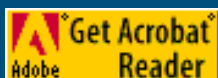


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### IFAC Strengthens International Code of Ethics; Clarifies Guidance for Network Firms

(New York/July 31, 2006) -- An important objective of the International Ethics Standards Board for Accountants (IESBA), an independent standard-setting board within the International Federation of Accountants (IFAC), is to provide auditors with clear guidance on matters of independence. In keeping with this commitment, the IESBA has revised the *Code of Ethics for Professional Accountants* by updating the definition of a network firm. Network firms are required to be independent of an audit client of another firm within the network.

"The revised definition focuses on how networks operate and how they present themselves to third parties," states Richard George, IESBA Chair. "The public has a right to expect that when firms are part of a network the independence requirements apply to the other firms within the network. This revision provides clear guidance for firms and contains additional information on the application of the definition."

The revised definition is consistent with the definition in the European Union's Eighth Company Law Directive. It would classify firms as network firms if the firms belong to a larger structure that is aimed at cooperation and is clearly aimed at profit or cost sharing, or shares common ownership, control or management, common quality control policies and procedures, common business strategy, the use of a common brand-name or a significant part of professional resources.

The revised definition is effective for assurance reports dated on or after December 31, 2008.

The *Code of Ethics for Professional Accountants* and the revision can be downloaded free-of-charge from the IFAC online bookstore at <http://www.ifac.org/store/Category.tmp?Category=Ethics>.

### **About the IESBA and IFAC**

The IESBA develops ethical standards and guidance for use by professional accountants. It encourages member bodies to adopt high standards of ethics for their members and promotes good ethical practices globally. The Public Interest Oversight Board oversees the activities of the IESBA and, as one element of that oversight, establishes the criteria for its due process and working procedures.

IFAC is the worldwide organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. IFAC's current membership consists of approximately 160 professional accountancy bodies in 120 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. IFAC, through its independent standard-setting boards, sets international standards on ethics, auditing and assurance, education, and public sector accounting. It also issues guidance to encourage high-quality performance by professional accountants in business.

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