

**MEMORANDUM OF UNDERSTANDING BETWEEN THE PROFESSIONAL STANDARDS
COMMITTEE OF THE INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS AND
THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD, THE INTERNATIONAL
PUBLIC SECTOR ACCOUNTING STANDARDS BOARD, THE INTERNATIONAL ETHICS
STANDARDS BOARD FOR ACCOUNTANTS AND THE INTERNATIONAL FEDERATION OF
ACCOUNTANTS**

INTRODUCTION

1. The Professional Standards Committee (PSC) of the International Organization of Supreme Audit Institutions (INTOSAI) is promoting strong, independent and multidisciplinary supreme audit institutions (SAIs) and encouraging good governance by providing and maintaining International Standards of Supreme Audit Institutions (ISSAIs), and contributing to the development and adoption of appropriate and effective professional standards for public sector auditing. The PSC is responsible for developing standards related to financial, performance and compliance audits.
2. The PSC has a dual approach to the development of standards. The dual approach means that INTOSAI's guidelines should preferably be based on standards that are widely recognized among SAIs. By recognizing, utilizing and building on standards issued by other standard-setting bodies to the maximum extent possible and appropriate, PSC will work to harmonize public sector audit internationally. INTOSAI will develop complementary guidance where there is a special need and/or a pressing concern in the SAI environment and will seek to influence international standards to address issues of particular interest to SAIs. In doing so, PSC will look to eliminate any duplication within the framework of INTOSAI's professional standards. This dual approach should provide clarity by emphasizing in what aspects private and public sector auditing is alike and in what aspects auditing in the two sectors differs. The approach will allow PSC to concentrate its own efforts in developing guidance in fields where SAIs have special needs due to their status as national authorities within the constitutional systems and the special considerations of public sector auditing.
3. The International Auditing and Assurance Standards Board (IAASB) is an independent standard-setting body that serves the public interest by setting high-quality international standards for auditing and assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards. In doing so, the IAASB enhances the quality and consistency of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.
4. The International Public Sector Accounting Standards Board (IPSASB) is an independent standard-setting body that serves the public interest by developing high-quality International Public Sector Accounting Standards (IPSASs), guidance, and resources for use by public sector entities around the world for general purpose financial reporting. The IPSASB aims to enhance the quality and transparency of public sector financial reporting by establishing high-quality accounting standards for use by public sector entities; promoting the adoption, and international convergence to, IPSASs; providing comprehensive information for public sector financial management and decision making; and providing guidance on issues and experiences in financial reporting in the public sector.
5. The International Ethics Standards Board for Accountants (IESBA) is an independent standard-setting body that serves the public interest by setting high-quality ethical standards and other pronouncements for professional accountants and by facilitating the convergence of international and national ethical standards, including auditor independence requirements, through the development

of a robust, internationally appropriate code of ethics. The IESBA *Code of Ethics for Professional Accountants* (IESBA Code) applies to all professional accountants, whether in public practice, in business, education or the public sector. The IESBA Code serves as the foundation for codes of ethics developed and enforced by members of IFAC.

6. The International Federation of Accountants' (IFAC) vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies. IFAC is comprised of 175 members and associates in 130 countries and jurisdictions, representing approximately 2.5 million accountants in public practice, education, government service, industry, and commerce. IFAC serves the public interest by contributing to the development of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations (PAOs) and accounting firms, and to high-quality practices by professional accountants; and promoting the value of professional accountants worldwide; and speaking out on public interest issues. IFAC supports the development of international standards through the independent standard-setting boards, including facilitating the structures and processes that support their operations.
7. Background information on these organizations can be obtained at the following web addresses:
 - INTOSAI PSC – <http://www.psc-intosai.org/> and <http://www.intosai.org/committeesworking-groupstask-forces/goal-1-professional-standards/professional-standards-committee-psc.html>
 - IAASB – www.iaasb.org
 - IESBA – www.ethicsboard.org
 - IPSASB – www.ipsasb.org
 - IFAC – www.ifac.org

SCOPE AND PURPOSE

8. The purpose of this Memorandum of Understanding (MoU) is to strengthen the cooperation process that will enable INTOSAI on the one hand and the IAASB, IPSASB, IESBA and IFAC on the other hand to benefit from the activities of mutual interest in their respective strategies.
9. On the basis of the MoU, the parties will:
 - Collaborate as appropriate to facilitate the development of auditing and assurance, accounting and ethical standards in the public sector globally; and
 - Exchange knowledge and experience in the field of public sector auditing and assurance, accounting, and ethics globally.

AREAS OF COMMON INTEREST

10. INTOSAI recognizes the importance of cooperation with IFAC and the independent standard setting boards (SSBs), and the independent SSBs recognize the importance of public sector input in the development of their respective standards.
11. Specific areas of common interest are as follows:
 - Development of International Standards on Auditing (ISAs) by the IAASB and related INTOSAI Practice Notes developed by the Financial Audit Subcommittee of the PSC, together included

in the ISSAIs for financial audit on the fourth level in the existing hierarchy of standards in INTOSAI. Where relevant, the ISAs may include specific considerations for public sector auditors.

- Development of IPSASs by the IPSASB. Where relevant, the IPSASB and the PSC Subcommittee on Accounting and Reporting respectively share knowledge and experience on the development of international public sector accounting standards and matters of concern to accountants and public sector auditors in general. The PSC Subcommittee on Accounting and Reporting promotes the work of the IPSASB to INTOSAI membership and, in particular, facilitates information exchange and knowledge sharing of developments in public sector accounting among SAIs.
- Developments in the IESBA Code and the INTOSAI Code of Ethics (ISSAI 30).
- Development of quality control, other assurance and related services standards by the IAASB, which may be relevant to the work of other PSC subcommittees, including those responsible for developing standards for performance and compliance audits.

COOPERATION PROCESS

12. To facilitate the collaboration on areas of common interest, the PSC and the IAASB, IPSASB, IESBA and IFAC will pursue the following actions, where appropriate:
 - Gain awareness of the nature of each party's activities in areas of common interest, achieved through, for example: attendance at committee or board meetings and participating in relevant task forces, as appropriate; meetings between the technical staff of INTOSAI on the one hand, and the technical staff of the independent SSBs or IFAC on the other hand; and promoting exposure drafts, consultation papers and final standards developed by the independent SSBs;
 - Share information and best practices in the areas of public sector accounting, auditing and ethics, as well as in the application of international standards;
 - Engage in periodic discussions of matters of public policy that impact the public sector auditing and accountancy professions;
 - Selectively coordinate and promote unified messages and responses to standard-setters, regulators and legislators;
 - Input into relevant projects that advance the public sector auditing and accountancy professions and the professional standing of its respective members, through participation in project task forces, formal responses, and informal consultation; and
 - Involve representatives of INTOSAI in the boards, committees, and advisory groups of the independent SSBs and IFAC, as appropriate, and vice versa, as well as in major international conferences of mutual interest.
13. The parties recognize that the IAASB, IPSASB and IESBA are independent SSBs and proposed actions will be subject to the final decisions of those Boards. Participation in those boards by representatives of INTOSAI is subject to confirmation of nomination made in accordance with the transparent and broadly inclusive call for nominations issued by IFAC on behalf of the SSBs. This MoU does not guarantee that PSC will be awarded a seat on any of the boards.

14. INTOSAI, represented by the PSC, also currently serves as a member of the IAASB Consultative Advisory Group (CAG), and is subject to their membership guidelines and, where applicable, oversight by the Public Interest Oversight Board (PIOB). INTOSAI also has official observer status at the IPSASB.
15. The Managing Director of the independent SSBs (or designate) will participate in the PSC Steering Committee on behalf of the independent SSBs. The IAASB will continue as an observer to the FAS of the PSC.

USAGE, REPRODUCTION AND TRANSLATION OF IFAC PUBLICATIONS

IFAC has specific and detailed agreements that grant permission to other organizations to utilize, reproduce or translate its publications. These are addressed in the *Policy for Reproducing, or Translating and Reproducing, Publications of the International Federation of Accountants* and the *Policy for Translating and Reproducing Standards Published by the International Federation of Accountants*; any arrangements to translate standards or other materials published by IFAC are not subject to this MoU and are covered by separate agreements. The most recent *Agreement for Permission to Reproduce, Publish and Distribute Copyrighted Materials* was signed by INTOSAI on November 3, 2010 and IFAC on November 29, 2010.

RELATIONSHIP OF PARTIES

This MoU does not place any limitation on the rights of the parties to enter into similar agreements with other organizations. Nothing in this MoU shall be deemed to constitute, create, give effect to or otherwise recognize a partnership, joint venture or formal business entity of any kind; and the rights and obligations of the parties shall be limited to those expressly set forth herein.

Further, the parties agree to identify opportunities during the period of the MoU for:

- (a) IFAC to promote to its members the pronouncements of the PSC;
- (b) PSC to promote to its members the international standards issued by the IAASB, IPSASB, and IESBA, as well as other material produced by these Boards or IFAC that may be relevant to the public sector.

ANNUAL REVIEW

At least annually, representatives of PSC, the IAASB, IPSASB, IESBA and IFAC shall discuss and monitor progress against this MoU and assess associated achievements.

MODIFICATION AND ASSIGNMENT

This MoU may not be modified, waived, revised or amended except by a written supplementary agreement signed by the parties. No party may assign this MoU without the written consent of the other parties.

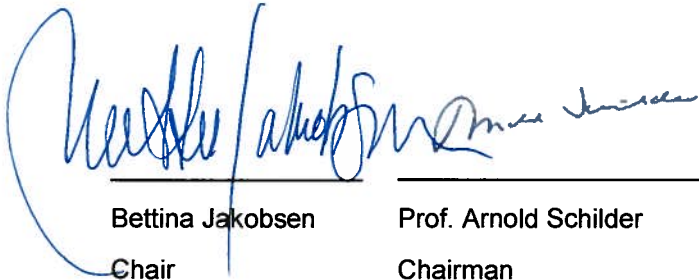
TERM AND TERMINATION

This agreement shall be reviewed by all parties no later than December 31, 2016.

The MoU is of a non-binding nature. Any of the parties may terminate their involvement in this MoU, without cause, through written communication.

This MoU sets forth the mutual intentions for a spirit of cooperation and collaboration between the INTOSAI PSC and the IAASB, IPSASB, IESBA and IFAC. As evidence of our commitment to working for the mutual benefit of our professions, we hereby affix our signatures.

Date: January 23, 2015

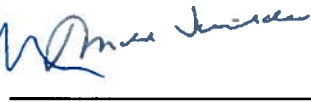


Bettina Jakobsen

Chair

PSC

Place, Date

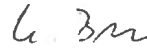


Prof. Arnold Schilder

Chairman

IAASB

Place, Date 1/21/15



Dr. Andreas Bergmann

Chairman

IPSASB

Place, Date 1/21/15



Dr. Stavros Thomadakis

Chairman

IESBA

Place, Date 1/21/15



Fayezul Choudhury

Chief Executive Officer

IFAC

Place, Date 1/21/15