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International Federation of Accountants
(IFAC)
545 Fifth Avenue, 14th Floor
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USA

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Ref.: ETH/PRJ/HBL/LAN/SHA

Dear Mr. Khazzam,

Re: IFAC ED on a Public Interest Framework for the Accountancy Profession

FEE (Fédération des Experts Comptables Européens – European Federation of Accountants) is pleased to comment on the International Federation of Accountants (IFAC) Exposure Draft (ED) on a Public Interest Framework for the Accountancy Profession.

FEE welcomes the initiative of IFAC for a consultation on identifying the nature of the public interest as it affects the profession. The credibility of the profession, and the standards that it uses, are crucially dependent on society recognising that the profession should and does act in the wider public interest.

In the past, some other stakeholders have attempted to define, describe or explain the public interest in some form or shape. Considerable thought and effort was put into such efforts which, for a variety of reasons, do not appear to have resulted in effectively defining the public interest or in creating a framework for the public interest. Therefore, when considering the Public Interest Framework for the Accountancy Profession as put forward by IFAC, the expectations of many are high.

FEE has discussed the IFAC Public Interest Framework for the Accountancy Profession with a variety of its stakeholders, being representatives of FEE Member Bodies, the latter also IFAC Member Bodies, representatives of large audit firms, smaller audit firms, SMPs and sole practitioners as well as representatives of accountants in business. Based on these discussions, FEE would like to put forward some considerations on the proposals made.

Many of the FEE Member Bodies will comment on the IFAC ED themselves and we refer to their submissions for further detailed comments.

FEE was looking forward to a conceptual approach to the concept of public interest but the IFAC proposals do not fulfil this expectation as the proposals appear to be primarily process-driven. In this sense, the content of the ED does not appear to cover the promising title of the ED. Some consider that the proposals made in the ED are more along the lines of a statement or guide to standard setting.

This begs the question as to what the objective or purpose of this ED is. In order to set expectations right, some put forward that this ED should be about the value IFAC and its independent standard setting board bring to society, rather than about attempting to define the public interest or create a conceptual framework for the public interest as the latter might create an expectation gap.

IFAC has attempted to define the public as “the widest possible scope of society” and their interests are considered to be “all things valued by society”, complemented with additional detailed description. FEE is convinced that it is impossible to define the public interest and therefore strongly encourages IFAC not to go this way.

Additionally, the status or scope of the ED is not clear as to whether it is addressed to, and intended to be acted upon, by professional bodies and other accountancy institutions as opposed to individual members of the profession. Its impact on the standard setting activities of the independent standard setting bodies of IFAC as well as on the implementation of their standards are considered to be equally unclear.

Furthermore, a considerable amount of detailed comments were brought to our attention in relation to the three criteria chosen for addressing the public interest, especially in relation to the second and third ones. These comments demonstrated a lot of confusion with readers of the ED, leading to many unanswered questions related to the criteria.

Finally, in addition to questioning the feasibility, objective and scope of the IFAC proposals, many also questioned their applicability and implementation and they are therefore not convinced that IFAC should attempt to come up with a public interest framework for the accountancy profession.

For further information on this FEE¹ letter, please contact Hilde Blomme at +32 2 285 40 77 or via email at hilde.blomme@fee.be or Lotte Andersen at +32 2 285 40 80 or via email at lotte.andersen@fee.be from the FEE Secretariat.

Yours sincerely,



Philip Johnson
FEE President

¹ FEE is the Fédération des Experts comptables Européens (Federation of European Accountants). It represents 45 professional institutes of accountants and auditors from 33 European countries, including all of the 27 EU Member States. In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE's objectives are:

- To promote and advance the interests of the European accountancy profession in the broadest sense recognising the public interest in the work of the profession;
- To work towards the enhancement, harmonisation and liberalisation of the practice and regulation of accountancy, statutory audit and financial reporting in Europe in both the public and private sector, taking account of developments at a worldwide level and, where necessary, promoting and defending specific European interests;
- To promote co-operation among the professional accountancy bodies in Europe in relation to issues of common interest in both the public and private sector;
- To identify developments that may have an impact on the practice of accountancy, statutory audit and financial reporting at an early stage, to advise Member Bodies of such developments and, in conjunction with Member Bodies, to seek to influence the outcome;
- To be the sole representative and consultative organisation of the European accountancy profession in relation to the EU institutions;
- To represent the European accountancy profession at the international level.