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7 August 2003 - International task force sets agenda to rebuild public confidence in financial reports

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An independent Task Force, commissioned by IFAC (the International Federation of Accountants), has today (Thursday 7th August) published recommendations for rebuilding public confidence in the financial reporting process.

'Rebuilding Public Confidence in Financial Reporting' was developed by a Task Force chaired by John Crow, former Governor of the Bank of Canada. It included senior figures with backgrounds in commercial banking, international economics, academia and law, as well as accounting and auditing, from six countries: Australia, Canada, France, Japan, the United Kingdom, and the United States (*see attached list).

John Crow, Task Force Chairman, commented: "In crafting our recommendations, we have kept in mind that public reporting is intrinsically a public-interest activity. So, our report addresses the roles of all those who are involved in the process, including groups such as lawyers, bankers, brokers, analysts, and public relations advisors. All parties, besides the management, board of directors, and independent auditors, have an unavoidable duty to ensure that public reporting presents the information fairly, and the rules and regulations surrounding corporate reporting should clearly reinforce them."

Graham Ward, past President of the Institute of Chartered Accountants in England and Wales (ICAEW) and a member of the Task Force, continued: "The Task Force deliberately took a holistic approach covering the whole supply chain for financial information to develop best practice for worldwide application. Whilst the focus for our work was listed companies we believe that the practical recommendations we have made are applicable to other corporate entities which have a broad public interest."

David Illingworth, current President of the ICAEW, added:

"This is a thorough and thoughtful analysis of the underlying reasons behind the global loss of confidence in financial reporting and related areas. The Task Force's recommendations reinforce those developed by the UK accountancy profession to rebuild public confidence, particularly the importance placed on a principles based approach to raise the quality of financial reporting."

The report's recommendations are built on three basic assumptions:

- The credibility of financial reporting requires action at the national and international levels.
- To improve credibility in financial reporting, action will be necessary at all points in the supply chain that delivers financial information.
- Integrity -- both individual and institutional -- is

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essential for building confidence in financial reporting and therefore needs to be fostered.

Specific recommendations include the following:

- Effective corporate ethics codes need to be in place and actively monitored; such codes should be supported by training.
- Codes of conduct need to be put in place for other participants in the financial reporting process - such as investment analysts and lawyers - and their compliance should be monitored.
- Incentives to misstate financial information need to be reduced, and companies must refrain from forecasting profits with an unrealistic level of precision.
- Audit effectiveness needs to be raised, primarily through greater attention to audit quality control processes.

- ENDS -

Notes to Editors

1. IFAC is the worldwide organisation for the accountancy profession. Its mission is to develop and enhance the profession to enable it to provide services of consistently high quality in the public interest. Its current membership consists of 155 professional accountancy bodies in 113 countries, representing more than 2.4 million accountants in public practice, education, government service, industry and commerce.
2. The full Task Force report and complete list of recommendations can be accessed online by going to www.ifac.org/credibility. a database of relevant articles and speeches may also be accessed through this area of the website. Comments on the report may be submitted to credibility@ifac.org
3. The views expressed in the report reflect the personal opinions of the members of the Task Force and do not necessarily reflect the views of the organisations with which they are, or have been, affiliated.
4. The ICAEW is the UK's largest professional accountancy body, with more than 124,000 members working in practice, business and the public sector.
5. Graham Ward is a Past President of the ICAEW (2000-2001), a Senior Partner at PricewaterhouseCoopers, and served on the Task Force. A copy of Graham's biographical details, and those of the other Task Force Members is attached.

For further information please contact Brian Bannister, Director of Communications at the ICAEW, tel: 0207 920 8703 or email at brian.bannister@icaew.co.uk

MEMBERS OF THE TASK FORCE ON REBUILDING PUBLIC CONFIDENCE IN FINANCIAL REPORTING

John Crow – Chair

John Crow is former Governor of the Bank of Canada, Chairperson of the Central Bank Governors of the Group of Ten countries, and a one-time head of the North American Division of

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the International Monetary Fund (IMF). He is a director or advisor to a number of companies and also the Vice Chairman of the Toronto Centre for Financial Sector Supervision. In 1999, he chaired a committee of international experts that was commissioned by the Executive Board of the International Monetary Fund to evaluate IMF bilateral, regional, and multilateral surveillance activities, and in 2002 he took part in a high-level international mission to advise on monetary problems in Argentina.

Christian Aubin

Christian Aubin is a former Inspector General of Finance for the Republic of France and has held senior-level financial positions within a number of multinational industrial groups. In 1988, he was appointed Senior Executive Vice President of Corporate Finance for Banque Nationale de Paris and more recently has served as Secretary of the Board of Directors and Head of Ethics and Compliance for BNP Paribas Group. He is a member of France's National Accounting Council, Accounting Regulatory Committee and a member of its Auditors Ethics and Independence Committee.

Olivia Kirtley

Olivia Kirtley is former Chair of the American Institute of Certified Public Accountants (AICPA) and current Chairperson of the AICPA Board of Examiners, which is responsible for content and structure of the Uniform CPA Examination. During her career, she has served as Chief Financial Officer of Vermont American Corporation and as a senior manager at Ernst & Young. She is a member of the board of directors and audit committee chairperson for three companies traded on US stock exchanges.

Kosuke Nakahira

Kosuke Nakahira is Vice-Chairman of the Institute for International Economic Studies and, since 1999, is a member of the Joint Committee on Remuneration of IMF/World Bank Executive Directors. He is a former Vice Minister of Finance for International Affairs. He has held various senior-level positions within Japan's Ministry of Finance, including the Banking and Securities Bureaus. He has also served as Controller of the Tokyo Stock Exchange.

Ian Ramsay

Professor Ian Ramsay is Dean of the University of Melbourne Law School and Director of the University's Center for Corporate Law and Securities Regulation. He is the author of the recent report to the Australian Government on the independence of company auditors, which has been adopted by the government as the basis for a new framework for ensuring the independence of auditors.

Guylaine Saucier

Guylaine Saucier is a corporate director and has experience both as a Chief Executive Officer and as a non-executive chairman. She recently chaired a Canadian committee on corporate governance and she has served as chair of CBC/Radio Canada. She currently serves on the boards of several major Canadian corporations. Ms. Saucier is a current member of IFAC's Board and a former Chair of the Canadian Institute of

Chartered Accountants.

Graham Ward

Graham Ward is a Senior Partner in Pricewaterhouse Coopers and a Board member of IFAC. He is also a member and former Deputy Chairman of the Financial Reporting Council in the United Kingdom and Vice Chairman of the UK's Auditing Practices Board. He is a former President of the Institute of Chartered Accountants in England & Wales and a former member of the United Kingdom's City Panel on Takeovers and Mergers.