

**IFAC INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS**  
**TERMS OF REFERENCE – APPROVED DECEMBER 2006**

**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 International Ethics Standards Board for Accountants (IESBA) to function as an independent standard-setting body under the auspices of IFAC and subject to the oversight of the Public Interest Oversight Board (PIOB).

The IESBA develops and issues, in the public interest and under its own authority, high quality ethics standards and other pronouncements for professional accountants for use around the world. The IFAC Board has determined that designation of the IESBA 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 IESBA’s objective is to serve the public interest by setting high quality ethical standards for professional accountants and by facilitating the convergence of international and national ethical standards, thereby enhancing the quality and consistency of services provided by professional accountants throughout the world and strengthening public confidence in the global accounting profession.

**3.0 PRONOUNCEMENTS**

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

- *The Code of Ethics for Professional Accountants* which establishes a principles based standard of professional ethics for professional 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 IESBA also publishes other pronouncements on ethics related matters, thereby advancing public understanding of the ethical requirements of professional accountants.

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

#### **4.0 MEMBERSHIP**

The members of the IESBA, including the Chair and Deputy Chair, are appointed by the IFAC Board on the recommendation of the Nominating Committee and with the approval of the Public Interest Oversight Board (PIOB). The IESBA comprises ten members from IFAC member bodies, five representatives from the Forum of Firms and three public members. The three 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. The appointment as Deputy Chair does not imply that the individual concerned is the Chair-elect.

The selection process is based on the principle of “the best person for the job;” the primary criterion being the individual qualities and abilities of the nominee in relation to the position for which they are being nominated. However, the selection process also seeks a balance between the personal and professional qualifications of a nominee and representational needs, including gender balance of the IESBA. Accordingly, consideration will be given to other factors including geographic representation, sector of the accountancy profession, size of organization, and level of economic development. Candidates for appointment as public members may be put forward by any individual or organization.

IESBA members serve for three years, with one third of the IESBA membership subject to retirement every year. Continuous service on the IESBA 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.

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

The IESBA may also include up to three observers, appointed at the discretion of the IFAC Board, in consultation with the PIOB. Observers may attend IESBA meetings, have the privilege of the floor, and participate in projects, but have no vote. These observers would be expected to possess the technical skills to participate fully in IESBA debates and attend IESBA meetings regularly to maintain an understanding of current issues.

IESBA 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 IESBA meeting requires the presence, in person or by simultaneous telecommunications link, of at least twelve of the appointed members.

IESBA meetings shall be chaired by the Chair or, in his or her absence by the Deputy Chair. In the event of the absence of both, the members present shall select one of their number to take the chair for the duration of the meeting, or of the absence of the Chair and Deputy Chair.

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

IESBA 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 public 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 for open sessions, including minutes of the meetings of the IESBA, are published on the IFAC website. The IESBA 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, the IESBA is required to be transparent in its activities, and to adhere to due process as approved by the PIOB.

The PIOB is consulted to help establish the appropriateness of the IESBA's project priorities and any changes therein. The IESBA obtains the PIOB's opinion, as at the date of that opinion, on the appropriateness of the items on the work program and on whether or not it wishes, from a public interest perspective, to have any further items added. The IESBA adds to its work program those items that the PIOB resolves should, from a public interest perspective, form part of the IESBA's work program.

## **7.0 CONSULTATIVE ADVISORY GROUP**

The objective of the IESBA Consultative Advisory Group (CAG) is to provide input to and assist the IESBA through consultation with the CAG member organizations and their representatives at the CAG meetings, in order to obtain: advice on the IESBA's agenda and project timetable (work program), including project priorities; technical advice on projects; and advice on other matters of relevance to the activities of the IESBA.

## **8.0 OTHER**

The IESBA 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 IESBA's processes at least every three years.