

In making the selection of the most advantageous bid, UNDP will not be bound to award the contract to a bidder submitting the lowest bid offer, but shall also take into account the technical soundness of the offer vis-à-vis the project requirements, the capability of the bidder as an organization, and other significant factors that may affect the bidder's offer, in the performance of the project.

Information and documents relating to the evaluation and comparison of bids and leading to the final decision shall not be disclosed to any bidder or any other person not officially concerned with the process and decision-making.

M. Notification of Successful Bidder

Notice of award shall be made in writing which shall be transmitted both by fax and by courier to the successful bidder on or before **December 16, 2003**.

Unsuccessful bidders shall also be notified that an award has been made, enclosed with copy of the Official Notice of Award.

III. RESPONSIBILITIES OF THE PARTIES

A. Responsibility of the Bidder

The bidder shall be responsible for having taken steps to carefully examine the Instructions to Bidders, the Eligibility Requirements and the Terms of Reference, including their ramifications and implications. Failure to do so shall be at the bidders' risk.

It shall be the sole responsibility of the bidders to determine and to satisfy themselves by such means as they consider necessary or desirable as to all matters pertaining to those conditions.

No verbal agreement or conversation with any official or employee of the UNDP, either before or after the awarding and execution of the contract, shall affect or modify any of the conditions or obligations obtained in the contract.

Submission of the bidder of a proposal conclusively and unqualifiedly makes him fully responsible to undertake and comply with all necessary requirements and conditions of this bidding activity.

B. Responsibility of the UNDP

The UNDP reserves the right to further examine the competence and responsibility of a bidder at any time before the awarding of the contract, either by verification of the bidder's qualification or by any other means. The UNDP also reserves the right to reject any bid, when the facts, as to business and technical organization, financial resources, experience on similar types of undertaking, in the opinion of the UNDP, will justify rejection.

The UNDP shall have no liability whatsoever for any failure to comply on the part of the bidder, or any error the bidder may

commit in complying with or interpreting the Instruction to Bidders, the Eligibility Requirements and the Terms of Reference, or for the rejection of the bid on account of such failure, error or other cause.

The UNDP assumes no obligation or responsibility whatsoever to compensate or indemnify the bidders for any expenses or losses that might be incurred in the preparation of their bids, both the technical and financial proposals, nor the UNDP guaranty that an award will be made under this proposal documents.

ANNEX A: DRAFT BID SECURITY FORM

WHEREAS, *Proponents Name*, hereinafter called "*the bidder*" has submitted its bid dated 30 September 2003 for the supply of professional consultancy services for the enhancement of public accountability of the Philippines Commission on Audit, hereinafter called "*the bid*";

KNOW ALL PERSONS by these present that **WE, (state name of issuing bank)**, with registered office at **(state bank's address)**, hereinafter called "*the bank*", are bound unto **the United Nations Development Program**, hereinafter referred to as the "*Purchaser*", in the sum of **(Amount of the Guarantee in Words and in Figures and denominated in US Dollars)** in the form of **(state whether cash, certified check, manager's check or bank draft)** for which payment well and truly be made to the said Purchaser, the Bank binds itself, its successor and assigns, by these presents.

Sealed with the Common Seal of the Bank this _____ day of _____, Year 2003.

THE CONDITIONS of this obligation are:

1. If the bidder withdraws its bid during the period of the bid validity specified by the Bidder on the bid form; or
2. If the bidder, having been notified of an award by the Purchaser during the period of the bid validity:
 - (a) fails or refuse to execute the Contract when so requested; or
 - (b) fails or refuse to furnish the Performance Security, in accordance with the Instructions to Bidders;

we shall undertake to pay the Purchaser up to the above indicated amount, according to, and upon receipt of, its first written demand, without the Purchaser having to substantiate its demand, provided that in its demand, the Purchaser will noted that the amount claimed by it is due to it owing to the occurrence of one or both of the two above cited conditions, specifying the occurred condition or conditions.

This guarantee will remain in force up to and including thirty (30) days after the period of bid validity, and any demand in respect thereof should reach the Bank not later than such date.

NAME OF BANK

By _____
(Name of Authorized Representative)
(Title of Authorized Representative)

Signature of Witness
Name of Witness : _____
Address : _____

ELIGIBILITY REQUIREMENTS

*Enhancing Public Accountability Programme of the Philippine
Commission on Audit :
Risk Based Audit Financial Audit Manual and Training*



UNITED NATIONS DEVELOPMENT PROGRAM
September 2003

ELIGIBILITY REQUIREMENTS

I. ELIGIBILITY REQUIREMENTS FROM BIDDERS

The bidder should present its qualification documents in the following order.

1. Letter of Intent to Participate in this Bidding Activity (see Draft attached)
2. Authorization and Appointment of the Company's Representative in charge of the Affairs of this Project (see Draft attached)
3. Company Profile, enclosed with Brochure, if available
4. Members of the Governing Board and their Designations, as Certified by the Corporate Secretary, if the bidding firm is a Corporation. (Otherwise, equivalent document should be submitted)
5. List of Shareholders and Other Entities Financially Interested in the Firm owning 5% or more of the stocks and other interests, if the bidding firm is a Corporation
6. Company's Latest Audited Financial Statement. If possible, duly stamped and received by the country's Internal Revenue Authority. Latest Auditor's Report should be included.
7. Certified copy of the Company's License to Operate the Business for the Current Year
8. Curriculum Vitae of the firm or key person involved in the project primarily indicating track record and experience in a similar undertaking.
9. Sworn Statement of the Signatory indicating that the firm is not restricted by any law to participate in this bidding, nor is it restrained by national or international organization for this undertaking
10. Waiver of Action (see Draft attached)

II. METHOD OF ASSESSMENT AND EVALUATION OF PRE-QUALIFICATION STATEMENT/DOCUMENTS

The evaluation of the pre-qualification documents to be submitted by the bidder, based mainly on the completeness and degree of compliance to the abovementioned eligibility criteria. Insufficient documents and failure to satisfy the above requirements shall automatically mean disqualification of bidders and return of the Technical and Financial Proposals unopened.

III. DISCLAIMER

UNDP and COA reserve the right to further examine the competence and responsibility of a bidder at any time before the awarding of the contract, either by verification of the bidder's qualification or by any other means it deems necessary. UNDP and COA also reserve the right to reject any bid, when the facts, as to business and technical organization, financial resources, experience on similar types of undertaking, in the opinion of the UNDP and COA will justify rejection.

The UNDP and COA shall have no liability whatsoever for any failure to comply on the part of the bidder, or any error the bidder may commit in complying with or interpreting the bidding requirements, or for the rejection of the bid on account of such failure, error or other cause.

The UNDP and COA assume no obligation or responsibility whatsoever to compensate or indemnify the bidders for any expenses or losses that might be incurred in the preparation of their bids, both the technical and financial proposals, nor does UNDP and COA guaranty that an award will be made for the purpose of this undertaking.

DRAFT LETTER OF INTENT

(To be printed on the Official Letterhead of the Company)

Date

ETHELIND B. CAPUNO
Manager
Development Support Services Centre
United Nations Development Program
7th floor, NEDA sa Makati Bldg.
106 Amorsolo St., Legaspi Village
1229 Makati City

Dear Ms. Capuno :

We, 'Proponent Name', a bona fide corporation duly organized and existing under the laws of Western Australia, hereby indicate our intent to participate in the international competitive bidding for the project "***Enhancing Public Accountability Programme of the Philippine Commission on Audit - Risk Based Audit Financial Audit Manual***"

We also hereby declare with confidence that we accept all the terms and conditions established by the United Nations Development Program in the pursuit of this project.

AUTHORIZED REPRESENTATIVE
(Signature over Printed Name)

DRAFT LETTER OF AUTHORIZATION

(To be printed on the Official Letterhead of the Company)

Date

ETHELIND B. CAPUNO
Manager
Development Support Services Center
United Nations Development Program
7th floor, NEDA sa Makati Bldg.
106 Amorsolo St., Legaspi Village
1229 Makati City

Dear Ms. Capuno:

This is to certify that _____ (*Name of Company Representative*), the bona fide _____ (*Designation*) of _____ (*Company Name*) is hereby authorized to act for, and in behalf of, the company for all pre-qualification and bidding activities pertaining to the project

This appointment shall be valid for the duration of the Project “**Enhancing Public Accountability Programme of the Philippine Commission on Audit - Risk Based Audit Financial Audit Manual**”

Signed :

(President / CEO / Chairman)

DRAFT WAIVER OF ACTION

(Official Letterhead of the Company)

WAIVER OF ACTION

I, _____ (*Name of Authorized Company Representative*),
duly authorized representative of _____ (*Company Name*) hereby
waive my right to seek or obtain writ of injunction or prohibition or restraining order or
any legal action whatsoever against the United Nations Development Program and/or
the Commission on Audit or any of its authorized project representatives and/or
partners to prevent or restrain the selection of pre-qualified bidders, the evaluation of
the bids, the award and negotiation of the Contract to the Selected Bidder, and the
execution of any stage of the project "***Enhancing Public Accountability
Programme of the Philippine Commission on Audit - Risk Based Audit
Financial Audit Manual***".

(Name of Company)

Signed by :

(Authorized Company Representative)

TERMS OF REFERENCE

*Enhancing Public Accountability Programme of the Philippine
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UNITED NATIONS DEVELOPMENT PROGRAM
September 2003

BACKGROUND INFORMATION ON THE PROJECT

The UNDP-funded Project entitled, “PH/97/022 Enhancing the Public Accountability Programme of the Philippine Commission on Audit (COA)”, undertaking as a preparatory phase, a comprehensive assessment of the existing government accounting and auditing systems. Among its major reports was **A Framework and Strategy for Reform for the Philippine Commission on Audit**.

This project funded by the Australian Agency for International Development (AusAID) is implementing the recommendations of the UNDP Report.

The **COA’s Framework and Strategy for Reform** indicates the priority areas that need to be addressed to enable COA to perform its functions effectively. In general, these reforms address institutional capacity gaps in change management, accounting and auditing systems. The project interventions are focused on audit reforms.

From the preparatory phase, the Project moved into the Main Phase consisting of two parts: (1) Participatory Audit with Civil Society Organizations; and (2) Government-Wide and Sectoral Performance/VFM Audits (GWSPA) and the Audit Team Approach.

For the second part, the technical assistance provided by UNDP was substantially complemented by the experience, expertise and contribution of the Government of Australia. The following objectives were achieved:

- a. Enhancement of the capability of COA to undertake government-wide and sectoral performance/VFM audits; and
- b. Improvement of the existing audit team approach in conducting government audit.

Following completing of the capacity building of government-wide and sectoral performance audit, COA and UNDP have instituted Phase 2 of the project designed to facilitate development and implementation of a new risk based audit (RBA) financial audit manual (FAM).

The project is focused on the work of the COA Steering Committee and Technical Working Group and sub-groups on audit standards and practices. It will be supplemented by focused specialised training in the use of RBA through workshops and pilot audits.

- I. Contract Title : International Consultant**
- II. Duration : January 2004 to June 2004**
- III. Duty Station : Manila**
- IV Requirements and Competencies:**

A. Experience and Capability of the Firm

1. Must show a creditable track record of at least five previous engagements with SAIs, on systems evaluation and design, particularly the audit systems; formulation of audit methodology, preferably in the conduct of RBA financial audit or equivalent; design of an audit manual and training of government auditors.
2. Must have a track record of at least five previous engagements in other projects involving multi-disciplinary undertakings and of similar magnitude and complexity.
3. Must be able to show its capability to provide complete attention to the project by showing a listing of the overall work commitments, the geographical distribution of current/ impending projects.

B. Plan of Approach and Methodology

1. Must submit a proposal as to plan of approach and methodology to be used for the project, indicating the following factors:
 - compliance with mandatory requirements
 - methods and approaches to be used in carrying out the tasks and functions
 - soundness and practicability of the methods and approaches to Philippine situations.
2. Must apply the state-of-the-art methods and approaches for the project.
3. Must present the total man-months proposed for the services in relation to the project work and financial plan.

C. Personnel to be Assigned

Resource Consultants (one/two Foreign)

- a. Must be a CPA or equivalent with post-graduate degree in related discipline, with fifteen years of professional experience.

- b. Must have at least fifteen years creditable experience in managing a large, multi-disciplinary staff involved in similar undertakings/projects.
- c. Must have a comprehensive knowledge of the international auditing standards and understanding of the government auditing environment, preferably in the Philippines.
- d. Must have knowledge and experience in system evaluation and design, particularly the audit system; formulation of financial audit methodology, experience in the conduct of risk based financial audit; design of an audit manual; and monitoring and evaluation of audit systems.
- e. Must have knowledge of the state-of-the-art methods and approaches to be applied to the project.

V. Tasks and Functions:

A. For RBA FAM:

- 1. Review the structure and contents as developed by COA and provide advice on better practice international material to be added.
- 2. Conduct review of FAM contents and provide advice to the COA Steering Committee and Technical Working Group on enhancements, particularly in relation to the planning of nature, timing and extent of substantive audit procedures.
- 3. Develop and present a specialised workshop on RBA FAM to train COA RBA experts.
- 4. Assist COA staff to develop and present training to the pilot audit teams on RBA FAM.
- 5. Assist with planning and review of pilot audits.

VI. Outputs

For Tasks and Functions under A –

- 1. Advice on FAM structure and contents
- 2. Report on the evaluation of the draft FAM
- 3. Training Programme for RBA FAM experts
- 4. Trained Auditors in the conduct of pilot audits.
- 5. Evaluation Report on the results of pilot audits
- 6. Final FAM

SCOPE OF SERVICES DOCUMENT

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1. BACKGROUND

1.1 BACKGROUND INFORMATION ABOUT THE COMMISSION ON AUDIT (COA)

The Commission on Audit (COA) is the Supreme Audit Institution (SAI) of the Philippines. COA is responsible, as mandated by the Constitution, for the conduct and reporting to the President and the Congress of the external audit of all government agencies.

As the COA project submission states:

As the country's Supreme Audit Institution (SAI) constitutionally mandated to audit all government entities and to recommend measures necessary to improve effectiveness and efficiency, COA assumes a critical role in guarding the nation's financial resources and in the implementation of government programs and reforms towards improving the quality of services to the people and better enforcement of laws, rules and regulations. COA, thru its state audit, shares a heavy responsibility for promoting effective governance, enforcing public accountability, transparency and effectiveness in the conduct of government operations.

In response COA conducts the following audit functions:

- Financial Audit;
- Compliance Audit; and
- Performance Audit.

The State Audit Manual (SAM), developed by COA and implemented in 1987, defines each of the audit functions as follows:

Financial Audit is the analytical and systematic examination and verification of financial transactions, accounts and reports of any government agency for the purpose of determining their accuracy, integrity and authenticity.

Compliance audit is an examination intended to evaluate an organisations compliance with applicable laws and government regulations and policy in the handling of its finances, and in its operations in general.

Performance audit is divided into three sub-components: economy, efficiency and effectiveness audits.

This project has been designed to assist with capacity building of the financial audit function. COA is operating in a financial audit environment that has undergone significant change that is ongoing. This has created a need for a different approach to the financial audit function, strengthened skills and comprehensive audit guidance.

The changes have been largely driven by the Government's overarching reform agenda as provided for in the 2001/2002 State of the Nation Address and accompanying Medium Term Philippine Development Plan. COA has been instrumental in identifying

key financial reform processes and assisting the Government to develop and implement the necessary changes to systems and processes.

Specifically the changes in the financial operations of public sector entities have included the introduction of an accrual accounting approach for all agencies consistent (where possible) with international standards and practices and a new Government Accounting System (NGAS) in 2002. This has necessitated changes to software and hardware, strengthening of supporting subsidiary systems and standardization of the chart of accounts to allow full consolidation. It is anticipated NGAS will be fully rolled out for all agencies by 2004.

The introduction of NGAS is only one of the reasons for the major change to the financial audit function. The other is recognition by the Chairman and COA that to date the financial audit function has primarily been a compliance audit approach. This has resulted in extensive transaction testing but has not provided a sound basis for analysis and assurance on the financial information and reporting of agencies. This does not reflect modern auditing techniques and is considered inefficient and ineffective.

In recognition of the changes to the processing, recording and reporting of financial information, as well as the desire to facilitate modern auditing techniques, the Chairman implemented a risk based audit approach (RBA) to financial auditing in COA in 2002. The refocusing of audit activities to include financial as well as compliance coverage will restore a more balanced approach to the financial audit function than currently exists.

A RBA is consistent with international better practice approaches to financial auditing and recognises the Chairman's need to modernize the approach of COA in line with the financial reform agenda. The primary change for auditors in RBA will be in the planning of audits and the nature, timing and extent of the audit procedures. The individual audit procedures themselves will not substantially change.

In addition the introduction of RBA will assist COA with more efficient work planning and use of audit resources in the longer term. Initially auditors will need to do more work to understand the new approach and its application but once fully implemented efficiencies should arise.

These definitions are still applicable today and form the basis of the audit function in COA. In international SAI's the conduct of financial audit includes the conduct of financial and compliance audit. The integration of the two provides verification of the compliance and control structures for processing financial information whilst forming an overall opinion on the truth and fairness of the actual financial information presented.

1.2 CONTRIBUTION OF ACTIVITY TO THE MEDIUM TERM PHILIPPINES DEVELOPMENT PLAN (MTPDP)

The conduct of independent financial audit (including the supporting compliance audit) is considered the foundation stone of international governance frameworks. The MTPDP specifically discusses the role of governance in the ongoing efforts of the Government to address poverty in the Philippines, promote economic growth and strengthen law and order. The MTPDP highlights the role of COA in developing a sound governance framework for overall management of government programs and within government

agencies. The development of a comprehensive audit approach will strengthen the contribution of COA to the overall governance framework and application of this framework to the Philippine public sector. This has been one of the major drivers behind the Chairman's reform of the financial audit function.

In recent years, both in the Philippines and abroad, there has been an increased focus on the need to do more with less when working with government resources and to improve the quality of services to the public. This has driven many SAIs to adopt new audit techniques and constantly challenge the way they are doing their work in an effort to achieve international better practice. In addition it has provided the opportunity to reallocate audit resources to achieve optimal efficiency and hence full coverage of all parts of the SAI mandate.

Significantly, international SAIs have found themselves auditing a financial environment that is constantly changing through major reform of rules, regulations and processes, increased demands from the legislators and stakeholders for better financial information and an increased reliance on the role of the SAI as the watchdog of public resources. This has also been evident in the Philippines.

COA aims to institute an RBA methodology that adapts and adopts international better practice tools and techniques to promote the same level of professional services for the people of the Philippines as international SAI's such as Canada, the United Kingdom, Australia and the United States.

A new RBA FAM and associated training and implementation across COA is critical to facilitating this effectively.

2. TERMS OF REFERENCE

2.1 GENERAL INFORMATION

COA has approximately 12,000 employees of which approximately 7,500 are employed as auditors. The organization has offices throughout the country and head office is based in Quezon City, Manila.

The mandate of COA has precipitated an audit approach referred as Comprehensive Auditing. This incorporates financial, compliance and performance audits.

The State Audit Manual (SAM) was developed in 1987 in response to the audit approach outlined above and has not been updated since its inception.

There have been recent significant changes in public sector financial reporting in the Philippines including the implementation of the New Government Accounting System (NGAS) from 1 January 2001. NGAS has in essence introduced financial reporting on a basis of modified accrual accounting for all government entities. In addition to these changes the government has commenced a roll-out of a standardized computerized accounting system for all government agencies

COA has now decided to update SAM as it does not reflect modern financial audit methodology at COA nor does it address the impact of NGAS and the computerization of accounting.

COA is required to continually ensure it utilizes its audit resources in the most efficient manner and adopts modern auditing techniques. This has driven its requirement to adopt a Risk Based Approach (RBA) to financial audits.

RBA has been implemented to some extent in COA over the last several years. Accounting firm SGV was contracted in 1999 to train auditors at COA in RBA and many auditors have been exposed to RBA through the United Nations audit program. However currently, the approach to financial audit, and in particular RBA has not been documented as a standardised approach. Current practices in the field consist of varying degrees of implementation of RBA. Practices often fall back to the substantive audit approach including compliance auditing using transaction testing.

COA is substantially conversant with the audits of balance sheets and modified accrual accounting.

In response to the above COA needs to develop a new Financial Audit Manual (FAM). FAM is required to address the changes in financial reporting as a result of NGAS and to formalise the focus of the audit approach to RBA. It will document modern auditing techniques and standardised audit test programs.

The adoption of RBA includes the conduct of financial and compliance auditing in a balanced approach and will need to be considered in developing FAM.

To facilitate the timely and complete adoption of RBA COA has recently developed several handbooks on areas not adequately covered in SAM. These handbooks have been used in training a large number of COA auditor in the following:

- Financial Audit;
- Risk Based Audit; and
- Internal Control Structure.

COA has now determined it is critical to its mainstream operation of financial auditing to develop an updated RBA FAM that translates these handbooks into standardised practices, procedures and working papers as soon as practicable.

In July 2003 the Chairman established a Development Steering Committee (DSC), Technical Working Group (TWG) and various sub-groups who are responsible to - "prepare an audit manual that will prescribe audit guidelines and procedures and working papers to be used in conducting financial audits of government agencies and instrumentalities". The DSC shall define the functions and responsibilities of the TWG and Sub-Groups. It will report regularly to the Chairman of COA.

The Chairman of COA has also instructed that the FAM shall include audit guidelines and procedures to define the core steps and processes that are relevant and/or necessary in auditing an entity and the reflections in that entity's financial statements. Further, it shall include the requirement to have audit working papers in a prescribed manner and will reflect the planning, execution and reporting cycle of the audit.

It has been identified that the services of an international consultant (Consultant) is required to assist in the quality assurance review of FAM and advice and guidance on the associated training and implementation strategies.

It is expected that COA will be able to develop FAM based on its own experiences and existing manuals and handbooks, however, it is seeking assurance that it is adopting Best Practice in its financial audit approach. As such, the role of the Consultant will be essentially to provide a quality assurance role to ensure that FAM has adopted modern audit methodology (e.g. RBA) and techniques relevant to the audit environment in which COA operates. It is not envisaged the Consultant will write FAM. It is the responsibility of the DSC to draft the contents of the FAM and the Consultant will provide input where required. Primarily, this input will be to assist in developing the adoption of RBA as a methodology applicable to COA and translated into a 'user friendly' practice for auditors.

The Consultant will also assist in the initial training of COA staff and the trial of FAM through the conduct of four pilot audits. Again, the focus of the Consultant will be in ensuring the "planning" phase of the audit incorporates the RBA methodology and its application and interpretation in the field. There will minimal involvement in other matters such as reporting, follow-up, audit file structures etc.

Further, it has been identified that the implementation, monitoring and updating of FAM is critical to the success and sustainability of the project and the Consultant will be required to assist in developing strategies to meet these requirements.

Once FAM has been accepted by the Executives of COA it will become the financial audit manual to all financial auditors throughout the country. It is envisaged that FAM will be available for use by auditors in 2004.

The Consultant will need to bring to the project a superior understanding of RBA methodology and its application to field auditors within the environment in which COA operates. The Consultant will need to provide advice on Best Practices for inclusion in FAM and assist in testing and training the new financial audit approach. Finally, the Consultant will need to assist in developing strategies for effective implementation, adoption and updating of FAM.

2.2 ACTIVITY OBJECTIVES, OUTPUTS AND INPUTS

2.2.1 Activity Objectives

COA's Mission is defined as follows:

'The Commission on Audit, entrusted by the Filipino people with the duty to undertake independent audits, aims to provide adequate, reliable and current information on the affairs of government through appropriate audit approaches, and the fair and impartial exercise of its powers so that accountability, transparency, economy, productivity and effectiveness in the conduct of government operations are thereby promoted.'

The objective of this project is "to effectively document and implement an RBA methodology that adapts and adopts international better practice tools and techniques to promote the same level of professional services for the people of the Philippines as international SAI's such as Canada, the United Kingdom, Australia and the United States".

The major strategies being used to achieve the activities are:

- Establishment of sound consultative and development Committees and teams within COA;
- Documentation of a standardised approach with practical examples and standardised working papers for the needs of COA whilst adopting international better practices;
- Training of resident experts in practical application of the internal control and risk assessment to substantive audit testing;
- Practical hand on training of pilot audit teams in the COA environment to ensure sound skills development;
- Development and implementation of sound strategies for ongoing monitoring and continuous improvement to ensure ongoing relevance and better practices.

2.2.2 Deliverables

The deliverables for this activity are listed below. Those highlighted in bold are to be funded by AusAID and UNDP, whilst the remainder will be funded by COA as follows:

- Conceptual framework and FAM developed;

- Project terms of reference developed;
- Procedure Audit Manual developed;
- RBA FAM designed and drafted;
- **Quality assurance review of FAM and strengthening of planning phase documentation;**
- **Training of FAM experts;**
- **Training of pilot auditors**
- **Planning of pilot audits;**
- Conduct of pilot audits;
- **Monitoring and evaluation of pilot audits;**
- Evaluation of lessons learnt and finalisation of the FAM;
- **Final quality assurance review of FAM;**
- **Development of implementation, monitoring and ongoing continuous improvement strategies;** and
- Approval and implementation of RBA FAM.

The Consultant will deliver the following:

1. A suggested structure for the FAM in writing;
2. A brief report providing feedback on suggested enhancements to Output 1.3;
3. Copies of examples of international RBA methodology material for areas to be covered in the COA FAM;
4. Draft contents for the FAM on RBA planning;
5. Draft RBA training workshop material including overheads and case studies;
6. Summary report on the suggested key enhancements to the FAM based on the experiences of the pilot audits;
7. Draft implementation, monitoring and continuous improvement strategies;
8. Brief report on the work of the pilot audits providing advice on improvements.

2.2.3 Risks and Risk Management Strategy

Risks	Risk Level	Management Strategy	Responsibility
Reference material not available Unable to select appropriate content to apply to this project	Low	Extensive involvement of COA in ASOSAI and other professional bodies will provide contacts Substantial material already researched on the internet and through text books Quality assurance review from the Consultant will provide opportunity to amend	DSC
Bid price doe not reflect methodology detailed in matrix Bid price exceeds agreed budget	Medium	Detailed design by financial audit experts Comprehensive discussions with COA to ensure common understanding	DSC Consultant

SCOPE OF SERVICES

Risks	Risk Level	Management Strategy	Responsibility
Procedures only incorporate the audit of compliance not the complete audit approach	Low	Comprehensive discussions with COA to ensure common understanding;	DSC Consultant
Procedures and working papers are not prepared as per the Office Order in accordance with the proposed timetable	Medium	Activity linkages rely on completion of COA documentation before Consultant visit COA established and provided clear responsibilities and timeframes for the Committees and Working Groups Multiple visits of the Consultant to provide time for COA to undertake their required activities Consideration of major activities such as ASOSAI Congress and their impact	DSC TWG Consultant
Audit Manual for the LGUs is not completed and approved at the required stage of the project	Medium	Integration of LGU material at key points COA currently working with SGV to ensure inclusion	COA
Auditors unable to substantially draft the manual contents and have identified those materials still required in accordance with the project timeframe. Research and review does not include international better practices	Medium	Matches to role and responsibilities clearly stated by the COA Chairman Timetable allows opportunity for completion COA Executive indicated their commitment to timely completion	COA DSC TWG
Consultative processes do not provide for consideration of different audit needs of Clusters	Low	The membership of the DSC, TWG and sub-groups representative of different levels of auditors and the different Clusters and Sectors	DSC TWG
Pilot audits not completed within the required timeframe	High	Planning undertaken as a team Planning reviewed by RBA FAM experts and the Consultant	COA DSC TWG
Implementation, monitoring and continuous improvement strategies not	Medium	Developed in consultation with the DSC and TWG	DSC TWG

SCOPE OF SERVICES

Risks	Risk Level	Management Strategy	Responsibility
approved			
Audits do not form part of the existing financial audit plan and timetable	Medium	<p>Selection of the pilot audits clearly linked to 2004 audit cycle</p> <p>Timing of project to fit with planning and audit cycle</p> <p>Auditors to assigned to pilot audit teams based on their appointed Cluster</p> <p>Pilot audit work conducted at home office</p> <p>Formal debriefing will be undertaken as a team in Manila</p>	COA DSC
The task for reporting assumes the audits are conducted for year end and may not cover the full audit process	High	Flexibility in project design. If interim audits conducted then reporting will not include a final audit opinion on the financial statements. Audit findings will still need to be reported	DSC Consultant
The activities of Output 1.3 have been not been completed and reviewed by COA in a timely manner	Medium	Clearly stated requirement in logical framework matrix	DSC TWG
The draft FAM not substantially prepared by COA and available for review	Medium	<p>COA Chairman, DSC and TWG have established and agreed timeframes, roles and responsibilities</p> <p>Monitoring procedures in place; Consultant visit dependent on satisfactory completion</p>	DSC TWG
Completed documentation provided by email in a timely manner	Medium	<p>Agreed workplan established at the beginning of the project</p> <p>Consultant visits only allow for limited review and feedback</p>	DSC TWG Consultant
Trained FAM Experts not available to work with the Consultant full time	High	<p>COA advised of need to release staff full time for periods to work with the Consultant</p> <p>Agreed workplan established at the beginning of the project</p>	COA DSC

2.3 TRAINING

2.3.1 Summary of trainings

Task	Purpose	No. of pax	Length (days)	Venue
1.5.2	Workshop Training of RBA FAM Experts	25	5	COA Head Office (Manila)
1.5.4	Workshop Training of COA Pilot Auditors	60	5	COA Head Office (Manila)
1.5.5-1.5.9	Pilot Audits - on the job training	60	5 (for the planning phase)	COA Head Office (Manila)

2.3.2 Summary of training objectives

Training component	Objectives
Task 1.5.2 Workshop Training of RBA FAM Experts	To provide detailed practical examples on how to use the risk assessment, evaluation of internal controls and planning to establish the nature, timing and extent of the substantive testing
Task 1.5.4 Workshop Training of COA Pilot Auditors	To provide an understanding of the new FAM and the procedures within and how these apply to financial audit in COA To provide detailed practical examples on how to use the risk assessment, evaluation of internal controls and planning to establish the nature, timing and extent of the substantive testing
Task 1.5.5 Pilot Audits - on the job training	To provide practical experience with COA clients on how to use the FAM (including processes for risk assessment, evaluation of internal controls and planning) to decide on the nature, timing and extent of the substantive testing Gain feedback from the RBA FAM Experts and consultant on the effective implementation of the new FAM

2.4 MANAGEMENT AND LIAISON

2.4.1 Organisation and Management Arrangements

The day-to-day management of this activity will be the responsibility of the COA Project Management Group, Chaired by an Assistant Commissioner. This is in accordance with a signed agreement between COA, AusAID and UNDP.

All key documents and deliverables will be discussed and approved by the DSC which is chaired by a Commissioner. The supporting TWG and sub-groups will provide consultative assistance and be responsible for preparing much of the detailed documentation for the FAM. They will also work with the Consultant on the training and pilot audits. The Consultant is expected to work in close collaboration with these COA committees and working groups in its efforts to complete the requirements of this activity.

The sub-contractor's Consultant will work in the COA Head Office, Quezon City, Manila. The Consultant will report daily during the Philippines working week unless otherwise arranged.

The Consultant is responsible to AusAID and UNDP for the specified deliverables and outputs.

The first task for the Consultant is the development of an agreed Work Plan for achieving the deliverables and outputs.

2.4.2 Monitoring and Reporting

COA will be responsible for monitoring the activity according to the performance indicators stated in the Agreement with AusAID and UNDP.

The sub-contractor will submit **monthly achievement reports** to UNDP and AusAID related to the delivery of outputs and major deliverables. The format for these reports is as follows:

- general information about the activity
- activity objectives
- status of outputs and deliverables (represented as a history of completed outputs and expensing profile to date)
- details of next outputs/deliverables and anticipated expensing profile, and
- key issues and constraints to implementation.

These will be delivered at the end of each calendar month throughout the activity.

Evaluation reports are required from participants in learning experiences (eg workshops, hands-on training tours and other learning experiences out of the country, seminars, and lectures). The evaluation forms and the report will be prepared by the sub-contractor and included with the relevant monthly report. The format of these evaluation reports will be agreed between COA, the sub-contractor, AusAID and UNDP at the commencement of the activity.

An **activity completion report** is required from the sub-contractor at the completion of the sub-contract. This report will be presented to AusAID and UNDP in electronic form in Microsoft Word and Excel. The content of the report will be specified in general terms by AusAID and UNDP with the actual Table of Contents agreed in discussion between the sub-contractor.

COA will submit an **activity sign-off report** on completion of the activity, which will confirm the accomplishment of the deliverables and outcomes of the activity.

2.5 DOCUMENTS FOR INFORMATION

A number of documents are provided for the information of tendering companies.

SCOPE OF SERVICES

A Project Design Document was prepared by COA as part of the process of gaining approval for this activity to proceed. That document is made available for information only. The Logical Matrix Framework and this Scope of Services document should be used for bidding purposes.

3. QUALIFICATIONS AND EXPERIENCE OF SUB-CONTRACTOR

The successful Consultant is required to meet the following minimum educational and experience requirements:

- Qualified to membership status to recognized professional accounting body;
- Minimum ten years experience as auditor in either the public sector or private sector, or both;
- Demonstrated experience in Risk Based Auditing methodology and modern auditing techniques;
- Demonstrated experience in the development of audit manuals, training workshops and pilot studies; and
- Demonstrated experience in capacity building projects for Supreme Audit Institutions.

4. DURATION OF ACTIVITY

The sub-contractor's involvement in the activity is expected to commence by November 2003 at the latest and be completed by June 2004 with submission of the Activity Completion Report.

The timeframe is an estimate only and will be clarified with the sub-contractor during the process of developing and agreeing the final Work Plan.

5. SUB-CONTRACTOR DEED OF COVENANT

The sub-contractor will be required to enter into a deed of covenant, which contractually binds the sub-contractor to AusAID or UNDP.

6. BASIS FOR PAYMENT

The sub-contractor will be paid following the satisfactory accomplishment of the deliverables as listed in Section 2.2.2 above. Invoices will be required from the sub-contractor for this purpose. The sub-contractor will need to keep normal accounting records for budgetary and expenditure management. Final payment will be made on receipt of an Activity Sign-off Report from the proponent to certify that all of the deliverables were completed to satisfaction. The procurement items listed in section 2.4 above will need to be detailed in the Financial Proposal.

TERMS OF REFERENCE DOCUMENT

*Enhancing Public Accountability Programme of the Philippine
Commission on Audit:
Risk Based Audit Financial Audit Manual and Training*



UNITED NATIONS DEVELOPMENT PROGRAM
September 2003

Terms of Reference

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1. Project Description

The Commission on Audit (“COA”) is the Supreme Audit Institution of the Republic of the Philippines. The Constitution of the Philippines has established COA as a constitutional office and grants it powers to audit all accounts pertaining to all government revenues and expenditures and uses of government resources and to also prescribe accounting and auditing rules.

COA’s Mission is defined as follows:

‘The Commission on Audit, entrusted by the Filipino people with the duty to undertake independent audits, aims to provide adequate, reliable and current information on the affairs of government through appropriate audit approaches, and the fair and impartial exercise of its powers so that accountability, transparency, economy, productivity and effectiveness in the conduct of government operations are thereby promoted.’

COA has approximately 12,000 employees of which approximately 7,500 are employed as auditors. The organization has offices throughout the country and head office is based in Quezon City, Manila.

The mandate of COA has precipitated an audit approach referred as Comprehensive Auditing. This incorporates financial, compliance and performance audits.

The State Audit Manual (SAM) was developed in 1987 in response to the audit approach outlined above and has not been updated since its inception.

There have been recent significant changes in public sector financial reporting in the Philippines including the implementation of the New Government Accounting System (NGAS) from 1 January 2002. NGAS has in essence introduced financial reporting on a basis of modified accrual accounting for all government entities. In addition to these changes the government has commenced a roll-out of a standardized computerized accounting system for all government agencies

COA has now decided to update SAM as it does not reflect modern financial audit methodology at COA nor does it address the impact of NGAS and the computerization of accounting.

COA is required to continually ensure it utilizes its audit resources in the most efficient manner and adopts modern auditing techniques. This has driven its requirement to adopt a Risk Based Approach (RBA) to financial audits.

RBA has been implemented to some extent in COA over the last several years. Accounting firm SGV was contracted in 1999 to train auditors at COA in RBA and many auditors have been exposed to RBA through the UN audit program. However currently, the approach to financial audit, and in particular RBA has not been documented as a standardised approach. Current practices in the field consist of varying degrees of implementation of RBA. Practices often fall back to the substantive audit approach including compliance auditing using transaction testing.

COA is substantially conversant with the audits of balance sheets and modified accrual accounting.

In response to the above COA has determined a need to develop a new Financial Audit Manual (FAM). FAM is required to address the changes in financial reporting as a result of NGAS and to formalise the focus of the audit approach to RBA. It will document modern auditing techniques and standardised audit test programs.

The adoption of RBA includes the conduct of financial and compliance auditing in a balanced approach and will need to be considered in developing FAM.

To facilitate the timely and complete adoption of RBA COA has recently developed several handbooks on areas not adequately covered in SAM. These handbooks have been used in training a large number of COA auditors in the following:

- Financial Audit;
- Risk Based Audit; and
- Internal Control Structure.

COA has now determined it is critical to its mainstream operation of financial auditing to develop an updated RBA FAM that translates these handbooks into standardised practices, procedures and working papers as soon as practicable.

In July 2003 the COA Chairman established a Development Steering Committee (DSC), Technical Working Group (TWG) and various sub-groups who are responsible to - "prepare an audit manual that will prescribe audit guidelines and procedures and working papers to be used in conducting financial audits of government agencies and instrumentalities". The DSC defines the functions and responsibilities of the TWG and Sub-Groups. It will report regularly to the Chairman of COA.

The Chairman of COA has also instructed that the FAM shall include audit guidelines and procedures to define the core steps and processes that are relevant and/or necessary in auditing an entity and the reflections in that entity's financial statements. Further, it shall include the requirement to have audit working papers in a prescribed manner and will reflect the planning, execution and reporting cycle of the audit.

It has been identified that the services of an international consultant (Consultant) is required to assist in the quality assurance review of FAM and advice and guidance on the associated training and implementation strategies.

It is expected that COA will be able to develop FAM based on its own experiences and existing manuals and handbooks, however, it is seeking assurance that it is adopting Best Practice in its financial audit approach. As such, the role of the Consultant will be essentially to provide a quality assurance role to ensure that FAM has adopted modern audit methodology (e.g. RBA) and techniques relevant to the audit environment in which COA operates. It is not envisaged the Consultant will write FAM. It is the responsibility of the DSC to draft the contents of the FAM and the Consultant will provide input where required. Primarily, this input will be to assist in developing the adoption of RBA as a methodology applicable to COA and translated into a 'user friendly' practice for auditors.

The Consultant will also assist in the initial training of COA staff and the trial of FAM through the conduct of four pilot audits. Again, the focus of the Consultant will be in ensuring the “planning” phase of the audit incorporates the RBA methodology and its application and interpretation in the field. There will be minimal involvement in other matters such as reporting, follow-up, audit file structures etc.

Further, it has been identified that the implementation, monitoring and updating of FAM is critical to the success and sustainability of the project and the Consultant will be required to assist in developing strategies to meet these requirements.

Once FAM has been accepted by the Executives of COA it will become the financial audit manual to all financial auditors throughout the country. It is envisaged that FAM will be available for use by auditors in 2004.

The Consultant will need to bring to the project a superior understanding of RBA methodology and its application to field auditors within the environment in which COA operates. The Consultant will need to provide advice on Best Practices for inclusion in FAM and assist in testing and training the new financial audit approach. Finally, the Consultant will need to assist in developing strategies for effective implementation, adoption and updating of FAM.

2. Scope of Work

The Consultant will be based in the offices of COA in Manila.

It is envisaged that a significant portion of FAM will be complete by the time the Consultant commences service. The Steering Committee will focus on the execution, reporting and follow-up cycles of the audit. The Consultant will primarily assist with the documentation in FAM of the planning phase. In addition the Consultant is required to review the complete draft FAM to ensure that it meets Best Practice i.e. the Consultant will provide a quality assurance process on the FAM.

The Consultant will be required to provide input to the DSC, TWG and the various sub-groups as required. This may include matters of strategy, technical or general audit. These matters will form part of modern audit techniques and include internal control evaluation, determining materiality levels, sampling techniques, interpretation of audit results utilising RBA etc.

Further, the Consultant will be required to contribute to testing the new FAM through pilot audits and assist in training. Again, the emphasis on the input is the adoption of RBA and modern audit techniques and their meaningful application by auditors. It is envisaged the auditors attending the training sessions will undertake the pilot audits.

The overall success of this project will depend on the successful implementation and regular monitoring and updating of FAM. The Consultant will be required to provide assistance to the DSC in the development of a written policy and procedures to ensure these requirements are met.

Therefore, the major activities of the Consultant have been summarised as follows:

- Provide advice to COA staff responsible for designing and drafting the FAM;
- Review FAM to ensure modern auditing techniques and Best Practice have been adopted in the context of the COA environment;
- Assist in the design and delivery of suitable training to senior financial auditors;
- Assist in the design of four pilot audits;
- Briefly review the pilot audit results and update FAM as required; and
- Assist in the development of written policy and procedures to ensure FAM is successfully implemented, monitored and regularly updated.

The general approach of the Consultant includes providing services in-country as well as from home base and has been summarised as follows:

Location	Activity	Approach	Duration	Visit No.
Manila	Familiarisation with COA and audit requirements Establish work plan for input	Discussion and interview with FAM groups, executive and auditors	6 days	1
Manila	Review draft FAM to identify information still needed to be developed particularly in relation to planning Review draft FAM for Best Practice within the COA environment. Assist COA to draft material as required on planning	Each Section of FAM to be reviewed and advise on information to be considered for inclusion Comment and advise on changes required to ensure Best Practice	20 days	1
Manila	Prepare and present, in coordination with PDC, a 5-day workshop for training 25 FAM Experts as trainers	Design and deliver training to 25 auditors	10 days.	2
Manila	Assist (guidance role) in development of three 5-day workshops for training the pilot auditors on the new FAM	Provide advice to FAM Expert Trainers	15 days	2
Manila	To provide oversight of planning four pilot audits under RBA using the new FAM	Provide advice to FAM Expert Trainers	8 days	2
Manila	The development of strategy and procedures for the implementation of FAM, monitoring and updating	Assist DSC in developing policy and procedures	4 days.	3

Location	Activity	Approach	Duration	Visit No.
Manila	Assist with review of results of pilot audits	Assist in review of 4 pilot audits and provide feedback on quality of work undertaken	8 days	3
Home Office	Assist with review of FAM Training Manual and Pilot audits	Assist in review via e-mail and teleconferencing	10 days	N/A

3. Expected Outputs

The consultant will be expected to assist COA in the delivery of the following outputs:

1. Suggested enhancements to the draft FAM as accepted by the COA Steering Committee;
2. Provision of suggested material for explaining the link between risk, internal controls and substantive testing under RBA that may be copied into FAM;
3. Draft FAM as accepted by the COA Chairman
4. Provision of a training workshop for 25 RBA FAM experts;
5. Provision of three training workshops for 60 financial auditors;
6. Completion of four pilot audits;
7. Final update of FAM and presentation to the COA Chairman for approval;
8. Development and implementation of written policy and procedures on implementation, monitoring and updating of FAM.

The Consultant will specifically deliver the following:

1. A suggested structure for the FAM in writing;
2. A brief report providing feedback on suggested enhancements to Output 1.3;
3. Copies of examples of international RBA methodology material for areas to be covered in the COA FAM;
4. Draft contents for the FAM on RBA planning;
5. Draft RBA training workshop material including overheads and case studies;
6. Summary report on the suggested key enhancements to the FAM based on the experiences of the pilot audits;
7. Draft implementation, monitoring and continuous improvement strategies;
8. Brief report on the work of the pilot audits providing advice on improvements.

4. Institutional Arrangement

It is envisaged that the Consultant will be directly responsible to DSC, whom in turn are responsible to the Chairman. All outputs of the Consultant will need to be accepted and approved by the DSC prior to presentation to the Chairman.

COA will provide the Consultant with administration support as required. The roles and responsibilities of the various groups contributing to the preparation of FAM, training and pilot audits have been defined in the Project Design Document.

5. Duration of Work

The estimated duration of work for the Consultant for each activity has been included in Item 2 of this Terms of Reference. The estimated input days required for this project are 71 days in Manila (excluding travel time) and 10 days at home office.

The completion of FAM is a high priority to COA and at the latest it is required to be available to auditors for the audit of the 2004 financial year.

It is envisaged the Consultant will undertake three visits to COA. The activities for each visit are intended to follow the likely logistical sequence of the project.

The preparation and delivery of workshop training will be at two levels. The first is limited to one workshop for a group of 25 FAM experts, the second level is limited to three workshops for groups of twenty auditors each for training for the pilot audits. The first workshop will be prepared and presented by the consultant the second set of workshops by the COA FAM experts. The training will occur after the Chairman has accepted the draft FAM and will be fixed at five days per training workshop and presented consecutively.

The auditors attending the workshop training course will be the same auditors required to undertake the four pilot audits. The pilot audits are to commence after the training and will be run simultaneously. These pilot audits will provide feedback on the appropriateness of FAM and any consequential amendments that may be required as well as develop the skills of the auditors in practical application of RBA in COA.

The Consultant and COA FAM experts will assist in the planning of the pilot audits based on the FAM and will alternate between the pilot teams during the planning stage. It is envisaged that the Consultant will not stay for the duration of the pilot studies but will only return to review the outcomes of the pilot studies and assist in any updates of the FAM. When this task is complete the FAM should be finalised for the approval of the Chairman.

The Consultant will then complete his input by assisting the DSC in developing the policy and procedures document for the implementation, monitoring and updating of FAM.

6. Duty Station

COA will be responsible to provide the Consultant with suitable office facilities including a desktop computer with printer and internet access and photocopying facilities.

It is envisaged the pilot studies will be undertaken in Manila and the regional offices of the relevant agencies. The planning phase will substantially be completed by the pilot teams in Manila.

7. Qualifications of the Successful Consultant

The successful Consultant is required to meet the following minimum educational and experience requirements:

- Qualified to membership status to recognised professional accounting body;
- Minimum ten years experience as auditor in either the public sector or private sector, or both;
- Demonstrated experience in Risk Based Auditing methodology and modern auditing techniques;
- Demonstrated experience in the development of audit manuals, training workshops and pilot studies; and
- Demonstrated experience in capacity building projects for Supreme Audit Institutions.

8. Scope of Bid Price and Schedule of Payments

The contract price is a fixed based price and is all inclusive. Payments will be made after completion of each visit to Manila and will be paid upon the submission of invoice and Certificate of Completion certified by the Chairman of COA.

9. Recommended Presentation of Proposal

To assist in the evaluation of proposals from perspective bidders it is recommended that bids be presented in the following format:

- Understanding of the Terms of Reference;
- Plan of approach and methodology;
- Schedule of visits to COA;
- Support provided to Consultant by Contractor; and
- Qualifications, skills and experience of Consultant.

10. Selection Criteria

The selection criteria to be used in evaluating bids are as follows:

Criteria	Weighting (%)
Qualifications and experience of Consultant	35%
Practicality and appropriateness of the approach and methodology	25%
Contractor experience in similar projects	25%
Support provided by Contractor to Consultant	15%