



International Federation of Accountants

2008 Annual Report

Transitioning to a Global Financial System



International Federation of Accountants

OUR MISSION

To serve the public interest, IFAC will continue to strengthen the accountancy profession worldwide 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.

INTERNATIONAL FEDERATION OF ACCOUNTANTS

2008 ANNUAL REPORT



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STRENGTHENING THE ACCOUNTANCY PROFESSION

Message from Fermín del Valle, President, 2006–2008

The global financial system is facing its greatest challenges in over a generation. The leadership of the International Federation of Accountants along with its members, associates, and regional accountancy bodies and groupings collaborated closely in 2008 to determine how it could address issues arising from the financial crisis and to offer its expertise in strengthening the faltering system. Numerous initiatives were launched to assist the profession in delivering and promoting quality and to address emerging global issues, like the changing regulatory climate and the growing needs of small- and medium-sized enterprises.

Global Standards: At the Heart of Quality

In 2008, IFAC's independent standard-setting boards produced a significant number of pronouncements, consulted extensively with relevant stakeholders, and engaged in numerous outreach activities in developing and promoting convergence to international standards. The boards also expanded their focus to monitor and respond to public interest needs and marketplace developments, most notably the financial crisis.

One initiative that was significantly advanced in 2008 was the International Auditing and Assurance Standards Board's (IAASB) Clarity Project. This project involved reviewing and redrafting all of the Board's 36 International Standards on Auditing (ISAs) and International Standard on Quality Control (ISQC) 1 in a new clarified style to make the standards easier to understand, translate, and implement. By December, the Board had released 29 clarified ISAs and ISQC 1, following the approval by the Public Interest Oversight Board (PIOB) of due process. The remaining clarified

standards had been approved by the IAASB at its December meeting, but were awaiting final PIOB approval.

Responding to market uncertainties over fair value accounting, the IAASB issued a practice alert, *Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment*. This alert highlights areas within ISAs that are particularly relevant in the audit of fair value estimates.



Collaboration, communication and strategic alignment were all critical to IFAC achieving its objectives in 2008.

Ethics was another primary area of focus. The International Ethics Standards Board for Accountants (IESBA) approved a set of revisions to the IFAC *Code of Ethics for Professional Accountants* designed to strengthen its independence provisions. The IESBA also worked to finalize changes for clarifying the Code so that its specific requirements will be better understood worldwide.

The International Accounting Education Standards Board (IAESB) also amended its International Education Standards (IESs) and related education pronouncements to ensure their clarity and relevance. The amended documents, *Framework for International Education Pronouncements*, the *Introduction to International Education Standards*, and IESs 1-8, now more clearly delineate the roles of the IAESB, its standard-setting process, and the oversight of its work by the PIOB. To help IFAC member bodies and other education stakeholders develop effective continuing professional development (CPD) programs, the Education Board also released an information paper,

Approaches to Continuing Professional Development (CPD) Measurement.

IFAC continued to make great strides in 2008 in its work to improve the financial reporting systems of governments. The International Public Sector Accounting Standards Board (IPSASB) released several new International Public Sector Accounting Standards (IPSASs), exposure drafts (EDs), and papers to address issues, such as social benefit disclosures, cash basis accounting, and financial reporting of service concession audits. The IPSASB also launched work on developing a conceptual framework for public sector accounting with the consultation paper, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities*.

Sustainability and Support

During 2008, IFAC and its member bodies remained focused on the sustainability and relevance of

the profession. One of our most effective vehicles for the international development of the profession has been the Member Body Compliance Program, which is now in Part 3, the Action Plan phase. These plans delineate the initiatives each IFAC member and associate will undertake to adopt and implement international standards, as well as promote quality assurance. During 2008, over 100 IFAC members and associates received Policy Recommendations and other support from IFAC staff in the preparation of their Action Plans. By the end of 2008, 20 finalized Action Plans were published by IFAC members.

Fostering the sustainability of our profession means we must remain vigilant to the needs of the three main sectors of our profession: the transnational audit firms, small and medium practices and the professional accountants who work within organizations in both the public and private sectors.

IFAC 2008 Board Members



Back Row (left to right): David Leonard, Abdeljelil Bouraoui, Robert Hodgkinson, Kevin Dancey, Norbert Pfitzer, Kamlesh Vikamsey, Japheth Katto, Warren Allen, Gen Ikegami, Roberto Resa.
Front Row (left to right): Göran Tidström, Bernadette McGrory-Farrell, Sylvie Voghel, Robert Bunting (Deputy President), Fermín del Valle (President), Ian Ball (Chief Executive Officer), Joycelyn Morton, Olivia Faulkner Kirtley, Luiz Carlos Vaini.
Not pictured: Yuguí Chen, Roberto D'Imperio, Ingrid Doerga, William Nahum.

Transnational Audit Firms

In relation to transnational audit firms, the Forum of Firms reached a significant milestone in 2008. Nineteen international networks of accounting firms became full members, demonstrating their commitment to audit quality. These international networks, whose member firms perform transnational audits, implemented globally coordinated quality assurance programs, committed to the use of ISAs, and met various other quality and ethics requirements.

Small and Medium Practices (SMPs)

In 2008, IFAC also made considerable headway in developing resources and support for SMPs and in ensuring that their voices are heard. The committee initiated processes for translating the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-Sized Entities* into at least eight languages. The committee also collaborated with member bodies to develop new practical support for small and medium practices. It developed the *Guide to Quality Control for Small- and Medium-Sized Practices* in partnership with CGA-Canada. It also awarded a contract to CPA Australia to develop a *Guide to Practice Management for Use by Small- and Medium-Sized Practices*.

Finally, the SMP Committee organized a forum for SMPs to ensure that the committee is in touch with the needs of SMPs globally and to consider various solutions to meet those needs. The 2008 SMP Forum was held in Nigeria in October, attracting participants from 22 countries in the region.

Professional Accountants in Business

To meet the needs of professional accountants in business (PAIBs), IFAC focused on developing guidance and facilitating communications. In 2008, the PAIB Committee issued guidance on using cash flow analysis for evaluating investments and released EDs addressing

costing information and the evaluation of governance structures. The committee also articulated the scope and purpose of its International Good Practice Guidance in the *Preface to IFAC's International Good Practice Guidance*. Also published were the papers *Developments in Performance Measurement Structures in Public Sector Entities* and *The Crucial Roles of Professional Accountants in Business in Mid-Sized Enterprises*.

Numerous initiatives were launched to assist the profession in delivering quality and to address emerging global issues, like the changing regulatory climate and the growing needs of SMEs.

Collaboration and Alignment

Collaboration, communication, and strategic alignment were all critical to IFAC achieving its objectives in 2008. We worked actively this year to enhance our relationships with our member bodies, with international organizations of regulators, and with key national regulators. Ongoing discussions between IFAC and the European Commission, as well as with leaders in Canada, China, India, Japan, Russia, Latin America, Africa and the Middle East, Eastern Europe, Central Asia, and the United States focused on achieving international convergence. We also continued to be proactive in our communications with regulators worldwide, including the PIOB, and enhanced our dialogue with the Monitoring Group to determine how we can best work together to serve the public interest.

Through the Developing Nations Committee (DNC), IFAC promoted discussion about the needs of professional accountancy organizations in developing nations, produced tools to help meet those needs, and encouraged mentoring by more developed bodies, as well as by regional organizations or acknowledged accountancy groupings. In addition, we have encouraged governments and donor agencies to invest in the accountancy profession by providing assistance wherever possible.

IFAC, also through the DNC, joined the World Bank and the Inter-American Development Bank as a key organizer and sponsor of a second Latin America and

Caribbean Region Conference entitled *Accounting and Accountability for Regional Economic Growth* (or *Contabilidad y Responsabilidad para el Crecimiento Económico Regional*, “CReCER” in Spanish). CReCER 2008 was held in San Salvador, El Salvador in June 2008, attracting over 400 attendees, including policymakers, regulators, academics, accountants, auditors, and international organizations, including donor agencies. This second conference focused on maintaining the momentum established in the region to converge with international standards and best practices in the areas of financial reporting, auditing, governance, and regulation.

In addition, IFAC coordinated the organization of the first BRIC Forum, which was held in New York in May 2008, and which focused on four important emerging economies—Brazil, Russia, India and China—and their progress in achieving convergence with international standards. IFAC invited a delegation of representatives from each country comprising the profession, oversight bodies, and securities regulators, as well as representatives from the Ministry of Finance.

Collaboration is also a fundamental component of IFAC’s new *Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants*. This policy will encourage the production of high-quality translations of IFAC standards, with the goal of establishing one quality translation per language.

Serving as a Global Voice for the Accounting Profession

In 2008, we were presented with a number of opportunities for communicating key messages about the value of the global profession and its contributions to economic stability and development. First, IFAC released a policy paper titled *IFAC’s Support for a Single Set of Auditing Standards: Implications for Audits of Small- and*

Medium-Sized Entities. The paper sets out IFAC’s view that ISAs are designed to be applicable to audits of financial statements of entities of all sizes, and highlights the ways in which the IAASB considers the needs and perspectives of small- and medium-sized entities in the development of these standards. IFAC later released a paper explaining the international standard-setting process, titled *International Standard Setting in the Public Interest*.

I firmly believe that the future of our profession depends on all of us being flexible and open to innovation. We must focus on demonstrating our commitment to the values of integrity, transparency, and expertise.

Looking to the Future

The accountancy profession is standing strong and looking ahead. I firmly believe that the future of our profession depends on all of us being flexible and open to innovation. We must focus on demonstrating our commitment to the values of integrity, transparency, and expertise, and we must take further advantage of opportunities for global collaboration and alignment.

I am grateful for the support of Deputy President Robert Bunting, Chief Executive Officer Ian Ball, his staff, and the many volunteers on our boards and committees who unselfishly give their time to developing and strengthening this profession and IFAC in particular.

As the financial crisis continues, we need to consider how our roles are affected and think about what we can offer to strengthen confidence in the global financial markets. We must constantly prepare ourselves for the new challenges that may arise, as well as new opportunities for the profession to serve the public interest.



TRANSITIONING TO A GLOBAL FINANCIAL SYSTEM

Message from Ian Ball, Chief Executive Officer



In 2008, governments, regulators, standard setters, and business leaders were presented with their biggest challenge in decades: how to restore the global financial system and world credit markets. Over the past year, the International Federation of Accountants (IFAC) identified and accelerated key initiatives, and laid the groundwork for future ones, that could help to meet this challenge. These initiatives included the development of guidance for auditors, small- and medium-sized enterprises and practices, professional accountants in business, and governmental entities in areas such as the audit of fair values, implementation of International Standards on Auditing, financial reporting in the public sector, and corporate governance.

The financial and economic crisis highlighted some fundamental lessons: that the world's financial markets are inextricably interconnected and that global solutions are vital to putting the world economy back on track. In addition, the crisis generated renewed recognition of the role of the accountancy profession, and of professional accountants in public practice, business, and government in creating financial transparency and enabling the accountability of entities around the world. In 2008, IFAC, together with its independent standard-setting boards, focused on supporting the world's accountants in fulfilling this critical role. Our core work—developing standards and guidance to support quality performance by the world's accountants—became even more relevant in the current global financial and economic crisis.

The Service Delivery Section (see page 20) of this report comprehensively describes the many services IFAC produced in 2008, including those that respond to the current crisis. Because it is only through what we deliver that we can achieve our mission, this report is a critical element of our demonstrating accountability. For the same reason, we have our independent auditors provide assurance that this service delivery information is reliable. Some of the specific initiatives in the Service Delivery

Section are highlighted in the President's Message (see page 2).

Adoption and Implementation

As a result of the crisis, some of the messages that IFAC has been communicating for decades are resonating with greater force. Chief among them is the need for convergence to global standards—a position IFAC has espoused since its founding over 30 years ago. After the events leading to a decline in confidence in auditing early this century, governments around the world moved with great speed to institute audit oversight arrangements to ensure that the quality of auditing and the confidence in financial reporting would be re-established quickly. What is required now is a similar level of commitment and speed of action in ensuring that each country moves to common, globally accepted, high-quality standards of accounting (including public sector accounting), auditing, and ethics.

This crisis should be a wake-up call in terms of convergence to common standards. A single set of high-quality global standards for accounting, auditing, and ethics is necessary to support the global financial system and to create a level playing field. The dysfunctional effects of multiple, competing standards has never been so starkly displayed as at present. Global standards benefit investors and public and private entities of all sizes. Regulators worldwide recognize this. Governments, together with the profession, should move urgently to adopt these standards. But they must also move urgently to implement them. Without both adoption and implementation, we cannot have confidence in the financial information on which the world's economies work. It is for this reason that IFAC has also made implementation one of its primary areas of focus for 2008

and beyond. In fact, we remain uniquely positioned to provide leadership on implementation issues by encouraging and facilitating collaboration among companies of all sizes, accounting practitioners, member bodies, regulators, and other stakeholders.

The Standard-Setting Process

IFAC operates within a system of shared responsibility for standard setting that draws on the strengths of the profession and that of the regulators.

Three of the independent standard-setting boards, which operate under our aegis—the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), and the International Ethics Standards Board for Accountants (IESBA) are subject to the oversight of the Public Interest Oversight Board (PIOB). That oversight is key to ensuring that the standards are both high quality and responsive to the global public interest. This in turn contributes to the standards having the authority necessary for them to be adopted in jurisdictions around the world. You will note that on page 13, the chair of the PIOB, Professor Stavros Thomadakis, has commented on IFAC’s standard-setting initiatives and the role our organizations should continue to play with respect to implementation of global standards.

For standards to be adopted and implemented globally, governments, regulators, and individuals need confidence in those standards. IFAC’s policy paper, *International Standard Setting in the Public Interest*, released in December 2008, explains how responsibility is shared between public and private sector organizations to produce high-quality standards that are in the public interest. The paper identified the underlying principles of

legitimacy, independence, accountability, transparency, and performance that are key to a successful standard-setting process and described how the structures and processes of IFAC’s independent standard-setting boards are consistent with these principles.

Governmental Accountability

It is my firm belief that governments should be held to the same rigorous standards of financial accountability as private sector entities. The

unprecedented scale of governmental intervention in the financial and corporate sectors over the past year makes it essential that transparency and accountability of government entities are enhanced through consistent, high-quality financial reporting. In today’s economic climate, it is imperative that governments publish fully transparent reports based on independently set standards, such as the International Public Sector Accounting Standards (IPSASs), developed by IFAC’s International Public Sector Accounting Standards Board (IPSASB).

Governments engage in many of the same transactions as private sector entities; it is critical that like transactions are reported in a consistent manner across sectors. For this reason, in 2008, the IPSASB devoted considerable resources to working towards convergence of IPSASs and International Financial Reporting Standards (IFRSs). In

addition, the IPSASB initiated the process of establishing a conceptual framework for financial reporting in the public sector that will facilitate the development of and convergence to IPSASs in different countries. These two goals—promoting the convergence of financial reporting standards both across sectors and around the globe—will remain priorities in 2009. So, too, will IFAC’s advocacy for reform of public sector financial management systems.

The financial and economic crisis has given added importance to the convergence objectives which IFAC has pursued for many years. Swift and determined action is required by governments, regulators, and the profession around the world.

Building Capacity

IFAC recognizes that not all nations are at a level where they can immediately adopt and then implement global standards. Through the member body development program, IFAC, including its Developing Nations Committee, is working with the World Bank, the International Monetary Fund, and other multilateral development agencies, as well as regional accountancy groupings, to develop the profession's capacity in all sectors of the world economy. In 2008, IFAC expanded its guidance for professional accountants working in business and in the public sector to assist them in strengthening governance in their organizations, whether large or small. We also enhanced the relevance of our International Education Standards, which are especially helpful to those seeking to develop and sustain a high-quality accountancy profession. And we continued to encourage mentoring relationships between more advanced and less developed member bodies to enable the actions needed to strengthen the profession.

Financial Crisis and the Profession

The financial and economic crisis has given added importance to the convergence objectives which IFAC has pursued for many years. Swift and determined action is required by governments, regulators, and the profession around the world to achieve a position where global standards of accounting, ethics, and education are universally adopted and effectively implemented. Failure to do so would reflect a failure to learn one of the fundamental lessons from this crisis.

My thanks to IFAC President Fermín del Valle, Deputy President Robert Bunting, and to the IFAC staff for their contributions to what we have achieved in 2008, including the fast-tracking of those projects that, together with the initiatives of regulators and governments worldwide, can help us all to transition to a stable global financial system.



IFAC Management Team: Standing (left to right) Helene Kennedy, Director, Communications and Public Relations; Stephen Walker, Director of Operations (until Nov. 30, 2008); Alta Prinsloo, Director, Governance and Operations (from Dec. 1, 2008). Seated (left to right): James Sylph, Executive Director, Professional Standards; Ian Ball, Chief Executive Officer; Russell Guthrie, Director, Quality and Member Relations. Not pictured: Stephenie Fox, Technical Director, International Public Sector Accounting Standards Board.

Report of Charles H. Calhoun

Chairman of the International Accounting Education Standards Board Consultative Advisory Group

Objective and Scope of Activities

The objective of the International Accounting Education Standards Board (IAESB) Consultative Advisory Group (CAG) is to provide input to and assist the IAESB through consultation with the CAG member organizations and their representatives at the CAG meetings in order to obtain—

- Advice on the IAESB's agenda and work plan, including project priorities;
- Technical advice on projects; and
- Advice on other matters of relevance to the activities of the IAESB.

Membership

The membership of the CAG as at December 31, 2008 appears on page 11.

The CAG is comprised of representatives from 13 organizations, including three regulators, five accounting associations, and five regional organizations located in North America, Europe, Africa, Asia, and the Oceanic region. Each of these member organizations was approved by the Public Interest Oversight Board (PIOB) for another three-year term starting in 2008 with the Accounting and Finance Association of Australia and New Zealand starting its three-year term in 2009.

Meetings

The CAG met twice during 2008 (February 8 and September 15-16) for a total of 2.5 days meeting time.

Key Highlights For 2008

Advice on the IAESB's Agenda and Work Plan

The CAG supported all of the IAESB task force project proposals and advised the IAESB Chair on the appropriateness and timeliness of project activities relating to the revision of the *Framework for International Education Pronouncements* and the Drafting Conventions project. In addition, the CAG commented on projects related to areas of continuing professional development and professional skills.

The CAG also advised the IAESB Chair on the appropriateness and priority of projects and activities included in the 2010–2012 Strategy and Work Plan. CAG comments have led the IAESB to deliberate the priority of its project to redraft and revise the International Education Standards (IESs) so as to ensure the appropriate sequencing

of guidance projects in order to follow the release of the redrafted and revised IESs.

Technical Advice on Projects

The CAG provided technical advice to the IAESB task force chairs at both the proposal and development stages of projects in the current work plan. This advice has led to—

- Improvements in the description of the measurement techniques used in the information paper, *Approaches to Continuing Professional Development (CPD) Measurement*;
- Revisions to the analysis of survey results used in developing a revised *Framework for International Education Pronouncements*;
- Improvements in clarity of terminology used in the revised *Framework for International Education Pronouncements*;
- Amendments to the Drafting Conventions project in relation to the structure of the IESs; and
- Refinements to the scope of the project on professional skills to ensure the inclusion of a framework of skills that would be more relevant to accountants in business.

Advice on Other Matters of Relevance

The CAG provided advice on the need for interpretation guidance for IES 8, *Competence Requirements for Audit Professionals*, and made suggestions for improving IFAC's due process activities in the area of standard setting. This advice has been forwarded to the IAESB for discussion and follow-up.

Communications

In the period covered by this report, the chair and CAG representatives undertook the following communications activities:

- Institute of Chartered Accountants of Nepal (ICAN) Round Table, Kathmandu, May 8, 2008;
- Confederation of Asian and Pacific Accountants (CAPA)—South Asian Federation of Accountants (SAFA) Joint Executive Board meeting, Kathmandu, May 9, 2008;
- CAPA—ICAN Conference, “International Education Standards in Support of IFRS,” Kathmandu, May 10, 2008;

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- American Accounting Association, 2008 Annual Conference, “International Accounting Education Standards—the IFRS of the Academic World,” Anaheim, August 4, 2008;
 - American Accounting Association, 2008 Annual Conference, “Current Trends in Ethics Education: International and Practitioner Perspectives,” Anaheim, August 5, 2008;
 - American Accounting Association, 2008 Annual Conference, “Assessment—A Discussion of Best Practices,” Anaheim, August 6, 2008; and
 - European Federation of Accountants and Auditors for SMEs, Education Expert Group, Brussels, November 20, 2008.

Conclusions

I thank the staff of the IAESB for their contribution. Their professionalism and dedication is highly commendable. I would also like to thank the members of the IAESB and in particular the chairs of the IAESB task forces for the efficient way in which the various drafts are presented to the CAG. This is an area of activity which is added to the already considerable burden involved in membership of the IAESB. I will continue to give particular attention to liaising with the chairman of the IAESB. I look forward to developing our cooperation further as the 2007-2009 Strategic and Operational Plan comes to an end this year, and the IAESB begins preparations for implementing its new work plan.

Report of Richard Fleck

Chairman of the International Ethics Standards Board for Accountants Consultative Advisory Group

Scope of Activities

The Consultative Advisory Group (CAG) of the International Ethics Standards Board for Accountants (IESBA) provides technical advice on projects of the IESBA and advice on its agenda and priorities.

Membership

The membership of the CAG as at December 31, 2008 appears on page 12. In accordance with the Terms of Reference, the membership of the CAG was due for renewal in 2008. All members of the CAG offered themselves for re-appointment and the Public Interest Oversight Board (PIOB) confirmed their membership. In addition, the CAG proposed that my role as chair be renewed for a further three years and this also was confirmed by the PIOB.

In 2008, the membership of the CAG was increased and we were pleased to welcome BUSINESSEUROPE, the North American Financial Executives’ Institutes, and the World

Federation of Exchanges as members. In 2009, we shall continue to work to expand the membership of the CAG.

Technical Advice on IESBA Projects

In 2008, the IESBA focused on finalizing its fundamental review and redrafting of the IFAC *Code of Ethics for Professional Accountants*. To provide timely input on these projects, the CAG held an additional meeting in 2008 and met three times. I am pleased to report that the IESBA has always carefully considered the input received from CAG members.

Conclusion

I would like to thank all the members of the CAG for their contribution during the year. I would also like to thank the members of the IESBA and, in particular, its chair and the chairs of the IESBA task forces for the efficient way in which the various drafts are presented to the CAG.

Report of David Damant

Chairman of the International Auditing and Assurance Standards Board Consultative Advisory Group

The annual report of the chair of the International Auditing and Assurance Standards Board (IAASB) Consultative Advisory Group (CAG) appears in the 2008 IAASB Annual Report, which is available on the IFAC website at www.ifac.org/download/2008_IAASB_Annual_Report.pdf.

The membership of the CAG appears in that report and is also posted on page 11.

CONSULTATIVE ADVISORY GROUP MEMBERS

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD CAG

Asian Financial Executives' Institutes	Instituto Brasileiro de Governanca Corporativa
Basel Committee on Banking Supervision	International Accounting Standards Board
BUSINESSEUROPE	International Actuarial Association
CFA Institute	International Association of Insurance Supervisors
Chairman of the Standards Advisory Council of the International Accounting Standards Board	International Bar Association
Dean of the Graduate School of Financial Management, Moscow	International Corporate Governance Network
Eastern Central and Southern African Federation of Accountants	International Organization of Securities Commissions
European Commission	International Organization of Supreme Audit Institutions
European Federation of Accountants and Auditors for SMEs	Islamic Financial Services Board
European Financial Executives' Institutes	Japan Securities Dealers Association
Fédération des Experts Comptables Européens	North American Financial Executives' Institutes
Information Systems Audit and Control Association	Sri Lanka Accounting and Auditing Standards Monitoring Board
Institute of Internal Auditors	United Nations Conference on Trade & Development
Institute of International Finance	World Bank
	World Federation of Exchanges

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD CAG

American Accounting Association	International Accounting Standards Committee Foundation
The Association to Advance Collegiate Schools of Business	National Association of State Boards of Accountancy
Confederation of Asian and Pacific Accountants	Professional Oversight Board (UK)
European Accounting Association	Public Company Accounting Oversight Board (US)
European Federation of Accountants and Auditors for SMEs	South Asian Federation of Accountants
Fédération des Experts Comptables Européens	United States Agency for International Development
Independent Regulatory Board for Auditors (South Africa)	

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS CAG

Auditing Practices Board (UK)

Basel Committee on Banking Supervision

BUSINESSEUROPE

CFA Institute

Eastern Central and Southern African Federation of Accountants

European Federation of Accountants and Auditors for SMEs

European Federation of Financial Executives' Institutes

Fédération des Experts Comptables Européens

Institute of Internal Auditors

International Auditing and Assurance Standards Board
Consultative Advisory Group

International Corporate Governance Network

International Organization of Securities Commissions

International Organization of Supreme Audit Institutions

North American Financial Executives' Institutes

Public Company Accounting Oversight Board (US)

World Bank



MESSAGE FROM STAVROS B. THOMADAKIS

PIOB Chair



In exercising its mandate for oversight of public interest activities, the Public Interest Oversight Board (PIOB) remains keenly aware of the importance of IFAC's thinking and actions in shaping the environment within which these activities take place. As in past years, IFAC has continued its commitment to the public interest, both in what has been achieved already and in priorities established for the future. In this supportive environment, the boards that we oversee have also achieved several key public interest milestones this year.

The most significant of these is completion of the IAASB Clarity Project. Since the beginning, the objective of this project has been to improve global audit quality through the creation of clear, easy to apply, and effective standards of audit practice suitable for worldwide adoption and application. This has now been brought to successful completion with all the safeguards of due process and in line with public interest requirements. In the same way, the IESBA has made major progress this year toward completing its redraft of the IFAC *Code of Ethics for Professional Accountants*, including revised independence requirements, another critical step that will strengthen behavioral norms for professional accountants around the world. In both cases, it is clear that significant and well-coordinated efforts will be necessary to ensure that both these initiatives are followed by successful adoption and implementation.

While public attention has focused largely on the IAASB and the IESBA, we have continued to oversee the work of the IAESB and the Compliance Advisory Panel. This year, the IAESB has given high priority to its framework review project so that future work can be developed and deliberated in the context of up-to-date concepts and objectives. It is significant from a public interest perspective that the IAESB undertook extensive pre-consultations before publishing its recent exposure draft. We have also noted substantial progress on Part 3

of the IFAC Compliance Program, including publication of the first member body Action Plans. In view of the critical role of member bodies in local adoption and implementation, improving compliance remains a significant public interest goal for the PIOB.

Finally, the IFAC Nominating Committee has completed the challenging task of identifying new chairs for the IAASB and the IAESB. In nominating Arnold Schilder and Mark Allison for these roles, the committee has demonstrated a clear understanding of the evolving public interest environment in which these groups function.

At this time of unprecedented global crisis when public confidence in institutions and safeguards has eroded, it is important that IFAC continues to demonstrate its commitment to the public interest while seeking relevant ways to contribute to broader global solutions.

IFAC's sponsorship of international standard setting and compliance remains a core contribution, which is to be supplemented with other activities to promote adoption and implementation of standards, as well as to address the needs of special constituencies within the profession, such as SMPs and developing nation bodies, who rely on IFAC for assistance.

As we head into our fifth year, my colleagues and I wish to thank Fermín del Valle for his commitment and significant contribution to the realization of the IFAC Reforms. We also wish to congratulate Robert Bunting on his appointment as President, and look forward to continued constructive and fruitful dialogue with him in the pursuit of our public interest goals.

It is important that IFAC continues to demonstrate its commitment to the public interest.

BOARD AND COMMITTEE MEMBERS

BOARD MEMBERS — NOVEMBER 2007 TO NOVEMBER 2008

Fermin del Valle, *President*
Robert Bunting, *Deputy President,*
United States
Warren Allen, *New Zealand*
Abdeljelil Bouraoui, *Tunisia*
Yugui Chen, *China*
Roberto D'Imperio, *Italy*
Kevin Dancey, *Canada*

Ingrid Doerga, *Netherlands*
Robert Hodgkinson, *United Kingdom*
Gen Ikegami, *Japan*
Japheth Katto, *Uganda*
Olivia Faulkner Kirtley, *United States*
David Leonard, *United Kingdom*
Bernadette McGrory-Farrell, *Ireland*
Joycelyn Morton, *Australia*

William Nahum, *France*
Norbert Pfitzer, *Germany*
Roberto Resa, *Mexico*
Göran Tidström, *Nordic Federation*
Luiz Carlos Vaini, *Brazil*
Kamlesh Vikamsey, *India*
Sylvie Voghel, *Canada*

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

Henry Saville, *Chair, Ireland*
Mark Spofforth, *Deputy Chair,*
United Kingdom
Yoseph Asmelash, *Switzerland*
Timothy Bell, *United States*
Jean-Francois Belorgey, *France*
Paule Bouchard, *Canada*
Marcelo Canetti, *Argentina*
Nishan Fernando, *Sri Lanka*
Kistrún Ingolfssdóttir, *Iceland*
Saleem Kharwa, *South Africa*
Ann Kilbride, *United Kingdom*
Hans Christian Krogh,
Denmark
Kim Langfield-Smith, *Australia*
Sylvia Meljem, *Mexico*
Karen Pincus, *United States*
Abdul Rahim Suriya, *Pakistan*
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COMMITTEE MEMBERS — NOVEMBER 2007 TO NOVEMBER 2008

DEVELOPING NATIONS COMMITTEE

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	Shabbar Zaidi, <i>Pakistan</i>

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Henri van Horn, <i>The Netherlands</i>	Mohammad Nara, <i>Pakistan</i>
Bradley Kaplan, <i>United States</i>	Catherine Okpareke, <i>Nigeria</i>
Brian Kearney, <i>Ireland</i>	Alfred Ramosedi, <i>South Africa</i>
Bill Langdon, <i>Canada</i>	Gim Teik Soh, <i>Singapore</i>
Raúl González Lima, <i>Mexico</i>	Roger Tabor, <i>United Kingdom</i>

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Robert Bunting, <i>Deputy President, United States</i>	Ndung'u Gathinji, <i>Kenya</i>
Warren Allen, <i>New Zealand</i>	Gen Ikegami, <i>Japan</i>
	Hubert Graf von Treuberg, <i>Germany</i>

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	Caroline Kigen, <i>Kenya</i>
	Tom Myhre, <i>Norway</i>

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Hechmi Abdelwahed, <i>Tunisia</i>	Ibironke Mojisola Osiyemi, <i>Nigeria</i>
Giancarlo Attolini, <i>Italy</i>	Joakim Rehn, <i>Nordic Federation</i>
Paul Chan, <i>Hong Kong</i>	Ricardo Rodil, <i>Brazil</i>
David Chitty, <i>United Kingdom</i>	Lucio Torres Rodríguez, <i>Spain</i>
Sunil Goyal, <i>India</i>	Bernard Scicluna, <i>Malta</i>
Alex Hilman, <i>Israel</i>	Masum Turker, <i>Turkey</i>
Robin Jarvis, <i>United Kingdom</i>	Ye Xin, <i>China</i>

TRANSNATIONAL AUDITORS COMMITTEE

Members

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John Archambault, <i>Grant Thornton International Limited</i>
Peter Chidgey, <i>BDO International</i>
Rod Devlin, <i>KPMG International</i>
Robert Dohrer, <i>RSM International Limited</i>
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Marilyn Pendergast, <i>UHY International Limited</i>
Stephen Todd, <i>Ernst & Young Global Limited</i>
Wes Williams, <i>Horwath International Association</i>
Peter Wyman, <i>PricewaterhouseCoopers International</i>

Alternates

Chuck Horstmann, <i>Deloitte Touche Tohmatsu</i>
Gilles Hengoat, <i>Grant Thornton International Limited</i>
Wayne Kolins, <i>BDO International</i>
Sylvia Smith, <i>KPMG International</i>
Theo Vermaak, <i>PKF International Limited</i>
Jean Luc Barlet, <i>Mazars & Guerard</i>
Peter Stefanou, <i>Russell Bedford International</i>
Marc Biquard, <i>Constantin Associates Network</i>
Danita Ostling, <i>Ernst & Young Global Limited</i>
Edelfried Schneider, <i>HLB International</i>
Robert Muter, <i>PricewaterhouseCoopers International</i>

IFAC MEMBER ORGANIZATIONS

AS AT DECEMBER 31, 2008

MEMBERS

(Refer to Page 19 for Associates)

ALBANIA

- Institute of Authorized Chartered Auditors of Albania*

ARGENTINA

- Federación Argentina de Consejos Profesionales de Ciencias Económicas

AUSTRALIA

- CPA Australia
- The Institute of Chartered Accountants in Australia
- National Institute of Accountants in Australia

AUSTRIA

- Institut Österreichischer Wirtschaftsprüfer
- Kammer der Wirtschaftstreuhänder

AZERBAIJAN REPUBLIC

- The Chamber of Auditors of Azerbaijan Republic*

BAHAMAS

- The Bahamas Institute of Chartered Accountants

BAHRAIN

- Bahrain Accountants Association

BANGLADESH

- The Institute of Chartered Accountants of Bangladesh
- The Institute of Cost and Management Accountants of Bangladesh

BARBADOS

- The Institute of Chartered Accountants of Barbados

BELGIUM

- Institut des Experts-comptables et des Conseils fiscaux
- Institut des Réviseurs d'Entreprises

BOLIVIA

- Colegio de Auditores de Bolivia

BOTSWANA

- Botswana Institute of Accountants

BRAZIL

- Conselho Federal de Contabilidade
- Instituto dos Auditores Independentes do Brasil

BULGARIA

- Institute of Certified Public Accountants of Bulgaria

CAMEROON

- The Institute of Chartered Accountants of Cameroon

CANADA

- The Canadian Institute of Chartered Accountants
- Certified General Accountants' Association of Canada
- CMA Canada

CHILE

- Colegio de Contadores de Chile

CHINA

- The Chinese Institute of Certified Public Accountants

CHINESE TAIWAN

- Federation of CPA Associations of Chinese Taiwan

COLOMBIA

- Instituto Nacional de Contadores Públicos de Colombia

COSTA RICA

- Colegio de Contadores Públicos de Costa Rica

CROATIA

- Croatian Association of Accountants and Financial Experts

CYPRUS

- The Institute of Certified Public Accountants of Cyprus

CZECH REPUBLIC

- Chamber of Auditors of the Czech Republic
- Union of Accountants of the Czech Republic

DENMARK

- Foreningen af Statsautoriserede Revisorer
- Foreningen Registrerede Revisorer

DOMINICAN REPUBLIC

- Instituto de Contadores Públicos Autorizados de la República Dominicana

EGYPT

- The Egyptian Society of Accountants & Auditors

ESTONIA

- Audiitorkogu

FIJI

- Fiji Institute of Accountants

FINLAND

- HTM-tilintarkastajat ry — GRM-revisorer rf
- KHT-yhdistys-Föreningen CGR ry

FRANCE

- Compagnie Nationale des Commissaires aux Comptes
- Conseil Supérieur de l'Ordre des Experts-Comptables

GEORGIA

- Georgian Federation of Professional Accountants and Auditors

GERMANY

- Institut der Wirtschaftsprüfer in Deutschland e.V.
- Wirtschaftsprüferkammer

GHANA

- The Institute of Chartered Accountants (Ghana)

GREECE

- Institute of Certified Public Accountants of Greece

GUATEMALA

- Instituto Guatemalteco de Contadores Públicos y Auditores

*Members admitted by the IFAC Council in November 2008.



Countries in which IFAC members, associates, and affiliates are located appear in blue.

GUYANA

- The Institute of Chartered Accountants of Guyana

HAITI

- Ordre des Comptables Professionels Agréés d’Haïti

HONDURAS

- Colegio de Peritos Mercantiles y Contadores Públicos

HONG KONG

- (Special Administrative Region of the People’s Republic of China)
- Hong Kong Institute of Certified Public Accountants

HUNGARY

- Chamber of Hungarian Auditors

ICELAND

- Félag löggiltra endurskoðenda

INDIA

- The Institute of Chartered Accountants of India
- The Institute of Cost and Works Accountants of India

INDONESIA

- Indonesian Institute of Accountants

IRAN

- The Iranian Institute of Certified Accountants

IRAQ

- Iraqi Union of Accountants & Auditors

IRELAND

- The Institute of Certified Public Accountants in Ireland
- The Institute of Chartered Accountants in Ireland

ISRAEL

- Institute of Certified Public Accountants in Israel

ITALY

- Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili

IVORY COAST

- Ordre des Experts Comptables et Comptables Agréés de Côte d’Ivoire

JAMAICA

- The Institute of Chartered Accountants of Jamaica

JAPAN

- The Japanese Institute of Certified Public Accountants

JORDAN

- Arab Society of Certified Accountants
- Jordanian Association of Certified Public Accountants

KAZAKHSTAN

- Chamber of Auditors of the Republic of Kazakhstan

KENYA

- Institute of Certified Public Accountants of Kenya

KOREA

- Korean Institute of Certified Public Accountants

KUWAIT

- Kuwait Association of Accountants and Auditors

LEBANON

- Lebanese Association of Certified Public Accountants

LESOTHO

- Lesotho Institute of Accountants

LIBERIA

- The Liberian Institute of Certified Public Accountants

LITHUANIA

- Lithuanian Chamber of Auditors*

LUXEMBOURG

- Institut des Réviseurs d’Entreprises

MADAGASCAR

- Ordre des Experts Comptables et Financiers de Madagascar

*Members admitted by the IFAC Council in November 2008.

- MALAWI**
– The Society of Accountants in Malawi
- MALAYSIA**
– Malaysian Institute of Accountants
– The Malaysian Institute of Certified Public Accountants
- MALTA**
– The Malta Institute of Accountants
- MEXICO**
– Instituto Mexicano de Contadores Públicos, A.C.
- MOLDOVA (REPUBLIC OF)**
– Association of Professional Accountants and Auditors of the Republic of Moldova
- MOROCCO**
– Ordre des Experts Comptables du Royaume du Maroc
- NAMIBIA**
– Institute of Chartered Accountants of Namibia
- NEPAL**
– The Institute of Chartered Accountants of Nepal*
- NETHERLANDS**
– Koninklijk Nederlands Instituut van Registeraccountants
- NEW ZEALAND**
– New Zealand Institute of Chartered Accountants
- NICARAGUA**
– Colegio de Contadores Públicos de Nicaragua
- NIGERIA**
– The Institute of Chartered Accountants of Nigeria
- NORWAY**
– Den norske Revisorforening
- PAKISTAN**
– The Institute of Chartered Accountants of Pakistan
– Institute of Cost and Management Accountants of Pakistan
- PANAMA**
– Colegio de Contadores Públicos Autorizados de Panamá
- PARAGUAY**
– Colegio de Contadores de Paraguay
- PERU**
– Junta de Decanos de Colegios de Contadores Públicos del Perú
- PHILIPPINES**
– Philippine Institute of Certified Public Accountants
- POLAND**
– Accountants Association in Poland
– National Chamber of Statutory Auditors
- PORTUGAL**
– Ordem dos Revisores Oficiais de Contas
- ROMANIA**
– The Chamber of Financial Auditors of Romania*
– Corpul Expertilor Contabili si Contabililor Autorizati din Romania
- RUSSIA**
– The Institute of Professional Accountants of Russia
– Russian Collegium of Auditors*
- SAUDI ARABIA**
– Saudi Organization for Certified Public Accountants
- SERBIA (REPUBLIC OF)**
– Serbian Association of Accountants and Auditors
- SIERRA LEONE**
– The Institute of Chartered Accountants of Sierra Leone
- SINGAPORE**
– Institute of Certified Public Accountants of Singapore
- SLOVAKIA**
– Slovenska Komora Auditorov
- SLOVENIA**
– The Slovenian Institute of Auditors
- SOUTH AFRICA**
– The South African Institute of Chartered Accountants
– The South African Institute of Professional Accountants
- SPAIN**
– Instituto de Censores Jurados de Cuentas de España
- SRI LANKA**
– The Institute of Chartered Accountants of Sri Lanka
- SWAZILAND**
– Swaziland Institute of Accountants
- SWEDEN**
– FAR SRS
- SWITZERLAND**
– Treuhand-Kammer
- TANZANIA**
– National Board of Accountants and Auditors
- THAILAND**
– Federation of Accounting Professions
- TRINIDAD AND TOBAGO**
– The Institute of Chartered Accountants of Trinidad and Tobago
- TUNISIA**
– Ordre des Experts Comptables de Tunisie
- TURKEY**
– Expert Accountants' Association of Turkey
– Union of Chambers of Certified Public Accountants of Turkey
- UGANDA**
– Institute of Certified Public Accountants of Uganda
- UKRAINE**
– Ukrainian Federation of Professional Accountants and Auditors*
- UNITED KINGDOM**
– The Association of Chartered Certified Accountants
– The Chartered Institute of Management Accountants
– The Chartered Institute of Public Finance and Accountancy
– The Institute of Chartered Accountants in England and Wales
– The Institute of Chartered Accountants of Scotland
- UNITED STATES**
– American Institute of Certified Public Accountants
– National Association of State Boards of Accountancy
- URUGUAY**
– Colegio de Contadores, Economistas y Administradores del Uruguay

*Members admitted by the IFAC Council in November 2008.

VIETNAM

- Vietnam Accounting Association

ZAMBIA

- Zambia Institute of Chartered Accountants

ZIMBABWE

- The Institute of Chartered Accountants of Zimbabwe

ASSOCIATES

ARMENIA (REPUBLIC OF)

- Association of Accountants and Auditors in Armenia

BOSNIA AND HERZEGOVINA

- Association of Accountants and Auditors of Republika Srpska

CAYMAN ISLANDS

- Cayman Islands Society of Professional Accountants

IRAN

- Iranian Association of Certified Public Accountants

IRELAND

- The Institute of Accounting Technicians in Ireland

KAMPUCHEA

- Kampuchea Institute of Certified Public Accountants and Auditors‡

KOSOVO (UNMIK)

- Society of Certified Accountants and Auditors of Kosovo

KYRGYZSTAN

- Union of Accountants and Auditors of Kyrgyzstan

LATVIA

- Latvian Association of Certified Auditors

MAURITIUS

- Mauritius Institute of Professional Accountants

MONGOLIA

- Mongolian Institute of Certified Public Accountants

MONTENEGRO (REPUBLIC OF)

- Institute of Accountants and Auditors of Montenegro

PAKISTAN

- Pakistan Institute of Public Finance Accountants

PAPUA NEW GUINEA

- Certified Practising Accountants Papua New Guinea

SENEGAL

- Ordre National des Experts Comptables et Comptables Agréés du Sénégal

SRI LANKA

- Association of Accounting Technicians of Sri Lanka

UKRAINE

- Ukrainian Association of Certified Accountants and Auditors‡

UNITED KINGDOM

- Association of Accounting Technicians
- Institute of Financial Accountants‡

UZBEKISTAN

- National Association of Professional Accountants and Auditors of Uzbekistan

AFFILIATES

BAHRAIN

- Accounting and Auditing Organization for Islamic Financial Institutions

NETHERLANDS

- Nederlandse Orde van Register EDP-Auditors

UNITED STATES

- Information Systems Audit and Control Association
- The Institute of Internal Auditors

‡ Associates admitted by the IFAC Council in November 2008.

REGIONAL ACCOUNTANCY ORGANIZATIONS AND ACKNOWLEDGED ACCOUNTANCY GROUPINGS

Regional Accountancy Organizations are independent bodies which have a mission and strategic objectives aligned to those of IFAC.

IFAC recognizes four Regional Organizations that contribute to the development of the international accountancy profession by supporting IFAC initiatives, promoting international convergence, and providing leadership in addressing regional accounting and auditing issues.

- Confederation of Asian and Pacific Accountants
- Eastern Central and Southern African Federation of Accountants
- Fédération des Experts Comptables Européens
- Interamerican Accounting Association

There are six Acknowledged Accountancy Groupings that support the objectives and pronouncements of IFAC and support the advancement of the accountancy profession in their region.

- Association of Accountancy Bodies in West Africa
- Eurasian Council of Certified Accountants and Auditors
- Fédération des Experts-Comptables Méditerranéens
- Fédération Internationale des Experts Comptables Francophones
- Institute of Chartered Accountants of the Caribbean
- South Asian Federation of Accountants

SERVICE DELIVERY

This section of the Annual Report describes the actual services delivered during 2008 against the planned services. The planned services were specified in the 2008 Operational Plan. Services are categorized into five areas:

- Standards and Guidance
- Promoting Quality
- International Collaboration Activities
- Representation of the Accountancy Profession in the Public Interest
- Information Services

The service delivery information is presented on the following basis (the criteria):

- All substantial activities occurring during 2008 that directly affect parties external to IFAC are included under the appropriate service area.
- Unless indicated otherwise, all activities specified in the Delivered Services column relate to 2008.
- The activities identified as Additional Services are in addition to planned services specified in the 2008 Operational Plan.
- Activities are appropriately described from a quantitative and, where appropriate, qualitative perspective.

The auditors' assurance report on the service delivery information is set out on page 46. Comments that indicate the status of a service not delivered in 2008 or that contain a qualitative description of an activity are outside the scope of the assurance engagement and are indicated with an asterisk (*).

Section 1 Standards and Guidance

Description

The standards developed cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and public sector 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 guidance is intended to be less than that associated with standards.

1. Auditing and Assurance Pronouncements

- 1.1 Auditing and assurance pronouncements approved by the International Auditing and Assurance Standards Board (IAASB) and submitted to the Public Interest Oversight Board (PIOB):¹

Planned Services

- International Standard on Quality Control 1 (Redrafted), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Engagements*
- International Standard on Auditing (ISA) 200 (Revised and Redrafted), *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*
- ISA 210 (Redrafted), *Agreeing the Terms of Audit Engagements*
- ISA 220 (Redrafted), *Quality Control for an Audit of Financial Statements*

Delivered Services

- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in December
Submitted in December for PIOB approval in February 2009*
- Approved by IAASB in September
Approved by PIOB in December

1. The PIOB's approval of individual pronouncements is based on its assessment of whether due process requirements have been satisfied.

Planned Services

- ISA 250 (Redrafted), *Consideration of Laws and Regulations in an Audit of Financial Statements*
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA 320 (Revised and Redrafted), *Materiality in Planning and Performing an Audit*
- ISA 402 (Revised and Redrafted), *Audit Considerations Relating to an Entity Using a Service Organization*
- ISA 450 (Revised and Redrafted), *Evaluation of Misstatements Identified during the Audit*
- ISA 500 (Redrafted), *Audit Evidence*
- ISA 501 (Redrafted), *Audit Evidence—Specific Considerations for Selected Items*
- ISA 505 (Revised and Redrafted), *External Confirmations*
- ISA 510 (Redrafted), *Initial Audit Engagements—Opening Balances*
- ISA 520 (Redrafted), *Analytical Procedures*
- ISA 530 (Redrafted), *Audit Sampling*
- ISA 550 (Revised and Redrafted), *Related Parties*
- ISA 570 (Redrafted), *Going Concern*
- ISA 610 (Redrafted), *Using the Work of Internal Auditors*
- ISA 620 (Revised and Redrafted), *Using the Work of an Auditor’s Expert*
- ISA 700 (Redrafted), *Forming an Opinion and Reporting on Financial Statements*
- ISA 705 (Revised and Redrafted), *Modifications to the Opinion in the Independent Auditor’s Report*
- ISA 706 (Revised and Redrafted), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*
- ISA 710 (Redrafted), *Comparative Information—Corresponding Figures and Comparative Financial Statements*
- ISA 800 (Revised and Redrafted), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

Delivered Services

- Approved by IAASB in March
Approved by PIOB in July
- Approved by IAASB in December
Submitted in December for PIOB approval in February 2009*
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in December
Submitted in December for PIOB approval in February 2009*
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in March
Approved by PIOB in July
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in March
Approved by PIOB in July
- Approved by IAASB in March
Approved by PIOB in July
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in June
Approved by PIOB in September
- Approved by IAASB in September
Approved by PIOB in December
- Approved by IAASB in September
Approved by PIOB in December

Planned Services

- ISA 805 (Revised and Redrafted), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA 810 (Revised and Redrafted), *Engagements to Report on Summary Financial Statements*
- International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Third-Party Service Organization*
- Glossary of Terms
- IAASB Strategy and Work Program, 2009–2011

Delivered Services

- Approved by IAASB in September
- Approved by PIOB in December

- Approved by IAASB in September
- Approved by PIOB in December
- Project completion anticipated in 2009*

- Approved by IAASB in December

- Approved by IAASB in June
- Approved by PIOB in July

- 1.2 In addition, the IAASB commissioned the staff of the Professional Standards Board (New Zealand), Auditing and Assurance Standards Board (Canada), and Independent Regulatory Board for Auditors (South Africa) to develop a consultation paper to obtain views on significant matters that will require consideration in the revision of International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*. The Consultation Paper, *Matters to Consider in a Revision of International Standard on Review Engagements (ISRE) 2400, “Engagements to Review Financial Statements”* was issued in September.

IAASB staff also issued a *Staff Audit Practice Alert—Challenges in Auditing Fair Value Accounting Estimates in the Current Market Environment* in October and held four international roundtables on *Assurance on Emissions Information* (Sydney, May; Melbourne, May; Toronto, September; and Brussels, December).

2. Education Pronouncements

- 2.1 Information paper approved by the International Accounting Education Standards Board (IAESB):²

Planned Service

- Information Paper, *Approaches to Continuing Professional Development (CPD) Measurement*

Delivered Service

- Approved in February

- 2.2 In addition, the IAESB released amended versions of its International Education Standards (IESs) and related education pronouncements in May. The amended documents comprise the *Framework for International Education Pronouncements*, the *Introduction to International Education Standards*, and International Education Standards 1-8, all of which were published between 2003 and 2006. The amendments were of an editorial nature, intended to reflect properly the current terms of reference of the IAESB and titles of its publications.

2. Information papers are not subject to approval by the PIOB.

3. Ethics Pronouncements

- 3.1 Ethics pronouncements approved by the International Ethics Standards Board for Accountants (IESBA) and submitted to the PIOB:³

Planned Services

- Revised Section 290, *Independence—Audit and Review Engagements* and revised Section 291, *Independence—Other Assurance Engagements* of the IFAC *Code of Ethics for Professional Accountants* (“Independence I”)
- Revised Section 290, *Independence—Audit and Review Engagements* and revised Section 291, *Independence—Other Assurance Engagements* of the IFAC *Code of Ethics for Professional Accountants* (“Independence II”)

Delivered Services

- Approved by IESBA in January
- Approved by PIOB in March

- Approved by IESBA in April, except for some independence requirements that were re-exposed for comment (see 3.3 below)

- 3.2 Exposure drafts of proposed ethics pronouncements approved by the IESBA to be issued for comment:⁴

Planned Services

- Proposed redrafted IFAC *Code of Ethics for Professional Accountants*. The exposure draft proposed changes to enhance the clarity of the Code by making clear the specific requirements that are contained in the Code and refining the application of the Code’s conceptual framework

Delivered Services

- Approved in June

- 3.3 In addition, the IESBA re-exposed for comment proposals to strengthen two areas of the independence requirements. The proposals related to the provision of internal audit services to a public interest audit client and the safeguards that are required when the fees from a public interest audit client exceed a prescribed percent of the total fees of the firm. Revised Section 290, *Independence—Audit and Review Engagements* and revised Section 291, *Independence—Other Assurance Engagements* of the IFAC *Code of Ethics for Professional Accountants* (“Independence II Re-Exposure”) were approved by the IESBA in December and submitted for PIOB approval in February 2009.*

The IESBA also issued its *Strategic and Operational Plan, 2009–2011* in April.

4. Public Sector Financial Reporting Pronouncements

- 4.1 Public sector financial reporting pronouncements approved by the International Public Sector Accounting Standards Board (IPSASB):

Planned Services

- International Public Sector Accounting Standard (IPSAS) 4 (Revised), *The Effects of Changes in Foreign Exchange Rates*
- IPSAS 5 (Revised), *Borrowing Costs*

Delivered Services

- Approved in March

- Exposure draft of proposed IPSAS approved in August (see 4.3 below)

3. The PIOB’s approval of individual pronouncements is based on its assessment of whether due process requirements have been satisfied.

4. Exposure drafts are not subject to approval by the PIOB.

Planned Services

– IPSAS 15 (Revised), *Financial Instruments: Disclosure and Presentation*

– IPSAS on *Social Benefits*

Delivered Services

The project to revise IPSAS 15 has been superseded by a new project to converge the IPSAS relating to financial instruments with the related standards of the International Accounting Standards Board early in 2009.*

Responses to the exposure draft (approved in 2007 and issued in 2008) did not support the development of a standard. The subject may be addressed when the Long-Term Fiscal Sustainability Reporting project has progressed.

4.2 Exposure draft of proposed IPSAS and consultation paper approved by the IPSASB:

Planned Services

– Proposed Cash Basis IPSAS (Revised), *Financial Reporting under the Cash Basis of Accounting*

– Consultation Paper, *Accounting and Financial Reporting for Service Concession Arrangements*

Delivered Services

The project initiation has been delayed. Approval of the exposure draft is anticipated in 2009.*

Approved in February

4.3 In addition, the IPSASB approved an exposure draft of proposed IPSAS 5, *Borrowing Costs* in August and a Consultation Paper, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* in September. It also approved *Process for Reviewing and Modifying IASB Documents* (Rules of the Road) in October.

5. Board Pronouncements

5.1 Pronouncements approved by the Board:⁵

Planned Services

– Revisions to Membership Criteria and/or Statement of Membership Obligations

Delivered Services

No revisions were required during 2008.*

5.2 The Board approved the report, *Financial Reporting Supply Chain: Current Perspectives and Directions* in February. In addition, the results of the *Global Study on Developments in the Financial Reporting Supply Chain* were presented at the November Council meeting.

The Board also approved the *Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants* in November.

5. The term “Board” refers to the governing Board of IFAC.

6. Developing Nations Guidance

6.1 Guidance approved by the Developing Nations Committee (DNC):

Planned Services

- Mentoring Guidelines for IFAC Member Bodies
- Spanish translation of the 2007 Good Practice Guide, *Establishing and Developing a Professional Accountancy Body*

Delivered Services

- Released in January
- Released in June

7. Professional Accountants in Business Guidance

7.1 Guidance approved by the Professional Accountants in Business (PAIB) Committee:

Planned Services

- Preface to International Good Practice Guidance (IGPG)
- IGPG, *Project Appraisal Using Discounted Cash Flow*
- Information Paper, *The Crucial Role of Professional Accountants in Business in Mid-Sized Enterprises*
- Information Paper, *Sustainability/Environmental Management Accounting*

Delivered Services

- Approved in March
- Approved in March
- Approved in March
- Project completion anticipated in 2009*

7.2 Exposure drafts of proposed guidance approved by the PAIB Committee:

Planned Services

- Proposed IGPG, *Evaluating and Improving Governance in Organizations*
- Proposed IGPG, *Costing to Drive Organizational Performance*
- Proposed IGPG, *Internal Control from a Risk Management Perspective*

Delivered Services

- Approved in March
- Approved in March
- The project has been placed on hold*

7.3 In addition, the PAIB Committee conducted a *Survey of Performance Measurement Structures in Public Sector Entities* in October.

8. Small and Medium Practices Guidance

8.1 The Small and Medium Practices (SMP) Committee issued an Information Paper, *Micro-Entity Financial Reporting: Some Empirical Evidence on the Perspectives of Preparers and Users* in January. This service was additional to those in the Operational Plan.

Section 2 Promoting Quality

Description

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.

1. Member Body Compliance Program

1.1 Quality assurance activities of the Member Body Compliance Program:

Planned Services

- Continued implementation of Part 3 of the Member Body Compliance Program involving the development of Action Plans by member bodies and associates based on IFAC Policy Recommendations
- Assessment of new member body and associate applications

Delivered Services

At December 31, 20 Part 3 Action Plans were published on the IFAC website, 46 were under review, and 57 were under development. Thirty-five member bodies were at the Policy Recommendation stage.

Assessments of member body applications gave rise to the IFAC Council approving the following associates as member bodies in November:

- Institute of Authorized Chartered Auditors of Albania
- Chamber of Auditors of Azerbaijan Republic
- Lithuanian Chamber of Auditors
- Institute of Chartered Accountants of Nepal
- Chamber of Financial Auditors of Romania
- Russian Collegium of Auditors
- Ukrainian Federation of Professional Accountants and Auditors

Assessments of associate applications gave rise to the IFAC Council admitting the following associates in November:

- Kampuchea Institute of Certified Public Accountants and Auditors
- Ukrainian Association of Certified Accountants and Auditors
- Institute of Financial Accountants, United Kingdom

1.2 In addition, the Board approved the following Acknowledged Accountancy Groupings in June based on assessments conducted by the IFAC staff and reviewed by the Compliance Advisory Panel:

- Fédération Internationale des Experts-Comptables Francophones (FIDEF)
- Fédération des Experts Comptables Méditerranéens (FCM)

2. Small and Medium Practices

2.1 Quality assurance activities of the Small and Medium Practices (SMP) Committee:

Planned Services

- *Guide to Quality Control for Use by Small- and Medium-Sized Practices*

Delivered Services

Completion has been deferred to 2009 so as to be coterminous with the PIOB's approval of ISQC 1 (Redrafted).*

3. Transnational Auditing

3.1 Quality assurance activities of the Transnational Auditors Committee (TAC):

Planned Services

- Collaboration with the Member Body Compliance Program to assist with the development of member body Part 3 Action Plans
- Reporting by provisional members against Forum of Firm membership obligations

Delivered Services

The TAC considered issues relating to member body development at its January and June meetings and referred them for consideration by the Regulatory Working Group (RWG) in September and December.

Seventeen provisional members became full members in January and one firm joined as a full member in June.

3.2 In addition, the Forum of Firms held a symposium on *The Audit of Financial Institutions* in October.

Section 3 International Collaboration Activities

Description

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 complementary to IFAC standards and guidance services.

1. Member Body Compliance Program and Development

1.1 Collaboration activities of the Member Body Compliance Program:

Planned Services

- Coordination of work and sharing of information with the World Bank to ensure that its *Reports on the Observance of Standards and Codes* (ROSCs) reflect common country messages and recommendations
- Bi-annual meetings with the World Bank
- Sharing of information generated by the Member Body Compliance Program with various multilateral and bilateral development organizations

Delivered Services

Comments were provided on the initiation or development of World Bank ROSCs for the following countries: Benin, Congo DR, Egypt, Ethiopia, Kyrgyzstan, Laos, Madagascar, Malawi, Mali, and Thailand.

IFAC and World Bank staff met in respect of the following World Bank activities:

- World Bank Centre for Financial Reform (Vienna, Austria, November)
- Latin America and Caribbean ROSC, and related activities (Washington D.C., United States, December)

Ongoing informal dialogue and sharing of information related to the development of the accountancy profession

1.2 In addition, the Board approved a *Regional Organizations—Policy Statement* and an *Acknowledged Accountancy Groupings—Policy Statement* in February 2008. These policy statements set out the criteria for recognizing such organizations or groupings.

1.3 Collaboration activities of the Developing Nations Committee (DNC):

Planned Services

- 3rd Annual Developing Nations Conference

Delivered Services

IFAC, with the World Bank, the Inter-American Development Bank, and the six largest accounting and auditing networks hosted a three-day conference (CRcER Conference), *Accounting and Accountability for Regional Economic Growth*, in San Salvador, El Salvador in June.

- 1.4 In addition, IFAC is a member, coordinator and facilitator, of the Africa Focus Group (AFG). The AFG met in Cotonou, Benin in February and in Lusaka, Zambia in July. In addition to IFAC, the membership of the AFG includes the Association of Accountancy Bodies in West Africa, the Eastern Central and Southern African Federation of Accountants and the Fédération Internationale des Experts-Comptables Francophones. The principal focus is the establishment of a Pan-African Federation of Accountants.

The DNC has also initiated formal outreach activities with aspiring IFAC members to exchange information about IFAC membership requirements and provide advice on development issues. The DNC carried out its first two facilitation activities in October with the Colegio Hondureño de Profesionales Universitarios en Contaduría Pública and the Instituto Salvadoreño de Contadores Públicos.

2. Standard Setting

2.1 Collaboration activities with national and international standard setters:

Planned Services

- Annual meeting of National Auditing Standard Setters
- Participation at semi-annual European National Auditing Standard Setters meeting
- Academic research project on auditors' report communications commissioned by the American Institute of Certified Public Accountants, the American Accounting Association, and the IAASB
- Meeting of National Ethics Standard Setters
- Meeting of standard setters focused on public sector financial reporting issues

Delivered Services

The International Auditing and Assurance Standards Board (IAASB) hosted its annual National Auditing Standard Setters meeting in Paris, France in March.

IAASB representatives participated in two European National Auditing Standard Setters meetings hosted by the Fédération des Experts Comptables Européens in Brussels, Belgium in April and October.

Contracts with four research teams were finalized and signed in January and February.

No meeting took place in 2008. It was postponed to 2009 to be consistent with the work program of the International Ethics Standards Board for Accountants (IESBA).*

International Public Sector Accounting Standards Board (IPSASB) representatives participated in:

- National Standard Setters meetings in Melbourne, Australia in March and in Paris, France in September
- A World Standard Setters meeting in London, United Kingdom in September

Planned Services

2.2 Facilitation of Consultative Advisory Groups:

Planned Services

- Meetings of the IAASB Consultative Advisory Group (CAG)
- Meetings of the International Accounting Education Standards Board (IAESB) CAG

- Meetings of the IESBA CAG

3. Other Collaborative Activities

3.1 Collaboration with other organizations:

Planned Services

- Liaison with the International Organization of Supreme Audit Institutions (INTOSAI)

Delivered Services

In addition, IPSASB representatives liaised or met with the following national and international standard setters or organizations:

- Accounting Standards Board Committee on Accounting for Public Benefit Entities, London, United Kingdom, January
- Financial Reporting Advisory Board, London, United Kingdom, March and April
- American Institute of Certified Public Accountants, Washington D.C., United States, January
- Australian Accounting Standards Board, Melbourne, Australia, April, May, June, July, August, September, October, November, and December
- Financial Reporting Standards Board, Wellington and Auckland, New Zealand, July
- Israeli Government Accounting Standards Board, Tel Aviv, Israel, September
- International Accounting Standards Board, Ongoing

Delivered Services

The IAASB CAG met in Basel, Switzerland in March and in Toronto, Canada in September.

The IAESB CAG met in San Diego, United States in February and in London, United Kingdom in September.

The IESBA CAG met in Basel, Switzerland in March; Toronto, Canada in September; and London, United Kingdom in November.

Delivered Services

The Chief Executive Officer met with the Chair of the INTOSAI Professional Standards Committee in Copenhagen, Denmark in June.

IAASB staff participated in one meeting of the INTOSAI Professional Standards Committee and two meetings of the INTOSAI Financial Audit Guidelines Subcommittee. The main focus of these meetings was the development of Financial Audit Guidelines, consisting of a Practice Note for application to the public sector and an approved ISA.

Planned Services

- Liaison with the Institute of Internal Auditors (IIA)

- Liaison with the United Nations Conference on Trade and Development (UNCTAD)

- Liaison with the International Accounting Standards Committee Foundation / XBRL⁶

- Liaison with the XBRL Assurance Working Group
- Liaison with the Sustainability Assurance Expert Panel

3.2 In addition, the IPSASB liaised with the International Monetary Fund (IMF). IPSASB and IMF representatives met in Washington D.C., United States in March. The Chief Executive Officer presented to the IMF Fiscal Affairs Division in Washington D.C., United States in May. IMF representatives observed all IPSASB meetings and participated in two subcommittees of the IPSASB.

3.3 Collaboration activities with member bodies:

The IAESB jointly hosted an *Accounting Education Seminar* with the Instituto de Censores Jurados de Cuentas de España at the University of Alcalá in Madrid, Spain in September. This was not a planned service.

Delivered Services

INTOSAI has nominated a public member to the IAASB, and INTOSAI representatives observed all the IAASB meetings and participated in four IAASB task forces.

INTOSAI participated as a member of the IAASB CAG. It is also an official observer of the IPSASB and attended all IPSASB meetings in this capacity and has nominated a public member to the IPSASB.

Projects of the IAASB and Professional Accountants in Business (PAIB) Committee of interest to the IIA were discussed during a meeting in January and telephone conferences in October and November.

The IIA participated as a member of the IAASB CAG.

UNCTAD has representatives on the IAESB (public member) and the DNC (observer), who act as liaison between the two organizations.

UNCTAD participated as a member of the IAASB CAG.

IPSASB representatives provided a training session on IPSAS to UNCTAD staff in Geneva, Switzerland in November.

IPSASB representatives participated in a quarterly review meeting in London, United Kingdom in January.

There were no liaison activities during 2008.*

No meeting took place in 2008. However, members of the panel were actively involved in the roundtables on *Assurance on Emissions Information* (see Auditing and Assurance Pronouncements).*

3.4 Collaboration activities of the Professional Accountants in Business (PAIB) Committee:

Planned Services

- Issuance of the *Articles of Merit* publication, recognizing articles of distinction published in member body journals
- Joint seminar with Chartered Institute of Management Accountants (CIMA) and the South African Institute of Chartered Accountants (SAICA)

Delivered Services

The PAIB Committee issued the *Articles of Merit Award 2008* in December.

The joint seminar was held in Johannesburg, South Africa in April.

3.5 Collaboration activities of the Small and Medium Practices (SMP) Committee:

Planned Services

- Annual SMP Forum

Delivered Services

The SMP Committee held its annual SMP Forum in Abuja, Nigeria in October.

Section 4 Representation of the Accountancy Profession in the Public Interest

Description

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 developing reports that address the role of IFAC and the accountancy profession.

1. Regulatory and Public Policy Activities

1.1 Participation in regulatory and public policy activities:

Planned Services

- Participation by IFAC representatives, including the Officers,⁷ Chairs of the Public Interest Activity Committees and senior staff, at the four Public Interest Oversight Board (PIOB) meetings
- Participation by the Officers in conferences, seminars, roundtable discussions, and meetings on public interest issues

Delivered Services

IFAC representatives participated in the March, July, September, and December meetings of the PIOB.

The PIOB considered and approved the due process applied to 25 standards as indicated under the Standards and Guidance services delivered.

The Officers participated in the following conferences, seminars, roundtable discussions, and meetings:

- Global Public Policy Symposium IV, New York, United States, January
- 2008 Management Summit for Partners in Accounting Firms, Las Vegas, United States, January
- St. Andres University, Buenos Aires, Argentina, March
- International Organization of Securities Commissions' Emerging Markets Committee Session, Paris, France, May
- Meeting of the Global Public Policy Committee, Washington D.C., United States, May

7. The term "Officers" refers to the President, Deputy President and Chief Executive Officer.

Planned Services

- Participation by the Officers in conferences, seminars, roundtable discussions, and meetings of member bodies and regional organizations

Delivered Services

- 5th Islamic Financial Services Board Summit, *Financial Globalisation and Islamic Financial Services*, Amman, Jordan, May
- Kreston International Association Conference (association of independent audit firms), Las Vegas, United States, June
- Deloitte Regulatory Contact Partners Meeting, New York, United States, July
- 12th World Congress of Accounting Historians, Istanbul, Turkey, July
- Meeting with representatives of the Global Public Policy Committee, New York, United States, July
- National Association of State Boards of Accountancy, *Convergence of International Regulation of the Accounting Profession*, Boston, United States, October
- Fédération des Experts-Comptables Méditerranéens (FCM) Conference, *Integration and Development in the Mediterranean Region: The Role of the Accountancy Profession*, Paris, France, November
- Mazars Global Partners Meeting, Madrid, Spain, December

The Officers participated in the following conferences, seminars, roundtable discussions, and meetings of member bodies and regional organizations:

- American Institute of Certified Public Accountants, *International Issues Conference*, Washington D.C., United States, January
- Regional Chief Executives' Meeting, Prague, Czech Republic, April
- IFAC BRIC Forum, New York, United States, May
- IFAC President's Roundtable with Presidents and Chief Executives of Middle East and North African Member Bodies, Tunis, Tunisia, May
- Forum for Strengthening the Accountancy Profession, Tunis, Tunisia, May
- Meeting with Conseil Supérieur de l'Ordre des Experts-Comptables and Compagnie Nationale des Commissaires aux Comptes, Paris, France, May
- Institute of Chartered Accountants of the Caribbean Conference, Port of Spain, Trinidad and Tobago, June
- 2008 Conference on *Accounting and Accountability for Regional Economic Growth* in Latin America and the Caribbean (CReCER Conference), San Salvador, El Salvador, June
- Chamber of Auditors of the Czech Republic Conference, *New Challenges for the Auditing Profession*, June (video message)
- Kyrgyzstan International Conference, *Role of Accounting and Auditing Professional Bodies in the Kyrgyz Republic*, Bishkek, Kyrgyz Republic, July
- Meeting with The Institute of Certified Public Accountants in Ireland and The Institute of Chartered Accountants in Ireland, Dublin, Ireland, July

Planned Services

- Attendance by the Chief Executive Officer at the three International Accounting Standards Board Standards Advisory Council (SAC) meetings
- Meetings of the IFAC Regulatory Liaison Group (IRLG) and the Monitoring Group (MG) of regulators. These groups meet twice a year.

1.2 Regulatory and other relationships:

Planned Services

- Develop and maintain relationships with key regulatory organizations, development agencies, and financial institutions

Delivered Services

- BRIC meeting held during the Brazilian Congress of Accounting, Gramado, Brazil, August
- New Zealand Institute of Chartered Accountants Centenary Conference, *Looking Forward: Thought Leadership through Business*, Auckland, New Zealand, August
- 17th Congress of the Romanian Accountancy Profession, Bucharest, Romania, September
- Argentina Congress, Córdoba City, Argentina, September
- Malaysian Institute of Accountants Conference, *Accountants in a Borderless Society*, Kuala Lumpur, Malaysia, September
- Meeting with representatives from the Confederation of Asia Pacific Accountants and Asian Federation of Accountants, Kuala Lumpur, Malaysia, September
- Institute of Chartered Accountants of Nigeria Conference, Abuja, Nigeria, October
- CGA Canada Centenary and Board Meeting, Montreal, Canada, October
- Meeting with the Japanese Institute of Certified Public Accountants, Tokyo, Japan, October
- American Institute of Certified Public Accountants' Council Meeting, October (video conference)

The Chief Executive Officer attended the SAC meetings held in February and June in London, United Kingdom

The IRLG met with the MG in Madrid, Spain in July

Delivered Services

During 2008, IFAC continued its relationships with the following international and regional organizations:

- African Development Bank
- Asian Development Bank
- European Commission
- Financial Stability Forum
- Inter-American Development Bank
- International Accounting Standards Board
- International Accounting Standards Committee (IASC) Foundation
- International Forum of Independent Audit Regulators
- International Monetary Fund
- International Organization of Securities Commissions
- International Organization of Supreme Audit Institutions

Planned Services

Delivered Services

- Organisation for Economic Co-operation and Development
- United Nations
- United Nations Conference on Trade and Development (UNCTAD)
- World Bank
- World Federation of Exchanges

2. Public Policy Positions and External Submissions

2.1 Development of public policy positions and information papers:

Planned Services

- Policy position on industry concentration of professional accounting firms
- Policy position on General Agreement on Trade Services
- Information paper on IFAC's approach to operating in the public interest

Delivered Services

This subject will be incorporated into a future project.*

This project was cancelled in lieu of the policy issues noted below.*

The Board approved the Policy Position, *Standard Setting in the Public Interest*, in November.

2.2 In addition, the Board approved a Policy Position, *IFAC's Support for a Single Set of Auditing Standards: Implications for Audits of Small- and Medium-Sized Entities*, in September.

2.3 Submissions to external organizations:

Planned Services

- Provide timely and high-quality submissions to external parties who seek input into issues that affect the international accountancy profession

Delivered Services

IFAC made submissions to the following organizations during 2008:

- The Institute of Internal Auditors (IIA) on *Proposed International Standards for the Professional Practice of Internal Auditing* in March
- 25th session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of UNCTAD on *Practical Challenges and Related Considerations in Implementing International Standards on Auditing* in August
- The IASC Foundation on the *Review of the Constitution: Public Accountability and the Composition of the IASB—Proposals for Change* in September

Planned Services

Delivered Services

3.2 International Auditing and Assurance Standards Board (IAASB):

Planned Services

- Meetings with regulators (including the European Commission and the International Organization of Securities Commissions)

- Participation in meetings of the Public Company Accounting Oversight Board (PCAOB) Standing Advisory Group (SAG)

- Participation at various other international, regional, and national forums

Delivered Services

IAASB representatives met with representatives of the following organizations:

- Canadian Public Accountability Board, Toronto, Canada, March
- EU Parliament, Brussels, Belgium, September (formal presentation)
- European Commission, Brussels, Belgium, October (and telephone conference in December)

IAASB representatives participated in PCAOB SAG meetings held in Washington D.C., United States in February and October

IAASB representatives participated in events of the following organizations:

- Global Public Policy Committee meeting, New York, United States, January
- Technical Advisory Group of Global Reporting Initiative, Amsterdam, The Netherlands, January, July, and November
- Financial Stability Institute, *Seminar for Banking Supervisors*, Basel, Switzerland, February and Gaborone, Botswana, May
- Institute of Chartered Accountants in Australia, Audit Conference, Brisbane and Sydney, Australia, April
- International Forum of Independent Audit Regulators, dinner presentation, Oslo, Norway, April
- European Court of Auditors, Brussels, Belgium, April
- International Valuation Standards Committee, New York, United States, May
- 3rd European Forum of Accountants and Auditors, Kiev, Ukraine, May
- Malaysian Institute of Accountants Conference, *Accountants in a Borderless Society*, Kuala Lumpur, Malaysia, September
- Eastern Central and Southern African Federation of Accountants' Standard-Setters Workshop, Dar es Salaam, Tanzania, September
- Lehigh University Annual Accounting Conference, Pennsylvania, United States, September
- Technical Working Group of the Climate Disclosure Standards Board, September and November

Planned Services

Delivered Services

- The AC Group of Independent Audit Firms, Prince Edward Island, Canada, October
- AA1000 Assurance Standard, 2008 Global Launch, London, United Kingdom, October
- Foundation for Accounting Education, New York, United States, October
- 25th session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of UNCTAD, Geneva, Switzerland, November
- National Chamber of Statutory Auditors of Poland, 9th Annual Auditing Conference, Jachranka, Poland, November

3.3 International Accounting Education Standards Board (IAESB):

Planned Services

- Hold a public consultative forum to discuss development of benchmarking methodology and review of International Education Standards
- Meetings with regulators, development agencies, and regional groups
- Participation in various academic conferences (including conferences of the American Accounting Association and European Accounting Association)
- Participation at various other international, regional, and national forums (including meetings with Regional Accountancy Organizations)

Delivered Services

Feedback on the revised *Framework for International Education Standards* was received at the following events:

- Plenary session at the 14th Annual Mid-Year Conference of the American Accounting Association, San Diego, United States, February
- Workshop at the 25th session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting of UNCTAD, Geneva, Switzerland, November

No meetings took place in 2008.*

IAESB representatives participated in events of the following organizations:

- British Accounting Association—Special Interest Group, Annual Conference, Seville, Spain, May
- Canadian Academic Accounting Association, 2008 Annual Conference, Winnipeg, Canada, May
- American Accounting Association, 2008 Annual Conference, *International Accounting Education Standards—the IFRS of the Academic World*, Anaheim, United States, August

IAESB representatives participated in events of the following organizations:

- Accounting Programs Leadership Group, 2008 Annual Seminar, *International Accounting Education Standards: On the Horizon*, Charleston, United States, February
- Confederation of Asian and Pacific Accountants—Institute of Chartered Accountants of Nepal Conference, *International Education Standards in Support of IFRS*, Kathmandu, Nepal, May
- European Federation of Accountants and Auditors for Small and Medium Enterprises, Annual General Meeting, Copenhagen, Denmark, May

Planned Services

Delivered Services

- 2008 Conference on Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean (CRcER Conference), *International Education Standards for Professional Accountants*, San Salvador, El Salvador, June
- Fourth Meeting of Young Professionals on Economic Sciences, Buenos Aires, Argentina, July

3.4 International Ethics Standards Board for Accountants (IESBA):

Planned Services

- Meetings with regulators, development agencies, and regional groups
- Participation at various other international, regional, and national forums

Delivered Services

IESBA representatives participated in an event of the following organization:

- International Organization of Securities Commissions Standing Committee I, Berlin, Germany, June

IESBA representatives participated in events of the following organizations:

- American Institute of Certified Public Accountants, *International Issues Conference*, Washington D.C., United States, January
- IFAC BRIC Forum, New York, United States, May
- Institute of Chartered Accountants of Scotland meeting, Edinburgh, Scotland, May
- Forum of Firms meeting, New York, United States, October
- Fédération des Experts Comptables Européens Symposium, Brussels, Belgium, December

3.5 International Public Sector Accounting Standards Board (IPSASB):

Planned Services

- Participation at various international, regional, and national forums

Delivered Services

IPSASB representatives participated in the following events:

- Fédération des Experts Comptables Européens, 2008 Conseil Supérieur de l'Ordre des Experts Comptables, Brussels, Belgium, January
- Meeting with the Conseil Supérieur de l'Ordre des Experts Comptables, Paris, France, January
- Monthly Seminar, *Financial Reporting for the Public Sector*, Seifukai (CPA voluntary organization in Japan), Tokyo, Japan, January
- Meeting with KPMG Global Leader Public Sector Services, Toronto, Canada, January
- Meeting with the Ministry of Finance, Tokyo, Japan, February
- Meeting with Officers of the Board of Audit, Tokyo, Japan, February
- East and Southern Africa Association of Auditors General, *Introduction to IPSASB*, Durban, South Africa, February

Planned Services

Delivered Services

- Ernst & Young Public Sector Forum, Melbourne, Australia, February
- Deloitte & Touche, *IPSASB Update*, Zürich, Switzerland, February
- Organization for Economic Co-operation and Development, Annual Accrual Accounting and Budgeting Symposium, Paris, France, March
- Meetings with World Bank Regional Managers, Washington D.C., United States, March
- Swiss State Banks Governance Seminar, Geneva, Switzerland, March
- World Health Organization Seminar on IPSAS, Geneva, Switzerland, March and April
- KPMG, *IPSASB Update*, Washington D.C., United States, April
- Public Sector Master Class for Government Auditors, *IPSASB Update*, The Hague, The Netherlands, April
- Accounting Standards Advisory Board for Independent Administrative Agencies, *IPSASB & Accounting for Impairment in IPSAS*, Tokyo, Japan, April
- Institute of Administration & Association of Chartered Certified Accountants, Seminar for Public Service Accountants on National and International Perspectives, Dublin, Ireland, May
- Chartered Accountants of Latin Countries, International Meeting of Public Accounting, Lisbon, Portugal, May
- Czech Supreme Audit Office, *Presentation and Measurement of National Government's Assets with Special Attention to IPSAS*, Prague, Czech Republic, May
- Free University, Postgraduate Public Controlling, *Introduction to IPSAS*, Amsterdam, The Netherlands, May
- International Consortium on Governmental Financial Management, *Citizen Centric Reporting*, Miami, United States, May
- Institute of Certified Public Accountants of Kenya Conference, *Public Sector Accounting Standards*, Mombasa, Kenya, May
- Forum for Strengthening the Accountancy Profession, Tunis, Tunisia, May
- World Accounting Summit, Dubai, United Arab Emirates, May
- Royal NIVRA, *IPSAS Workshop for Government Auditors*, The Hague, The Netherlands, May
- The European Local and Regional Government Finance Conference, Rome, Italy, May
- Presentation on IPSAS for Ministers and Parliament, Aruba, Curaçao, May
- IPSAS Course to Auditors, hosted by the European Commission, Brussels, Belgium, May

Planned Services

Delivered Services

- Accounting School of Chuo University, *IPSAS and Financial Reporting for Public Sector in Foreign Countries*, Tokyo, Japan, June
- Swiss Institute of Certified Accountants and Tax Consultants, Chamber Seminar, *IPSASB Overview*, Zürich, Switzerland, June
- Internal Revenue Service, *IPSASB Overview*, Apeldoorn, The Netherlands, June
- The Japanese Institute of Certified Public Accountants Annual Conference, *IPSASB Update*, Nagoya, Japan, June
- Ministry of Education, *IPSASB Overview*, The Hague, The Netherlands, July
- Ministry of Finance Roundtable, *Service Concession Arrangements*, The Hague, The Netherlands, July
- Konferensi Sektor Publik, *Accrual Accounting/IPSAS in Public Sector Reform*, Jakarta, Indonesia, July
- AusAID Rehabilitation Assistance Facility Iraq (RAFI), Governance and Management Development Program, *Role of IPSAS/IPSASB*, Melbourne, Australia, July
- Meetings with the Minister of Finance, Auditor General, and Secretary to the Treasury, Wellington, New Zealand, July
- Association of Government Accountants, International Roundtable, Atlanta, United States, July
- Meeting with the Deputy Minister of Finance of the Republic of Tajikistan, Dushanbe, Tajikistan, August
- Joint Seminar hosted by the University of Sizuoka and an academic society in South Korea, *Public Sector Accounting*, Shizuoka, Japan, August
- 29th Annual Federal, Provincial, Territorial Comptroller's Conference, *IPSASB Update*, Quebec City, Canada, August
- Meeting with the State Secretariat for Economic Affairs, Bern, Switzerland, August
- Meeting with the Government Accounting Standards Board and the Financial Accounting Standards Board, Washington D.C., United States, August
- 1st Conference on Consolidation, Siena, Italy, August
- International Accounting Standards Board Roundtable, *Publish What You Pay*, London, United Kingdom, September
- Workshop of the Fédération des Experts Comptables Européens' Public Sector Committee and the Comparative International Government Accounting Research Network, Tilburg, The Netherlands, September
- Pan American Health Organization, *IPSASB Update*, Washington D.C., United States, September
- Canadian Institute of Chartered Accountants, 3rd Annual Public Sector Financial Reporting Conference, *IPSASB Overview*, Toronto, Canada, September
- The Netherlands Court of Audit, *IPSASB Overview*, The Hague, The Netherlands, September
- Institute of Municipal Finance Officers Conference, *IPSASB Update*, Cape Town, South Africa, September

Planned Services

- Participation in World Bank Conference focused on public sector issues

- Liaison with various multilateral development organizations (including the World Bank, the United Nations, and the Asian Development Bank)

Delivered Services

- Swiss Secretariat for Economic Affairs, Swiss Consulate, *IPSASB Update*, Dushanbe, Tajikistan, September
- Ministries of Internal Affairs and Finance, *IPSASB Update*, Tokyo, Japan, September
- Accrual Accounting Conference of the European Commission and the Fédération des Experts Comptables Européens, Brussels, Belgium, October
- Annual Colloquium on Financial Management for National Governments hosted by the Treasury Board of Canada and the United States Treasury, Philadelphia, United States, October
- Organization for Economic Co-operation and Development 6th Workshop, *Pensions in International Organizations*, Paris, France, October
- Keio University, *IPSAS and Public Sector Accounting*, Tokyo, Japan, October
- Meeting with the Kenya National Audit Office and Institute of Certified Public Accountants of Kenya, Nairobi, Kenya, October
- Accounting Standards Board, *IPSAS Update*, Pretoria, South Africa, October
- Government Accounting Master Class, National Institute of Accountants, *IPSASB Update*, Melbourne and Canberra, Australia, October
- Swedish National Financial Management Authority, 10th Anniversary, Stockholm, Sweden, October
- The IPSAS and the International Organizations Based in the Mediterranean Region, Bari, Italy, October
- 2nd Annual Forum of Management and Public Accounting, Belo Horizonte Brazil, October
- INFONEX Public Sector Accounting and Reporting Conference, *IPSASB Update*, Ottawa, Canada, October
- UNCTAD, *IPSASB Overview*, Geneva, Switzerland, November
- University of Paris Sorbonne, IPSAS Workshops for Masters Students, Paris, France, October through December

IPSASB representatives participated in the following World Bank events:

- Caribbean Conference Public Finance Management, Castries, St. Lucia, April
- 2008 Conference on Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean (CRECER Conference), San Salvador, El Salvador, June

IPSASB representatives participated in the following events:

- World Bank Fiduciary Forum, Washington D.C., United States, March
- PEMPAL Workshop of Senior Treasury Officials, Istanbul, Turkey, February

Planned Services

- Adding features to IFACnet to improve the ease of use of the site and to provide users a means through which to stay current on issues affecting the profession
- Translation of the IFAC Update and updates to core sections of the IFAC website into Arabic, Chinese, French, Russian, and Spanish
- Continued maintenance of the Leadership and Membership Intranets to ensure the efficient and timely delivery of relevant information to member bodies, boards, and committees

2. Media Relations

2.1 Media inquiries and briefings, and press releases:

Planned Services

- Generate and respond to media inquiries on matters relating to the international accountancy profession
- Schedule media briefings and seminars as news warrants and provide background information to media

Delivered Services

- International Association for Accounting Education and Research
- Public Interest Oversight Board

Invitations to participate in IFACnet were sent to the following organizations and are pending completion of the technical questionnaire and Memorandum of Understanding:

- Center for Audit Quality
- Instituto de Censores Jurados de Cuentas de España
- National Institute of Accountants

New features to www.ifacnet.com include:

- A *Latest News* page that contains links to a variety of recent news articles on business, management, and accounting media and other websites
- A *Share Results* button through which users can send their colleagues links to resources in IFACnet
- A *What's New* section to inform visitors of new IFACnet features and content
- A ranking system where users can provide feedback on the resources they find through IFACnet
- The ability for users to add IFACnet to their Internet browser

In addition, the layout of the search results page has been restructured to provide an easy-to-read format.*

Monthly

Monthly. A new section for the IFAC Regulatory Liaison Group was created and communications information on the intranet was updated.*

Delivered Services

Responded to more than 60 media inquiries in 2008

Provided support to the Malaysian Institute of Accountants in organizing a press conference during the IFAC Board meeting in Kuala Lumpur, Malaysia in September*

Planned Services

- Issue press releases on IFAC initiatives and positions, including development of new standards and guidance, outreach to developing nations, compliance program results, and other events and developments
- Writing of letters to the editor

Delivered Services

- IFAC issued 54 press releases on various activities.
- Provided support to the Chief Executive Officer and IAASB Chair for the submission of letters to the editor

- 2.2 In addition, Communications staff researched and prepared 38 speeches presented by the Officers on topics that included, but are not limited to, convergence, public sector accounting, regulation of the profession, the role of the professional accountant in business, and small and medium practices and entities.

3. Communications Materials

- 3.1 The following IFAC Communications materials were issued:

Planned Services

- IFAC Newsletter (available in print as well as electronic)
- Various IFAC eNews
- Global Digest
- IFAC Update
- President’s Board Briefings
- IFAC Capabilities Brochure
- Updated IFAC Fact Sheets
- Updated IFAC Graphic Standards Manual
- Updates to IFAC Member Body Manual (available in print as well as electronic)

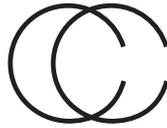
Delivered Services

- Three issues of the newsletter were published: March, June, November.
- 19 eNews electronic updates were issued, including a general IFAC eNews, three IAASB eNews, one IAESB eNews, two IESBA eNews, five IPSASB eNews, three PAIB eNews, and four SMP eNews
- The Global Digest was issued on a monthly basis.
- The IFAC Update was issued on a monthly basis.
- Issued in April and August
- The brochure was not developed during 2008.*
- Updated in January, March, and December
- Counsel on use of the IFAC logo was provided to member bodies on an ad hoc basis.
- Updated in January

- 3.2 In addition, communications initiatives in relation to the global financial crisis were undertaken. They include:

- Establishing a web page that highlights IFAC initiatives and those of its member bodies and key stakeholders
- Including questions relating to the crisis in the Global Leadership Survey in order to identify member body initiatives and help determine IFAC messages
- Issuing a press release, highlighting among other things the impact of the crisis on the global profession
- Promoting related IAASB initiatives, most notably the Staff Audit Practice Alert
- Dedicating the December Global Digest to the crisis
- Responding to media questions on the topic

IFAC also developed a World Congress of Accountants 2010 Graphics Standards Manual in July, and issued a mid-year report to members of the Forum of Firms in August and a report to the Monitoring Group of Regulators in August. It also developed a video that communicates the mission of IFAC and its values of integrity, transparency, and expertise.



Citricooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ASSURANCE REPORT ON SERVICE DELIVERY

To the Board of the International Federation of Accountants

REPORT ON SERVICE DELIVERY

We have performed certain assurance procedures on the accompanying description of services delivered by the International Federation of Accountants (“IFAC”), as described on pages 20 to 45 for the year ended December 31, 2008 (“Service Delivery”). The Service Delivery is a list of specific services delivered by IFAC during 2008. The objective of the assurance procedures was to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2008 in accordance with the criteria described on page 20. The services are categorized into five service areas and have been described from a quantitative and qualitative perspective. Our procedures were not designed to assess the services delivered from a qualitative perspective, therefore, comments or discussions in these terms was not considered in our work.

Managements’ Responsibility for the Service Delivery

Management is responsible for the preparation of the Service Delivery. This responsibility includes: designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the Service Delivery that is free from material misstatement.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Service Delivery based on our assurance procedures. We conducted our assurance procedures in accordance with International Standards on Assurance Engagements. Those standards require that we comply with ethical requirements and plan and perform the assurance procedures to obtain reasonable assurance whether the Service Delivery is free from material misstatement, whether due to fraud or error.

The assurance procedures involve performing procedures to obtain evidence to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2008. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Service Delivery, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the Service Delivery in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls.

Our procedures performed included, but were not limited to:

- 1) Examination of pronouncements, exposure documents, guidance, and consultation papers issued and/or approved during 2008.
- 2) Examination of board, committee, and group minutes approving pronouncements, exposure documents, guidance, and consultation papers issued during 2008.
- 3) Confirmations from certain outside organizations, IFAC board and committee members, and other IFAC representatives.
- 4) Examination of expense reports and underlying supporting documents.
- 5) Interviews with board and committee members, IFAC employees, consultants, and representatives.
- 6) Examination of IFAC website content.
- 7) Examination of website content of third party organizations.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Service Delivery presents fairly, in all material respects, the services delivered by IFAC during 2008 in accordance with the criteria described on page 20.

Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

March 2, 2009

IFAC 2008 FINANCIAL HIGHLIGHTS

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 sound stewardship of the resources provided by member organizations, the transnational accountancy firms and other funding providers, and the operation of a clear decision-making and accountability framework.

Growing global operating costs, combined with continued growth in activity, present challenges to how IFAC manages its financial resources. The current financial and economic crisis will no doubt exacerbate these challenges.

Below are the financial highlights for 2008. For further information on IFAC's financial performance, financial position, and cash flows for 2008, please refer to the financial statements provided on pages 49 to 66.

Continued Growth

- Total revenues and expenses continued to rise in 2008. Total revenues increased by 9 percent to \$18.5 million, and total expenses by 9 percent to \$18.4 million. These increases reflect the continued growth in activity, which is detailed in the Service Delivery section of this report.
- It is pleasing to note that, despite the increased cost of many of the inputs to our activity, IFAC managed to achieve a small surplus for the year of \$81,320.

Financial Position

- IFAC's financial position as at December 31, 2008 reflects a slight increase in total assets and total liabilities from the prior year. This increase is primarily attributable to higher cash and cash equivalents and dues receivable, and slightly higher current liabilities.
- The current environment had a material effect on the defined benefit plan. As at December 31, 2008, and based on a revised discount rate of 6.15%, the funded status of the plan was negative \$982,762. This resulted in an unrecognized net actuarial loss of \$674,811. This change in circumstances will affect the 2009 financial statements when a portion of the unrecognized net actuarial loss will be recognized over the average remaining service lives of the related employees in accordance with International Accounting Standard 19, *Employee Benefits*, and the stated accounting policy.
- The equity position remained relatively unchanged as at December 31, 2008, and provides coverage for approximately one month of activity. Management and the Board recognize that fiscal responsibility requires the organization to maintain an adequate equity position, and to ensure that both short-term unrestricted reserves and long-term reserves are appropriate for the size and nature of the organization. The *Strategic Plan for 2009-2012*, therefore, provides for the build-up of the short-term unrestricted reserves, as at year end, to a target of two months of budgeted operating expense.

Cash Flow

- The statement of cash flows reports a significant increase in IFAC's cash position. The payment by the Forum of Firms in December of its full receivable has meant that IFAC is in a relatively strong liquidity position.

Public Interest Oversight Board

- IFAC continued to provide financial support to the Public Interest Oversight Board (PIOB). The financial support for 2008 amounted to \$1.8 million, after the PIOB refunded approximately of \$140,000 of the 2008 guaranteed funding.

Auditor

- IFAC received an unqualified auditor's opinion from Citrin Cooperman & Company, LLP, which is provided on page 67.

FINANCIAL STATEMENTS

INTERNATIONAL FEDERATION OF ACCOUNTANTS

Statement of Financial Performance

For the year ended December 31, 2008

Amounts in US Dollars

	Note	2008	2007
Operating revenue			
Membership dues, net		\$10,160,386	\$9,443,130
Forum of Firms — IFAC activities	20	6,663,699	5,826,697
External funding for the IPSASB	2, 14	744,375	820,217
Forum of Firms — Transnational Auditors Committee	20	410,968	386,698
Publications		232,697	254,863
External funding for the Developing Nations Committee	2	225,000	40,000
Interest income		61,145	169,792
External funding for the Public Interest Oversight Board	2, 4	—	90,000
Other operating revenue		58,725	13,366
Total operating revenue		\$18,556,995	\$17,044,763
Operating expenses			
Employee costs	5, 15	\$9,826,370	\$9,486,301
Travel and meeting costs		3,524,659	3,301,216
Funding provided to the Public Interest Oversight Board	3, 4	1,778,191	1,562,243
Occupancy		654,634	591,570
Printing and distribution		380,765	373,517
Depreciation and amortization	9, 10	364,264	287,412
Recruitment and relocation costs		316,128	113,520
Communications and publicity		305,907	357,065
IT support		190,080	126,933
Telephone		165,193	151,957
Auditor remuneration			
Audit of financial statements and assurance of service delivery information		149,388	44,784
Tax and other services		6,615	13,425
Bad debt expense		79,968	39,456
Legal and other professional fees		106,317	93,929
Loss on disposal of property and equipment		313	2,167
Other operating expenses		626,883	470,157
Total operating expenses	3	\$18,475,675	\$17,015,652
Surplus for the year		\$81,320	\$29,111

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

FINANCIAL STATEMENTS

INTERNATIONAL FEDERATION OF ACCOUNTANTS

Statement of Changes in Equity

For the year ended December 31, 2008

Amounts in US Dollars

	2008	2007
Equity at beginning of year	\$2,173,604	\$2,144,493
Surplus for the year	81,320	29,111
Equity at end of year	\$2,254,924	\$2,173,604

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

INTERNATIONAL FEDERATION OF ACCOUNTANTS

Statement of Financial Position

As at December 31, 2008

Amounts in US Dollars

	Note	2008	2007
Current assets			
Cash and cash equivalents	6	\$2,178,078	\$787,790
Dues receivable, net	7	354,962	140,277
Receivable from the Forum of Firms	8	87,441	1,569,855
Other receivables		467,746	352,624
Other current assets		315,692	241,392
Total current assets		\$3,403,919	\$3,091,938
Non-current assets			
Property and equipment, net	9	\$605,842	\$731,427
Intangible assets, net	10	239,601	318,292
Non-current receivables	13, 19	209,674	218,655
Total non-current assets		\$1,055,117	\$1,268,374
TOTAL ASSETS		\$4,459,036	\$4,360,312
Current liabilities			
Accounts payable and accrued expenses		\$1,105,361	\$991,148
Employee entitlements	11	713,519	647,853
Revenue received in advance	12	64,373	221,921
Total current liabilities		\$1,883,253	\$1,860,922
Non-current liabilities			
Accrued pension costs	5, 15	\$172,913	\$157,921
Deferred rent		147,946	167,865
Total non-current liabilities		\$320,859	\$325,786
TOTAL LIABILITIES		\$2,204,112	\$2,186,708
Equity			
IFAC members		\$2,254,924	\$2,173,604
Total equity		\$2,254,924	\$2,173,604
TOTAL LIABILITIES AND EQUITY		\$4,459,036	\$4,360,312



Fermín del Valle — President (Nov. 2006 to Nov. 2008)



Ian Ball — Chief Executive Officer



Robert Bunting — President (Nov. 2008 to Present)

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

FINANCIAL STATEMENTS

INTERNATIONAL FEDERATION OF ACCOUNTANTS

Statement of Cash Flows

For the year ended December 31, 2008

Amounts in US Dollars

	Note	2008	2007
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Membership dues		\$9,743,040	\$9,594,130
Forum of Firms		8,557,081	5,192,369
External funding for the IPSASB		733,090	718,186
Publications		232,697	254,863
External funding for the Developing Nations Committee		225,000	60,000
World Congress of Accountants Revenue		–	221,150
Interest received		61,145	169,792
External funding for the Public Interest Oversight Board		–	130,000
		<u>\$19,552,053</u>	<u>\$16,340,490</u>
<i>Cash was applied to:</i>			
Employee costs		\$(9,745,712)	\$(9,344,615)
Other payments		(8,240,007)	(6,858,771)
		<u>\$(17,985,719)</u>	<u>\$(16,203,386)</u>
Net cash inflow from operating activities	16	\$1,566,334	\$137,104
Cash flows from investing activities			
<i>Cash was applied to:</i>			
Purchase of property and equipment		\$(161,801)	\$(285,540)
Proceeds from disposal of property and equipment		1,500	–
Purchase of intangible assets		–	(75,440)
Net cash outflow from investing activities		\$(160,301)	\$(360,980)
Cash flows from financing activities			
		–	–
Net increase/(decrease) in cash and cash equivalents		\$1,406,033	\$(223,876)
Cash and cash equivalents at beginning of year		\$787,790	\$1,011,947
Effect of exchange rate change on foreign currency balances		(15,745)	(281)
Balance of cash and cash equivalents at end of year	6	\$2,178,078	\$787,790

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

INTERNATIONAL FEDERATION OF ACCOUNTANTS

Statement of Accounting Policies

For the year ended December 31, 2008

Basis of Preparation

The International Federation of Accountants' (IFAC) financial statements have been prepared in accordance with International Public Sector Accounting Standards. Where an International Public Sector Accounting Standard does not address a particular issue, the appropriate International Financial Reporting Standard/International Accounting Standard has been applied.

The preparation of financial statements in conformity with generally accepted accounting practices requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The financial statements are presented in United States dollars.

Measurement Base

The accounting principles recognized as appropriate for the measurement and reporting of the financial performance, cash flows, and financial position on an accrual basis using historical cost are followed in the preparation of the financial statements.

Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and the financial position are applied:

(i) Revenue Recognition

Membership dues revenue

IFAC recognizes membership dues on a calendar year basis. Dues are payable by the member body on receipt of an invoice in January for that year. Membership dues revenue is reported net of any approved discounts.

Forum of Firms revenue

Revenue from the Forum of Firms is provided as an annual financial contribution to IFAC for an agreed amount and for the full contribution for the Transnational Auditors Committee activity, and is recognized as revenue when it is receivable.

External funding

Revenue from funding grants is recognized when earned or received (subject to restrictions imposed by the grantor).

Publications revenue

Revenue for printed publications is recognized when the publications are shipped.

Donated services

The work of IFAC is dependent on the voluntary services of many individuals. Donated services are not recognized in these financial statements due to difficulties in determining reliable estimates.

(ii) Accounts Receivable

Accounts receivable are recorded at their estimated realizable value after providing for doubtful and uncollectible debts.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

FINANCIAL STATEMENTS

(iii) Employee Entitlements

Employee entitlements to salaries, wages, annual vacation, pension costs, and other benefits are recognized when they are earned. Annual vacation and other leave has been calculated on an actual entitlement basis at current rates of pay.

The defined benefit pension plan liability is the present value of the defined benefit obligation at the balance date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of United States high-quality corporate bonds, which have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses from experience adjustments, changes in actuarial assumptions and amendments to pension plans are recognized in the statement of financial performance over the average remaining service lives of the related employees.

IFAC contributes to an employee defined contribution retirement benefit plan. Payments to the defined contribution retirement benefit plan are recognized as expenses as they become due.

(iv) Property and Equipment

Property and equipment

Property and equipment are recorded at cost and are depreciated (as outlined below) at rates estimated to recognize the consumption of economic benefits of the property and equipment over their useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus/(deficit). Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis to recognize the consumption of economic benefits of an asset over its useful life.

The estimated useful lives of property and equipment are as follows:

Office equipment	3 to 5 years
Furniture & fittings	10 years
Leasehold alterations	Shorter of the life of the lease or useful life

(v) Intangible Assets

Intangible assets

Intangible assets are recorded at cost and are amortized (as outlined below) at rates estimated to recognize the consumption of economic benefits of the intangible assets over their useful lives.

Where the carrying amount of an intangible asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus/(deficit).

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Amortization

Amortization is calculated on a straight-line basis to recognize the consumption of economic benefits of an asset over its useful life.

The estimated useful lives of intangible assets are as follows:

Software licenses & development	3 to 5 years
Intellectual property	5 to 10 years

(vi) Financial Instruments

IFAC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, certificates of deposit, accounts receivable and accounts payable.

All financial instruments are recognized in the statement of financial position at their fair values.

(vii) Statement of Cash Flows

The following are definitions of the terms used in the statement of cash flows:

- Cash and cash equivalents comprise cash on hand, current bank balances, and short-term deposits that can be converted to cash within two working days.
- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes to the size and composition of IFAC's capital structure. This includes both equity and debt not falling within the definition of cash.

(viii) Operating Lease Assets

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. Payments made under operating leases (net of any incentives received from the lessor) are recognized in the statement of financial performance on a straight-line basis over the period of the lease.

(ix) Taxation

The United States Internal Revenue Service has determined that IFAC is exempt from United States federal income tax under Section 501(c)(6) of the Internal Revenue Code. IFAC is also exempt from Swiss income taxes.

(x) Foreign Currencies

Transactions in foreign currencies are translated to United States dollars at the approximate rates of exchange prevailing at the date of the transactions. Assets and liabilities at the balance date, denominated in foreign currencies, are translated at the rates of exchange prevailing at that date. The resulting gains or losses are recognized in the statement of financial performance.

(xi) Changes in Accounting Policies

There were no changes in accounting policies in the current year.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

FINANCIAL STATEMENTS

INTERNATIONAL FEDERATION OF ACCOUNTANTS

Notes to the Financial Statements

For the year ended December 31, 2008

Amounts in US Dollars

1. **International Federation of Accountants**

The mission statement of IFAC is:

To serve the public interest, IFAC will continue to strengthen the accountancy profession worldwide 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.

IFAC is registered in Geneva, Switzerland under Articles 60 through 79 of the Swiss Civil Code. IFAC's primary base of operation is New York, United States of America.

2. **External Funding**

During 2008, IFAC received external funding of \$744,375 for the activities of the International Public Sector Accounting Standards Board (2007: \$820,217) (refer to Note 14), and of \$225,000 for the initiatives of the Developing Nations Committee (2007: \$40,000).

In the case of the Developing Nations Committee, \$150,000 was received from a member organization for the Africa Focus Group initiative; and \$50,000 from the six largest accounting networks and \$25,000 from a company in Brazil for the Conference on Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean (CReCER).

(During 2007, the funding support provided to the Public Interest Oversight Board (PIOB) by the World Bank and the United States Federal Reserve Board of \$90,000 was provided to IFAC expressly for the operation of the PIOB (refer to Note 4).)

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

3. IFAC Expenses by Activity

	2008	2007
International Auditing and Assurance Standards Board	\$3,414,973	\$3,569,808
International Public Sector Accounting Standards Board (refer to Note 14)	1,514,015	1,560,180
Communications	1,180,595	1,154,213
Compliance Program	885,202	891,364
Developing Nations Committee	845,246	456,490
International Ethics Standards Board for Accountants	636,493	502,690
Board and Council	625,679	636,357
Professional Accountants in Business Committee	498,338	486,363
International Accounting Education Standards Board	459,675	453,984
Small and Medium Practices Committee	417,706	386,221
Transnational Auditors Committee	410,968	386,698
Nominating Committee	317,863	176,210
Representation of the Accountancy Profession in the Public Interest	185,502	323,245
Translations	158,804	–
Other	39,934	–
Total IFAC activities	\$11,590,993	\$10,983,823
Funding provided to the Public Interest Oversight Board (refer to Note 4)	\$1,778,191	\$1,562,243
Total activities expenses	\$13,369,184	\$12,546,066
Total general expenses	\$5,106,491	\$4,469,586
Total operating expenses	\$18,475,675	\$17,015,652

4. Public Interest Oversight Board

The Public Interest Oversight Board (PIOB) for accountancy was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, in the form of the Monitoring Group, working with IFAC to ensure that the standards developed by IFAC's boards in the areas of auditing and assurance, education and ethics, and IFAC's Member Body Compliance Program are operated in a transparent manner that reflects the public interest.

As part of IFAC's agreement with the Monitoring Group, IFAC provides unconditional guaranteed funding for the operation of the PIOB. Initially, IFAC agreed to guarantee funding for a five-year period, starting with the establishment of the PIOB in February 2005 (first guarantee period). During 2007, IFAC agreed with the Monitoring Group to guarantee funding for a further five-year period, starting March 2010 (second guarantee period). The initial guaranteed funding was an amount up to 1.5 million United States dollars plus annual inflation and foreign exchange adjustments, unless the Monitoring Group advises IFAC that such funding is no longer necessary because of other arrangements.

From January 2007, the denomination of the IFAC guaranteed funding was converted to Euros. The amount of guaranteed funding for 2007 was determined as the Euro equivalent of 1.5 million United States dollars after adjustment for inflation and exchange rate changes since January 2004. For the remainder of the first guarantee period, and for the second guarantee period, the funding is the 2007 amount adjusted annually for the inflation rate in the

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

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Eurozone. IFAC accepts the currency risk associated with the guaranteed funding being denominated in Euros, and understands that, on this basis, the PIOB will accept the currency risk associated with any operations or expenses of the PIOB incurred in currencies other than Euros.

The guaranteed funding is delivered on a quarterly basis in advance to the PIOB Foundation, whose independent trustees allocate the funds to the PIOB. The funding for 2008 amounted to \$1,778,191 (2007: \$1,562,243).

5. Employee Costs

	2008	2007
Employee costs	\$9,523,020	\$9,243,985
Retirement benefit plans (refer to Note 15)	303,350	242,316
Total employee costs	\$9,826,370	\$9,486,301

For 2008, the retirement benefit amount of \$303,350 (2007: \$242,316) comprises the net periodic pension expense of \$158,774 (2007: \$128,813) associated with the defined benefit plan and an employer contribution of \$144,576 (2007: \$113,503) associated with the defined contribution plan.

6. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and at bank of \$2,178,078 (2007: \$787,790).

Of the cash and cash equivalents, there are restrictions on the use of \$150,878 (2007: \$36,317). For 2008, these restrictions relate to three cash reserves (2007: three cash reserves). The first reserve of \$15,000 (2007: \$14,805) is for specific use in relation to the Sempier Award, which is awarded in association with the World Congress of Accountants. The second cash reserve of \$97,193 (2007: \$14,970) represents funds committed to projects relating to the Developing Nations Committee. The third cash reserve of \$38,685 (2007: \$nil) relates to funding received from member bodies for the development of a guide on practice management for small- and medium-sized practices. As at December 31, 2008, there was no remaining cash reserve designated for the use of the International Public Sector Accounting Standards Board (2007: \$6,542).

7. Dues Receivable

	2008	2007
Dues receivable	\$395,732	\$219,625
Provision for uncollectible dues	(40,770)	(79,348)
Net dues receivable	\$354,962	\$140,277

8. Receivable from the Forum of Firms

As at December 31, 2008, \$87,441 (2007: \$1,569,855) represents the remaining amount to be received from the Forum of Firms for contributions invoiced relating to 2008.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

9. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Opening net book amount	\$126,590	\$153,246	\$188,121	\$215,767	\$416,716	\$297,404	\$731,427	\$666,417
Additions	144,983	65,294	3,997	25,756	12,821	194,490	161,801	285,540
Disposals	1,813	2,167	—	—	—	—	1,813	2,167
Impairment losses	—	—	—	—	—	—	—	—
Depreciation	106,406	89,783	68,480	53,402	110,687	75,178	285,573	218,363
Closing net book amount	\$163,354	\$126,590	\$123,638	\$188,121	\$318,850	\$416,716	\$605,842	\$731,427
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Cost	\$522,742	\$426,363	\$378,588	\$374,591	\$638,176	\$625,355	\$1,539,506	\$1,426,309
Accumulated depreciation	359,388	299,773	254,950	186,470	319,326	208,639	933,664	694,882
Net book amount	\$163,354	\$126,590	\$123,638	\$188,121	\$318,850	\$416,716	\$605,842	\$731,427

10. Intangible Assets

	Software Licenses & Development		Intellectual Property		Total	
	2008	2007	2008	2007	2008	2007
Opening net book amount	\$218,292	\$271,901	\$100,000	\$40,000	\$318,292	\$311,901
Additions	—	15,440	—	60,000	—	75,440
Disposals	—	—	—	—	—	—
Impairment losses	—	—	—	—	—	—
Amortization	58,691	69,049	20,000	—	78,691	69,049
Closing net book amount	\$159,601	\$218,292	\$80,000	\$100,000	\$239,601	\$318,292
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Cost	\$326,747	\$326,747	\$100,000	\$100,000	\$426,747	\$426,747
Accumulated amortization	167,146	108,455	20,000	—	187,146	108,455
Net book amount	\$159,601	\$218,292	\$80,000	\$100,000	\$239,601	\$318,292

IFAC has two categories of intangible assets — software licenses and development, and externally developed intellectual property.

Software licenses and development include the license to operate the database software program that supports IFAC's Member Body Compliance Program and the IFAC KnowledgeNet (refer to www.IFACnet.com), which is a specialized web search engine for professional accountants.

Externally developed intellectual property consists of the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-Sized Entities*. This Guide assists in the implementation of the International Standards on Auditing on audits performed by small- and medium-sized practices. The intention is to maintain the Guide through

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

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subsequent revisions over the coming years, particularly to reflect the changes to the International Standards on Auditing resulting from the completion of the Clarity Project of the International Auditing and Assurance Standards Board.

11. Employee Entitlements

	2008	2007
Payroll accrual	\$469,933	\$438,000
Annual vacation and other leave provision	243,586	209,853
Total employee entitlements	\$713,519	\$647,853

12. Revenue Received in Advance

Revenue received in advance at December 31, 2008 of \$64,373 (2007: \$221,921) represents membership dues received in advance of \$25,688 (2007: \$215,379) and funding received from member bodies for the development of the *Guide to Practice Management for Use by Small- and Medium-Sized Practices* of \$38,685 (2007: \$nil). The latter will be recognized as revenue as the project is developed. As at December 31, 2008, there was no external funding for the International Public Sector Accounting Standards Board paid in advance (2007: \$6,542).

13. Operating Lease Obligations

IFAC entered into a 10-year operating lease for office space at 545 Fifth Avenue in December 2002, with the lease taking effect from May 1, 2003. IFAC's security deposit for its lease for office space at 545 Fifth Avenue is in the form of outstanding letters of credit. As at December 31, 2008, the total outstanding letter of credit was \$152,238 (2007: \$152,238). This amount is included in non-current receivables in the statement of financial position. On February 1, 2007, the lease addendum for additional office and meeting space at 545 Fifth Avenue took effect. The lease term for the additional office space is set to coincide with the original lease.

As at December 31, 2008, IFAC also has an operating lease outstanding for one copier machine. There are three and one half years outstanding on this operating lease.

Operating lease payments for the year ended December 31, 2008 were \$572,567 (2007: \$562,424). Future operating lease payments of \$2,757,600 at December 31, 2008 (2007: \$3,336,048) are payable as follows:

Obligations payable after balance date on non-cancelable operating leases are as follows:

	2008	2007
Not later than one year	\$587,788	\$578,448
Later than one year and not later than five years	2,169,812	2,408,650
Later than five years	–	348,950
Total operating lease obligations	\$2,757,600	\$3,336,048

14. International Public Sector Accounting Standards Board

During 2008, the International Public Sector Accounting Standards Board (IPSASB) continued its development of International Public Sector Accounting Standards (IPSAS) with an increasing focus on the development of IPSAS not addressed by International Financial Reporting Standards/International Accounting Standards developed by the International Accounting Standards Board. Multilateral development banks have provided a substantial amount of funding for this program since its inception, on the basis that the funding be applied to the development of IPSAS. More recently, funding has also been provided by national and regional government entities. This funding is being provided as general funding or specific project funding. In addition, the Canadian Institute of Chartered Accountants continues to support the IPSASB activity in the form of funding for one professional staff member.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

The IFAC Board expects that the activities of the IPSASB in relation to the standards program will continue and that the funds provided for this purpose by the external funding agencies will be used on those activities.

For the year ended December 31, 2008, the IPSASB had received revenues from external sources and incurred expenses as follows, which are included in IFAC's financial statements:

	2008	2007
IPSASB Standards Program (external funding)	\$744,375	\$820,217
Other operating revenue	1,165	1,237
Total operating revenue	\$745,540	\$821,454
Employee costs	\$860,391	\$804,322
Travel and meeting costs	359,903	425,756
Consultants	174,490	217,792
Printing and distribution	42,708	51,808
Other operating expenses	76,523	60,502
Total direct operating expenses	\$1,514,015	\$1,560,180
Deficit for the year (funded by IFAC)	\$(768,475)	\$(738,726)

15. Retirement Benefit Plans

Defined benefit plan

IFAC participates in the employee pension plan (the plan) of the American Institute of Certified Public Accountants (AICPA). All employees of IFAC are eligible to participate at age 21. Contributions to the plan are made by IFAC. Pension benefits earned are generally based on years of service and compensation during active employment. Since 2001, separate accounting has been maintained by the AICPA on behalf of IFAC. As such, the plan is considered a multiple employer plan. All administrative costs are incurred by the AICPA. An estimate is made to reflect the change in accrued pension costs between July 31 (the plan year end) and December 31, and the pension costs incurred up to December 31.

During 2007, the AICPA made a decision to freeze the accrued benefits of the pension plan effective April 30, 2017. After that date, participants' accrued benefits will not increase and no new participants will be permitted to enter the plan. It is anticipated that this will reduce the plan's obligations over the coming years as well as reduce the annual service costs.

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The amounts recognized in the statement of financial position are determined as follows:

	2008	2007
Present value of funded obligation at July 31	\$1,784,230	\$1,772,580
Fair value of plan assets at July 31	1,393,930	1,526,032
Funded status	\$(390,300)	\$(246,548)
Unrecognized net actuarial loss	712	–
Unrecognized prior service cost	120,554	133,726
Accrued pension costs at July 31 (the plan year end)	\$269,034	\$112,822
Adjustment to reflect change in periodic pension expense to December 31	\$47,661	\$45,099
Employer contribution	(143,782)	–
Accrued pension costs	\$172,913	\$157,921

The amounts recognized in the statement of financial performance are as follows:

	2008	2007
Service cost — Benefits earned during the period	\$146,062	\$127,387
Interest cost	119,659	101,266
Expected return on plan assets	(120,119)	(104,031)
Amortization of prior service costs	13,172	4,191
Amortization of (gain)/loss	–	–
Net periodic pension expense (refer to Note 5)	\$158,774	\$128,813

The principal actuarial assumptions used were as follows:

	2008	2007
Discount rate	7.375%	6.550%
Expected long-term rate of return on plan assets	8.250%	8.250%
Weighted average rate of future compensation increases	4.000%	4.000%

Additional information:

The financial crisis and economic downturn had a material effect on the plan. At December 31, 2008, and based on a revised discount rate of 6.15%, the funded status of the plan was as follows:

	2008
Present value of funded obligation at December 31	\$2,205,272
Fair value of plan assets at December 31	1,222,510
Funded status	\$(982,762)

This resulted in an unrecognized net actuarial loss of \$674,811. This change in circumstances will affect the 2009 financial statements when a portion of the unrecognized net actuarial loss will be recognized over the average remaining service lives of the related employees in accordance with International Accounting Standard 19, *Employee Benefits*, and the stated accounting policy.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Defined contribution plan

IFAC operates a defined contribution retirement benefit plan for all full-time employees who choose to participate in the plan. IFAC provides an agreed level of contribution relative to the level of each individual employee's contribution. All participating employees vest immediately in the plan. The plan is operated independently by CitiStreet Associates LLC. For 2008, the level of IFAC contributions that have been recognized as an expense are \$144,576 (2007: \$113,503). These expenses are included within employee costs in the statement of financial performance (refer also to Note 5).

16. Reconciliation of Net Surplus with Net Cash Inflow from Operating Activities

	2008	2007
Net surplus for the period	\$81,320	\$29,111
<i>Add/(less) non-cash items:</i>		
Depreciation and amortization	364,264	287,412
Provision for doubtful accounts	79,968	18,581
Deferred rent	(19,919)	32,991
Net loss on disposal of property and equipment	313	2,167
<i>Add/(less) movements in working capital:</i>		
Dues receivable	(294,653)	(19,256)
Receivable from Forum of Firms	1,482,414	(1,021,026)
Other receivables	(115,123)	160,511
Other current assets	(74,300)	71,316
Non-current receivables	8,981	4,126
Accounts payable and accrued expenses	129,959	272,850
Employee entitlements	65,666	122,106
Revenue received in advance	(157,548)	156,635
Accrued pension costs	14,992	19,580
Net cash inflow from operating activities	\$1,566,334	\$137,104

17. Employee Disclosure

As at December 31, 2008, IFAC had 42 full-time employees (2007: 40 full-time employees) and 2 part-time employees (2007: 1 part-time employee). In addition to these employees, IFAC had 6 contracted personnel (2007: 3 contracted personnel), 2 secondees (2007: 1 secondee) and no interns (2007: 1 intern).

18. Financial Instruments

All financial instruments to which IFAC is a party are recognized in the financial statements.

Credit risk

In the normal course of business, IFAC incurs credit risk from trade accounts receivable and transactions with banking institutions. IFAC manages its exposure to credit risk by:

- holding bank balances and short-term deposits with United States-registered banking institutions; and
- maintaining credit control procedures over trade accounts receivable.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

FINANCIAL STATEMENTS

As at December 31, 2008, a total of \$2,062,551 was held with JP Morgan Chase Bank (2007: \$686,225). This represented 60 percent of the total amount of bank balances, short-term deposits, receivables and other current assets (2007: 22 percent). The maximum exposure as at December 31, 2008 is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the statement of financial position. Receivables considered uncollectible have been adequately provided for.

For the year ended December 31, 2008 one member body accounted for 12 percent of total revenue (2007: 12 percent). There were no amounts due from this member body as at December 31, 2008 (2007: \$nil).

IFAC does not require any collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realization of these instruments.

Currency risk

IFAC operates separate bank accounts in Australian dollars, Canadian dollars and Euros. IFAC incurs currency risk as a result of the conversion of foreign currency balances held in these bank accounts to United States dollars at balance date. The currency risk associated with this balance is considered minimal and therefore IFAC does not hedge its foreign currency exposure.

Foreign currency transactions are translated to United States currency at exchange rates at the date of the transactions.

Interest rate risk

The interest rate risk on funds held is managed through the use of short-term investments held until maturity. The interest rate risk associated with short-term deposits is considered minimal.

Fair values

As at December 31, 2008, the carrying amounts approximate the fair values for all financial instruments held by IFAC (2007: carrying amounts approximate the fair values).

19. Related Parties

Council

Ultimate governance of IFAC rests with the IFAC Council, which comprises one representative from each member. The Council meets once a year and is responsible for deciding constitutional and strategic matters and electing the Board. Positions on the Council are voluntary and there is no honorarium paid for any position held.

Board

The IFAC Board is comprised of members from around the globe who, as representatives of the worldwide accountancy profession, have signed a declaration to act with integrity and in the public interest. The Board is comprised of the President, Deputy President, and twenty other individuals nominated by various member organizations. Board members are elected for up to three-year terms and are responsible for setting policy and overseeing IFAC operations, the implementation of initiatives, and the allocation of resources to and overseeing the activities of the various IFAC boards and committees. During 2008, the Board met four times in person (2007: the Board met 4 times in person and once by teleconference). Positions on the Board are voluntary and there is no honorarium paid for any position held.

Senior Executive Management

The Senior Executive Management (key management personnel) includes the Chief Executive Officer and four Directors who are responsible for operating the various activities of the organization. They are remunerated by the organization. The aggregate remuneration of key management personnel was \$2,661,931 for 2008 (2007: \$2,476,969).

There were no loans to key management personnel and their close family members which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel and their close family members.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

IFAC Representatives

On occasion, IFAC Officers, Board members, and other volunteers are required to represent IFAC in a variety of capacities. When this is the case, IFAC reimburses these individuals for travel and other incidental expenses on an actual basis as per IFAC policies. These payments are not remuneration payments and occur in the normal course of business.

IFAC Member Organizations

The transactions between IFAC and its member organizations occur in the normal course of business. Member organizations provide annual financial contributions (dues) to IFAC as determined by the basis of assessment approved by the IFAC Council. In addition, IFAC has entered into contracts with three member organizations (the Canadian Institute of Chartered Accountants, Certified General Accountants' Association of Canada, and CPA Australia) for the development and three-year maintenance of three separate guides for small- and medium-sized practices.

Forum of Firms

The Forum of Firms provides an annual financial contribution to IFAC for an agreed amount and full contribution for Transnational Auditors Committee related expenses. (Refer also to Note 20.)

IFAC Employees

As part of employee relocation packages included in individual employment contracts, IFAC offers to provide employees a guarantee or deposit to secure rented residence. As at December 31, 2008, the balance outstanding of employee receivables relating to residential security deposits was \$57,436 (2007: \$66,417). This amount is included in non-current receivables in the statement of financial position.

20. Forum of Firms

The objective of the Forum of Firms (Forum) and its relationship with IFAC are established by the Forum's Constitution. The Forum is legally registered in Geneva, Switzerland, under the Swiss Civil Code.

The executive committee of the Forum is the Transnational Auditors Committee (TAC), which by way of the Constitution is also a committee of IFAC. The TAC is effectively the operational body of the Forum, as it has executive authority and is currently staffed by two IFAC employees, who each spend part of their time on TAC business. The members of the TAC are selected by the Forum and are approved by the IFAC Nominating Committee and the IFAC Board.

For 2008, the IFAC financial statements reflect revenues from the Forum for amounts invoiced to the Forum for the agreed IFAC contributions totaling \$6,663,699 (2007: \$5,826,697) and for the full contribution for TAC related expenses totaling \$410,968 (2007: \$386,698). These amounts are paid to IFAC on a quarterly in arrears basis. (Refer to Note 8 for the information relating to the receivable from the Forum.)

21. Commitments and Contingencies

As at December 31, 2008, IFAC had no outstanding commitments other than those lease obligations identified in Note 13 (2007: \$nil).

As at December 31, 2008, IFAC had been assessed penalties of approximately \$39,000 for outstanding payroll taxes by the United States Internal Revenue Service (IRS). IFAC is seeking to have the IRS abate the assessed penalties on the basis that they relate to an incorrect allocation between 2006 and 2007 payroll taxes by the IRS. IFAC currently has no outstanding payroll taxes. On the basis of this reasoning, IFAC's management does not believe that it will need to pay the assessed penalties. As a result, no contingency or provision has been made in relation to this penalty. IFAC has no other contingencies outstanding as at December 31, 2008 (2007: \$nil).

FINANCIAL STATEMENTS

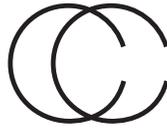
22. Line of Credit

As at December 31, 2008, IFAC had an available credit with its bank, JP Morgan Chase of \$1,500,000 (2007: IFAC did not hold an available credit as at December 31). IFAC did not access its line of credit while available during 2008 and 2007. Borrowings under the line of credit are collateralized by substantially all of IFAC's assets.

23. Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.



Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of the International Federation of Accountants

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the International Federation of Accountants ("IFAC"), which comprise the statement of financial position as at December 31, 2008 and 2007, and the statements of financial performance, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IFAC as of December 31, 2008 and 2007, and of its financial performance, changes in its equity, and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards.

Citrin Cooperman & Company, LLP

CERTIFIED PUBLIC ACCOUNTANTS

February 20, 2009



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