MEMORANDUM OF UNDERSTANDING (MoU) BETWEEN
THE INTERNATIONAL FEDERATION OF ACCOUNTANTS (IFAC) and
THE INSTITUTE OF INTERNAL AUDITORS (The IIA)

PURPOSE:

1. Both the International Federation of Accountants, hereinafter referred to as “IFAC,” and The Institute of Internal Auditors, Inc., hereinafter referred to as “The IIA,” with their respective perspectives, strive to serve the public interest and thus are engaged in restoring confidence to the general public in business reporting, and enhancing governance processes in both the private and public sectors. Both bodies have overlapping interests and are willing to share their expertise in governance, risk management, and control, and other matters mutually agreed upon.

2. The purpose of this Memorandum of Understanding (MoU) is to create a formal basis for cooperation and collaboration between IFAC and The IIA for the advancement of good governance, risk management, and control through the mutual sharing of knowledge, experience, and best practice, thus allowing IFAC and The IIA to benefit from each other’s respective work and involvement.

3. Background information on The IIA and IFAC can be obtained at the following web addresses: www.globaliia.org and www.ifac.org.

AREAS OF COMMON INTEREST

4. The bodies recognize that the following are fundamental to an organization fulfilling its objectives, implementing reliable financial management and reporting, and serving stakeholder and public interests:
   • the development, adoption, and implementation of international auditing and accounting standards;
   • strong risk management practices, including the design and implementation of effective and efficient internal controls; and
   • an effective governance oversight process.

5. Further, the bodies recognize that:
   
a) Enhanced transparency and accountability in the private and public sector are essential for efficient capital markets, global financial stability, and long term sustainability.

   b) Professionally performed auditing and accounting are fundamental to the effective functioning of the world’s capital markets and are predicated on the existence of and compliance with high-quality international standards.

   c) An effective internal audit function contributes to good governance through independent assessments and recommendations which enhance organizational risk management and control, while promoting transparency in and accountability for the use of resources and the achievement of objectives.

   d) The International Standards for the Professional Practice of Internal Auditing (Standards) are globally recognized for providing effective guidance for the internal auditing profession. The Certified Internal Auditor (CIA) designation, administered by The IIA, is the globally accepted
certification for internal auditors, enabling individuals to demonstrate their competency and professionalism in the internal auditing field.

COOPERATION PROCESS

6. Through the development of an Annual Work Plan, the bodies will create structures and processes appropriate to achieve the following actions, where appropriate:

   a) gain awareness of the nature of each party’s activities in areas of common interest, achieved principally through observing relevant committee or board meetings and participating in relevant task forces, as appropriate, and through meetings between the technical staff at each body;

   b) share information and best practices in the areas of governance, risk management and control, as well as in audit methods and the application of international standards;

   c) engage in periodic discussions on matters of public policy that impact the auditing and accountancy professions;

   d) selectively coordinate and promote unified messages and responses to standard-setters, regulators, and legislators;

   e) identify joint projects that advance the global auditing and accountancy professions and the professional standing of their respective members;

   f) develop output or publications which may be either co-branded or with an agreed form of support by one body for the work of the other in accordance with each body’s relevant policies and procedures; and

   g) involve representatives from respective bodies in each other’s major international conferences and events.

7. The bodies recognize that the International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), International Accounting Education Standards Board (IAESB), and International Public Sector Accounting Standards Board (IPSASB) are independent standard setting boards and proposed actions will be subject to the final decisions of those boards.

8. Further, the bodies agree to identify opportunities during the period of the MoU for:

   a) The IIA to promote to its members the international standards issued by the IAASB, IESBA, IAESB and IPSASB and International Good Practice Guidance issued by the Professional Accountants in Business (PAIB) Committee; and

   b) IFAC to create awareness amongst its members of The IIA’s International Professional Practices Framework (IPPF) and promote the Standards as the globally accepted standards for the professional practice of internal auditing.

ANNUAL WORK PLAN AND REVIEW

An Annual Work Plan will be developed at the staff level and include measurable initiatives designed to determine progress and assess the ongoing value of the relationship. At least annually, representatives of
IFAC and The IIA shall discuss progress against the Annual Work Plan, associated achievements, and the continuation of the MoU.

RELATIONSHIP OF BODIES

This MoU does not place any limitation on the rights of the bodies 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 bodies shall be limited to those expressly set forth herein.

MODIFICATION AND ASSIGNMENT

This MoU may not be modified, waived, revised or amended except by a written supplementary agreement signed by both bodies. Neither party may assign this MoU without the written consent of the other party.

TERM AND TERMINATION

This agreement shall be reviewed by both bodies no later than June 30, 2016.

The MoU is of a non-binding nature. Either party may terminate this MoU, without cause, through written communication.

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

Date: **July 17, 2013**

Warren Allen  
President  
International Federation of Accountants

Philip D. Tarling  
Chairman of the Board of Directors  
The Institute of Internal Auditors

Fayezul Choudhury  
Chief Executive Officer  
International Federation of Accountants

Richard F. Chambers  
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The Institute of Internal Auditors