



**INTERNATIONAL FEDERATION OF ACCOUNTANTS**  
**STRATEGIC PLAN**  
**FOR THE YEARS 2007-2010**

**September 2006**

## **INTERNATIONAL FEDERATION OF ACCOUNTANTS**

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## **Section 1 Introduction**

This Strategic Plan identifies and articulates the strategic direction of the International Federation of Accountants' (IFAC's) during the period 2007-2010 within the context of the current and anticipated environment.

The strategic plan provides the rationale for the choices made in selecting certain strategies and services to be delivered to its various constituencies — the public, member bodies, firms and professional accountants worldwide, and the regulatory community.

In November 2004 the IFAC Board established a Planning and Finance Committee (PFC), chaired by Fermín del Valle, Deputy President, with responsibilities in the areas of planning (strategy and budgeting), monitoring and reviewing implementation of the strategy and budget, risk management and special projects. The PFC has been given this range of responsibilities to achieve an appropriate alignment between strategy and financial resources, and that dimensions of risk and how it should be managed are factored into both. As part of the development process, input has been sought from IFAC member bodies through an annual meeting of a selection of member body chief executives, the IFAC Board, regional organizations, Forum of Firms and IFAC staff.

The plan reflects a reorganization of previous plans. While maintaining IFAC's mission and values this plan provides a clarification of the outcomes that IFAC ultimately seeks to influence and the strategic direction and services it has chosen as a result.

The plan provides a decision-making framework for those involved in IFAC's governance and management structure. It serves as a guidepost for our boards, committees and advisory panel, whose priorities should reflect and support the organization's overall strategic direction, and for member bodies, who are encouraged to support IFAC initiatives, promote its standards and contribute to the international profession's efforts to enhance the quality of practice by the world's professional accountants.

Many of the initiatives identified by IFAC over the past year are now at the stage of implementation and refinement. These initiatives have been designed to support IFAC in achieving its mission by enhancing the development of standards and other guidance, strengthening the accountancy profession and better demonstrating that as an organization it is serving the public interest. In particular: the Public Interest Oversight Board is now fully engaged and provides a framework for oversight of IFAC's public interest activities; the focus on standard setting and the need for convergence to international standards; the need for continued dialogue with the regulatory community; the ongoing implementation of the Member Body Compliance Program aimed at education and assistance; a greater focus on the role IFAC might play in those parts of the profession that operate in small and medium sized practices, small and medium sized entities and in developing and emerging economies; and on ensuring that IFAC's governance infrastructure is remains appropriate for the current environment.

In this Strategic Plan the term "worldwide accountancy profession" includes all professional accountants who are members of professional institutes (IFAC member bodies) and includes those operating in public practice, consulting, industry, commerce, government and not-for-profit organizations, and academia.

## **Section 2 Mission Statement**

To serve the public interest, IFAC will continue to strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

## **Section 3 Values**

The values indicated below reflect the guiding principles that IFAC as an organization through its Council, Board, boards and committees, other volunteers and staff should seek and be seen to exemplify:

- Integrity
- Expertise
- Transparency

IFAC also seeks to reinforce professional accountants' adherence to these values, which are reflected in the IFAC Code of Ethics for Professional Accountants.

In holding true to its mission and values, IFAC strives to operate with efficiency and effectiveness and aims to achieve clarity and simplicity in its guidance and communications.

## **Section 4 Environment Facing the Profession & IFAC**

IFAC continually monitors the environment in which it operates and seeks to proactively shape that environment through, identification of its strategic direction, the way it operates and the services it delivers in order to generate global economic growth and stability.

In monitoring its environment IFAC identifies a range of environmental factors that affect it and the wider accountancy profession. These factors range in effect from those that have a broad global effect across the entire profession to those that are generally regionally-based that may have their greatest effect on a sector of the profession. A brief outline of some of the factors considered is provided below with a further outline provided separately in the attached Appendix.

The planning process revealed the following perspective on the current environment and its impact on the wider profession. The environment that the accountancy profession operates in is, and is anticipated to become increasingly:

- **Diverse and segmented:**
  - Developed, mature economies juxtaposed against rapidly emerging nations and slowly emerging ones
  - Large, public enterprises and large firm practices vs. SMEs/SMPs
  - Accountants in public practice vs. professional accountants in business
- **Globalized:** due to economic, social and technological forces reshaping the profession, for example:

- Global companies and investors, expecting uniform accounting and auditing practices everywhere
- Outsourcing/off-shoring shifting the global centers in which accounting is performed
- Globalizing information technology, unbundling the sites in which the storage, access, reporting, and application of judgment to a given body of information can take place
- Globalized accountants, wanting to be able to practice their profession globally
- **Risky:** with a meaningful prospect of another major crisis in which a large, public enterprise fails, after being audited by a major public accounting firm, potentially resulting in:
  - Challenges to IFAC's role as standard setter
  - Challenges to the continued existence of that firm (and the structure of the industry)
  - Declining credibility of the profession
  - Declining credibility of corporate financial statements
- **Competitively tested:** with rivals encroaching on the territory of accounting by offering related or even core accounting services and raising questions about what that core is.

Each of the above factors impacts the profession and, to a varying degree, has implications for IFAC, particularly in terms of the strategic direction it adopts and the services it provides. While the above outline does not reflect a level of significance of impact or priority, the factors above strongly influence the nature of services provided by IFAC and the allocation of resources to those activities. IFAC is also aware that there are other organizations that have an active interest in addressing these factors and that IFAC's role will vary between leader, facilitator and collaborator. This strategic plan and the IFAC operational plan address each of these roles, although emphasis is placed on areas where IFAC assumes a leadership role, for example in various standard-setting areas.

The strategic themes and strategic objectives identified in the following section reflect IFAC's intended strategic direction while taking into account the above factors as appropriate.

## Section 5 Strategic Themes & Strategic Objectives

Five Strategic Themes have been identified in the outline which follows. These Themes serve two purposes: the first three reflect the key strategies of the organization; Themes 4 and 5 are the approaches IFAC will implement to ensure the fulfillment of these key strategies.

The strategic themes and associated strategic objectives identified below reflect the intended strategic direction of IFAC for the period 2007-2010. The measures and expected timeframes for the achievement of the identified objectives have been provided to demonstrate how IFAC will measure its progress in achieving these objectives. Some of these measures are actions that need to take place in order for the objective to be achieved. In some cases an individual objective, its measure and timeframe are not within IFAC's control and so are subject to change. In many cases the actions required to achieve the identified measures will require collaboration with member bodies, firms, standard setters and other organizations.

During this period IFAC will seek to:

Description	Measure/Actions	Timeframe
<b><u>Strategic Theme 1</u></b>		
<b>Be recognized as the international standard setter in the areas of auditing and assurance, education, ethics and governmental financial reporting.</b>		
<b>1)</b> Build confidence in IFAC's standard setting activities within the global regulatory community and other key constituencies:		
<b>a)</b> Enhance confidence in the process for developing standards.	Active communication with investor groups and regulators to ensure clear understanding of the needs of these parties.  Public Interest Oversight Board (PIOB) approval on a standard by standard basis that the agreed due process has been met.  PIOB approval of process for setting, and content of, Public Interest Activity Committees <sup>1</sup> (PIACs) strategic and work plans	Ongoing  Immediately following approval of a standard  Annually

<sup>1</sup> Public Interest Activity Committees include the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), the International Ethics Standards Board for Accountants (IESBA) and the Compliance Advisory Panel (CAP).

Description	Measure/Actions	Timeframe
	Adoption of International Standards on Auditing (ISAs).by the European Commission without material changes	2007-2008
b) Develop a set of ISAs drafted in accordance with the Clarity principles.	Issue the new ISAs in a timely manner as indicated in the timetable for the IAASB Clarity project.	Final set of ISAs by Quarter 3 2008
2) Adoption/incorporation of ISAs and the Code of Ethics by major capital markets and relevant organizations.	<p>Obtain explicit recognition from the members of the Monitoring Group of Regulators<sup>2</sup>, other regulators and/or standard setters in jurisdictions seeking to adopt or incorporate ISAs, with emphasis on major capital markets and organizations. Specific targets include:</p> <ul style="list-style-type: none"> <li>• the European Union – seek adoption without material changes;</li> <li>• China;</li> <li>• India – seek public statement regarding convergence;</li> <li>• the United States Public Company Accounting Oversight Board – seek public statement regarding convergence;</li> <li>• the Financial Stability Forum; and</li> <li>• the World Federation of Exchanges.</li> </ul>	Ongoing

<sup>2</sup> The Monitoring Group of Regulators includes the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors, Basel Committee on Banking Supervision, the World Bank and the Financial Stability Forum.

Description	Measure/Actions	Timeframe
	<p>Assessment of member body progress towards adoption or incorporation of ISAs and the Code of Ethics from 2007 to 2010 through the Member Body Compliance Program.</p> <p>Coordinate adoption/recognition efforts with regional organizations<sup>3</sup>. Develop a cooperative policy regarding joint efforts.</p>	<p>2007-2010</p> <p>Ongoing</p>
<p><b>3)</b> Adoption/incorporation of the revised Code of Ethics.</p>	<p>Issue the revision of the independence provisions of the Code of Ethics.</p> <p>Achieve broad acceptance of the revised independence section of the Code, including support from SMEs/SMPs.</p>	<p>Final revised provisions included in Code of Ethics Quarter 1 2008</p>
<p><b>4)</b> Adoption/incorporation of International Public Sector Accounting Standards (IPSASs).</p>	<p>Obtain recognition from governments, regulators, standard setters and significant organizations in jurisdictions seeking to adopt or incorporate IPSASs, in particular:</p> <ul style="list-style-type: none"> <li>• the European Union;</li> <li>• China;</li> <li>• India;</li> <li>• the United Nations; and</li> <li>• the Financial Stability Forum.</li> </ul> <p>Assessment of member body progress towards adoption or incorporation of IPSASs from 2007 to 2010 through the Member Body Compliance Program.</p> <p>Increased public interest oversight/input of the IPSASB.</p>	<p>Ongoing</p> <p>2007-2010</p> <p>2007-2010</p>

<sup>3</sup> IFAC regional organizations include, the Confederation of Asian and Pacific Accountants, the Eastern Central and Southern African Federation of Accountants, the Fédération des Experts Comptables Européens and the Interamercian Accounting Association.



Description	Measure/Actions	Timeframe
5) Continually promote the importance of convergence, implementation and enforcement of international standards.	<p>Secure speaking engagements with relevant groups to communicate messages about convergence.</p> <p>Issue press releases and obtain media coverage of issues related to the importance of convergence, including obtaining recognition of where and how convergence has been achieved.</p> <p>Use the results of Part 2 of the Member Body Compliance Program to better understand approaches towards convergence.</p> <p>Issue a policy paper(s) on paths towards convergence to international standards.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Quarter 3 2007</p> <p>2007</p>
6) Contribute to improving the applicability of standards to the SME/SMP marketplace.	<p>Report on the results of research conducted by the Small and Medium Practices Committee and the IAASB into the needs of the SME marketplace in relation to the use of audit or other assurance services, as well as implementation of independence and financial reporting requirements.</p> <p>Identify, through collaboration, appropriate financial reporting solutions for SMEs that are considered outside the scope of the IASB's financial reporting standard for non-publicly accountable entities.</p> <p>Develop and issue an implementation guide to assist SMPs in the audit of SMEs.</p> <p>Participate in the IASB SME project.</p>	<p>Quarter 4 2007</p> <p>Ongoing</p> <p>1<sup>st</sup> edition Quarter 2 2007</p> <p>2<sup>nd</sup> edition Quarter 1 2009</p> <p>2007-2008</p>
<p><b><u>Strategic Theme 2</u></b></p> <p><b>Sustainability of the profession</b></p>		
1) Contribute to the development of the global profession by supporting	<p>Complete Part 2 of the Member Body Compliance Program.</p> <p>Develop, in conjunction with member bodies, and monitor</p>	<p>Quarter 2 2007</p> <p>2007-2008</p>

Description	Measure/Actions	Timeframe
the growth of strong professional accountancy organizations.	action plans, as required, as part of the Member Body Compliance Program to assist member bodies in meeting the Statements of Membership Obligations.	
	Analysis of the information gathered as part of the Member Body Compliance Program and publication of the results.	Ongoing
	Publicize the profession’s commitment, as evidenced by the Compliance Program, to meeting high professional and ethical standards.	Ongoing
	Mentoring and admission of new professional accountancy organizations as members of IFAC.	Ongoing
	Ensure information obtained in the Member Body Compliance Program is incorporated into ROSC reports and used to build common country messages and recommendations.	Ongoing
	Participate in ROSC report dissemination or follow up events which are attended by key stakeholders.	Ongoing
	Release and promote an updated “Toolkit” translated into Spanish and French including use of case study examples.	Quarter 4 2007

Description	Measure/Actions	Timeframe
<p><b>2)</b> Contribute to improving the quality and consistency of audit and financial management practices.</p>	<p>Active consultation between the Transnational Auditors Committee and the Monitoring Group of regulators on enhancing audit quality, transparency, and consistency of regulation.</p> <p>Develop principle-based good practice guidance in core financial management areas for use by professional accountants in business.</p>	<p>Ongoing</p> <p>Work program defined in Quarter 4, 2006</p>
<p><b>3)</b> Better understand and shape society's expectations of the profession, particularly those in the investment community.</p>	<p>Seek the views of key organizations that represent the investor community in the major capital markets in appropriate IFAC activities.</p> <p>Initiate a dialogue to keep the investor community informed about key IFAC initiatives and positions that affect investors and their decision-making, and encourage investor input into IFAC work.</p> <p>Seek representation of the investor community through, for example, the International Corporate Governance Network on appropriate IFAC Consultative Advisory Groups</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><b>4)</b> Reinforce the importance of the profession continuing to operate with integrity, expertise and transparency.</p>	<p>Deliver this message through spokesperson activities.</p>	<p>Ongoing</p>

Description	Measure/Actions	Timeframe
5) Work with regulatory community to reinforce the importance of enhancing the attractiveness of the profession.	<p>Deliver clear messages about the value of the profession through spokesperson and media relations activities.</p> <p>Actively consult with members of the Monitoring Group of regulators, collectively and individually, to promote the value of professional accountants in supporting the public interest.</p> <p>Investigate the current global state of professional liability and develop public position papers to publicize IFAC's views as appropriate.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>2007</p>
6) Develop a new strategic plan for the IAESB for 2007-2009.	Seek global input on the IAESB's strategic and operational plans for 2007-2009, including issues of convergence, benchmarking and the application of education standards, through external consultation, to determine the extent to which current and proposed future plans are meeting constituent needs.	Finalized IAESB strategic and operational plan Quarter 1 2007
<b><u>Strategic Theme 3</u></b> <b>Be the international voice of the accountancy profession</b>		
1) Be an influential public interest leader in the development and enhancement of economic growth and stability through representing views in areas where the profession's expertise is most relevant.	<p>Speak out to key national, regional and international organizations in both the public and private sectors on matters where the profession's expertise is most relevant.</p> <p>Develop, disseminate and publicize IFAC positions on matters where the profession's expertise is most relevant.</p>	<p>Ongoing</p> <p>Ongoing</p>

Description	Measure/Actions	Timeframe
2) Continually provide information to support IFAC's overall strategy with all stakeholders — member bodies, standard setters, regulators, investors, international financial institutions, media and others.	<p>Communicate targeted messages to each group in a timely and efficient manner</p> <p>Facilitate ability of key stakeholders to report on IFAC strategy and initiatives to their respective constituents</p> <p>Leverage electronic resources and measure through web statistics</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Report quarterly</p>
<p><b><u>Strategic Theme 4</u></b></p> <p><b>Achieve greater value for the public through enhancing collaborative efforts</b></p>		
1) Align efforts and investments to achieve synergy and efficiency, with and among member bodies in areas of common interest.	<p>Implement and enhance the IFAC KnowledgeNet for use by professional accountants in business and, eventually, other accountants worldwide.</p> <p>Continue to provide practical information to developing nations through development of case studies and other support materials.</p>	<p>Initial roll-out: Quarter 4 2006</p> <p>Roll-out to other member bodies and other constituencies 2007-2008</p> <p>Ongoing</p>
2) Recognize and act on collaboration opportunities with national standard setter and others, both in the profession and outside the profession.	<p>Continue to support the activities of Consultative Advisory Groups to all IFAC standard setting activities.</p> <p>Identify and act on opportunities, as appropriate, arising from links with national standard setters.</p> <p>Publicize to the IFAC membership and other groups, when appropriate, the nature and results of such collaborative activities.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>
<p><b><u>Strategic Theme 5</u></b></p> <p><b>Continue to enhance IFAC's governance</b></p>		
1) Ensure that appointments to boards	Achieve targets for geographic, industry and gender	Annual

Description	Measure/Actions	Timeframe
and committees continue to be representative of geography, industrial sector and gender, while adhering to the primary criterion of best person for the position.	<p>representation while identifying the best person for the position, as agreed by the PIOB, in relation to the PIACs.</p> <p>Achievement of representation targets in relation to boards and committees other than the PIACs.</p> <p>Report to the Council and Board on the nominations process.</p>	<p>Annual</p> <p>Annual</p>
2) Identify opportunities for greater participation in IFAC activities by member bodies.	<p>Continually enhance the participatory format at the annual Council meeting.</p> <p>Hold annual regional-based forums for constituencies interested in developing nations and SMP/SME activities.</p> <p>Hold an annual meeting of a selection of Chief Member Body Executives, designed to provide input into IFAC's planning process.</p>	<p>Ongoing</p> <p>Annual</p> <p>Annual: Quarter 1</p>
3) Facilitate the involvement of member bodies from emerging and developing nations.	Implementation of a program to facilitate the financial support of representatives from developing nations on IFAC boards and committees.	Ongoing from 2007
4) Identify appropriate opportunities to enhance IFAC's financial resources.	Implementation of an agreed fundraising/revenue generating approach across all IFAC activities.	Ongoing from 2007
5) Ensure that IFAC's resources continue to be used effectively, efficiently and economically.	<p>Conduct efficiency reviews of operating policies and procedures.</p> <p>Continually enhance the quality of information provided to the Board and Planning and Finance Committee for budget and planning purposes.</p>	<p>Ongoing from 2007</p> <p>Ongoing</p>

## **Section 6 Outcomes**

IFAC seeks to deliver on its Mission in an effort to influence various economic and social results, otherwise referred to as “outcomes”. The illustration below provides an indication of the outcomes that IFAC wants to influence or have an impact on through the delivery of its services within each of the service areas identified in the center circle. IFAC’s strategic themes are closely aligned with the outcomes identified in the illustration, which in turn provide a rationale for IFAC’s identified strategic direction.

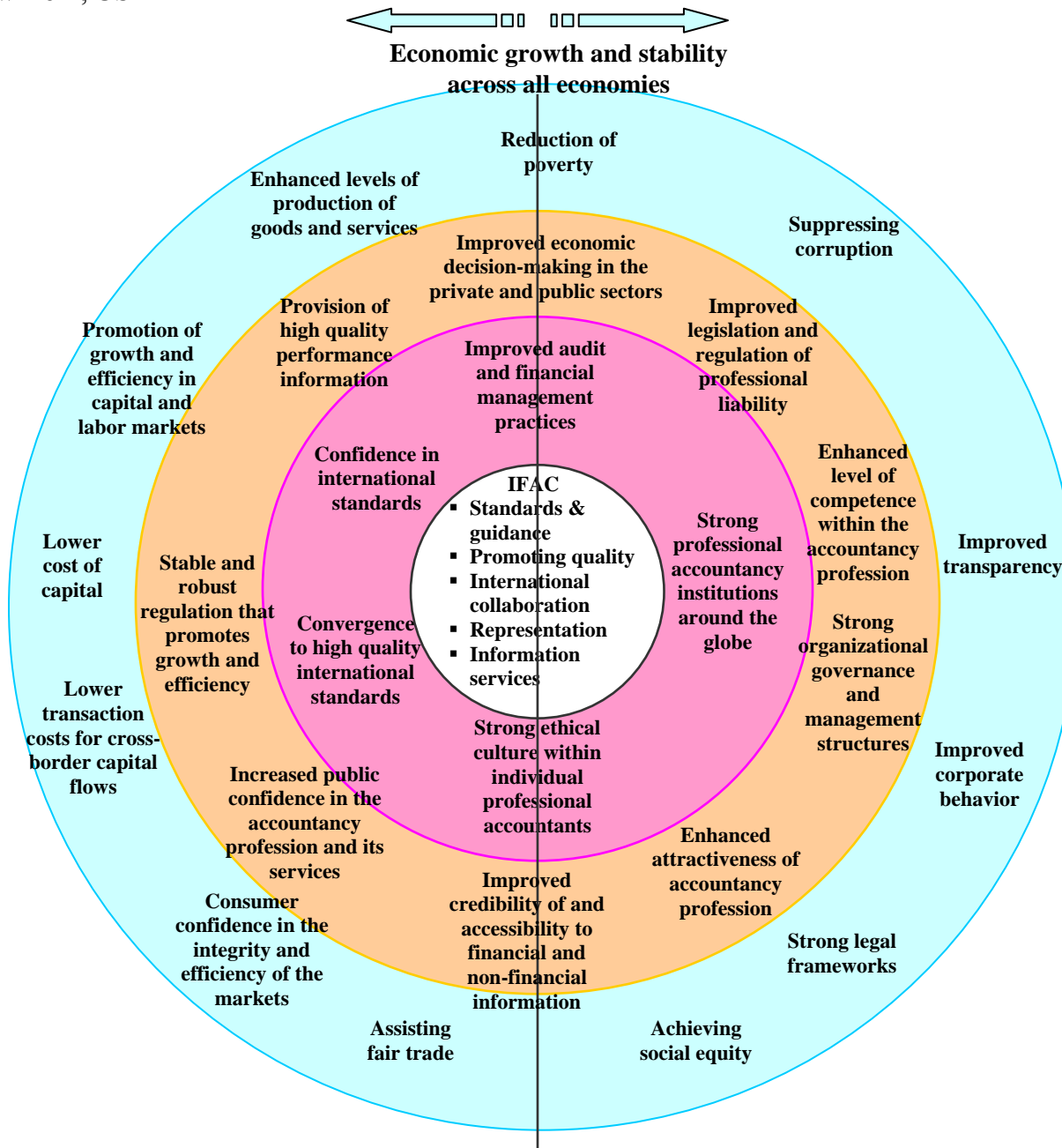
In presenting these outcomes, the illustration provides two perspectives. First, the circular presentation reflects a ripple effect and how IFAC will seek to influence these outcomes, with IFAC having a more direct impact on the outcomes closer to the center. Those outcomes in the second circle reflect those over which IFAC has relatively strong influence through the delivery of its services. The third circle reflects those outcomes that the wider profession and groups that have a direct interest in the activities of the profession, such as the regulatory community, have influence over. The fourth and final circle indicate those outcomes that IFAC and profession generally only have indirect influence over.

The second perspective shows the outcomes can be distinguished between those that relate to the operation of capital and labor markets, and those that relate to organizational structures and operations. Those that are presented closer to the dividing line are seen as relating to both dimensions.

IFAC seeks to contribute to the achievement of these outcomes through applying specific strategies and delivering certain services. The budget supports the production of services and ultimately contributes to the achievement of the outcomes below.

## Markets

## Organizations





## Section 7 Service Areas

To deliver on its Mission, adhere to its public interest focus and contribute to the achievement of the strategic themes, IFAC will seek to deliver services in the following areas, working together with its member bodies, regional organizations and other key stakeholders. A brief explanation of why IFAC provides services under each of these areas has been provided below.

The Operational Plan for 2007 identifies the detailed services to be delivered within each service area along with an appropriate measure and expected delivery timeframe.

- **Standards and Guidance – Develop high quality professional standards and guidance, and encourage convergence**

*The development of high quality professional standards and guidance, and efforts to encourage convergence to those standards, represents an important contribution to the provision of high quality information and ultimately leads to growth and efficiencies in the markets, decreased cost of capital, reduced corruption, and improved decision-making and transparency. It is also likely to contribute to a reduction in the number of corporate failures and litigation actions against accountancy firms.*

*The standards developed cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting. Guidance is developed in these areas as well as others such as the development of the profession, the provision of services by small- and medium-sized practices, and the role of professional accountants operating in business. The level of authority associated with the guidance and publications materials is intended to be less than that associated with IFAC standards, although these materials may provide illustrations of best or good practices.*

- **Promoting Quality – Promote the provision of high quality services by all members of the accountancy profession worldwide**

*IFAC promotes the provision of high quality services by all members of the profession through implementation of a member body compliance program, initiatives aimed at improving audit quality and issuance of good practice guidance.*

*Through these assurance mechanisms IFAC seeks to strengthen the global profession and enhance the competence of members of the profession. This, in turn, will contribute to improved public confidence in the profession, fair and equitable legislation and regulation of professional liability, improved corporate behavior, and more stable and robust regulatory regimes.*

- **International Collaboration Activities – Work with various organizations in an effort to achieve greater acceptance of standards and best practices**

*IFAC recognizes that in many areas related to the accountancy profession, it may need to act in a collaboration or facilitation role or to share the lead with other organizations. IFAC undertakes collaboration activities in an effort to encourage convergence to high quality international standards, to develop the broader profession in all economies, and to enhance and assure the quality, accuracy, and reliability of information.*

*These activities cover a wide spectrum of topics and are complimentary to IFAC standards and guidance services. IFAC will actively facilitate the development of appropriate topics with interested member bodies and/or other groups, enter into collaborative arrangements, and/or develop information sharing networks.*

*In addition to encouraging convergence through greater involvement, collaboration activities encourage greater efficiency in project implementation. Globalization has broadened the overlap of interests between member bodies and IFAC as the global organization. Through collaborative efforts, IFAC seeks a greater return on investment for the profession as a whole and enhanced benefit/scope of activities otherwise limited by resources.*

▪ **Representation of the Accountancy Profession in the Public Interest – Speak out on public interest issues where the profession’s expertise is most relevant**

*IFAC represents the public interest when commenting on material published by other international and regional organizations that directly relates to the accountancy profession, accounting or auditing matters; developing and maintaining relationships with other international and regional organizations as appropriate; participating in global, regional and national forums; and when developing reports that address the role of IFAC and the accountancy profession.*

*By undertaking these activities IFAC seeks to contribute to increased public confidence in the profession, achieve convergence to international standards, improve corporate behavior, promote strong regulatory regimes that support market efficiency, and improve legislation and regulation of professional liability.*

▪ **Information Services – Provide services that inform IFAC stakeholders of matters related to the achievement of the IFAC mission**

*IFAC’s information services are designed to support IFAC’s overall strategy and are targeted to IFAC member bodies, regional organizations and various external audiences, including media, regulators, standard setters, international financial institutions and others. IFAC achieves this through print and electronic communications, the IFAC website and intranets, and media relations.*

*Provision of these services is aimed at increasing awareness of IFAC’s public interest initiatives, including the role of IFAC and the profession in contributing to high quality financial information through convergence to IFAC and International Accounting Standards Board standards.*

## **Section 8 Organizational & Staffing Plan**

This section of the strategic plan provides a commentary of how the organizational and staffing structures of IFAC are intended to support the overall IFAC strategy during the period 2007-2010.

### **Structure**

It is anticipated that the current organizational structure, including the Council, Board, standard-setting boards and technical committees, will remain in place. These groups will continue to use various taskforces or other sub-groups to support their activities over what is anticipated to be a particularly active few years. The Board itself will continue to be supported by the Audit Committee, the Planning and Finance Committee, the IFAC Regulatory Liaison Group and other working groups as required from time to time. The current revision of the Constitution and development of the Bylaws also support the current structure and ensure that there is greater clarity as to the roles and responsibilities of the various groups.

IFAC continues to be reliant on the commitment and expertise of volunteers to the various IFAC boards, committees and other groups to achieve its strategic objectives. The amount of time devoted by these individuals has increased across most of IFAC's activities over recent years and it is anticipated that for some activities, further increases may be necessary in the coming few years. Each of the standard-setting boards and technical committees have significant projects, events or other activities planned during the course of this strategic plan that will only be achieved through the efforts of dedicated volunteers and staff.

While separate from IFAC's organizational structure, the PIOB will continue to have oversight over several IFAC activities, including the IAASB, the IAESB, the IESBA and the CAP. In performing its oversight functions representatives of the PIOB will observe meetings of the PIACs and associated Consultative Advisory Groups, the Nominating Committee and the Board.

Also independent of the IFAC structure, the Forum of Firms (the Forum) continues to be supportive of the activities of IFAC. It shows its support directly through the work of the Transnational Auditors Committee as well as through its financial contributions to the IFAC budget.

### **Staffing**

In general, IFAC is close to having a full staffing complement with only a relatively small number of current vacancies to be filled. IFAC's full staffing complement is currently 46, and is expected to remain relatively stable over the coming few years. While some staff turnover is normal, IFAC has in recent years enjoyed a strong consistent base of upper and middle management across both technical and operational areas. IFAC has also benefited from a solid administrative team that strongly supports its activities. The Board, Officers, Chief Executive and senior Management Team have worked hard to ensure that there is, and continues to be, staffing continuity for the period of this plan.

In terms of staffing distribution, it is not anticipated that the current spread across technical and operational areas will change significantly. IFAC continues to have a few staff and contractors that operate outside the United States of America. These staff and contractors maintain very close ties with the New York office to ensure a high level of coordination including, for example, participation in semi-annual staff meetings.

As part of efforts to ensure a strong staffing base, significant time and energy has been invested in ensuring that IFAC is not restricted in hiring staff from all around the world. This has involved efforts to gain certain work visa quota exemptions as well as efforts to secure an acknowledged international status within the United States of America. These latter efforts are ongoing.

### **Location**

The IFAC main office and headquarters will remain in New York City, United States of America. The Board and senior management continue to believe there are substantial benefits to operating from the current office location. To this end, IFAC has invested in a professional environment, which includes office, work station and meeting facilities. Having the vast majority of staff based in New York as well as having all its boards and committees meet at least once a year in New York contributes greatly to demonstrating IFAC's strong base.

While IFAC operates one main office, at the time of drafting this plan it is anticipated that IFAC will open a smaller office in Toronto, Canada. The securing of various funding arrangements has enabled the International Public Sector Accounting Standards Board of IFAC to establish its main operation in Toronto. It is anticipated that up to 5 staff will be based in Toronto at any one time. Toronto's proximity and time-zone ensure that there will be a strong link with the New York office.

## **Section 9 Financial Plan**

This section of the strategic plan provides a commentary of how the financial resources of IFAC are intended to support the overall IFAC strategy during the period 2007-2010.

### **Financial Management and Reporting**

IFAC continues to operate a control environment designed to ensure that the values of integrity, expertise and transparency are inherent in every aspect of the organization. This approach reinforces the need for strong stewardship to member bodies and others who provide IFAC with financial resources, and the operation of a clear decision and accountability framework.

In addition IFAC operates a "lead by example" approach to financial reporting. It applies International Public Sector Accounting Standards (IPSAS) as appropriate to IFAC, and International Financial Reporting Standards where an IPSAS is not in place. Its external audit is performed in accordance with International Standards on Auditing, with its internal control systems are routinely assessed.

### **Planning Process Evolution**

In support of the financial management and reporting systems, IFAC continues to evolve its planning processes. With the support of the senior management team, the Planning and Finance Committee has governance responsibility for strategic planning and budget development. The combination of the dual strategy and budget responsibilities is designed to ensure that strategic decisions are made with a clear understanding of the implications for resource allocation.

### **Priorities and Linkages**

IFAC continues to operate within resource constraints, both financial and human. IFAC will continue to apply its strategic direction, while operating within and maximizing the value obtained from its available resources. IFAC will achieve this by continually prioritizing its

strategies and services, and assessing the efficiency with which it is carrying out its activities. Additionally, IFAC continues to assess existing and potential revenue sources, while ensuring that its ability to act in the public interest is not compromised. In order to achieve the strategies and services identified in this strategic plan and the operational plan, IFAC will need to extend the level of financial resources received from current sources and identify and utilize other sources as appropriate for a specific activity.

The strategic and operational plans reflect a tight linkage between the strategic direction of the organization, the planned services, the organizational and staffing plan, and the financial plan. It is considered that the knowledge, expertise and depth in terms of volunteers and staff are adequate to deliver multi-year strategic objectives. It is not anticipated that there will be significant percentage changes across the period of the plan in term of expenditure levels between the various IFAC activities. The operational plan for 2007 highlights the budgeted direct costs for each IFAC activity and the estimated full cost of delivering services in each of the five service areas.

### **High Level Financial View**

It is not anticipated that there will be significant revenue and expenditure increases during the period of the plan. While the funding increases applied to member bodies and the Forum of Firms have not been determined for each of the years through to 2010, it is anticipated that the increase in total member body financial contributions and the general contribution received from the Forum of Firms will be less than 10% per annum. The 2007 budget, which is included in the operational plan, presents a funding increase of 8.7% for member bodies and the Forum of Firms. For 2008, the funding increase for member bodies and the Forum of Firms is estimated to be 7.5%, which equates to an estimated 5.5% expenditure increase.

Certain operational and financial assumptions have been applied in determining the anticipated revenues and expenses for the next three years. Some of the more significant assumptions include:

- The staffing structure will remain relatively equivalent to the 2007 planned structure (refer to the operational plan for a organizational staffing chart);
- The planned work plans for the individual activity areas will not increase substantively from the 2007 budgeted positions, other than to reflect general cost increases on key expenditure categories;
- The mode of operation for delivering services will remain consistent with current practice;
- Funding from existing external sources will continue at levels equivalent to the current levels;
- IFAC will generally budget for a break-even position, although a central budget contingency amount will be budgeted for, with any unused amount applied to increasing IFAC's equity position. The budget contingency amount will be increased over the next few years to improve IFAC's equity position;
- No significant capital expenditure requirements are anticipated, and the current budgeting of depreciation ensures that the existing capital asset base is maintained.

	Actual 2005 (000's)	Approved 2006 Budget (000's)	Proposed 2007 Budget (000's)	%	Estimated 2008 Budget (000's)	%	Estimated 2009 Budget (000's)	%
<b>REVENUES</b>								
<b>Total Revenue before increases</b>	<b>12,807</b>	<b>15,617</b>	<b>16,580</b>		<b>17,600</b>		<b>18,698</b>	
<b>Increase applied to Member Bodies</b>			<b>755</b>	<b>8.7%</b>	<b>708</b>	<b>7.5%</b>	<b>761</b>	<b>7.5%</b>
<b>Increase applied to the Forum of Firms</b>			<b>414</b>	<b>8.7%</b>	<b>388</b>	<b>7.5%</b>	<b>417</b>	<b>7.5%</b>
<b>TOTAL REVENUES</b>	<b>12,807</b>	<b>15,617</b>	<b>17,750</b>		<b>18,696</b>		<b>19,876</b>	
<b>Total Activities Expenses</b>	<b>9,593</b>	<b>11,523</b>	<b>13,412</b>		<b>14,068</b>		<b>14,706</b>	
<b>Total Indirect and Overhead Expenses</b>	<b>3,726</b>	<b>4,094</b>	<b>4,338</b>		<b>4,628</b>		<b>5,170</b>	
<b>TOTAL EXPENSES</b>	<b>13,319</b>	<b>15,617</b>	<b>17,750</b>		<b>18,696</b>		<b>19,876</b>	
<b>SURPLUS/(DEFICIT)</b>	<b>(512)</b>	<b>0</b>	<b>0</b>		<b>0</b>		<b>0</b>	

## Sources of Funds

The current funding for IFAC comprises three main categories. These categories, and the approximate percentage of each in relation to total revenues are: membership dues (54%), contributions from the Forum of Firms (32%) and external funding (9%) provided for various activities and events, including the IPSASB standard-setting activity, the operation of the PIOB, consultative forums, etc. The remaining revenue is generated from other sources such as publications revenues, interest, etc. While it is not anticipated that this approximate breakdown of revenue sources will change during the plan period, IFAC is constantly considering opportunities in relation to other funding sources, whether on an activity, project or other basis.

IFAC also acknowledges that it gratefully receives significant donated support from volunteers in terms of time and effort, and from the supporting organizations that fund their participation in IFAC activities.

## Section 10 Risk Assessment & Mitigation Plan

IFAC operates in an extremely complex and rapidly changing global environment. To accomplish its Mission, IFAC must pursue opportunities and provide services which often pose significant external and/or internal degrees of risk. Accordingly, IFAC's policy is to apply an enterprise risk management (ERM) framework with clear roles and responsibilities in the identification and management of risk, and to ensure that effective management of risk is an enterprise core competency.

The 2007 Strategic Planning process for the first time included a formal analysis of the risks facing IFAC and the profession, and the development of plans to mitigate certain risks. The Planning and Finance Committee (PFC), on behalf of the Board, implemented IFAC's Enterprise Risk Management framework in conjunction with their responsibilities for the strategic planning process.

The approach taken by IFAC through the PFC to formally address risks included the following elements:

- Chief Risk Officer (CRO) – Appointed the Director of Operations as CRO; defined role and responsibilities for the CRO.
- Risk Identification and Assessment – Assessed risks facing the profession and the organization – this work was completed in January by the Planning and Finance Committee and served as the basis for all of the subsequent risk management activities.
- Risk Policy – Defined the IFAC policy regarding risk, including risk tolerance; described elements of the risk management framework.
- Risk Management – Integrated risk management fully into the strategic planning process.
- Risk Mitigation – Incorporated selected risk mitigation efforts in the 2007 work plans of IFAC staff members and Committees.
- Measure and Report – Identified measure, report and manage risk mitigation activities with associated strategic planning and management initiatives.

Additional details of the 2007 risk management integration into the strategic planning process include:

### **Risk identification and assessment**

The PFC reviewed the environment facing the profession – as well as IFAC's role in that environment – and defined a set of thirty one risks facing IFAC. For each risk identified, on a best judgment consensus basis, Likelihood and Consequences were assessed. The Likelihood rating addressed the following question: If unaddressed, what is the likelihood that this risk will occur – High, Medium or Low? Consequences were similarly assessed: What are the consequences on IFAC and the profession if this risk were to occur – High, Medium or Low?

The viewpoints summarized in this risk assessment were validated through the Chief Executives' Meeting and the Board Strategy sessions, both held in February 2006. Having completed this initial assessment, the PFC turned its attention to establishing a policy regarding the matter of risk.

### **Risk Policy**

The PFC defined a risk policy statement for Board review and approval. The risk policy defines IFAC's approach to risk management in the organization, and sets specific direction as to how risks will be evaluated and mitigated. The IFAC Risk Policy document is available and can be read in its entirety on the Member Body Intranet.

## Risk Management

Each of the risks identified was reassessed through the filter of a risk map, which mapped likelihood and consequence ratings, combined with the definition of the organization's risk tolerance:

<b>Zero Risk Tolerance</b>	In relation to the IFAC value of <i>integrity</i> , the Board has zero risk tolerance and is unwilling to accept risks under any circumstances that even remotely compromise this core value.
<b>Low Risk Tolerance</b>	Risks assessed as <i>High Likelihood/High Consequence</i> are highlighted in this category and require, in all circumstances, risk mitigation assignment by the PFC to appropriate staff and/or committees, action plans, tracking and reporting to the Board. The expected result of mitigation efforts is to reduce either the likelihood or the consequences of risks initially assessed to be in this category.
<b>Moderate Risk Tolerance</b>	IFAC is willing to accept risks in certain circumstances that may, for example, result in loss of membership, incidents of regulatory or government conflict, etc. Risks assessed as <i>High Likelihood/Medium Consequence</i> , <i>Medium Likelihood/High Consequence</i> , or <i>Low Likelihood/High Consequence</i> are included in this category. Such risks shall selectively receive mitigation assignment by the PFC, but all will be tracked and reported to the Board
<b>High Risk Tolerance</b>	Risks assessed by the PFC to be in this category will be monitored by the Chief Risk Officer and reviewed, and re-assessed annually with the PFC.

## Risk Mitigation

All Low and Moderate Tolerance risks were reassessed based on changes through the first half of 2006, both due to ongoing industry environment evolution and IFAC committee and staff work. Each risk remaining in this category was then assigned to a staff member or committee, with explicit direction for mitigation (for example, take steps as a part of the 2007 Operational Plan to lower the likelihood or consequence of this risk to a lower level).

Additionally, the PFC reviewed other environmental risks and determined which also deserved attention in the 2007 Operational Plan despite not falling into the Low or Moderate Tolerance category.

## Measure & Track

As part of an organization wide effort to explicitly track strategic initiatives, IFAC will implement a reporting mechanism during 2007 to measure and track progress against goals set for risk management.

## Communication

The Chief Risk Officer will periodically initiate communications concerning risk issues to IFAC member bodies. This will include provision of information as well as solicitation of input regarding risks to the IFAC mission and/or organization.