

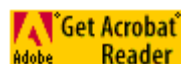


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Audit Quality and Tone at the Top Focus of New Forum of Firms Paper

(New York/December 7, 2007) - Creating the right "tone at the top" is not only an important element of corporate governance, but also is key to the effective operations of audit firms, according to a recent paper issued by the Transnational Auditors Committee, the Executive Committee of the Forum of Firms. Entitled *Tone at the Top and Audit Quality*, the paper summarizes current practice in several of the largest networks of international accounting firms and examines how setting the right tone can positively influence audit quality.

"Leaders of accounting firms have a responsibility to ensure that the commitment to quality is clearly embedded in their organization's values, code of conduct, training, and reward policies. Setting an appropriate 'tone at the top' is an important element of creating this commitment throughout an organization," states Forum of Firms Chairman David Maxwell. "Sharing real examples of best practice in setting the right tone is an excellent way to help all firms address this important driver of quality. This is exactly what our paper does."

The paper describes five areas in which management can address tone at the top issues: strategy, communication, job descriptions, performance appraisals, and monitoring. Examples are also provided to further clarify the types of policies and procedures that are being put in place and the corresponding system of rewards and sanctions.

At the International Federation of Accountants (IFAC) World Accountancy Forum in New York City on December 4, IFAC Deputy President Robert Bunting commented on the importance of the tone at the top in finding the right balance between governance, oversight and business growth: "If the CEO's message is aggressive growth and 'make the numbers' first and foremost,

then the organization will reflect those priorities. If the CEO emphasizes transparency and integrity, as well as performance, then the organization will respond accordingly."

Tone at the Top and Audit Quality can be downloaded free-of-charge from the IFAC online bookstore at <http://www.ifac.org/store>.

About the Forum of Firms

The Forum of Firms is an association of networks of international accounting firms that perform transnational audits. The objective of the Forum of Firms is to promote consistent and high quality standards of financial reporting and auditing practices worldwide. Members of the Forum have committed to adhere to and promote the consistent application of high quality audit practices worldwide, including the use of International Standards on Auditing, and the maintenance of appropriate quality control standards in accordance with International Standards on Quality Control issued by the International Auditing and Assurance Standards Board. Through their organizations, members also conduct globally coordinated internal quality assurance reviews on a regular basis and have policies and methodologies that conform to the International Federation of Accountants' *Code of Ethics for Professional Accountants*. The Transnational Auditors Committee is the Executive Committee of the Forum of Firms and a committee of the International Federation of Accountants.

About IFAC

Founded in 1977, IFAC is the global 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 is comprised of 158 members and associates in 123 countries and jurisdictions, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. The organization, through its independent standard-setting boards, sets international ethics, auditing and assurance, education, and public sector accounting standards. IFAC also issues guidance to encourage high quality performance by professional accountants in business.

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