

A DEFINITION OF THE PUBLIC INTEREST

IFAC defines the public interest as the net benefits derived for, and procedural rigor employed on behalf of, all society in relation to any action, decision or policy.

This paper presents a practical definition of the public interest and enables one to assess the extent to which actions, decisions, or policies are made in the public interest. This definition has been developed in the context of IFAC's mission.

IFAC is of the view that the benefits for society noted in the public interest definition may include the soundness of financial and non-financial reporting, the comparability of financial and non-financial information across borders, fiscal prudence in public expenditures, and the contributions that accountants make to corporate governance, efficient resource management, and organizational performance.

The Public

IFAC considers that the "public" is inclusive of all individuals and groups because the responsibilities of the accountancy profession affect (directly or indirectly) every aspect of society: investors, consumers, suppliers, citizens and taxpayers, as well as those seeking sustainable living standards and environmental quality, for themselves and future generations. The extent to which any particular group is impacted can vary according to the action, decision, or policy taken.

Assessing whether Actions, Decision, or Policies are in the Public Interest

To determine whether an action, decision, or policy has been undertaken in the public interest, an assessment can be made against public interest criteria, being conscious of the dimensions of both outcome (net benefits) and process. This involves an:

- *Assessment of Costs/Benefits* - The extent to which, for society as a whole, the benefits of the action, decision, or policy outweigh the costs; and
- *Assessment of Process* - The extent to which the manner for considering the action, decision, or policy was conducted with the qualities of transparency, public accountability, independence, competence, adherence to due process, and participation.

IFAC recognizes that "proportionality" should be applied to both of these assessments. In this respect, the degree to which each assessment is applied should correspond to the size, scope, and potential repercussions of the subject under evaluation. In addition, differences in cultures and ethical systems should be considered in assessing whether or not the public interest is being served, especially where institutions are operating internationally.

Application of the Public Interest Definition

IFAC developed this definition, and the assessments, to assist it in acting and making decisions that are in the public interest. The definition is used, inter alia, in formulating public policy positions for the profession, evaluating the appropriateness of new regulation, and developing professional standards. IFAC considers that the definition and assessments possess relevance to the wider accountancy profession and beyond, and may be used to assess many of the issues currently debated at the national and international levels. These issues include: the quality of financial reporting, professional standards, regulation, and corporate governance; the licensing and oversight of accountants, cross-border mobility of professionals, and market structure reforms; and professional liability reform.