

# BACKGROUND INFORMATION ON THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

## The Organization

The International Federation of Accountants (IFAC) is the global organization for the accountancy profession. Founded in 1977, its mission is “to serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant.”

IFAC’s governing bodies, staff and volunteers are committed to the values of integrity, transparency and expertise. IFAC also seeks to reinforce professional accountants’ adherence to these values, which are reflected in the IFAC *Code of Ethics for Professional Accountants*. For additional information on IFAC and the matters and materials described below, visit IFAC’s website at <http://www.ifac.org>.

IFAC

## Primary Activities

### Serving the Public Interest

IFAC provides leadership to the worldwide accountancy profession in serving the public interest by:

- Developing, promoting and maintaining global professional standards and a *Code of Ethics for Professional Accountants* of a consistently high quality;
- Actively encouraging convergence of professional standards, particularly, auditing, assurance, ethics, education, and public and private sector financial reporting standards;
- Seeking continuous improvements in the quality of auditing and financial management;
- Promoting the values of the accountancy profession to ensure that it continually attracts high calibre entrants;
- Promoting compliance with membership obligations; and
- Assisting developing and emerging economies, in cooperation with regional accountancy bodies and others, in establishing and maintaining a profession committed to quality performance and serving the public interest.

### Contributing to the Efficiency of the Global Economy

IFAC contributes to the efficient functioning of the international economy by:

- Improving confidence in the quality and reliability of financial reporting;

- Encouraging the provision of high quality performance information (financial and non-financial) within organizations;
- Promoting the provision of high quality services by all members of the worldwide accountancy profession; and
- Promoting the importance of adherence to the *Code of Ethics for Professional Accountants* by all members of the accountancy profession, including members in industry, commerce, the public sector, the not-for-profit sector, academia, and public practice.

### **Providing Leadership and Spokesmanship**

IFAC is the primary spokesperson for the global profession and speaks out on a wide range of issues where the profession's expertise is most relevant. This is accomplished, in part, through outreach to numerous organizations that rely on or have an interest in the activities of the international accountancy profession. IFAC also issues policy positions on topics where the profession's expertise is most relevant. These are available from the IFAC website at <http://www.ifac.org>.

### **Membership**

IFAC is comprised of 157 members and associates in 122 countries worldwide, representing more than 2.5 million accountants in public practice, industry and commerce, the public sector, and education. No other accountancy body in the world and few other professional organizations have the broad-based international support that characterizes IFAC.

IFAC's strengths derive not only from its international representation, but also from the support and involvement of its individual member bodies, which are themselves dedicated to promoting integrity, transparency, and expertise in the accountancy profession, as well as from the support of regional accountancy bodies.

### **Standard-Setting Initiatives**

IFAC has long recognized the need for a globally harmonized framework to meet the increasingly international demands that are placed on the accountancy profession, whether from the business, the public sector or education communities. Major components of this framework are the *Code of Ethics for Professional Accountants*, International Standards on Auditing (ISAs), International Education Standards (IESs), and International Public Sector Accounting Standards (IPSASs).

IFAC's standard-setting boards, described below, follow a due process that supports the development of high quality standards in the public interest in a transparent, efficient, and effective manner. These standard-setting boards all have Consultative Advisory Groups, which provide public interest perspectives and include public members.

IFAC's Public Interest Activity Committees (PIACs) – the International Auditing and Assurance Standards Board, International Accounting Education Standards Board, International Ethics Standards Board for Accountants, and the Compliance Advisory Panel – are subject to oversight by the Public Interest Oversight Board (PIOB) (see below).

The terms of reference, due process and operating procedures of the IFAC standard setting boards are available from the IFAC website at <http://www.ifac.org>.

IFAC actively supports convergence to ISAs and other standards developed by its independent standard-setting boards and the International Accounting Standards Board.

### **Education**

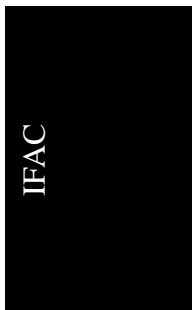
Working to advance accounting education programs worldwide, IFAC's International Accounting Education Standards Board (IAESB) develops International Education Standards, setting the benchmarks for the education of members of the accountancy profession. All member bodies are required to comply with those standards, which address the education process leading to qualification as a professional accountant as well as the ongoing continuing professional development of members of the profession.

The IAESB also develops International Education Practice Statements (IEPSs) and other guidance to assist member bodies and accounting educators in implementing and achieving best practice in accounting education. This handbook contains the International Education Standards (IESs) and International Education Practice Statements (IEPSs), which are also available from the IFAC website at <http://www.ifac.org>.

### **Auditing and Assurance Services**

The International Auditing and Assurance Standards Board (IAASB) develops ISAs and International Standards on Review Engagements, which deal with the audit and review of historical financial information; and International Standards on Assurance Engagements, which deal with assurance engagements other than the audit or review of historical financial information. The IAASB also develops related practice statements.

These standards and statements serve as the benchmark for high quality auditing and assurance standards and statements worldwide. They establish standards and provide guidance for auditors and other professional accountants, giving them the tools to cope with the increased and changing demands for reports on financial information, and provide guidance in specialized areas. In addition, the IAASB develops quality control standards for firms and engagement teams in the practice areas of audit, assurance and related services. The ISAs are contained in IFAC's Handbook of International Auditing, Assurance, and Ethics Pronouncements and they are available from the IFAC website at <http://www.ifac.org>.



## **Ethics**

The *Code of Ethics for Professional Accountants* (the Code), developed by IFAC's International Ethics Standards Board for Accountants, establishes ethical requirements for professional accountants and provides a conceptual framework for all professional accountants to ensure compliance with the five fundamental principles of professional ethics. These principles are integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. Under the framework, all professional accountants are required to identify threats to these fundamental principles and, if there are threats, apply safeguards to ensure that the principles are not compromised. A member body of IFAC or firm conducting an audit using ISAs may not apply less stringent standards than those stated in the Code. The *Code of Ethics for Professional Accountants* is contained in IFAC's Handbook of International Auditing, Assurance, and Ethics Pronouncements and it is also available from the IFAC website at <http://www.ifac.org>.

## **Public Sector Financial Reporting**

IFAC's International Public Sector Accounting Standards Board focuses on the development of high quality financial reporting standards for use by public sector entities around the world. It has developed a comprehensive body of IPSASs setting out the requirements for financial reporting by governments and other public sector organizations. The IPSASs represent international best practice in financial reporting by public sector entities. In many jurisdictions, the application of the requirements of IPSASs will enhance the accountability and transparency of the financial reports prepared by governments and their agencies. The IPSASs are contained in IFAC's Handbook of International Public Sector Accounting Pronouncements and are also available from the IFAC website at <http://www.ifac.org>. French and Spanish translations of the IPSASs are also available for download from the IFAC website.

## **Support for Professional Accountants in Business**

Both IFAC and its member bodies face the challenge of meeting the needs of an increasing number of accountants employed in business and industry, the public sector, education, and the not-for-profit sector. These accountants now comprise more than 50 percent of the membership of member bodies. IFAC's Professional Accountants in Business Committee develops guidance in collaboration with member bodies to assist in addressing a wide range of professional issues, encourages and supports high quality performance by professional accountants in business, and strives to build public awareness and understanding of the work they provide.

## **Small- and Medium-Sized Practices**

IFAC is also focused on providing support for another growing constituency: small- and medium-sized practices (SMPs). IFAC's SMP Committee develops guidance on key topics for SMPs and small- and medium-sized entities (SMEs), including implementation guidance on using ISAs in the audit of SMEs and applying

International Standard on Quality Control 1. It provides input from an SMP/SME perspective on the development of international standards and on the work of the IFAC standard-setting boards. The SMP Committee also investigates ways in which IFAC, together with its member bodies, can respond to the needs of accountants operating in SMEs and SMPs and holds annual forums on SMP/SME issues.

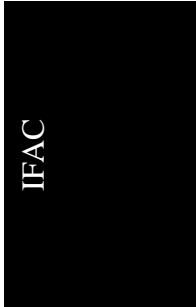
### **Developing Nations**

IFAC's Developing Nations Committee supports the development of the accountancy profession in all regions of the world by representing and addressing the interests of developing nations and by providing guidance to strengthen the accountancy profession worldwide. The committee also seeks resources and development assistance from the donor community on their behalf. In addition, the committee holds annual forums on addressing the needs of developing nations. IFAC Member Body Compliance Program As part of the Member Body Compliance Program, IFAC members and associates (mostly national professional institutes) are required to demonstrate how they have used best endeavours, subject to national laws and regulations, to implement the standards issued by IFAC and the International Accounting Standards Board. The program, which is overseen by IFAC's Compliance Advisory Panel, also seeks to determine how members and associates have met their obligations with respect to quality assurance and investigation and disciplinary programs for their members as set out in IFAC's Statements of Membership Obligations (SMOs). As part of the Compliance Program, members and associates are required to complete a self-assessment regarding the SMO requirements and, where areas for improvement are identified, to develop action plans to address those areas. The SMOs serve as the foundation of the Compliance Program and provide clear benchmarks to current and potential member bodies to assist them in ensuring high quality performance by professional accountants. This handbook does not contain the SMOs, which are available from the IFAC website at <http://www.ifac.org>.

### **Regulatory Framework**

In November 2003, IFAC, with the strong support of member bodies and international regulators, approved a series of reforms to increase confidence that the activities of IFAC are properly responsive to the public interest and will lead to the establishment of high quality standards and practices in auditing and assurance. The reforms provide for the following: more transparent standard-setting processes, greater public and regulatory input into those processes, regulatory monitoring, public interest oversight, and ongoing dialogue between regulators and the accountancy profession. This is accomplished through the following structures:

**Public Interest Oversight Board (PIOB)**—Established in February 2005, the PIOB oversees IFAC's standard-setting activities in the areas of auditing and assurance, ethics – including independence – and education, as well as the IFAC Member Body Compliance Program. The PIOB is comprised of ten representatives nominated by international regulators and institutions.



**Monitoring Group (MG)**—The MG comprises international regulators and related organizations. Its role is to update the PIOB regarding significant events in the regulatory environment. It is also the vehicle for dialogue between regulators and the international accountancy profession.

**IFAC Regulatory Liaison Group (IRLG)**—The IRLG includes the IFAC President, Deputy President, Chief Executive Officer, three members designated by the IFAC Board, the Chair of the Forum of Firms, and six others nominated by the Global Public Policy Committee. It works with the MG and addresses issues related to the regulation of the profession.

### **IFAC Structure and Operations**

Governance of IFAC rests with its Board and Council. The IFAC Council comprises one representative from each member body. The Board is a smaller group responsible for policy setting. As representatives of the worldwide accountancy profession, Board members sign a declaration to act with integrity and in the public interest.

The IFAC Nominating Committee makes recommendations on the composition of IFAC boards and committees, the IFAC Board, and candidates for the office of IFAC Deputy President. The committee is guided in its work by the principle of choosing the best person for the position. It also seeks to balance regional and professional representation on the boards and committees, as well as representation from countries with different levels of economic development.

IFAC is headquartered in New York City and is staffed by accounting and other professionals from around the world.

### **IFAC Publications, Copyright and Translation**

IFAC makes its guidance widely available by enabling individuals to freely download all publications from its website (<http://www.ifac.org>) and by encouraging its members and associates, regional accountancy bodies, standard setters, regulators and others to include links from their own websites, or print materials, to the publications on IFAC's website.

IFAC also recognizes that it is important that preparers and users of financial statements, auditors, regulators, lawyers, academia, students, and other interested groups in non-English speaking countries have access to its standards in their native language. To make its standards and guidance as widely available as possible, IFAC has developed the following policy statements that address matters related to copyright and reproduction and translation:

- *Policy for Reproducing, or Translating and Reproducing, Publications Issued by the International Federation of Accountants; and*
- *Permission to State that the International Federation of Accountants has Considered a Translating Body's Process for Translating Standards and Guidance.*

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This handbook does not contain these policy statements. However, the policy statements and a database of translations of IFAC publications by third parties are available on the IFAC website at <http://www.ifac.org>.



