

Open call for tenders to assist EFRAG in identifying uses and issues with the statement of cash flows

A. Summary of contract requirements and tendering procedure

A.1. Contracting entity

A.1.1. *Name and address*

EFRAG

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Belgium

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Contact persons:

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Internet address

www.efrag.org

A.1.2. *Date of publication of this notice*

8 September 2023.

A.1.3. *Submission date*

Tenders must be submitted by the close of business on 29 September 2023 to the email address: call.for.tender@efrag.org. Tenderers are advised to keep proof of the sending time.

A.1.4. *Communication*

Additional information can be obtained from the above-mentioned address.

A.1.5. *EFRAG's mission statement*

EFRAG's mission is to serve the European public interest in both financial and sustainability reporting by developing and promoting European views in the field of corporate reporting. EFRAG builds on and contributes to the progress in corporate reporting.

In its financial reporting activities, EFRAG ensures that the European views are properly considered in the IASB's standard-setting process and in related international debates. EFRAG ultimately provides advice to the European Commission on whether newly issued or amended IFRS Standards meet the criteria of the IAS Regulation for endorsement for use in the EU, including whether endorsement would be conducive to the European public good.

In its sustainability reporting activities, EFRAG provides technical advice to the European Commission in the form of draft European Sustainability Reporting Standards (ESRS) elaborated under a robust due process and supports the effective implementation of ESRS.

EFRAG seeks input from all stakeholders and obtains evidence about specific European circumstances throughout the standard-setting process. Its legitimacy is built on excellence, transparency, governance, due process, public accountability and thought leadership. This enables EFRAG to speak convincingly, clearly, and consistently, and be recognised as the European voice in corporate reporting and a contributor to global progress in corporate reporting.

A.2. Description of the contract

A.2.1. *Short description*

Based on consultations with its constituents, EFRAG started a proactive research project on the statement of cash flows. The project's scope is to discuss different alternative objectives/uses of the statement of cash flows; identify and explain the issues with current practice and requirements of the statement of cash flows; and discuss whether the IASB should consider the issues identified by targeted amendments, or if a comprehensive review of IAS 7 Statement of Cash Flows would be necessary to deal with the issues in a satisfactory manner. The project comprises the following phases:

1. Defining the scope of the research project (done)
2. Collecting input from constituents and writing a Discussion Paper ("DP") (Q4 2023-H1 2024).
3. DP public consultation (H2 2024)
4. Summarising the feedback received and developing recommendations to the IASB (H1 2025).

The objective of the contract is to assist EFRAG in phase 2 of its proactive research project on the statement of cash flows prepared under the requirements in IAS 7 *Statement of Cash Flows* by:

- identifying objectives of the statement of cash flows and identifying how the statement of cash flows is currently used.
- identifying issues with how the statement of cash flows are currently prepared in accordance with the requirements of IAS 7.

The contractor should thus provide input on the above-mentioned issues, which would allow EFRAG to develop relevant sections to be included in a Discussion Paper on the Statement of Cash Flows.

EFRAG will issue the Discussion Paper and seek for inputs during the public consultation period. EFRAG will also conduct various outreach activities related to the Discussion Paper. EFRAG will summarise the input received in response to the Discussion Paper in a feedback statement and consider whether, based on the input received, EFRAG can make recommendations on the identified issues.

A.2.2. *Detailed description*

See Section B.

A.3. Formal requirements and description of the procurement process

A.3.1. *Delivery deadlines*

The study should be carried out in the following phases, which are not intended to produce separate reports but to ensure a close coordination between the contractor and the EFRAG Secretariat on the progress of the contractor's report:

Date	Action
19 October 2023	Input from the EFRAG Financial Reporting Technical Expert Group (EFRAG FR TEG) and relevant working groups. A session will be scheduled during the 19 October 2023 EFRAG FR TEG meeting. During this meeting, EFRAG FR TEG will provide input on the two issues mentioned in Section A.2.1. Meetings with other relevant EFRAG Working Groups and Panels are envisaged to be organised.
October December 2023	- The contractor will review literature on objectives/uses of the statement of cash flows and relate the uses identified in the literature with practice. The contractor will organise interviews with relevant persons to obtain information about the uses of statements of cash flows in practice. In particular, the contractor will collect input from round tables and a meeting with the EFRAG User Panel. The EFRAG Secretariat will organise one to three roundtables (e.g., a round table for users, a round table for corporates and a round table for financial institutions) at which the issues mentioned in Section A.2.1 will be discussed. These round tables will take place in October and November 2023. The contractor will provide a summary of the input received at the round tables organised by the EFRAG Secretariat and the meetings with relevant EFRAG Working Groups.
11 December 2023	The contractor will submit for the first review its report on input for EFRAG's Discussion Paper on the objectives of the statement of cash flows and how the statement of cash flows is used. The contractor will submit a presentation to be used for the joint EFRAG FR TEG and EFRAG FRB meeting on 19 December 2023.
19 December 2023	The contractor will present during a public meeting of EFRAG FR TEG and EFRAG FRB its input to the part of EFRAG's Discussion Paper on the objectives of the statement of cash flows and how the statement of cash flows is used. During that meeting, the contractor will receive feedback from the review of the first report submission of EFRAG FR TEG and the EFRAG FRB (EFRAG Financial Reporting Board). Together with the comments received from the EFRAG Secretariat, this input must be reflected in the contractor's report on the objectives of the

	statement of cash flows and how the statement of cash flows is used.
30 January 2024	The final version of the report providing input to EFRAG's Discussion Paper the objectives of the statement of cash flows and how the statement of cash flows is used will be submitted to EFRAG.
February -March 2024	<p>The contractor will review literature on how the statements of cash flows are currently prepared and relate these findings with practice.</p> <p>The contractor will review and identify in discussions of the IFRS Interpretation Committee, issues related to the preparation of the statement of cash flows.</p> <p>The contractor will review and identify issues related to the preparation of statement of cash flows from accounting manuals of large audit firms.</p> <p>The contractor will organise interviews with relevant persons to obtain information about the issues with the preparation of statements of cash flows in practice.</p>
20 March 2024	The report of the contractor including input to the part of EFRAG's Discussion Paper identifying issues with how the statements of cash flows are currently prepared must be provided to EFRAG for its first review.
28 March 2024 COB	The EFRAG Secretariat will provide the results of its initial review of the report of the contractor including input to the part of EFRAG's Discussion Paper identifying issues with how the statements of cash flows are currently prepared.
4 April 2024	The contractor will submit a revised report on its input to EFRAG's Discussion Paper identifying issues with how the statements of cash flows are currently prepared. The revised report will reflect the review comments of EFRAG.
W/c 15 April 2024	The contractor will present during a public meeting of EFRAG FR TEG and EFRAG FRB the report on issues with how the statements of cash flows are currently prepared. During that meeting, the contractor will receive feedback from the review of the report of EFRAG's Financial Reporting Technical Expert Group.
3 May 2024	The final version of the report including input to EFRAG's Discussion Paper on issues with how the statement of cash flows are currently prepared will be submitted to EFRAG.

During the drafting of the report, an on-going information exchange between the contractor and the EFRAG Secretariat about the progress of the report must be established via e-mail and/or Microsoft Teams meetings. In 2023, the contractor will provide updates at least twice a month by means of Microsoft Teams meetings. In 2024, the contractor will at least give monthly updates by means of

Microsoft Teams meetings. Travel expenses related to the EFRAG FR TEG meeting on 19 October 2023 and the two presentations at EFRAG in December 2023 and April 2024 and interviews, as well as any other costs are part of the all-inclusive study price.

Based on discussions between the EFRAG Secretariat and the contractor, additional meetings (e.g., of EFRAG's working groups such as the EFRAG IAWG (Insurance Accounting Working Group) and/or FIWG (Financial Instruments Working Group) could be arranged to meet the objectives of the contract. If these meetings would be arranged as physical meetings, travel expenses to these meetings will also be covered by the contractor.

A.3.2. Duration of the contract

The contract will expire on 22 May 2024 at the latest.

A.3.3. Maximum total value of the contract

The maximum value of this contract is 110 000 EUR including VAT¹ and all other costs, expenses (including travel costs, meeting-related costs and other out-of-pocket costs) and fees.

A.3.4. Specification of offer

In the offer, the tenderer should specify:

- The number of working days (full time equivalent) of members of the tenderer's team, per level of seniority.
- The daily rate per level of seniority.
- All other costs, expenses (including travel costs, meeting-related costs and other out-of-pocket costs) and fees.

The financial amounts specified in the offer should include VAT¹.

A.3.5. The reports

The reports should use UK English and be submitted in electronic Microsoft Word format. Graphs, tables and figures being part of the text of the reports must be provided in a format which can be edited using Microsoft Word. Each part of the report must include:

- A text summarising the part which can be used by EFRAG for the executive summary of the EFRAG's Discussion Paper.
- A text summarising the report which can be used for the of the EFRAG's Discussion Paper. This summary should be a bit longer than the executive summary.
- A text describing the objectives and uses of the statement of cash flows prepared under the requirements in IAS 7 (for the first part) and a text describing the issues identified in relation to how statements of cash flows are currently prepared.
- The following standard disclaimers (or any updated version) should be included in the report when applicable:
 - "The information and views set out in this report are those of the author(s) and do not necessarily reflect the views or opinion of EFRAG.

¹ EFRAG has no VAT status and should therefore be invoiced VAT included for all provision of services, including those received from abroad.

EFRAG does not guarantee the accuracy of the data included in this report. EFRAG may not be held responsible for the use which may be made of the information contained therein. "

- "Funded by the European Union through the Single Market Programme in which the EEA-EFTA countries (Norway, Iceland and Liechtenstein), as well as Kosovo participate. Any views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union, the European Commission or of countries that participate in the Single Market Programme. Neither the European Union, the European Commission nor countries participating in the Single market Programme can be held responsible for them."

A.4. Quality standards

A.4.1. *General quality standards*

The contractor shall undertake to perform the tasks assigned to them in accordance with the highest professional standards and to observe the highest integrity throughout the process (data, research, analysis, presentation, citations, etc.). The standards to be respected include:

- All written deliveries should be drafted concisely, allowing readers to readily gain an overview of the specific subject, independent of their prior knowledge or expertise.
- The contractor should remain aware of the limitations of the methods applied to collect the required information, including a consciousness of the impact of their own views and opinions which may predetermine an outcome.
- The contractor should bear in mind that the delivery must stand up to scrutiny in a wider context and that factual errors, imprecise or ambiguous wordings or an unclear, inaccurate or incomplete stating of sources and references may jeopardise the credibility of the delivery as a whole.
- Factual accuracy shall be ensured. The contractor has the responsibility to present the results fully without omission, misrepresentation or deception. In particular:
 - The most recently available information and data shall be included. Existing work within the relevant community shall be taken into account as broadly as possible. Contradictory findings shall not be excluded at the outset.
 - All material from the work of others which is used for the assignment, such as data, information, ideas, concepts, methodologies, quotes and literature must be clearly referenced at the appropriate place in the text by way of systematic referencing. A complete bibliography, and where applicable, a list of persons/organisations interviewed, as well as a list of interview questions is essential.
 - Inverted commas or quotation marks shall be used in case another author's material is copied word-for-word (direct quotation). Sources should also be clearly referenced in case of paraphrasing, i.e., when putting another author's ideas into one's own words.

The contractor shall put in place effective internal quality control mechanisms. Non-compliance with the above standards can lead to the rejection of the services.

A.4.2. Plagiarism

Where performance of the contract entails the use of an intellectual or industrial property right belonging to a third party, the contractor must warrant that the contractor has obtained authorisation from the holder or holders of the said rights or from his or their legal representatives to use those rights for the purposes of this contract. In such cases, the contractor must also inform EFRAG of any obligation or restriction arising from copyright or another intellectual or industrial property right belonging to a third party. Any fee for which the contractor may be liable for such authorisation shall be paid by the contractor.

All material from the work of others which is used for the report parts, such as data, information, ideas, concepts, methodologies, quotes and literature must be clearly identified and stated at the appropriate place in the text by way of a systematic referencing system. These works must be attributable to their original authors. Where the texts referred to are available on the internet, hyperlinks should be provided if possible. A complete bibliography ("references"), and where applicable, a list of persons/organisations interviewed, is essential. Plagiarism checks will be carried out. In the case that serious plagiarism is detected and not eliminated by the contractor, EFRAG will reject the reports resulting from the study.

A.4.3. Results and copyright

EFRAG acquires ownership of the results of the work carried out under the contract ('the results'). EFRAG will primarily use the results for its discussion paper on the statement of cash flows. However, it may also use the report for other purposes, including:

- use for its own purposes;
- make the report publicly available;
- communication through press information services;
- inclusion in databases, indexes and portals as EFRAG would see appropriate; and
- modification by or in the name of EFRAG.

The contractor may not publish or otherwise use the paper commissioned by EFRAG unless a prior written authorisation is obtained.

A.5. Exclusion, selection and award criteria

A.5.1. Exclusion criteria

Tenderers must meet the exclusion criteria as laid down in the Information Form and sign the Information Form as part of the tender in this respect.

A.5.2. Selection criteria

Tenderers must prove their economic, financial, technical and professional capacity to carry out the work subject to this call for tenders. The economic and financial capacity will be assessed on the basis of a signed declaration of financial capacity, professional independence and absence of conflicts of interest (see point 3 of the Information Form) to be submitted by the tenderer. EFRAG reserves the right to seek evidence relating to the tenderer's economic and financial capacity, at any time. Tenderers must prove their technical and professional capacity.

The tender should include information about the tenderer's relevant experience including:

- experience with similar assignments (including a description of those assignments and the tasks performed);
- experience with financial reporting;
- experience in relation to the topic; and
- capacity to draft reports in English.

The tender should also include CVs that summarise the relevant professional qualifications and experience of the project manager and other core team members of the project team. The contractor may reject tenderers at any selection stage in case of professional conflicting interests that may affect the performance of the contract.

A.5.3. *Award criteria*

Only the tenderers that are considered to meet the above selection criteria (Section A.5.2), including the capacity to draft reports in English, will be considered.

The tenderers that will be considered, will be awarded according to the best-value-for-money procedure. The maximum total score is 100 points, distributed as follows:

Suggested methodology to be applied for collecting input for the first part of the report on objectives and uses of the statement of cash flows.	20
Suggested methodology to be applied for collecting input for the second part of the report on issues with how statements of cash flows are currently prepared under the requirements in IAS 7.	20
Experience with similar assignments	15
Experience with financial reporting and the topic	25
Cost (as long as it is below the maximum value of the contract stated in section A.3.3)	20

In addition to the information required in Section A.5.2, the tender should describe the methodology that the tenderer proposes to use to meet the objectives of the contract. This should include, at a minimum, a description of how the contractor would address the matters described in Section A.2.1 and Section B. Particularly, a description on how the contractor will ensure that the reports prepared are complete with regards to identifying objectives, uses and issues with how the statement of cash flows are currently prepared under IAS 7.

A.5.4. *Other information*

The tenderer should complete and sign the Information Form that is part of the tender documents. This form includes a confirmation in relation to the EFRAG's EC grant agreement as well as a confirmation that the tenderer has no potential conflicts of interest.

EFRAG's EC grant agreement

Part of EFRAG's financing comes from the European Union in the form of a grant (the EC grant). Articles 11 (proper implementation), 12 (conflict of interest), 13

(confidentiality and security), 14 (ethics), 17.2 (visibility), 18 (specific rules for carrying out action), 19 (information) and 20 (record-keeping) as laid down in the Single Market Programme (SMP) General Model Grant Agreement ([SMP MGA - Multi & Mono version 1.0 August 2021](#)) also apply to the subcontractors are applicable to contractor. A condition for inclusion as a valid tender is that the prospective contractor confirms that it has been made aware of these Articles and agrees to be bound by them if the contract is awarded to them.

A.5.5. Other conditions for participation

The tender is only open to individuals and organisations established/domiciled in the European Economic Area and EFTA countries.

A.5.6. Time limit for receipt of tenders

Tenders should be received by 29 September 2023, 18.00 hrs Brussels time. Tenders must be sent by email to the email address: call.for.tender@EFRAG.ORG. Tenderers are advised to keep proof of the sending time.

A.5.7. Language in which tenders must be drawn up

Tenders must be submitted in UK English.

A.6. Notification of the results and award of the contract

A.6.1. Notification of the results

EFRAG has the intention to notify the successful tenderer by 10 October 2023. As part of the evaluation process, EFRAG has the right to request a presentation of the proposal at the EFRAG offices. Please note that the notification at this stage does not constitute a commitment on the part of EFRAG. Prior to signing the Contract, EFRAG may either abandon or cancel this procurement procedure without entitling any tenderer to any compensation. Notification of the results will also be sent to the unsuccessful candidates.

A.6.2. Award of the contract

The contract will be awarded, through the signature of a Contract (the Draft Contract is part of the tender documents), to the candidate who has made the most advantageous offer in terms of quality and price. At the time of signature of the Contract, signed originals, forming an integral part of the Contract, shall be submitted. The signature of the Contract will set the start for the period of execution of the contract. There can be no provision of services without such a Contract.

A.7. Components of this call for tenders

This call for tenders consists of:

- Open call for tenders to assist EFRAG in identifying uses and issues with the statement of cash flows prepared in accordance with IAS 7;
- Information Form; and
- Draft Contract.

B. Scope of work

B.1. General requirements

The objective of the contract is to assist EFRAG in identifying:

- a) objectives/uses of the statement of cash flows;

- b) issues with how the statements of cash flows are currently prepared (under IAS 7).

The issues with how the statements of cash flows are currently prepared depends on what is considered to be the objective(s) of the statement of cash flows/how the information is used. The issues identified under b) should thus be linked to the various objectives/uses identified for which they are relevant. The extent to which the identified issues with how statements of cash flows are currently prepared, are not related to the objectives/uses of the statement of cash flows – but to, for example, only to the preparation of the information – these issues should be listed separately.

EFRAG was informed by financial institutions about concerns on the relevance of the statement of cash flows for financial institutions. Therefore, the specific objectives/uses and issues with the statement of cash flows for banks, insurance companies and conglomerates including one or both of these activities, should be listed separately.

The results of the contracted work are envisaged to be used in a Discussion Paper on the statement of cash flows that EFRAG plans to prepare and issue in 2024. As usual, EFRAG plans to consult its constituents on the issues discussed in the Discussion Paper. Following the consultation, EFRAG plans to publish a feedback statement and submit recommendations to the IASB for its research project based on the public consultation results.

B.2. Scope of work related to identifying objectives/uses of the statement of cash flows

As part of its work on the project, EFRAG has already identified some objectives/uses of the statement of cash flows. These will be shared with the selected contractor. The contractor should in addition, include uses/objectives of the statement of cash flows identified:

- when listing current issues with the statement of cash flows. For each issue identified, the contractor should accordingly link this issue to one or several objectives/uses of the statement of cash flows. As mentioned above in section B.1., to the extent to which the identified issues with how statements of cash flows are currently prepared, are not related to objectives/uses of the statement of cash flows, these issues should be listed separately.
- in academic literature and textbooks/teaching material for financial statements analysts. The latter includes analysing which information from the statement of cash flows is used when computing specific measures (such as the calculation of free cash flows) and ratios (such as yield).
- when interviewing relevant persons. EFRAG may suggest up to six persons which the contractor would have to interview to understand how the statement of cash flows is used by that person.
- when attending the round table discussions mentioned in Section A.3.1.
- when attending the meetings organised by EFRAG of the EFRAG User Panel and other EFRAG bodies as mentioned in Section A.3.1.
- through any additional activities that the contractor considers necessary to ensure that the resulting report is complete regarding the considered objectives and the uses of the statement of cash flows.

B.3. Scope of work related to identifying issues with the information currently included in the statement of cash flows prepared in accordance with IAS 7

As part of its work on the project, EFRAG has already identified some issues with how the statements of cash flows are currently prepared. These will be shared with the selected contractor. The contractor should in addition, include issues:

- identified in discussions of the IFRS Interpretations Committee.
- identified in academic literature.
- appearing from accounting manuals of big audit firms.
- appearing from interviewing relevant persons identified by EFRAG. EFRAG may identify up to six persons which the contractor would have to interview to understand issues identified with how statements of cash flows are currently prepared.
- identified during the round table discussions mentioned in Section A.3.1.
- identified during meetings organised by EFRAG of the EFRAG User Panel and other EFRAG bodies as mentioned in Section A.3.1.
- identified through any additional activities the contractor considers necessary to ensure that the resulting report reflects completely the fundamental issues with how the statements of cash flows are currently prepared. When referring to 'fundamental issues', EFRAG does thus not require the report to reflect issues that are only relevant to a minor subset of transactions/entities (e.g., certain issues related to the interpretation of the requirements of IAS 7). However, such minor issues may result from a more fundamental issue and should be considered.