

TO: IFAC BOARD
FROM: IGNATIUS SEHOOLE
CHAIR, DEVELOPING NATIONS COMMITTEE (DNC)
DATE: 6 JANUARY, 2010
RE: DNC REPORT

Section 1 Report Overview

This report outlines the activities of the DNC, since August 2009, and provides details of activities planned for the remainder of 2010.

Section 2 Meeting Updates

2.1 DNC Meetings

The last DNC meeting was on September 24-25, in Johannesburg, South Africa, which was organized in conjunction with the Congress of Eastern Central and Southern African Federation of Accountants (ECSAFA). The DNC received a presentation by ECSAFA and held interactions with the Chair of the Small and Medium Practices (SMP) Committee in recognition of the high number of small- and medium-enterprises (SMEs) and SMPs operating in developing nations.

The first meeting of 2010 will be held in Dubai, United Arab Emirates (UAE) on March 15 and 16 and the second meeting of 2010 will be held in Washington, D.C., United States on July 8 and 9. This second meeting will provide the opportunity to meet with World Bank representatives and other development agencies and raise awareness of developing professional bodies' needs and challenges.

Section 3 Significant Project Status/Updates

Advocacy and Outreach

3.1 Outreach Activities

The DNC continues to prioritize formal outreach activities with IFAC members and associates as well as aspiring IFAC members to provide them with high level advice and guidance as they seek to strengthen their operations and programs relating to the Statements of Membership Obligations (SMOs). As mentioned before, the primary objectives are to gather information about developing professional bodies to understand their main challenges, contact development agencies to raise awareness about their needs, explain IFAC's membership process and the SMOs to the aspiring professional bodies, and provide a forum to seek advice on specific issues and request assistance in identifying a mentor.

As part of these outreach activities, DNC members and staff have met with various professional accountancy bodies since the last DNC meeting in Johannesburg.

The staff met with the Ordre National des Experts-Comptables des Commissaires aux Comptes et des Comptables Agréés (ONECC) from Algeria, in Algiers, to advise them on the membership application process, obtain additional information about their general progress, and provide guidance on their development and their specific issues as needed.

A DNC member and the staff also met with a large number of professional accountancy bodies of West Africa, including Ivory Coast, Cameroon, Mali, and Benin, at the conference organized by the Association of Accountancy Bodies in West Africa (ABWA) in November. At this occasion, the staff and DNC members organized a workshop on the IFAC membership application process and IFAC Member Body Compliance Program (the Compliance Program) which was attended by 12 of the 15 ABWA member bodies, ABWA leadership, and the representatives from the World Bank. In addition, the staff met with a group of francophone ABWA member bodies to provide guidance on the development of their standard-setting mechanisms which are currently being established at the regional level.

Also in November the staff met with national accountancy organizations in Poland, Lithuania, and Latvia. The key purpose for this outreach was to deliver IFAC's message at the 15th Anniversary of the Latvian Chamber of Auditors (LACA). With efficiency considerations in mind, the staff always tries to look for opportunities to visit neighboring countries. The meetings with IFAC member bodies also served as an opportunity to follow-up on recent developments with regard to implementation of EU regulations, as well as, progress on the Part 3, Action Plan process of the Compliance Program in all three countries. In addition to meeting professional bodies, the staff succeeded in organizing meetings with key stakeholders in each country, including the ministries of finance and public oversight bodies. Those meetings were an excellent opportunity to discuss the work of IFAC and the role of national professional accountancy bodies.

In addition, a DNC member, the CAP Chair, and the staff presented a workshop on the Part 3, Action Plan process of the Compliance Program in Panamá City, Panamá on January 8, 2010. The initiative was proposed by the Colegio de Contadores Públicos Autorizados de Panamá (CCPAP) who hosted the meeting at their facilities. Henri Fortin, a senior financial management specialist for Latin America and the Caribbean from the World Bank, also presented on the World Bank perspective of the Action Plan process. Representatives from the member bodies in the Dominican Republic, Nicaragua, and Costa Rica and the president of the Inter-American Accounting Association (IAA) attended. At the conclusion of the workshop all participants and presenters agreed that this type of collaborative approach is the best way for progress to be achieved and sustained going forward.

3.2 Advocacy

The IFAC staff is currently drafting a paper which outlines the importance of high quality financial reporting and its contribution to the integral role of the accountancy profession in furthering accounting reform and enhancing economic stability and growth. The paper will be addressed to the World Bank and will request their assistance in developing a partnership with a wider consortium of donors in the spirit of the IFAC's September G-20 recommendation regarding building capacity of the profession in developing and emerging economies.

Input into Other IFAC Activities

3.3 Project of Revision of the International Education Standards

The DNC confirmed at their last meeting that it will provide input to the revision of the International Education Standards (IESs) undertaken by the International Accounting Education Standards Board (IAESB). The revision of the education standards aims at improving clarity and ensuring consistency with the revised *Framework for International Education Standards*. The committee is planning to provide this input in the course of the next DNC meeting. The DNC has invited an IAESB member to this meeting to obtain complementary information about the project of revision and provide their input by answering a series of questions which would be prepared beforehand.

Tools and Guidance

3.4 Good Practice Guide: Establishing and Developing a Professional Accountancy Body

The committee is making progress with respect to the review of the 2007 Good Practice Guide: *Establishing and Developing a Professional Accountancy Body* (The 2007 Good Practice Guide) which was an update of the original 2005 Good Practice Guide produced to support professional accountancy organizations in expanding and strengthening their role and responsibilities in representing the accountancy profession. The DNC has defined the next steps of the review of the 2007 Good Practice Guide and will review a first complete draft at the next DNC meeting in Dubai. The publication of this next iteration is tentatively planned for 2010 and it is anticipated that it will be translated into Arabic, French, Russian, and Spanish subsequent to the launch of the revised English version.

Section 4 Critical Environment Issues

4.1 No significant change since November 2009.

Section 5 International Relations & Communications

5.1 USAID Controller Conference

As part of the DNC's continued commitment to collaborate with donor agencies, the Executive Director, Quality and Member Relations, made a presentation about the development of the accountancy profession at the USAID Controller's Conference, which was held in December 2009, in Lansdowne, VA, USA. The Director placed emphasis on the critical role of the accountancy profession with respect to high quality financial reporting and auditing, financial stability, and economic growth. He also described the activities undertaken by the DNC to further support the development of the profession through the publication of tools and guidance, or the formalization of advocacy and outreach activities. Following the meeting, USAID representatives encouraged the DNC to liaise with their staff and undertake additional activities at the country level.

Section 6 Operations and Other Matters

6.1 Review of the DNC Terms of Reference

The DNC Terms of Reference (November 2006) require that the Board review the effectiveness of the DNC processes at least every three years. Accordingly, the IFAC Board has established the DNC Review Task Force to conduct a review of the DNC's activities and to consider options for better achieving IFAC's objectives in this area. The DNC has made significant progress in raising awareness about the issues facing the accountancy profession in developing and emerging economies and advocating on their behalf. Consequently, the committee also believes this is the right time to reflect on the DNC's future priorities and mandate, including further support for the developing profession and collaboration with mentors and development agencies.

In response to the task force's request, the DNC members have submitted informal input to the task force by answering specific questions on the achievements of the DNC at the last DNC meeting and completing the survey which has been developed to obtain more formal comments on the effectiveness of the DNC activities from the public. Over the course of the next two months, structured interviews will be held with key stakeholders from developing, transitional and developed member bodies, donor agencies, implementers of donor projects, and IFAC staff to gain additional perspective on the structure, design, and function of the DNC and supplement and expand upon DNC Review Survey results. Looking forward, the DNC will continue to provide inputs to the work of the Task Force at the occasion of the DNC meetings.

6.2 New DNC Members

The DNC welcomes two new members this year and the chair and staff look forward to working with them and continuing members to address the needs of professional accountancy organizations in developing nations.

6.3 New DNC Staff

A new Technical Manager, Gabriella Kusz, has been hired to further support the activities of the DNC and the work of the DNC Review Task Force. She has worked with the World Bank and therefore will also assist the committee with respect to its relationships with donor agencies.