

IFAC Ethics Committee

Terms of Reference

1.0 Purpose

The mission of the International Federation of Accountants (IFAC), as set out in its constitution, is “to serve the public interest, strengthen the accountancy profession worldwide and contribute to the development of international economies by establishing and promoting adherence to high-quality professional standards, furthering international convergence of such standards, and speaking out on public interest issues where the profession’s expertise is most relevant”. In pursuing this mission, the IFAC Board has established the IFAC Ethics Committee (the Committee) to function as an independent standard-setting body under the auspices of IFAC.

The Committee develops and issues, in the public interest and under its own authority, high quality ethical standards and other pronouncements for professional accountants for use around the world. The IFAC Board has determined that designation of the Committee as the responsible body, under its own authority and within its stated terms of reference, best serves the public interest in achieving this aspect of its mission.

2.0 Objectives

The Committee’s objectives are as follows:

- To establish high quality ethical standards and other pronouncements for professional accountants that will protect the public interest and strengthen public confidence in the accounting profession.
- To promote and facilitate the convergence of international and national ethical standards.
- To promote good ethical practices to IFAC member bodies and to the public at large.
- To foster international debate on ethical issues faced by professional accountants.

3.0 Pronouncements

In fulfilling the above objectives, the Committee develops and issues the following:

- *The Code of Ethics for Professional Accountants* which establishes a standard based principles of professional ethics for public accountants and provides a conceptual framework for applying these principles. No member body of IFAC or firm issuing reports in accordance with International Auditing and Assurance Standards is allowed to apply less stringent standards than those stated in the Code. However, if a member body or firm is prohibited by law or regulation from complying with certain parts of the Code they should comply with all other parts of the Code.
- *Code of Ethics Interpretations* which assist in the application of the Code. The Interpretations are authoritative.

The sole authoritative text of the Code and its Interpretations is that published by the Committee in the English language.

4.0 Membership

The members of the Committee are appointed by the IFAC Board on the recommendation of the Nominating Committee and approval of the Public Interest Oversight Board (PIOB). The Committee comprises members from IFAC member bodies, two public members and representatives from the Forum of Firms (in similar proportions to those appointed to the IAASB). The two public members may be members of IFAC member bodies, but may not be members in public practice. One public member shall be a specialist in business ethics. Subject to transitional arrangements, the size of the Committee is no greater than 18 members.

The selection process is based on the principle of “the best person for the job”; however, consideration will be given to other factors including geographic representation, sector of the accounting profession, size of organization, and level of economic development. Candidates for appointment as public members may be put forward by any individual or organization

Committee members serve for three years, with one third of the Committee membership subject to retirement every year. Continuous service on the Committee is limited to two consecutive three-year terms, unless that member is appointed to serve as Chair for a further period of not more than three years.

Committee members may be accompanied at meetings by a technical advisor.

The Committee may also include up to three observers, appointed at the discretion of the IFAC Board, in consultation with the PIOB. Observers may attend Committee meetings, have the privilege of the floor, and participate in projects, but have no voting privileges.

Committee members are required to sign an annual statement declaring they will act in the public interest and with integrity in discharging their roles within IFAC.

5.0 Meeting procedures

Each Committee meeting requires the presence, in person or by simultaneous telecommunications link, of at least two-thirds of the appointed members.

Each member of the Committee has one vote. The affirmative vote of at least two-thirds of members present at the meeting or by simultaneous telecommunications link or by proxy, but not less than two thirds of the total voting rights of the Committee, is required to approve changes to the Code, Interpretations and exposure drafts.

Committee meetings to discuss the development, and to approve the issuance of changes to the Code, Interpretations, exposure drafts and other pronouncements intended to advance the understanding of ethical requirements of professional accountants are open to the public. Matters of a general administrative nature or with privacy implications may be

dealt with in closed sessions. Agenda papers and minutes of the meetings of the Committee are published on the IFAC web site. The Committee meetings and agenda papers are in English which is the official working language of IFAC.

6.0 Due process

In developing the Code and Interpretations, input is sought from the Ethics Committee Consultative Advisory Group, national bodies which deal with ethical requirements for professional accountants and others so as to obtain a broad spectrum of views.

The Committee exposes proposed changes to the Code for public comment. To allow adequate time for due consideration and comment from all interested parties the exposure period will ordinarily be no shorter than 90 days. Respondents' comments are posted on the IFAC web site after the end of the exposure period. The Committee may hold public hearings where, because of the nature of a proposed change to the Code, the level of interest or for some other reason, wider consultation would be appropriate. The Committee gives due consideration to comments received before a final change to the Code is issued.

7.0 Consultative Advisory Group

The objective of the Ethics Committee's Consultative Advisory Group (Ethics CAG) is to provide a forum where the Committee can consult with representatives of organizations representing different groups of constituents to obtain input on its work program, project priorities and due process on major technical issues, and to receive feedback on its activities. Appointments to the Ethics CAG are approved by the IFAC Board, after consultation with the PIOB.

8.0 Other

The Committee publishes an annual report, outlining its work program, activities and progress made in achieving its objectives during the year.

IFAC will review the effectiveness of the Committee's processes at least every three years.