



FORUM OF FIRMS – GOVERNANCE ARRANGEMENTS *A Brief Explanation*

This document provides a brief explanation of why the Forum of Firms® (Forum, FoF) is organized and governed in the way that it is. For information about the FoF's objectives including membership obligations, please refer to www.forumoffirms.org.

In pursuing its objectives, the FoF has a governance structure designed to ensure all its members have a role in its operation with all key decisions having support across the total range of membership. Further, key matters are considered and finalized within an environment which is transparent and accountable with the intent to be as effective as possible.

Voting Process

FoF members are divided between founders and non-founders with key decisions made through a two-level discussion and voting process. The first level of discussion and voting happens within the FoF's executive arm—the Transnational Auditors Committee (TAC). The TAC has eleven (11) voting representative seats and eleven (11) alternate seats. At this level, each founder is guaranteed both a voting and an alternate seat. The remaining five (5) voting and five (5) alternate seats are guaranteed for non-founders who elect members from among themselves. All members serve two-year terms and are eligible for re-election.

All key TAC decisions are then sent as recommendations to the entire FoF membership for discussion and approval—the second and final level of voting. At the FoF level, every member of the FoF has an equal opportunity to be heard and each member has a vote.

Voting Rights

The allocation of voting rights in the TAC and FoF, in the interest of equity, recognizes the different levels of member financial contributions. To reach agreement on key decisions, a 2/3 majority is needed. The voting rights are weighted to ensure that the 2/3 majority requires support from both the founder and non-founder members i.e., agreement from across the spectrum of membership must be reached.

The FoF's governance arrangements recognize the diversity of its membership while also being transparent and accountable. This combined with the audit quality focus of the FoF's objective results in there seldom being a vote which is not unanimous.

Tri-Annual Review

The FoF Constitution requires review of its voting arrangements every three years—any proposed changes in the voting arrangements require the approval of not only the FoF, but also, in accordance with the FoF Constitution, the approval of the Board of the [International Federation of Accountants®](http://www.ifac.org).



Further Information

For further explanation on any of the information summarized above, refer to [the Forum of Firms Constitution](#) and [Operating Procedures](#). These documents (especially the Constitution) contain more detail about the FoF's governance arrangements including what the FoF's key decisions are (Constitution, section 38 [now 40]) and voting right allocations among its membership (Constitution, sections 29 and 47 [now 30 and 49]).

Contact Head of Forum of Firms Barry Naik (barrynaik@ifac.org), with any questions.

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