



IFAC News

A NEWS BRIEFING FROM THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

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Successful Launch for Member Body Compliance Program

The first phase of IFAC's Member Body Compliance Program, launched in March 2004, has been well received by member bodies. More than 90 member bodies have responded to the fact-based questionnaire, "Assessment of the Regulatory and Standard-Setting Framework" and IFAC's compliance team is now performing the initial reviews of the responses.

"The output will be useful for IFAC and other parties to understand the respective roles of IFAC member bodies in standard setting, quality assurance, and investigation and discipline," states Russell Guthrie, director of the IFAC Member Body Compliance Program. An important objective of the Member Body Compliance Program, approved by the IFAC Board in July 2003, is to support member bodies in their efforts to converge national standards with international standards. IFAC will assist them in developing workable action plans to make this occur.

Member body responses to the "Assessment of the Regulatory and Standard-Setting Framework" will be posted on the IFAC website. IFAC staff is in the process of communicating with each member body to clarify responses and to externally validate the information provided. Any changes to the submitted responses will be agreed with each

member body prior to finalization and publication on the IFAC website.

Regional Organizations Help

The Compliance Advisory Panel (CAP) and IFAC staff have enjoyed strong support and involvement from regional accountancy bodies, including the Confederation of Asian and Pacific Accountants (CAPA), Eastern Central and Southern African Federation of Accountants (ECSAFA), Fédération des Experts Comptables Européens (FEE) and the InterAmerican Accounting Association (IAA). These organizations have been active in promoting the program in their respective regions and in assisting member bodies where possible.

Regional organizations and IFAC Board members are contacting non-respondents to emphasize the importance of assisting IFAC and others in better understanding each member body's role and responsibility in its country. This understanding is the first step towards establishing action plans and facilitating assistance with the support of IFAC.

Role of Development Banks

Recently, staff and Robert Mednick, chair of the CAP, which oversees the program, met with Inter-American Development Bank representatives to dis-

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IPSASs Now Available in Spanish

International Public Sector Accounting Standards (IPSASs) 1-20 and the cash basis IPSAS, *Financial Reporting Under the Cash Basis of Accounting*, are now available in Spanish through IFAC's website. The translation was undertaken as part of IFAC's Public Sector Committee's (PSC's) commitment to making the IPSASs more widely available.

The translation was prepared by the International Accounting Standards Committee Foundation (IASCF) as part of the PSC's arrangement with IASCF. The IPSAS translation process is the same as that used for translating standards issued by the IASB. French translations of the standards are now in process. English remains the official language of all PSC pronouncements. Go to www.ifac.org/psc to download the English and Spanish versions of the standards. ■

Successful Launch for Member Body Compliance Program

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cuss the compliance program and explore ways to facilitate assistance to member bodies based on the outcomes of the program. The CAP will also be seeking to develop similar relationships with other regional development banks. In this regard, the CAP and IFAC staff will work closely with IFAC's Developing Nations Permanent Task Force to coordinate the development of action plans and assistance tools for member bodies and to maximize the relationships with possible funding sources.

Phase Two

In addition to the activity above, the second part of the assessment process is currently under development. This part will require each member body to complete a self-

The CAP and IFAC staff will work closely with IFAC's Developing Nations Permanent Task Force to coordinate the development of actions plans and assistance tools for member bodies...

assessment with respect to the individual Statements of Membership Obligations (SMOs) and to communicate reasons for any gaps. Information gathered through the fact-based questionnaire, "Assessment of the Regulatory and Standard-Setting Framework," will be used to develop the self-assessment tool and to help member

bodies perform the self-assessment in a manner that is directly relevant to their activities and obligations under the SMOs.

The CAP currently plans to launch the Self-Assessment Questionnaire by early 2005.

As with the first phase of the program, member bodies will be encouraged to submit their responses electronically. ■



Looking Ahead: FAQs about Part 2 Self-Assessment

1) Are all member bodies required to complete the Part 2 Self-Assessment Questionnaire?

Yes, all full members, associate members, and membership applicants are required to participate in the self-assessment process. The compliance program recognizes that some member bodies operate in different sectors of the profession and not all member bodies have direct responsibility for setting standards. However, all members have a role in developing the accountancy profession and supporting convergence by incorporating international standards into their national standards or using best endeavors to achieve these obligations with the relevant responsible bodies.

2) If my member organization does not perform the functions/activities described in the Statements of Membership Obligations (SMOs), how will my response be of relevance?

The whole of the questionnaire will be more relevant to member bodies responsible for or participating in the development of standards covered in the SMOs. In some countries, government bodies, regulators, or other authorities perform the functions described by the SMOs. For member bodies in these countries, responses to aspects of the questionnaire will be necessary to understand how a member has used its best endeavors to encourage these organizations to incorporate international standards in their relevant national standards and to assist in the implementation of such standards and the monitoring of related activities where appropriate.

3) How will a member body's response to the Self-Assessment Questionnaire be evaluated if international standards have not been fully adopted?

The primary emphasis of the compliance program is one of encouragement of member bodies to adopt and implement international standards resulting in improvement in compliance with the SMOs. For this reason, the compliance program seeks to evaluate whether and how a member maintains its membership in good standing by using its best endeavors to meet the requirements set out in the SMOs. The compliance program will look to member bodies to develop action plans and work with IFAC and others to close these gaps so that they can maintain their membership in good standing. Where necessary, a member body may be suspended or be classified as a member not in good standing because of its failure to pay its dues, participate in the compliance program, or demonstrate its commitment to close gaps.

4) How will results of the Self-Assessment Questionnaire be communicated by IFAC?

In the interest of transparency, the responses to both the fact-based "Assessment of the Regulatory and Standard-Setting Framework" and Self-Assessment Questionnaire will be made available to all IFAC member bodies and other interested parties. Information such as a member body's stage of convergence with international standards, planned activities for further developments of the profession, and the role of monitoring and oversight bodies in member countries will be posted on IFAC's website after it is agreed with the respective member body. ■

Quality, Integrity, and the Public Trust

Since I began my term as IFAC president nearly two years ago, an important personal and professional emphasis of mine has been on rebuilding trust in our profession. In striving to accomplish this goal, IFAC, through its leadership and its member bodies, has become the architect of many changes – changes that I hope will ultimately demonstrate the international profession's commitment to quality, transparency, and most importantly, integrity.

Those changes, largely embraced in IFAC's Proposals for Reform, are now being implemented at every level of the organization. I'd like to briefly review some of those changes and thank all of those who dedicated themselves to strengthening IFAC and ensuring our responsiveness to the public interest. In particular, I am grateful to my two predecessors as IFAC president, Frank Harding and Aki Fujinuma, who laid a solid foundation for the reforms that we were subsequently able to implement.

New Relationships for a New Era

In the early stages of the reform process, IFAC initiated dialogue with international regulators. As a result of that dialogue, IFAC was able to develop a comprehensive plan for strengthening its standard-setting processes – a plan that was ultimately unanimously supported by both our own member bodies and international regulators.

As the reform proposals took shape, a Monitoring Group of Regulators was created to liaise regularly with IFAC through the IFAC Regulatory Liaison Group (formerly the Leadership Group). The Monitoring Group and the Regulatory Liaison Group, which also includes representatives of the Forum of Firms, met in July immediately after the Board meeting to discuss some of the current issues facing accountancy firms and, in particular, to better understand firm

initiatives with respect to quality control processes. Open dialogue such as this will go a long way to increasing understanding of the actions being undertaken to protect the public interest and I thank all of those who have made the commitment to keep this dialogue fruitful and productive.

In addition to its outreach to regulators, IFAC, through the International Auditing and Assurance Standards Board (IAASB), is continuing to maintain close ties with national standard setters. The IAASB holds annual meetings with national standard setters. The IAASB also has an active Consultative Advisory Group (CAG).

CAGs are in the process of being established for other IFAC standard-setting committees to ensure the ongoing participation of a wide range of stake-

Credibility in IFAC standard setting will ultimately be enhanced through the creation of a Public Interest Oversight Board.

holders. Public members, who already participate on the IAASB, are in the process of being appointed to the Education and Ethics Committees.

Credibility in IFAC standard setting will ultimately be enhanced through the creation of a Public Interest Oversight Board later this year. I welcome the creation of this new board which will provide an independent global perspective on those issues that impact most significantly on accountants' ability to protect the public interest.

Strengthening Foundations

In addition to enhancing the operations and processes of our standard-setting committees, over the past year there has been an increasing focus on professional accountants in business, accountancy education, developing nations, small and

medium enterprises and practices, and IFAC membership requirements.

Activities in these areas strengthen the foundations of the international profession and are critical steps in our road to delivering consistent quality and building public trust.



René Ricol

An important priority for IFAC is determining how we can best represent professional accountants in business, more effectively support and communicate the role of these accountants, and enhance the recognition of their importance to restoring credibility in financial reporting. IFAC's Professional Accountants in Business (PAIB) Committee is undertaking initiatives in this area by identifying information needs through surveys and proactively seeking to collaborate with member bodies on areas deemed to be of importance to this group. An example was the publication of *Enterprise Governance: Getting the Balance Right*, a joint project of the PAIB Committee and the Chartered Institute of Management Accountants (CIMA). The PAIB Committee is also working with the Board on addressing matters that impact the work of accountants in business and have significant public interest, such as sustainability and narrative reporting.

During 2003 and 2004, IFAC issued its first set of International Education Standards (IESs), establishing global benchmarks for the education and development of professional accountants – including those employed in public practice as well as those in business and industry. These standards are already receiving international recognition. We recently established an agreement with the United

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President's Message continued

Quality, Integrity, and the Public Trust

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National Conference on Trade and Development (UNCTAD) that will enable UNCTAD and IFAC to work more closely on supporting the development of the profession and influencing developing economies.

In the area of education, we will form a joint project team to carry out a study on the education and training programs based on UNCTAD's Model Curriculum. The results of the study will help us to identify the needs of developing countries and countries in transition in their efforts to meet the IESs. UNCTAD will also join IFAC in speaking out and raising awareness of the importance of good quality information and governance practices and the role accounting plays in helping to build sustainable economic growth.

Two new IFAC permanent task forces – the Small and Medium Practices Permanent Task Force and the Developing Nations Permanent Task Force – will be playing critical roles in contributing to economic growth and development. A key role for both task forces is ensuring that international standard setters are made aware of issues from a small and medium enterprise perspective and an emerging economy perspective.

Committing to Quality Through Compliance

IFAC's Member Body Compliance program, launched earlier this year, will also contribute greatly to development of the profession and building public confidence in it. The program, described on page one, is designed to support the development of high quality auditing, accounting, ethical, educational and related quality assurance and investigation and disciplinary standards. Statements of Membership Obligations (SMOs), approved by the IFAC Board in March, are the foundations of the program. Designed to provide clear benchmarks to current and potential IFAC member bodies to assist them in

ensuring high quality performance by accountants worldwide, they will be presented to IFAC Council for ratification in November 2004.

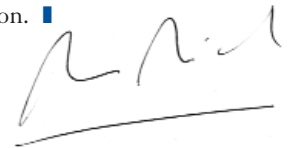
Achieving Our Vision

The dedication of the IFAC Board, committee members, member bodies, and regional organizations have enabled us to create a new vision – a vision that will ultimately result in actions that strengthen our profession and demonstrate to the world that we are committed to operating with integrity and willing to do all that is needed to deliver quality and put the public interest first. For this, I am very appreciative.

In particular, I want to express my sincere thanks to three IFAC committee chairs who will be stepping down in November: Transnational Auditors Committee Chair Robert Garland; Education Committee Chair Warren Allen; and

Ethics Committee Chair Marilyn Pendergast. All of these individuals, at the Board's request, willingly served an additional year as chair to see through the completion of key programs. Bob Garland's leadership was vital in the development of our reforms. Warren Allen led the successful initiative to create the first set of International Education Standards and Marilyn Pendergast's Ethics Committee succeeded in demonstrating the profession's commitment to integrity by updating and enhancing the applicability of IFAC's Code of Ethics to all professional accountants worldwide.

I thank these individuals, along with all IFAC volunteers and staff, for their unwavering commitment to our profession. ■



New IFAC Deputy President: Graham Ward

IFAC's Council named Graham Ward, MA, FCA, as its new Deputy President. He will automatically become President of IFAC in November 2004 when current IFAC President René Ricol concludes his term.

Graham has been an IFAC Board member since November 2000 and most recently participated in IFAC's successful efforts to achieve reforms of its regulatory and standard-setting responsibilities. He is a past President of the Institute of Chartered Accountants in England and Wales and has held leadership positions within the Financial Reporting Council and Auditing Practices Board in the UK. Graham is currently a senior partner within the Global Energy and Utilities Group at PricewaterhouseCoopers in the UK. Most recently, he was designated Commander of the British Empire (CBE) for his services to exports.

Commenting on his appointment, Graham Ward said: "I am delighted that IFAC has chosen me. My priorities going forward are to do all I can to help to consolidate and strengthen international standards of accountancy practice and of corporate governance, ensuring excellence and integrity in all that we do.

"Above all, we must build public trust in the quality of financial information. This will be achieved by IFAC continuing to work with governments, regulators, and the new Public Interest Oversight Board, as well as with those who are a part of us, such as IFAC member bodies, committees, regional accountancy organizations, and the Forum of Firms."

Graham is also committed to furthering IFAC initiatives to build the economy in developing nations, to support small and medium enterprises, and to address the needs of professional accountants in business. ■



Graham Ward

IAASB Update

In its ongoing efforts to encourage high quality performance by the world's accountants, the International Auditing and Assurance Standards Board (IAASB) has issued new standards addressing fraud and quality control and is proposing changes to enhance its due process.

Additionally, it has augmented its website (www.iaasb.org) by including the effective dates of all IAASB standards and by providing information about the role of the IAASB Steering Committee, which advises the IAASB on matters of strategic and operational importance.

Fraud and the Auditor's Responsibility

A new International Standard on Auditing (ISA), *The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements*, builds on the new audit risk standards issued last year and requires the auditor to focus on areas where there is a risk of material misstatement due to fraud, including management fraud. The revised standard emphasizes the need for the auditor to maintain an attitude of professional skepticism throughout the audit, notwithstanding the auditor's past experience about the honesty and integrity of management and those charged with governance.

The standard, effective for audits of financial statements for financial periods beginning on or after December 15, 2004, requires the engagement team to discuss how the financial statements may be susceptible to material misstatement due to fraud and what audit procedures would be more effective for their detection.

Quality Control Guidance for Audit and Assurance Engagements

The IAASB also issued new standards on quality control. The first, *International Standard on Quality Control 1* (ISQC1), establishes a firm's responsibilities to set up and maintain a system of quality control for all audits and assurance engagements. In addition to setting out guidance on client acceptance and retention criteria that firms should consider, the standard requires that an engagement quality control review must be performed for audits of listed entities and such other engagements as a firm determines.

The second quality control standard, ISA 220, *Quality Control for Audits of Historical Financial Information*, establishes standards for the specific responsibilities of firm personnel for an individual audit engagement and is premised on the requirements of the firm-wide quality control standards set out in ISQC1.

To provide firms sufficient time to design and implement the systems required under ISQC1, both of these standards are effective June 15, 2005.

IAASB Due Process

In July, the IAASB issued an exposure draft (ED) proposing certain enhancements to its due process and working procedures. The ED also proposes to expand the present description of IAASB's due process and working procedures to reflect more fully the practices that are being followed.

In developing the proposal, the IAASB considered its current working procedures and the IFAC reforms, and drew upon best practices followed by other standard setters. The enhancements are designed to increase confidence that the activities of the IAASB are properly responsive to the public interest and will lead to the establishment of high quality international standards. The response date for this ED, which may be downloaded from the IFAC website at www.ifac.org, is October 15, 2004.

Progress Continues

IAASB continues to progress its projects on improving the clarity of its standards,

developing new wording for the auditor's report and new standards for group audits. Other topics on its agenda for September included a review of the projects on materiality, audit of estimates, and communications to those charged with governance.

As it develops new guidance, the IAASB continues to liaise with national standard setters and regulators to ensure that public-interest issues are addressed. ■

Recently Released IAASB Guidance

Final Guidance

- ISA 240, *The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements*
- ISA 300, *Planning an Audit of Financial Statements*
- ISA 220, *Quality Control for Audits of Historical Financial Information*
- *International Standard on Quality Control 1*

Outstanding Exposure Draft

- *Proposed Amendments to the Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services – IAASB Due Process and Working Procedures* (comments due by October 15, 2004)

The documents above may be downloaded at no charge from IFAC's website (www.ifac.org). ■

David Damant Named Chair of IAASB Consultative Group

IFAC, in consultation with international regulators, has appointed David Damant, MA (Cambridge) – an experienced leader in the global investment community – chairman of the Consultative Advisory Group to the International Auditing and Assurance Standards Board. His appointment is to be confirmed by the Public Interest Oversight Board when it becomes active later this year.

David Damant is a fellow and former chairman of the United Kingdom Society of Investment Professionals (UKSIP) as well as chairman of the UKSIP Accounting Advocacy Committee. He is currently a member of the Global Financial Reporting Advocacy Group of the CFA Institute (formerly the Association for Investment Management and Research). Additionally, he served as a member of the board and executive committee of the International Accounting Standards Committee. ■

New Study Focuses on Achieving Convergence to International Standards

In an effort to encourage international convergence to globally accepted accounting and auditing standards, IFAC's Board commissioned Peter Wong, a former Board member and past president of the Hong Kong Institute of CPAs, to conduct an independent study. The study, *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs*, released in September 2004, involved interviews and focus group meetings on issues that affect the adoption and implementation of international standards with international regulators, standard setters, representatives of member bodies, and regional accountancy organizations, as well as users of financial reports.

Those involved in implementing International Financial Reporting Standards (IFRSs) and International Standards on Auditing (ISAs) identified six primary challenges:

- **Understanding the Meaning of International Convergence** – The lack of a universal definition of the meaning of “convergence” makes it difficult to assess when convergence has, in fact, been achieved.
- **Translation of International Standards** – To increase global access to international standards, sound processes for translation should be in place and the standards need to be written in a form that can facilitate translation.
- **Complexity and Structure of International Standards** – Standards that

are long and complex present difficulties to those who are responsible for implementing them.

- **Frequency, Volume, and Complexity of Changes to the International Standards** – The greater the number of changes, the more difficult and more costly it is for national standard setters and preparers, auditors, and users of financial statements to stay up to date.
- **Challenges for Small- and Medium-Sized Entities and Accounting Firms** – Not all international standards are relevant to and appropriate for small- and medium-sized enterprises and accounting firms. The perspectives of these constituencies should be considered in the development process.
- **Potential Knowledge Shortfall** – Successful implementation of the standards is contingent upon the profession having the requisite knowledge and skills to carry out its responsibilities.

In addition to highlighting challenges, the report describes successes in achieving international convergence. These are based on the successful experiences of national organizations with respect to the adoption and implementation of international standards.

Another section of the report focuses of the implications of endorsement of the IFRSs in light of the European Com-

mission's adoption of the standards in 2005.

Finally, the report urges all those in the financial reporting supply chain – from governments to regulators to international and national standard setters to reporting entities and auditors – to take actions to support international convergence. Proposals for action by stakeholder group are also highlighted in the report.

The complete report may be downloaded by going to www.ifac.org. ■

IFAC Job Openings

IFAC is currently seeking candidates for two positions: Technical Manager – Regulation and Public Policy and Assistant Manager – Member Body Compliance and Developing Nations Permanent Task Force.

The Technical Manager – Regulation and Public Policy will be responsible for researching, developing, and presenting an IFAC position on accounting and auditing issues. This position will also support the IFAC Chief Executive, Officers and Board in maintaining effective relationships with a wide range of external parties, including regulatory and other international organizations. The ideal candidate should have advanced academic qualifications in economics, preferably with a component of accounting.

The Assistant Manager – Member Body Compliance and Developing Nations Permanent Task Force will support a manager with the development and execution of program activities in each of these areas. This includes the preparation and maintenance of compliance and member body development tools, such as questionnaires and application materials, as well as the maintenance of a database of information regarding membership assessments and member body development. The ideal candidate for this position should have a bachelor's degree or equivalent qualification along with experience at the supervisor or assistant manager level in a professional practice, a professional accountancy body, development agency, or the office of a public sector auditor.

Complete job descriptions and information on submitting CVs may be downloaded from the IFAC website by going to www.ifac.org. ■

Qs & As Offer Guidance on First-Time Adoption of IFRSs

To help auditors address reporting issues arising from the first-time adoption of IFRS, the staff of the International Auditing and Assurance Standards Board (IAASB) along with staff of professional accountancy bodies, national standard setters, and audit firms have prepared a series of key questions and answers in a document entitled *First-Time Adoption of IFRSs—Guidance for Auditors on Reporting Issues*. This publication, available electronically, may be downloaded from the IFAC online bookstore (see “Other” category) at www.ifac.org/Store.

The 2005 adoption in the European Union of IFRSs, and the adoption of IFRSs in other countries, have given rise to requests for auditors to audit, review, or otherwise report on various forms of financial and nonfinancial information prepared by entities during their transition from previously applied national accounting standards to IFRSs. Although not a pronouncement of the IAASB or IFAC, the document is being made widely available to help auditors in those countries where these common issues are faced. ■

The PSC External Review Group Calls for Changes to Strengthen PSC

The recently released *Report of the Externally Chaired Review Panel on the Governance, Role, and Organization of the International Federation of Accountants Public Sector Committee* (PSC) calls for changes designed to maintain the PSC's credibility as a high quality global standard setter.

Sir Andrew Likierman, head of the United Kingdom Government Accountancy Service, chaired the PSC External Review Panel, which had sought the views of key stakeholders – including academics, audit bodies, finance ministries, IFAC member bodies, and regional accountancy bodies – in developing its recommendations.

The vast majority of respondents provided strong support for the PSC's focus on financial reporting standard setting. They also considered International

Public Sector Accounting Standards (IPSASs) and other PSC publications as being influential on financial reporting in their respective organizations.

Key recommendations include:

- Changing the name of the PSC to the “International Public Sector Accounting Standards Board;”
- Including public members who need not be drawn from IFAC member bodies in the PSC;
- Continuing to focus resources on financial reporting standard setting;
- Bringing the PSC within the scope of the new Public Interest Oversight Board (PIOB; to be formed later this year).

The panel endorsed the PSC's governance mechanisms and due process as “sound and conducive to transparency and effective

PSC Work Program

- Developing approaches to issues of particular significance to the public sector, including budgetary issues;
- Harmonizing with IFRS/IAS changes and catching up with IFRSs issued since August 1997; and
- Harmonization of IPSASs and statistical reporting. ■

working,” but recommended oversight by the PIOB as a means of strengthening confidence in its standard-setting process. The panel also supported the role of PSC Steering Committees for the development of specific projects. However, to facilitate resource efficiencies and cooperation, the panel recommended that the PSC establish more formal partnering arrangements with selected national standard setters.

This recommendation further supports the PSC in achieving what the panel believes is one of the PSC's more important long-term objectives: “for private sector and public sector financial reporting standards to converge where appropriate while recognizing the need for separate standards or adaptation of private sector standards on issues specific to or of particular significance to, the public sector.”

“While respondents overwhelmingly supported the existence of an independent standard setter for IPSASs and saw the value over the long term of achieving convergence to international public sector accounting standards, support for the development of such standards has not translated into external funding commitments,” states Sir Andrew. “For this reason, the panel recommends that fundraising be resumed at the earliest possible opportunity.”

Funds are needed to carry out the three major components of the PSC work program, all of which received strong support from the constituents surveyed (see box above).

The PSC is in the process of developing an action plan based on the recommendations included in this report for presentation to the IFAC Board. IFAC Council will be voting on the name change in November.

The full report may be downloaded from the IFAC website at www.ifac.org. ■

Update on PAIB Committee Activities

Sustainability, narrative reporting and business ethics remain high on the agenda of the Professional Accountants in Business (PAIB) Committee. In addition, the committee is continuing to reach out to member bodies to determine those areas in which the PAIB Committee can best support them and their members employed in business and how resources can be shared.

The PAIB Committee has been keenly watching the area of sustainability and considering how this is impacting on accountants in business. The IFAC Board has approved the establishment of a Sustainability Panel of Experts to serve in an advisory capacity to the PAIB Committee and IAASB to encourage the involvement of the profession in this issue.

With respect to narrative reporting, at the request of the Board, the PAIB Committee is investigating a research project in which it would be seeking input from investors and other user groups.

In addition, the PAIB Committee is advancing projects on business planning, the role of the professional accountant in business, and corporate codes of ethics. The

theme booklet on the role of professional accountants in business, scheduled for release in November, will explore themes of ethics and integrity. The ethics project is designed to provide guidelines to professional accountants in business on how to develop and administer a high quality corporate code of ethical conduct. It will also serve to heighten awareness of the importance of corporate codes of conduct in the context of corporate governance.

The PAIB Committee has addressed corporate governance issues in *Enterprise Governance: Getting the Balance Right* released earlier this year. The study, jointly published with the Chartered Institute of Management Accountants, looks at the accountancy framework of the organization in terms of the balance between corporate governance and value creation. It includes an in-depth analysis of corporate successes and failures in 27 case studies from 10 countries. The document, including a separate executive summary, may be downloaded from the IFAC website (www.ifac.org).

For more information on PAIB Committee projects, view its web page at www.ifac.org/paib. ■

IFAC Ethics Committee Focuses on Public Interest Issues

The Ethics Committee is continuing to address those issues where there is the greatest public interest impact and is in the process of appointing public members to its committee.

The committee is considering comments received on the exposure draft of the proposed revisions to the Code of Ethics to adopt a framework approach for identify-

PAIB Committee Publishes Award-Winning Articles

The 2004 edition of *Articles of Merit*, published by IFAC's Professional Accountants in Business (PAIB) Committee, features an award-winning collection of articles covering such significant topics as corporate ethics, the finance function, risk management, and intellectual capital statements. The publication includes 10 articles which were nominated by member bodies and selected by the PAIB Committee as part of its annual Articles of Merit Award Program for Distinguished Contribution to Management Accounting.

The winning article in the 2004 competition is "Ensuring Ethical Effectiveness" by Randy Myers. It was first published in the American Institute of Certified Public Accountants' *Journal of Accountancy*.

Other articles that were deemed to be of outstanding merit and that have been reproduced in this booklet were first published in journals of CMA Canada, the Institute of Chartered Accountants in England and Wales, the Institute of Management Accountants (U.S.), Chartered Institute of Management Accountants (UK), and the Chartered Institute of Public Finance and Accountancy.

Articles of Merit: 2004 may be downloaded from the IFAC online bookstore at no charge. Print copies may be ordered through the bookstore for a fee of US \$25 plus shipping. ■

ing, analyzing, and addressing threats to compliance with fundamental principles of ethics. It is also in the process of considering how Section 8 of the Code, dealing with independence, should be revised to conform with the new assurance framework that was issued by the IAASB.

Most recently, the committee issued a revision to paragraph 8.151 dealing with partner rotation requirements. The revision clarifies that once an individual has served as the lead engagement partner on an audit of a listed entity for a pre-defined period, normally no more than seven years,

that individual should not participate in the audit engagement until a further period of time, normally two years, has passed.

The committee had concluded that the engagement quality control reviewer on the audit of a listed entity should be rotated in a manner similar to the lead engagement partner. The committee plans to expose this proposal at the same time the changes to Section 8 to conform to the new assurance framework are exposed.

For more information on the activities of the Ethics Committee, visit www.ifac.org/ethics. ■

IFAC Education Committee Update

In recent months, IFAC's Education Committee has focused on the ongoing development of new International Education Standards (IESs) and ethics education.

The first six IESs, issued at the end of 2003, prescribe the educational requirements for all professional accountants. Earlier this year, the Education Committee published IES 7, *Continuing Professional Development* (see sidebar). The standard prescribes that all professional accountants should undertake development activities that are relevant and appropriate to their work and professional responsibilities.

The Education Committee is currently in the process of developing an IES prescribing the education and practical experience necessary for professional accountants involved in audit work. The aim of the standard is to ensure that professional accountants who have substantive involvement in audits have acquired the specific knowledge, skills, and professional values needed to function as competent audit professionals.

In addition to the development of standards, the committee has commissioned a research project designed to assist member bodies, academics, and others involved in the education of professional

accountants on ways in which to inculcate ethical behavior among future and existing members of the profession.

For updates on these and other activities of the Education Committee, go to www.ifac.org/education. ■

IES 7, Continuing Professional Development (CPD)

This standard prescribes that all IFAC member bodies should:

- Foster a commitment to lifelong learning among professional accountants;
- Facilitate access to CPD opportunities and resources for members;
- Establish benchmarks for developing and maintaining the professional competence of their members necessary to protect the public interest; and
- Monitor and enforce the continuing development and maintenance of professional competence of professional accountants.

View this standard by going to www.ifac.org. ■



INTERNATIONAL FEDERATION OF ACCOUNTANTS
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