

Strengthening Our Infrastructure



International Federation of Accountants



Our Mission

IFAC is the global organization for the accountancy profession. It works with its 164 members and associates in 125 countries and jurisdictions to protect the public interest by encouraging high-quality practices by the world's accountants. IFAC members and associates, which are primarily national professional accountancy bodies, represent 2.5 million accountants employed in public practice, industry and commerce, government, and academia.

IFAC's mission is to serve the public interest by:

- Contributing to the development, adoption, and implementation of high-quality international standards and guidance
- Contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants
- Promoting the value of professional accountants worldwide
- Speaking out on public interest issues where the accountancy profession's expertise is most relevant



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Building on a strong foundation

Over the past decade, the International Federation of Accountants (IFAC) has evolved considerably. And the world has changed as well. During 2010, IFAC took significant steps to position ourselves for 2011 and beyond.

We drafted IFAC's new vision and mission, to better reflect our activities and objectives. The new vision—that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies—emphasizes the importance of financial information for decision making and for building and maintaining stable financial markets, and the importance of the accountancy profession in this process.

Our mission statement was enhanced to better reflect the nature and scope of IFAC's activities. It emphasizes our public interest mandate, our commitment to high-quality standards and practices, and our goal of enhancing the relevance of the global accountancy profession. Importantly—it also stresses that we must continue to take a leadership role on relevant public interest issues.

Indeed, one of my key areas of focus during my two-year term as president has been to ensure that IFAC continues to be a strong global voice for the accountancy profession—and during 2010, we stepped up to that challenge. From encouraging the G-20 to push for adoption of one set of global standards, to responding to the European Commission's Green Paper, *Audit Policy: Lessons from the Crisis*, we spoke with a unified voice on behalf of the global profession. The Green Paper challenged the role of financial statement audits, and our messages were simple and clear: international standards are essential for a sound and stable global economy, and the accountancy profession has a key role to play in ensuring economic growth and stability, and protecting the public interest. Our aim is to enhance the relevance of the profession in order to meet expectations in a changing world. In fact, some of the concerns mentioned in the Green Paper are already being addressed by the

International Auditing and Assurance Standards Board (IAASB)—in its thought piece on Audit Quality and an upcoming consultation paper on reporting by auditors and audit committees—and by the International Ethics Standards Board for Accountants (IESBA) in its work on independence.

As we said in our response to the Green Paper, IFAC believes that the experience gained during the recent financial crisis presents a historic opportunity to improve the global financial system. There is much that the regulatory community can learn from the recent history of the accountancy profession, from both our failures and our successes. And there is much that we can learn, as well. Further strengthening audit standards and the practice of auditing is one of IFAC's key objectives, and our enhanced focus on public policy and regulation and speaking out on behalf of the profession is part of these objectives.

My second key focus area, meeting the needs of small and medium practices (SMPs) and small- and medium-sized entities (SMEs)—especially during the financial crisis—remained a key concern for IFAC. During 2010, the Board approved recommendations to expand support to member bodies in their work to assist SMPs. The recommendations are intended to help SMPs provide high-quality professional services to their main clients: SMEs. As a result, in 2010 we devoted more resources to understanding and addressing the needs of these constituencies. In addition, we increased our efforts to raise awareness among regulators and policymakers of the special challenges impacting SMPs and SMEs. For example, one of the key messages in our response to the Green Paper was that any legislation, regulation, or standards need to be judged, in part, through the prism of the SME sector. This sector is crucial to economic growth and stability—both nationally and globally—and we must be wary of any unreasonable burdens that may hamper that growth.

Helping member bodies support and promote their members that are Professional Accountants in Business

During 2010, IFAC took significant steps to position ourselves for 2011 and beyond.



Robert L. Bunting

(PAIBs) also continues to be a key area of focus, particularly following the Board review of IFAC activities related to this sector. This is a diverse group: more than one million professional accountants worldwide are employed in commerce, industry, financial services, education, and the public and not-for-profit sectors. Often, they are in positions of strategic or functional leadership, or are otherwise well placed to partner with colleagues in other disciplines to create long-term sustainable value for their organizations. Our PAIB Committee works to support member bodies in enhancing the competence of their members to fulfill those roles, by facilitating the communication and sharing of good practices and ideas. It also seeks to enhance the profile of PAIBs, to increase awareness of the important roles they play, and to provide an influential voice on their behalf.

The fourth area of focus has been strengthening the accountancy profession and improving the quality of practice globally. During 2010, the independent boards that IFAC supports achieved progress in standard setting and adoption and implementation resources, as well as tools and guidance for international development of the profession. For example, the International Accounting Education Standards Board (IAESB) for the first time released a *Handbook of International Education Pronouncements*, which includes the new *Framework for International Education Standards for Professional Accountants*. The IAESB developed three new “ISA Modules,” which include videos, presentations, and speaking notes that explain changes made to the most significantly revised standards. The IESBA turned its attention to the completion of two high-priority projects: *Conflicts of Interest* and *Responding to Suspected Fraud or Illegal Acts*. And, the International Public Sector Accounting Standards Board (IPSASB) continued its campaign to encourage governments to adopt the International Public Sector Accounting Standards (IPSASs) and to use accrual accounting to enhance financial management, accountability, and transparency.

Another way we pursued a stronger accountancy profession and high-quality practices during 2010 was through our conversations with the Monitoring Group, comprised of the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, and The World Bank. During the year, the Monitoring Group issued *Review of the IFAC Reforms—Final Report*—its five-year follow-up to the 2003 IFAC Reforms, which were introduced to improve audit quality and restore and enhance public confidence in financial reporting and auditing. We were gratified that the Monitoring Group recognized the substantial improvements IFAC and the independent standard-setting boards have made. In addition, the report recommended several items to further enhance diversity, transparency, and accountability. We have been discussing with the Monitoring Group how to address these items and have made substantial progress. We are committed to continual improvement in standard setting as a means to further strengthening and enhancing the quality of the audit.

In addition, during 2010 we began placing more emphasis on directly supporting the development of professional accountancy organizations, through the provision of tools and guidance, advocacy, and outreach, to strengthen the profession around the world. The IFAC Board approved renaming the Developing Nations Committee (DNC) to the Professional Accountancy Organization Development Committee (PAODC) in order to better reflect its activities and communicate its purpose to external stakeholders.

Our relationship with the Forum of Firms and the Transnational Auditors Committee is another way we work to enhance the quality of audit. These groups provide considerable support to our efforts to advance the profession and meet quality expectations; indeed, each year the Forum’s members re-affirm that they have met the membership obligations, which promote the consistent

application of high-quality audit practices worldwide. During 2010, the Forum also issued Good Practice Guidance on Client Acceptance and Continuance, hosted a workshop on the practical application of International Standards on Auditing 600, *Special Considerations—Audits of Group Financial Statements*, and conducted advocacy and outreach activities.

I hope that you will agree that IFAC made good progress in 2010 to position the profession for 2011 and beyond. As we enter 2011, IFAC will continue to advance its vision that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies. We will continue to support the standard-setting activities of the independent boards, as well as collective efforts in adoption and implementation. To advocate for SMPs and PAIBs. To speak out about the importance of high-quality financial information for building and maintaining stable financial markets worldwide and the important contributions of the accountancy profession in preparing and assuring this high-quality information.

As I end my term as president, I wish to thank IFAC's talented, responsive staff and its highly competent volunteers, who are essential to the functioning of the boards and committees. I am confident that I am passing responsibility to capable, energetic leaders who will grasp the opportunities, respond to the challenges, and provide superb leadership.



Robert L. Bunting

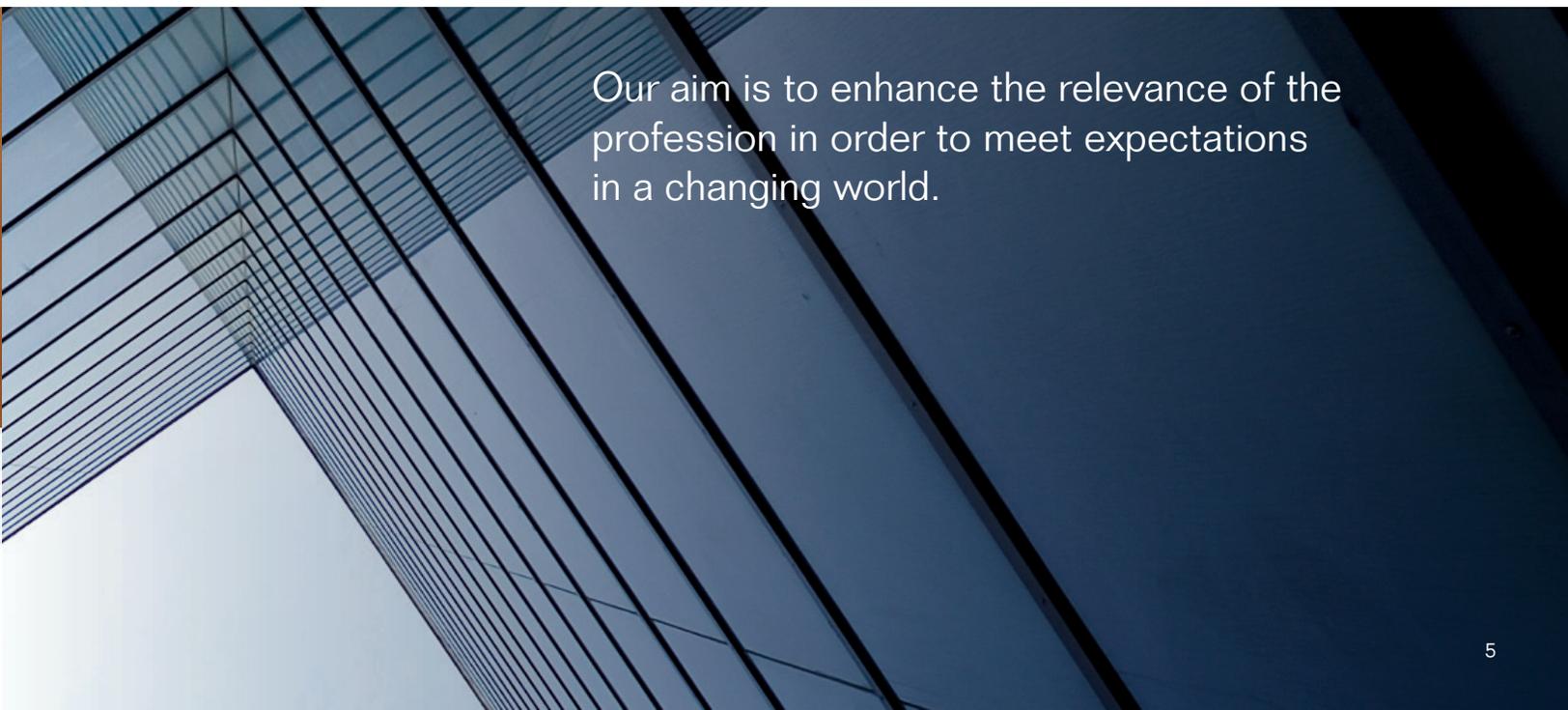


The IFAC Board

Standing (Left to Right): Jacques Potdevin, Abdeljelil Bouraoui, Robert Hodgkinson, Japheth Katto, Kevin Dancey, Luiz Carlos Vaini, Roberto Resa, Steve Vieweg, Roberto D'Imperio

Seated (Left to Right): Warren Allen, Marta Rejman, Göran Tidström, Robert L. Bunting, Ian Ball, Olivia Kirtley, Gen Ikegami

Not pictured: Ingrid Doerga, Ved Kumar Jain, Joycelyn Morton, Bernadette McGrory-Farrell, Norbert Pfitzer, Zhiguo Yang



Our aim is to enhance the relevance of the profession in order to meet expectations in a changing world.



The background features a complex grid of thin, light-colored lines that create a sense of depth and perspective, resembling a wireframe or architectural structure. A solid dark teal horizontal band is positioned across the middle of the image, containing the main text.

EXPANDING OUR GLOBAL NETWORK

Investing in the future

As 2010 unfolded, the International Federation of Accountants (IFAC), like most of the world, was emerging from the effects of a global financial crisis that tested the international financial system to its limits. Difficult times produce great challenges, and the story of 2010 for IFAC is one of meeting the current challenges and investing to meet future challenges. Meeting current challenges involved focusing our activities in areas that address issues raised by the crisis. Investing to meet future challenges meant strengthening our organizational infrastructure, and building on existing relationships to ensure that IFAC has the capacity to work effectively within the international financial system to help avert future crises. My message highlights some key service delivery activities, and focuses on IFAC infrastructure-building initiatives in 2010. The Service Delivery section of this annual report outlines in depth all services provided by IFAC in 2010.

IFAC SPEAKS OUT

In 2010, IFAC continued in its pivotal role as an advocate of international standards, and continued to work toward convergence and the adoption and effective implementation of those standards. IFAC also continued to forge and enhance relationships with global, regional, and national bodies, agencies, and governments to deliver the accountancy profession's key messages, including the importance of integrity and transparency in the operations of both businesses and public sector organizations.

The sovereign debt crisis, the need for financial transparency, and integrated reporting were important themes that the officers and I focused on in speeches in 2010. I had the honor of delivering the keynote address at

the Chartered Institute of Public Finance and Accountancy (CIPFA)'s 125th Anniversary event where I raised the question: "What will it take before governments around the world take their own financial responsibilities seriously?" It is an important question because the failure of governments to manage their finances well has in the past—and could again in the future—have consequences that we would all prefer not to contemplate, including the loss of democratic control.

At the closing ceremony of the 2010 World Congress of Accountants in Kuala Lumpur, Göran Tidström emphasized that IFAC will "significantly enhance our focus on public policy and regulation in the coming years...and in fact lead the evolution of sustainability and integrated reporting."

At the World Trade Organization (WTO), I addressed the WTO Council on the subject of the WTO's modernization of *Accountancy Services—Background note by the Secretariat*, which was last updated in 1998. While the document is purely informational, it may be used as a basis for policy design in the future with respect to the accountancy profession and the global trade in accountancy services. In particular, I drew attention to the progress made since 1998 in achieving adoption and implementation of international standards of accounting and auditing, and the implications that this has for any future agreement on trade in accountancy services.

IFAC, in consultation with a number of our member bodies and with members of the Forum of Firms, submitted a comment letter on the International Organization of Securities Commissions (IOSCO)'s paper, *Transparency of Firms that Audit Public Companies: Consultation Report*. IFAC expressed its view that further mandatory transparency requirements will not significantly impact either audit

Difficult times produce great challenges, and the story of 2010 for IFAC is one of meeting the current challenges and investing to meet future challenges.



Ian Ball

quality, or the availability and delivery of audit services to public companies. The letter also expressed support for the codification and international alignment of transparency requirements for accounting firms.

Other submissions during 2010 included one to the G-20 emphasizing the need for greater transparency and accountability in public sector finances. Also, late in the year, IFAC issued a response to the European Commission's Green Paper, *Audit Policy: Lessons from the Crisis*. Our Small and Medium Practices (SMP) Committee provided input for our response, while the International Auditing and Assurance Standards Board (IAASB), the International Accounting Education Standards Board (IAESB), and the International Ethics Standards Board for Accountants (IESBA) issued their own individual responses.

SETTING STANDARDS

IFAC, as the umbrella organization for international standard setting in the areas of auditing and assurance, accountancy education, professional ethics, and public sector financial reporting, plays an integral role in the development and the adoption and implementation of international standards, which in turn helps to re-establish confidence in international capital markets. The focus and direction of the standard-setting boards operating under the auspices of IFAC were built on an already strong foundation of accomplishment and influence.

The IAASB Clarity Project, completed in 2009, made a very important contribution to audit quality. Maintaining the quality of the International Standards on Auditing (ISAs) remained a core objective for the IAASB in 2010. With the release of the clarified ISAs, the IAASB embarked on a post-implementation project to evaluate the effectiveness

and consistency of the implementation of the clarified ISAs around the world, and also to provide a platform for addressing a number of critical issues that had been deferred pending completion of the Clarity Project.

The International Public Sector Accounting Standards Board (IPSASB) completed its Improvements Project for 2010. Work continues on the development of a public sector conceptual framework for general purpose financial reporting, and is the IPSASB's highest priority for the next two years.

The IESBA continued work on its projects on *Conflicts of Interest* and *Responding to Suspected Fraud or Illegal Acts*—both important projects with expected completion dates in late 2011.

The IAESB continued its work toward approving and applying drafting conventions to all International Education Standards (IESs). The IAESB is emphasizing to member bodies and other stakeholders the importance of accountancy education through the planned revision of IESs 1-8.

COMMITTEE INITIATIVES

In response to IFAC Board reviews of the Developing Nations Committee (DNC), the Professional Accountants in Business (PAIB) Committee, and the Small and Medium Practices (SMP) Committee during 2010, we addressed these constituency groups in new and different ways:

- The DNC's name was changed to the Professional Accountancy Organization Development Committee (PAODC), effective January 1, 2011, to reflect its new Terms of Reference and its enhanced focus on developing and strengthening Professional Accountancy Organizations (PAOs) around the world.



IFAC Management

Standing (Left to Right): Russell Guthrie, Executive Director, Quality and Member Relations; James Gunn, Technical Director, International Auditing and Assurance Standards Board; Sylvia Tsen, Director, Quality and Member Relations; James Sylph, Executive Director, Professional Standards

Seated (Left to Right): Alta Prinsloo, Director, Governance and Operations; Ian Ball, Chief Executive Officer; Stephenie Fox, Technical Director, International Public Sector Accounting Standards Board

- The PAIB Committee developed a new strategic plan to strengthen IFAC's ability to help member bodies better serve their PAIB members, enhance the PAIB brand, and raise awareness of PAIB roles.
- The SMP Committee did more to facilitate the sharing of information, guides, resources, and tools among IFAC's member bodies; communicate and advocate the importance of the small- and medium-sized entities (SME) sector and the role of SMPs in supporting this sector; and expand the monitoring of global regulatory reform to ensure its suitability for SMEs and SMPs.

BUILDING FROM WITHIN

While IFAC was absorbing and responding to the consequences of the global financial crisis, and taking important steps to increase our footprint externally, we also addressed a number of important internal matters.

2010 was the year for taking the initial steps to strengthen and reorganize our infrastructure. These changes are additional to the reviews of the three activity areas referred to immediately above. We took important steps to invest in our infrastructure, including projects to address organizational structure, operations, technology, facilities, and staff. The changes instituted will enable us to continue to deliver services at a high level without undue operational risk.

In 2009, IFAC conducted an efficiency and resource utilization review that encompassed the internal organization, staffing, and operation of IFAC. In 2010 we made excellent headway in addressing the review recommendations. Improvements to our information management structure included the development of a new IT strategic plan, which

included an enhanced security plan, disaster recovery plan, and updated computer usage policies. We upgraded our organization's systems by installing iMIS, a database of all members and contacts, and we developed a new IFACnet, our KnowledgeNet for Professional Accountants.

Senior management reviewed and updated IFAC's organizational structure. One important modification was to make the Public Policy and Regulation function a part of Quality and Member Relations, thereby linking it to the member bodies and firms that play a valuable role in helping shape IFAC's public policy positions. Another significant change was that the director, quality and member relations assumed the additional role of overseeing Adoption and Implementation Support (including Translations), the SMP Committee, and the Forum of Firms / Transnational Auditors Committee.

The Governance and Operations function was reorganized to address our steady growth, reflecting both an increased volume of work and our commitment to excellent governance. The reorganization enables us to meet the increased demands for internal services and helps to proactively address department workflow and delegation.

A key element in effective governance is a periodic review of an organization's constitution and bylaws. IFAC assembled a working group of our Board members to conduct a review of these governing documents, and the group proposed a number of amendments to improve and clarify their content and structure. Significant amendments approved at the 2010 Council meeting included: expanding the pool of potential candidates for deputy president beyond the current Board members; requiring the Nominating Committee to increase its dialogue with the Board with regard to the committee's



We took important steps to invest in our infrastructure, including organizational structure, operations, technology, facilities, and staff.

own membership, and having the Public Interest Oversight Board approve the non-ex-officio members of the Nominating Committee; clarifying the entitlements of member bodies, associates and affiliates; setting a minimum suspension period; and, disallowing the readmission of expelled member bodies within a period of three years.

For a long time, IFAC has operated with very limited staff resources, relative to its activity level and the scope of its role. In 2010, we expanded our resources in a substantive manner. There were a number of new staff appointments, including new technical managers for the IAASB and for Quality and Member Relations, and a new senior technical manager for the IPSASB. A new senior technical manager for Public Policy and Regulation was appointed, and a Toronto-based consultant who supported the IESBA joined IFAC as a full-time staff member at the deputy director level. A new head of governance and strategy and a new assistant manager of IT programming were appointed in the Governance and Operations department. In addition, a new head of communications was appointed during 2010, to drive internal and external communications.

Our current office space can accommodate neither our present staff, nor any planned additions in 2011 and beyond. Management began addressing this issue again in 2010, after a proposed plan for facilities expansion was deferred in 2009 due to the financial crisis. With the support of the Planning and Finance Committee, we considered a number of options to address the cost of leasehold improvements, furniture, information technology, and other capital expenditures, and reached a favorable, fiscally responsible long-term solution.

In this report, I have referred both to the ongoing activities of the organization and to the investment that it has made to build a solid base for future activity. I want to thank our chairs, volunteers, and IFAC staff for their hard work, and continued dedication to our mission, but I would especially wish to acknowledge that much of the investment activity was an “add-on” for staff. Their willingness to contribute to this investment activity was a reflection of their commitment to the organization and their confidence in its future. I would like to express my appreciation for our members, associates, regional accountancy organizations and groupings, the Forum of Firms, and other stakeholders for their continued support. IFAC and our members had many significant accomplishments in 2010. It was a challenging year that tested us in many ways, but each challenge also constituted an opportunity to contribute to the profession’s role in building a sound and sustainable global financial system.



Ian Ball





THE PUBLIC INTEREST OVERSIGHT BOARD

The objective of the international Public Interest Oversight Board (PIOB) is to increase the confidence of investors and others that the public interest activities of the International Federation of Accountants (IFAC)—including the setting of standards by independent boards operating under the auspices of IFAC—are properly responsive to the public interest.

Committed to the public interest

Over the six years of Public Interest Oversight Board (PIOB) work, and my term as chairman, oversight of international standard setting has become a functional reality. The oversight of independent standard-setting boards made up of practitioner and non-practitioner volunteers was a novel venture when we began. It has been fashioned over the last six years so as to combine a cooperative attitude with supervision at arms' length. Very significant outputs, such as the Clarity Project for audit standards, have been completed under this new oversight arrangement. By general consent the model has been successful. The contribution of IFAC and its leadership to this success have been paramount.

The future holds many challenges. Standards must respond to post-crisis realities and new regulatory requirements. Adoption and implementation of a common set of standards are more pressing in a global market

environment where confidence is still in short supply. The use of standards must be conducive to heightened professional diligence. The work of the Compliance Advisory Panel acquires greater importance as it promotes implementation in emerging economies, now the most dynamic part of the global scene.

IFAC's contribution to continuing success of the IFAC Reforms has several aspects that must be nurtured and developed further. The constructive implementation of improvements which are recommended by the Monitoring Group, in its recent review of the IFAC Reforms, are first. Beyond that the commitment to independent standard setting by well-diversified boards and the strengthening of resources devoted to the Compliance Advisory Panel are also critical targets.



Stavros B. Thomadakis

Lastly, and perhaps more fundamentally, a component of future success will be the continuation and strengthening within IFAC's own organizational culture of the attitude of 'cooperative compliance' with the demands of the broader public interest. I know the PIOB, with its new composition, will continue to improve and deliver high-quality oversight, and the IFAC Reforms will thus also continue to fulfill the expectations of its architects.

Stavros B. Thomadakis





CONSULTATIVE ADVISORY GROUPS

The objective of the Consultative Advisory Groups (CAGs) is to provide input to and assist the IAASB, the IAESB, and the IESBA through consultation with the CAG member organizations and their representatives at the CAG meetings.

REPORT OF LINDA DE BEER CHAIR OF THE IAASB CONSULTATIVE ADVISORY GROUP

THE ROLE AND MEMBERSHIP OF THE CAG

The Consultative Advisory Group (CAG) was established in 1999 to act as a sounding board and advisor to the International Auditing and Assurance Standards Board (IAASB). Today it comprises a wide range of representative organizations with a keen interest in the strategy and the technical output of the IAASB. The CAG is by no means a governance or oversight structure, but its function is purely advisory by nature. This is clarified in its Terms of Reference, which state that its objective is to provide input and assist the IAASB in the following three areas:

- Advice on the IAASB's agenda and project timetable (work program), including project priorities
- Technical advice on projects
- Advice on other matters of relevance to the activities of the IAASB

The CAG membership comprises regulators, investor groups, and other organizations with an interest in auditing, but does not include auditors. Under the leadership of my predecessor, David Damant, the CAG has evolved into a group with a prestigious and influential list of Member Organizations that are committed to provide their senior people to partake in the deliberations of the CAG. A list of CAG Member Organizations has been included at the end of this report.

We are delighted to have added the following organizations to our membership in 2010:

- The Associação Brasileira de Instituições Financeiras de Desenvolvimento (ABDE)
- The National Association of State Board of Accountancy (NASBA)
- The Organisation for Economic Cooperation and Development (OECD)

2010 – A YEAR OF CHANGE AND INTROSPECTION

The financial crisis resulted in introspection regarding roles, focus areas, what we do, what we know, and what we assume. The IAASB, the CAG, and its members were no exception. Even though there were no direct and spectacular audit failures, a crisis of such proportions can only beg the question regarding the relevance of every role-player in the reporting chain—including auditors. This introspection is certainly causing a mind shift in the thinking around important matters such as audit quality, what is or should be communicated in audit reports, and other aspects that might previously not necessarily have been considered or challenged.

The CAG's agenda is mostly directed by the agenda of the IAASB. However, the CAG has played a role over the years to ensure that various important matters get elevated onto the IAASB agenda. There has also been a conscious effort to steer the CAG agenda away from more procedural and operational aspects of the standard-setting function in order for us to focus on matters of strategic importance to the quality of reporting and auditing.

All of this is resulting in us seeing matters of critical importance to investors, users of financial statements, boards of directors, regulators, and other recipients of the audit service on both the CAG and the IAASB agendas.

The CAG meetings in 2010 were held in Barcelona, Spain in March, and London, UK in September. Some of the main themes in 2010 were around giving input into the future strategy and work plan of the IAASB for 2012–2014; to consider



the IAASB's position on limited assurance across a number of proposed standards, including the standard addressing review engagements; and to consider the important aspect of auditing complex financial instruments.

As the CAG, we also had to make the very difficult decision in 2010 of identifying a new chairman after the term of our previous chairman had come to an end. I took over the chairman position from David Damant with effect from October 1, 2010. Information on my background can be found on the IAASB CAG's web page.

I am honored, but certainly under no disillusion of the immenseness of the task.

As chair, I will continue to look for opportunities to further enhance the CAG's role, the quality of our input and our own governance structures and processes, and will do so with consideration of the recommendations of the Monitoring Group.¹

WHAT LIES AHEAD IN 2011?

In our role to play a part in the quality of International Standards on Auditing (ISAs), and hence audit quality, the CAG, with its important membership base, will have to continue to challenge, question, and advise. We cannot expect to meet the challenges of today with yesterday's tools. That means that we will, in addition to advising on current projects, continue to lift our heads above the active agenda of the IAASB and also ask ourselves what is missing or what else needs attention.

Very difficult matters are being considered as the IAASB looks to its future work program, such as what is expected of auditors (audit quality), what should be included in an auditor's report, and what other assurance may be required or requested on areas such as sustainability reporting, corporate governance statements, and now also integrated reporting. Time will tell what the outcome of these deliberations will be. The CAG will, however, continue to advise and give strategic and technical input on these and other matters.

IN CONCLUSION

I would like to thank the members of the CAG and their organizations for their immense effort and for their vote of confidence by electing me as chairman. I also want to thank David Damant, on behalf of my CAG colleagues, for your immeasurable contribution not only to the CAG, but as a non-accountant, to the audit profession and the international standard-setting processes. Your leadership, wisdom, and commitment is an inspiration to us all!

¹ In 2002, IFAC and a group of six international financial institutions—the Basel Committee on Banking Supervision, the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors, the International Organization of Securities Commissions, and The World Bank (the Monitoring Group [MG])—began a dialogue about the importance of high-quality audits of financial statements and the need to restore and enhance public confidence in financial reporting and auditing. The result of this dialogue was the IFAC Reforms. The IFAC Reforms changed the structure and processes for the auditing, ethics, and education standard-setting boards supported by IFAC, and called for the MG to perform a five-year review of their implementation. In 2010, the MG issued its Review of the IFAC Reforms—Final Report, which states that virtually all of the changes called for by the IFAC Reforms have been implemented. It also acknowledges that the initial implementation of the IFAC Reforms has been a significant undertaking, and it recognizes the numerous achievements with respect to their implementation. Finally, the report identifies a number of near-term actions for IFAC and the standard-setting boards it supports, focused on further enhancing diversity, transparency, and accountability.

IAASB CONSULTATIVE ADVISORY GROUP

MEMBER ORGANIZATIONS

Asian Financial Executives Institutes
Associação Brasileira de Instituições Financeiras de Desenvolvimento
Basel Committee on Banking Supervision
BUSINESSEUROPE
CFA Institute
Dean of the Graduate School of Financial Management, Moscow
European Commission
European Federation of Accountants and Auditors for SMEs
European Financial Executives Institutes
Fédération des Experts Comptables Européens
Gulf States Regulatory Authorities
Information Systems Audit and Control Association
Institute of Internal Auditors
International Accounting Standards Board
International Actuarial Association
International Association of Insurance Supervisors
International Bar Association
International Corporate Governance Network
International Organization of Securities Commissions
International Organization of Supreme Audit Institutions
International Valuation Standards Council
Islamic Financial Services Board
Japan Securities Dealers Association
National Association of State Boards of Accountancy
North American Financial Executives Institutes
Organisation for Economic Cooperation and Development
Sri Lanka Accounting and Auditing Standards Monitoring Board
United Nations Conference on Trade and Development
World Bank
World Federation of Exchanges

OBSERVERS

Financial Services Agency, Japan
Public Company Accounting Oversight Board, United States

REPORT OF CHARLES H. CALHOUN CHAIR OF THE IAESB CONSULTATIVE ADVISORY GROUP

OBJECTIVE AND SCOPE OF ACTIVITIES

I am pleased to report that the work of the International Accounting Education Standards Board (IAESB) Consultative Advisory Group (CAG) during 2010 has focused on the board's initiative to revise and redraft its International Education Standards (IESs). In providing both directional advice on the board's work program and agenda, as well as technical advice on the revision of the standards, the CAG continues to meet its objective of providing input and assisting the IAESB in advancing its agenda.

MEETINGS AND MEMBERSHIP

The 2010 CAG meetings were held in New York, New York, USA (February) and Edinburgh, United Kingdom (September). As chairman, I also attended all IAESB meetings and two IAESB Steering Committee teleconferences during the year to observe how the CAG's advice was considered by the board.

The CAG's organizational membership remained at 16 member organizations during 2010.

KEY HIGHLIGHTS FOR 2010

Advice on the IAESB's Project Proposal for the Revision of the IESs

CAG members provided input on the project proposal with regard to the scope of consultation when revising and redrafting its suite of eight IESs. Members' input led the IAESB task forces to consult with the Professional Accountancy Organization Development Committee (formerly the Developing Nations Committee) on: (1) implementation issues relating to the revision of IESs 1, 3, and 5 at its March meeting; and, (2) on issues relating to the IES 8 consultation paper at its July meeting.

TECHNICAL ADVICE ON PROJECTS

The CAG has provided both directional and technical advice on issues relating to revising and redrafting its suite of eight IESs. The CAG has requested that all IESs: (1) adopt a principles-based approach; (2) clarify obligations of professional accountancy organizations by adhering to IAESB drafting conventions on clarity; and, (3) ensure consistency with concepts of the new Framework for International Education Standards for Professional Accountants document. This advice has led to improvements in:

- organizing the content of the IES 7 Exposure Draft (December 2010);
- setting the coverage of issues in the IES 8 Consultation Paper (March 2010);
- developing first drafts of IESs 4 and 6 for deliberation at the November 2010 IAESB meeting;
- identifying outputs in terms of learning outcomes for IESs 2 and 4; and
- clarifying issues for developing revised IESs 1, 3, and 5.

IAESB CONSULTATIVE ADVISORY GROUP

COMMUNICATIONS

The CAG also provided advice on the development of the 2011 IAESB Communications Plan. This advice has led to improvements in organizing the content of the plan, as well as clarifying communications messages, target audience, and objectives of the plan.

In the period covered by this report, I have supported the IAESB's initiative to increase awareness of its activities by participating at the Institute of Certified Public Accountants of Singapore Accountancy Convention and the International Association for Accounting Education and Research / Association of Chartered Certified Accountants / IAESB Research Forum in November 2010.

CONCLUSION

I also note the CAG's contribution to the IAESB's response to the Monitoring Group's *Review of the IFAC Reforms—Consultation Paper*. Although members of the Monitoring Group did not participate directly in the CAG meetings during 2010, we would hope that the Monitoring Group would become more closely involved in the work of the CAG to ensure the development of high-quality International Education Standards.

I would like to thank the members of the CAG for their commitment and contribution in moving forward the IAESB agenda. 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. Finally, I would like to express my thanks to staff of IFAC for their support of the CAG.

MEMBER ORGANIZATIONS

Accounting and Finance Association of Australia and New Zealand
American Accounting Association
Association to Advance Collegiate Schools of Business
Confederation of Asian and Pacific Accountants
European Association of Accountants and Auditors for SMEs
European Accounting Association
Fédération des Experts Comptables Européens
International Accounting Standards Committee Foundation
National Association of State Boards of Accountancy
Professor from Fucape Business School, Brazil
Public Accountants Council, Ontario, Canada
South African Independent Regulatory Board for Auditors
South Asian Federation of Accountants
UK Professional Oversight Board
US Agency for International Development
Public Company Accounting Oversight Board, United States

REPORT OF RICHARD FLECK CHAIR OF THE IESBA CONSULTATIVE ADVISORY GROUP

OBJECTIVE AND 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.

During 2010, the work of the IESBA CAG focused on providing support and advice to the IESBA in relation to its initiatives:

- To secure increased support for and adoption of the *Code of Ethics for Professional Accountants* (the IESBA Code) by IFAC Member Bodies and to gain recognition and support for the IESBA Code by relevant bodies having responsibility for or oversight of financial reporting and the accountancy profession; and
- To address two complex but important topics—namely, how accountants should handle those conflicts of interest that they encounter in the course of their practice or business; and when and how accountants in practice or in business should, in the public interest, report instances of illegality that they encounter.

At a time when financial reporting and the role of the accountancy profession are subject to considerable governmental and public scrutiny, these projects are of particular importance if confidence in financial reporting and auditing and if the reputation and standing of accountants, whether in practice or in business, are to be maintained.

MEMBERSHIP

In 2010, the CAG membership was increased to 20 members with the addition of the National Association of State Boards of Accountancy and the Organisation for Economic Cooperation and Development.

CONCLUSION

I would like to take this opportunity to thank all the members of the CAG for their time and commitment over the past year. I would also like to thank the members of the IESBA and the chairs of the task forces for the efficient way in which the various drafts are presented to the CAG. I would particularly like to pay tribute to Ken Dakdduk, the chair of the IESBA, for his diligent approach to the issues raised by members of the IESBA CAG and for his determination at all times to advance the public interest. Finally, I would like to express my thanks to IFAC's staff for their support of the CAG.

MEMBER ORGANIZATIONS

Asian Financial Executives Institutes
Basel Committee on Banking Supervision
BUSINESSEUROPE
CFA Institute
Dean of the Graduate School of Financial Management,
Moscow
European Commission
European Federation of Accountants and Auditors for SMEs
European Financial Executives Institutes
Fédération des Experts Comptables Européens
Financial Reporting Council
Gulf States Regulatory Authorities

Institute of Internal Auditors
International Organization of Securities Commissions
International Organization of Supreme Audit Institutions
National Association of State Boards of Accountancy
North American Financial Executives Institutes
Organisation for Economic Cooperation and Development
Sri Lanka Accounting and Auditing Standards Monitoring
Board
World Bank
World Federation of Exchanges

OBSERVERS

Public Company Accounting Oversight Board, United States





MEMBERS AND ASSOCIATES

IFAC is comprised of 164 members and associates in 125 countries and jurisdictions.

MEMBERS

(As at December 31, 2010)

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 Wirtschaftstrehänder

AZERBAIJAN

- 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

BOSNIA AND HERZEGOVINA

- Association of Accountants and Auditors of Republic of Srpska *

BOTSWANA

- Botswana Institute of Chartered 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
- Certified Management Accountants of Canada

CHILE

- Colegio de Contadores de Chile

CHINA

- The Chinese Institute of Certified Public Accountants

CHINESE TAIWAN

- Federation of CPA Associations of the Chinese Taiwan

COLOMBIA

- Instituto Nacional de Contadores Públicos de Colombia

COSTA RICA

- Colegio de Contadores Públicos de Costa Rica

COTE D'IVOIRE

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

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

* Member admitted by the IFAC Council in November 2010

ESTONIA

- Estonian Board of Auditors

FIJI

- Fiji Institute of Accountants

FINLAND

- HTM-tilintarkastajat - GRM - revisorer ry
- 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
- Wirtschaftsprüferkammer

GHANA

- The Institute of Chartered Accountants

GREECE

- Institute of Certified Public Accountants of Greece

GUATEMALA

- Instituto Guatemalteco de Contadores Públicos y Auditores

GUYANA

- The Institute of Chartered Accountants of Guyana

HAITI

- Ordre des Comptables Professionels Agrées d'Haiti

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 Endurskodenda

INDIA

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

INDONESIA

- Indonesian Institute of Accountants

IRAN (ISLAMIC REPUBLIC OF)

- Iranian Association of Certified Public Accountants
- The Iranian Institute of Certified Accountants

IRAQ

- Iraqi Union of Accountants and Auditors

IRELAND

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

ISRAEL

- Institute of Certified Public Accountants in Israel

ITALY

- Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili

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, REPUBLIC OF

- Korean Institute of Certified Public Accountants

KOSOVO

- Society of Certified Accountants and Auditors of Kosovo

KUWAIT

- Kuwait Association of Accountants and Auditors

MEMBERS

(As at December 31, 2010)

LATVIA

- Latvian Association of Certified 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

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 & 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 Publicos del Peru

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

RUSSIAN FEDERATION

- The Institute of Professional Accountants of Russia
- Russian Collegium of Auditors

SAUDI ARABIA

- Saudi Organization for Certified Public Accountants

SERBIA

- 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

SWITZERLAND

- Treuhand-Kammer

TANZANIA, UNITED REPUBLIC OF

- National Board of Accountants and Auditors

THAILAND

- Federation of Accounting Professions

TRINIDAD AND TOBAGO

- The Institute of Chartered Accountants of Trinidad & 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

URUGUAY

- Colegio de Contadores, Economistas y Administradores del Uruguay

VIETNAM

- Vietnam Accounting Association

ZAMBIA

- Zambia Institute of Chartered Accountants

ZIMBABWE

- The Institute of Chartered Accountants of Zimbabwe

ASSOCIATES

(As at December 31, 2010)

ARMENIA

- Association of Accountants and Auditors of Armenia

BOSNIA AND HERZEGOVINA

- Union of Accountants, Auditors and Financial Workers of Federation of Bosnia and Herzegovina *

BRUNEI DARUSSALAM

- Brunei Darussalam Institute of Certified Public Accountants

CAMBODIA

- Kampuchea Institute of Certified Public Accountants and Auditors

CAYMAN ISLANDS

- Cayman Islands Society of Professional Accountants

CROATIA

- Croatian Audit Chamber *

IRELAND

- Accounting Technicians Ireland

KYRGYZSTAN

- Union of Accountants and Auditors

LUXEMBOURG

- Ordre des Experts-Comptables du Luxembourg

MACEDONIA, THE FORMER YUGOSLAV REPUBLIC OF

- Institute of Certified Auditors of the Republic of Macedonia *

MAURITIUS

- Mauritius Institute of Professional Accountants

MONGOLIA

- Mongolian Institute of Certified Public Accountants

MONTENEGRO

- Institute of Accountants and Auditors of Montenegro

PAKISTAN

- Pakistan Institute of Public Finance Accountants

PAPUA NEW GUINEA

- Certified Practising Accountants Papua New Guinea

RUSSIAN FEDERATION

- Audit Chamber of Russia *

SENEGAL

- Ordre National des Experts Comptables et Comptables Agréés du Sénégal

SRI LANKA

- Association of Accounting Technicians of Sri Lanka
- Institute of Certified Management Accountants 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 Accountants and Auditors of Uzbekistan

AFFILIATES, REGIONAL ORGANIZATIONS, AND ACCOUNTANCY GROUPINGS

(As at December 31, 2010)

AFFILIATES

NETHERLANDS

- Nederlandse Orde van Register EDP-Auditors

UNITED STATES

- Information Systems Audit and Control Association
- The Institute of Internal Auditors
- National Association of State Boards of Accountancy

RECOGNIZED REGIONAL ORGANIZATIONS

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

ACKNOWLEDGED ACCOUNTANCY GROUPINGS

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





BOARD AND COMMITTEE MEMBERS

The IFAC Board, the committees, and the independent standard-setting boards IFAC supports are comprised of members from around the globe who, as representatives and stakeholders in the worldwide accountancy profession, have taken an oath of office to act with integrity and in the public interest.

IFAC BOARD

(November 2009 to November 2010)

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

(January 1, 2010 to December 31, 2010)

Robert L. Bunting, President, United States
Göran Tidström, Deputy President, Sweden
Warren Allen, New Zealand
Abdeljelil Bouraoui, Tunisia
Roberto D'Imperio, Italy
Kevin Dancey, Canada
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Robert Hodgkinson, United Kingdom
Gen Ikegami, Japan
Ved Kumar Jain, India
Japheth Katto, Uganda
Olivia Kirtley, United States
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Kazuo Hiramatsu, Japan
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NOMINATED BY THE IFAC TRANSNATIONAL

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Hans Christian Krogh, PricewaterhouseCoopers
Eileen Walsh, KPMG

OBSERVERS

Charles Calhoun, IAESB Consultative Advisory Group, United States
Gary L. Sundem, International Association for Accounting Education and Research, United States

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

(January 1, 2010 to December 31, 2010)

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

(January 1, 2010 to December 31, 2010)

NOMINATED BY IFAC MEMBER BODIES

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Valdir Renato Coscodai, Brazil
Philip Cowperthwaite, Canada
Josef Ferlings, Germany
Cédric Gélard, France
Jon Grant, United Kingdom
Ashif Sadrudin Kassam, Kenya
Professor William R. Kinney Jr., United States
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OBSERVERS

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Norio Igarashi, Financial Services Agency, Japan
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NOMINATED BY IFAC MEMBER BODIES

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Michael Niehues, Deputy Chair, Germany
Nina Barakzai, United Kingdom
Caroline Gardner, United Kingdom
Alice McCleary, Australia
Robert Rutherford, Canada
Isabelle Sapet, France
Aiko Sekine, Japan
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PUBLIC MEMBERS

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Volker Röhricht, Germany
Kate Spargo, Australia

NOMINATED BY THE IFAC TRANSNATIONAL AUDITORS COMMITTEE

Robert Franchini, Ernst & Young
Peter Hughes, KPMG
Wui San Kwok, PricewaterhouseCoopers
Marisa Orbea, Deloitte Touche Tohmatsu
Don Thomson, Grant Thornton

OBSERVERS

Juan Maria Arteagoitia, European Commission,
Belgium
Richard Fleck, IESBA CAG Chairman, United
Kingdom
Toshitake Inoue, Financial Services Agency, Japan *
Koichiro Kuramochi, Financial Services Agency,
Japan **
Bella Rivshin, Public Company Accounting Oversight
Board, United States *

* through March 2010

** from April 2010

NOMINATED BY IFAC MEMBER BODIES

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Ian Carruthers, United Kingdom
Marie-Pierre Cordier, France
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Hong Lou, China
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Anne Owuor, Kenya
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Tim Youngberry, Australia

PUBLIC MEMBERS

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Mariano D'Amore, Italy
Sheila Fraser, Canada

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Kathryn Byrne, United States
Dr. Angelo Casò, Italy
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Caroline J. Kigen, Kenya

DEVELOPING NATIONS COMMITTEE *

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Aldona Kamela-Sowinska, Poland
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Irene Lombe Ng'andwe, Zambia
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Shabbar Zaidi, Pakistan
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OBSERVERS

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NOMINATING COMMITTEE

Robert Bunting, IFAC President, United States
Göran Tidström, IFAC Deputy President, Sweden
Guy Almeida Andrade, Brazil
Ana Maria Elorrieta, Brazil
Ndung'u Gathinji, Kenya
Gen Ikegami, Japan
Margaret Parker, Australia
David Smith, Canada

* The title of this committee was changed to the Professional Accountancy Organization Development Committee (PAODC) on January 1, 2011

PROFESSIONAL ACCOUNTANTS IN BUSINESS COMMITTEE

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Eileen Morrissey, Deputy Chair, United States
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Karyn Brooks, Canada
John Cahill, Australia
Susanna Chiu, Hong Kong
Niculae Feleaga, Romania
Raúl González Lima, Mexico
Lang Trinh Mai Huong, Vietnam
Christopher Jackson, United Kingdom
Bill Langdon, Canada
Keith Luck, United Kingdom
Stephen Lugalia, Kenya
Vittorio Lusvardi, Italy
Athalanallur Natarajan Raman, India
Alfred Ramosedi, South Africa
Henri A. L. M. van Horn, the Netherlands
Gim Teik Soh, Singapore

SMALL AND MEDIUM PRACTICES COMMITTEE

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Giancarlo Attolini, Deputy Chair, Italy
Hechmi Abdelwahed, Tunisia
Uttam Prakash Agarwal, India
Albert Au, Hong Kong
Stuart Black, Australia
Brian Bluhm, United States
David Chitty, United Kingdom
Alex Hilman, Israel
Andreas Noodt, Germany
Dorothy Ngwira, Malawi
Ricardo Rodil, Brazil
Inge Saeys, Belgium
Bernard Scicluna, Malta
Florin Toma, Romania
Lucio Torres Rodríguez, Spain
Masum Turker, Turkey
Ye Xin, China

OBSERVER

Federico Diomeda, Belgium

TRANSNATIONAL AUDITORS COMMITTEE

VOTING REPRESENTATIVES

Nicholas Fraser, Chair, Deloitte Touche Tohmatsu Limited
John Archambault, Grant Thornton International Ltd *
Jean-Luc Barlet, Mazars
Peter Chidgey, BDO
Roderick Devlin, KPMG International Cooperative
Karen Golz, Ernst & Young Global Limited *
David Maxwell, Grant Thornton International Ltd *
Robert Muter, PricewaterhouseCoopers International
Andrew Nicholl, Moore Stephens International Limited
Marilyn Pendergast, UHY International Limited
Stephen Todd, Ernst & Young Global Limited *
Wes Williams, Crowe Horwath International
Theodorus Vermaak, PKF International Limited

ALTERNATES

Marc Biquard, Constantin Associates Network
Robert Dohrer, RSM International Limited *
Graham Gilmour, PricewaterhouseCoopers International
Gilles Hengoat, Grant Thornton International Ltd
Chuck Horstmann, Deloitte Touche Tohmatsu Limited
Susan Lister, BDO
Danita Ostling, Ernst & Young Global Limited
Peter Stefanou, Russell Bedford International
Edelfried Schneider, HLB International
Sylvia Smith, KPMG International Cooperative
Alfredo Spilzinger, SMS Latinoamérica *
William Stocker, JHI

* Partial year





SERVICE DELIVERY



SERVICE DELIVERY

To achieve its mission, IFAC seeks to influence various economic and social outcomes through the delivery of services to external parties, including member organizations, governments, professional accountants, academia, and others. The service delivery portion of the annual report describes the services delivered during 2010 against the planned services; it does not report internal services that support the delivery of services to external parties. The planned services were specified in the Operational Plan for 2010.

In 2010, IFAC continued to contribute significantly to the development of high-quality international standards. In line with its strategic plan, IFAC increased its support for the adoption and implementation of the international standards. It advanced the Member Body Compliance Program and made inroads on new projects to enhance the relevance of the accountancy profession. The financial crisis provided opportunities for IFAC as representative of the global accountancy profession to take positions on public policy issues.

While the crisis presented IFAC with many opportunities, it also tested the resources of IFAC, its members and associates, and their own members. IFAC, therefore, prioritized its work programs to respond to the financial pressures brought about by the crisis.

The auditors have issued an assurance report on the service delivery information. Comments that indicate the status of a service not delivered in 2010 or that cannot be measured are outside the scope of the assurance engagement and are indicated with an asterisk (*).

THE FIVE SERVICE AREAS

1. **Standards and Guidance**—*Develop high-quality professional standards and guidance, and encourage convergence*
2. **Support for Adoption and Implementation**—*Provide institutional support to those responsible for adoption and implementation of international standards at a national, regional, or global level*
3. **Promoting Quality**—*Promote the provision of high-quality services by all members of the accountancy profession worldwide*
4. **Representation of the Accountancy Profession in the Public Interest**—*Speak out on public interest issues where the profession's expertise is most relevant*
5. **Communications**—*Provide services that communicate with IFAC stakeholders on matters related to the achievement of the IFAC mission*

BASIS FOR PRESENTING THE SERVICE DELIVERY INFORMATION

1. All substantial services delivered during 2010 that directly affect parties external to IFAC are included under the appropriate service area.
2. Planned services specified in the Operational Plan for 2010 that were not delivered during 2010 are noted in the report.
3. Activities are appropriately described from a quantitative and, where appropriate, qualitative perspective.

SECTION 1 STANDARDS AND GUIDANCE

The standards cover the areas of accounting education, auditing and assurance, ethics 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 practices, and the role of professional accountants operating in business.

DUE PROCESS

To ensure consistent high quality in the standards issued, a clearly defined rigorous due process is followed by the International Accounting Education Standards Board (IAESB), International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB). The Public Interest Oversight Board (PIOB), which has the mandate to oversee the IAASB, IAESB, and IESBA, has approved this due process and monitors its compliance.

ACCOUNTING EDUCATION

Revised and Clarified International Education Standards

The IAESB has commenced a project to apply the approved Drafting Conventions to all International Education Standards (IESs), with a goal of revising and redrafting all standards by the fourth quarter of 2012.* During 2010, the IAESB completed the following steps in this project:

- In February, the IAESB approved *A Consultation Paper on the Revision of International Education Standard 8: Competence Requirements for Audit Professionals*
- In November, the IAESB approved an exposure draft of proposed IES 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*

The IAESB also held consultation meetings on this project as follows:

- Forum of Firms, London, UK, April
- Eastern Central and Southern African Federation of Accountants (ECSAFA), Livingstone, Zambia, April
- Fédération des Experts Comptables Européens (FEE), Brussels, Belgium, May

Information Paper on Education Assessment Practices

In May, the IAESB approved an International Education Information Paper (IEIP), *Development and Management*

of Written Examinations, to help professional accountancy organizations implement IES 6, *Assessment of Professional Competence*.

2010 Handbook of IAESB Pronouncements

IFAC published the 2010 *Handbook of International Education Pronouncements* in August.

Modification

The IAESB deferred work on developing an information paper on professional skills and general education. The IAESB plans first to review the findings of the International Association for Accounting Education and Research (IAAER) project on non-technical skills, and the IAESB's revision of IES 3, *Professional Skills and General Education*, to identify emerging skills sets.*

AUDITING AND ASSURANCE

Exposure Drafts

During 2010, the IAASB approved the following exposure drafts:

- Proposed International Standard on Assurance Engagements (ISAE) 3420, *Assurance Reports on the Process to Compile Pro Forma Financial Information Included in a Prospectus* (March)
- Proposed changes to the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*. The proposed changes address the status and authority of International Auditing Practice Statements (IAPs) (June)
- Proposed International Standard on Auditing (ISA) 610 (Revised), *Using the Work of Internal Auditors*. The exposure draft also proposes amendments to ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* (June)
- Proposed IAPS 1000, *Special Considerations in Auditing Complex Financial Instruments* (September)
- Proposed International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements* (September)
- Proposed International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements* (December)
- Proposed ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements* (December)

SECTION 1 STANDARDS AND GUIDANCE

Discussion Paper

The IAASB approved a discussion paper, *The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications*, in December. This paper highlights recent trends in the range, volume, and complexity of financial statement disclosures, and explores issues and practical challenges in preparing, auditing, and using them.

Questions and Answers

IAASB staff issued *XBRL: The Emerging Landscape* in January. This publication is designed to raise awareness about how XBRL-tagged data is prepared and how it may affect financial reporting.

2010 Handbook of IAASB Pronouncements

IFAC published the 2010 *Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* in April.

ETHICS

2010 Handbook of IESBA Pronouncements

IFAC published the 2010 *Handbook of the Code of Ethics for Professional Accountants* in April.

PUBLIC SECTOR FINANCIAL REPORTING

Conceptual Framework

In November, the IPSASB approved an exposure draft and two consultation papers related to its project to develop a conceptual framework for general purpose financial reporting of public sector entities:

- Exposure Draft, *Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Role, Authority, and Scope; Objectives and Users; Qualitative Characteristics; and Reporting Entity*
- Consultation Paper, *Elements and Recognition in Financial Statements*
- Consultation Paper, *Measurement of Assets and Liabilities in Financial Statements*

International Public Sector Accounting Standards

The IPSASB approved *Improvements to IPSASs—2010* in November. The publication completes the IPSASB's improvements project for 2010. The project is modeled on the International Accounting Standards Board (IASB)'s annual

update program. Improvements are made to existing IPSASs to maintain alignment with International Financial Reporting Standards, as well as other general improvements.

2010 Handbook of IPSASB Pronouncements

IFAC published the 2010 *Handbook of International Public Sector Accounting Pronouncements* in May.

Modifications

The IPSASB deferred approval of the IPSAS, *Service Concession Arrangements: Grantor*, until 2011, given the extensive nature of comments received and the need to ensure these have been adequately analyzed. The IPSASB considered responses to the exposure draft of this standard in 2010 and will consider them again in the first quarter of 2011 with a view to approving the final IPSAS in the second quarter.*

The IPSASB decided not to issue an IPSAS on entity combinations as the original scope of the proposed IPSAS was considered to be too narrow to be highly relevant to the public sector. Instead, the IPSASB approved a project to address public sector issues related to entity combinations. A consultation paper is planned for 2011.*

The IPSASB did not issue an exposure draft of the proposed revised Cash Basis IPSAS, *Financial Reporting under the Cash Basis of Accounting*, as originally planned for 2010. Instead, the IPSASB discussed a report based on the findings of consultations conducted during 2010, and agreed to develop a project proposal.*

DEVELOPING NATIONS

During 2010, the Developing Nations Committee¹ (DNC) provided input to the IAESB's Clarity Project at the DNC's March meeting in Dubai, United Arab Emirates, and its July meeting in Washington, D.C., USA.

PROFESSIONAL ACCOUNTANTS IN BUSINESS

Consultation Paper

The Professional Accountants in Business (PAIB) Committee approved for release a consultation paper on employer expectations of PAIBs: *Competent and Versatile—How Professional Accountants in Business Drive Sustainable Organizational Success*, in September.

¹ The title of this committee was changed to the Professional Accountancy Organization Development Committee (PAODC) on January 1, 2011.

Sustainability Framework

The PAIB Committee completed two of four parts of its revision of the web-based *Sustainability Framework*; completion of the remaining two parts is scheduled for early 2011.*

Modifications

The development of an information paper on XBRL developments and the role of PAIBs was deferred due to a need for external expertise.*

The development of a proposed International Good Practice Guidance (IGPG) on predictive business analytics was deferred.*

The PAIB Committee is evaluating whether to develop the IGPG on internal control in the light of the findings of the global survey on risk management and internal control conducted in conjunction with the Committee of Sponsoring Organizations.* The IGPG was planned for 2010.

SMALL AND MEDIUM PRACTICES

During 2010, the Small and Medium Practices (SMP) Committee provided input to the standard-setting boards, largely via the submission of comment letters at key stages of the development of a pronouncement and via staff dialogue on issues. The SMP Committee provided input to:

- 17 IAASB task force projects via 33 comment letters
- The IAASB Consultative Advisory Group (CAG) via committee representative participation at the CAG's March and September meetings
- The IESBA via a presentation by the SMP Committee chair at an IESBA meeting, presentation by the IESBA chair at an SMP Committee meeting, and observation by an SMP Committee representative at two IESBA meetings

The SMP Committee also held a joint meeting with the FEE SME/SMP Working Party in April in Venice, Italy, to determine collaborative projects. In addition, the SMP Committee provided input to the development of the IFAC response to the European Commission's Green Paper on *Audit Policy: Lessons from the Crisis*.

TRANSNATIONAL AUDITING

During 2010, the Transnational Auditors Committee (TAC) provided input to IFAC's standard-setting process through representation on the standard-setting boards.

SECTION 2 SUPPORT FOR ADOPTION AND IMPLEMENTATION

IFAC supports the adoption and implementation of international standards by major capital markets, emerging markets, and relevant organizations.

IFAC's adoption support involves two main elements: the translation of IFAC's pronouncements through a facilitated process that emphasizes the need for quality translations; and the provision of institutional adoption resources targeted to the needs of the recipient. IFAC recognizes that the central responsibility for adoption rests at a national or regional level and that its role is to support this through provision of advice, facilitation, the sharing of knowledge and best practices and, where necessary, the development of guidance.

Implementation support—provided at an institutional level— involves the provision of implementation resources targeted to the needs of the recipient. IFAC recognizes that the central responsibility for implementation, similar to adoption, rests at a national or regional level and that its role is to provide support as appropriate through the development of high-level guidance, provision of advice, facilitation, and the sharing of knowledge and best practices.

Many of the activities presented in the Representation section directly or indirectly promote the adoption and implementation of the international standards.

TRANSLATIONS

Coordination and Facilitation of Translations

During 2010, IFAC signed 137 agreements for reproduction or translation of standards and other publications. This includes Chinese and Brazilian Portuguese; and four agreements for translations of the clarified ISAs in the official languages of the European Union (EU), thereby bringing the total number of agreements for official EU languages to 20 of 21.

In addition, IFAC:

- Responded to 404 inquiries during 2010. This included routinely providing policy statements, templates for permission requests, translation agreements, original files for translation, publication covers and copyright statements, as well as handling inquiries related to translation of technical terminology
- Translated 11 editions of the *IFAC Update* in five languages

- Posted updated *Questions and Answers* about the reproduction and translation of IFAC's publications on the IFAC website in August

Translations Database

IFAC also made 208 updates to the *Translations Database*.

ACCOUNTING EDUCATION

Implementation Support

In January, IAESB staff posted material on the IFAC website supporting the IAESB's *Framework for International Education Standards for Professional Accountants*. The materials include:

- A PowerPoint presentation and supporting speaking notes to assist in providing an overview of the content of the Framework
- A summary of the changes made to the original Framework to enable interested readers to readily identify significant changes

Modification

The IAESB deferred the posting of materials supporting the implementation of International Education Information Paper, *Development and Management of Written Examinations*, until early 2011 to ensure consistency with International Education Standard 6, *Assessment of Professional Capabilities and Competence*, which is currently being revised.*

AUDITING AND ASSURANCE

ISA Modules

IAASB staff issued a series of ISA Modules in November. Each module combines short video presentations and accompanying slides. The titles of the modules are as follows:

- ISA 580, *Written Representations*
- ISA 620, *Using the Work of an Auditor's Expert*
- Materiality, Misstatements, and Reporting—Part I
- Materiality, Misstatements, and Reporting—Part II
- Materiality, Misstatements, and Reporting—Part III

Implementation Monitoring

The IAASB issued a progress report, *Implementation of the Clarified International Standards on Auditing (ISAs)*, in November.

Other Publications

In 2010, IAASB staff issued a number of publications to assist with the adoption and implementation of the ISAs, including:

- Staff Project Update, *Assurance and Related Services on Financial Statements Other Than Audits* (March)
- Staff Questions and Answers, *Auditor Considerations Regarding Significant Unusual or Highly Complex Transactions* (August)
- Staff Publication, *Why are International Standards on Auditing Right for the Public Sector?* (November)
- Staff Publication, *Meeting Diverse Needs* (December)
- Staff Publication, *The Clarified International Standards on Auditing—An Overview and Guide to Resources* (December)
- Staff Frequently Asked Questions on Effective Date of Clarified ISAs (March) and on ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* (December)

IAASB staff also assisted with the development of the following articles:

- “Public and Private Sector Collaboration in Developing International Financial Audit Standards” in *The International Journal of Government Auditing* (January)
- “The Flying Dutchman” in CPA Australia Ltd.’s *INTHEBLACK* magazine (July)
- “Raising the Standard” in Australia’s *CFO Magazine* (July)

ETHICS

Implementation Support

In December, IESBA staff issued IESBA Staff Questions and Answers: *Implementing the Code of Ethics*.

Modification

The IESBA deferred development of implementation modules to support the *Code of Ethics for Professional Accountants*.*

PUBLIC SECTOR FINANCIAL REPORTING

Implementation Support

At its November meeting, the IPSASB approved an update of Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. The

latest edition of Study 14 covers all 31 IPSASs, including first-time coverage of the five IPSASs issued in late 2009 and early 2010.

Modification

It is anticipated that the IPSAS implementation modules will be issued in 2011.* They were originally planned for 2010.

SMALL AND MEDIUM PRACTICES

Implementation Support

In June, the SMP Committee approved a revised *Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities* and a revised *Guide to Quality Control for Small- and Medium-Sized Practices*.

An article, *Tips for Cost-Effective ISA Application*, which was commissioned and reviewed by SMP staff, was sent in February to member bodies, associates, regional accountancy organizations and acknowledged accountancy groupings for their use in communicating to and providing implementation support for their SMP constituencies.

Expanded Resources in the International Center for SMPs

The SMP Committee staff continued to enhance the web-based International Center for SMPs in 2010 by adding relevant links.

Modification

The SMP Committee deferred an information paper on financial reporting and assurance for small- and medium-sized entities until 2011, primarily to allow completion of responses to the European Commission’s Green Paper on *Audit Policy: Lessons from the Crisis*.*

SECTION 3 PROMOTING QUALITY

IFAC promotes the provision of high-quality services by all members of the profession through the implementation of a Member Body Compliance Program, member body development initiatives, initiatives aimed at improving audit quality, and issuance of good practice guidance.

AUDITING AND ASSURANCE

Thought Piece

In December, the IAASB agreed to the issuance of a thought piece, *Audit Quality: An IAASB Perspective*, to stimulate further thought and discussion on the topic of audit quality among stakeholders.

MEMBER BODY DEVELOPMENT

Member Body Compliance Program

The Member Body Compliance Program requires members and associates to develop Action Plans to address requirements set out in the Statements of Membership Obligations (SMOs). These Action Plans, published on the IFAC website, demonstrate IFAC members' and associates' commitment to international standards and best practices. During 2010, 47 initial Action Plans and 34 updated Action Plans were published. This brings the total number of Action Plans on the IFAC website to 117.

Outreach activities with respect to Action Plans are included in the Representation section.

Basis of International Standards on Auditing Adoption Chart

During 2010, Compliance staff continued to update the online *Basis of ISA Adoption Chart* that was originally launched in 2009 to communicate the status of adoption of ISAs in jurisdictions around the world.

Membership in IFAC

Assessments of membership applications, including expanded on-site due diligence, gave rise to the IFAC Council approving the admission of the following organizations in November:

Admission of one member:

- Association of Accountants and Auditors of the Republic of Srpska

Admission of five associates:

- Union of Accountants, Auditors and Financial Workers of Federation of Bosnia and Herzegovina
- Croatian Audit Chamber
- Institute of Certified Auditors of the Republic of Macedonia
- Audit Chamber of Russia
- Institute of Certified Management Accountants of Sri Lanka

Recognized Regional Organizations and Approved Accountancy Groupings

During 2010, IFAC received and assessed quarterly reports from four recognized regional organizations and annual reports from six acknowledged accountancy groupings regarding their compliance with IFAC obligations.

Input to the World Bank Reports on Observance of Standards and Codes

The Compliance staff provided input to the World Bank Reports on Observance of Standards and Codes (ROSC) for the following countries:

- Burkina Faso
- Central African Republic
- Gabon
- Indonesia
- Kenya
- Lesotho
- Liberia
- Mauritius
- Nigeria
- Sudan
- The Gambia
- Togo
- West Bank and Gaza
- Zimbabwe

PROFESSIONAL ACCOUNTANCY ORGANIZATION DEVELOPMENT

Outreach Activities Targeting the Development of the Profession

The DNC carried out the following activities as part of its plans to expand its facilitation of donor funding to developing nations, including maintaining relationships with donors and supporting related events and initiatives:

- Meeting with the Délégation Internationale pour l'Audit et la Comptabilité (DIPAC) and the Fédération Internationale des Experts-Comptables Francophones (FIDEF) to exchange information about the development of the accountancy profession in a large number of countries, Paris, France, January
- Presentation on the Member Body Compliance Program and speech on the need for enhancing the financial reporting process in Africa at the 9th Congress of the Association of Accountancy Bodies in West Africa (ABWA), Freetown, Sierra Leone, April
- Presentation on the Member Body Compliance Program Action Plans at a meeting organized in conjunction with the Council of FIDEF, Marrakech, Morocco, May
- Presentation on the Statements of Membership Obligations at the Colegio de Contadores Públicos de Nicaragua Regional Seminar—Accounting Education: The Future of the Profession, Managua, Nicaragua, May
- Presentations on the development of the accountancy profession at the Accounting & Auditing ROSC Conference organized by the World Bank, Addis Ababa, Ethiopia, June
- Presentations on the paper *Nurturing the Development and Growth of the Accountancy Profession* at a meeting of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee, Lilongwe, Malawi, April, and New Delhi, India, December
- Presentations on the importance of the profession and the benefits of accountancy reform for financial sector growth and overall economic development at the IFAC-World Bank-OECD-Development Co-operation Directorate joint meeting on Building Sustainable Financial Management Capacity, Paris, France, July
- Provided comments on the consultation paper: *Public Financial Management* (March) of the Chartered Institute of Public Finance and Accountancy (CIPFA)

The DNC, in conjunction with the World Bank, Inter-American Development Bank, Global Public Policy Committee, and the Collegium of Authorized Public Accountants of Panama, sponsored the Accounting and Accountability for Regional Economic Growth (Contabilidad y Responsabilidad para el Crecimiento Económico Regional, or CReCER) Conference held in Panama City, Panama, in October.

Outreach activities to support the development of professional accountancy organizations are included in the Representation section.

Good Practice Guidance

The DNC approved the 2010 revision of the Good Practice Guide, *Establishing and Developing a Professional Accountancy Body*, in October.

Modifications

The DNC deferred the addition of the public sector perspective in the Good Practice Guide, *The Education, Training and Development of Accounting Technicians* until 2011 to (1) allow time for one of the professional accountancy organizations contributing to the development of this guide to complete work on its portion of the guidance, and (2) to allow staff to finalize work on the DNC Activity Review and other DNC activities prior to addressing this project.*

PROFESSIONAL ACCOUNTANTS IN BUSINESS

Accounting for Sustainability (A4S) Project

In April, IFAC and the Prince of Wales Accounting for Sustainability (A4S) Project entered into a memorandum of understanding to support the global accountancy profession's role in developing sustainable organizations. In line with this memorandum, IFAC and A4S established a community website. At present, the website is used to facilitate discussions of the A4S Accounting Bodies Network. Full launch of the website is planned for 2011.*

The International Integrated Reporting Committee

During 2010, IFAC participated in the establishment of the International Integrated Reporting Committee (IIRC). The objective of the IIRC is to create a globally accepted framework for accounting for sustainability that brings together financial, environmental, social, and governance information in a clear, concise, consistent, and comparable format. The IFAC president represents IFAC on the IIRC, and the IFAC chief executive officer is co-chair of the IIRC Working Group. The IIRC Steering Committee, supported by the IIRC Working Group, is responsible for progressing the IIRC's development.

SECTION 3 PROMOTING QUALITY

Climate Disclosure Standards Board

During 2010, IFAC participated in the Technical Working Party (TWP) of the Climate Disclosure Standards Board (CDSB) to develop a *Climate Change Reporting Framework*. The Framework establishes what companies should report about climate change; it focuses on how reporting can be made more decision-useful for investors. The CDSB released the final Framework in October 2010.

Committee of Sponsoring Organizations

In collaboration with the Committee of Sponsoring Organizations (COSO), the Professional Accountants in Business Committee conducted two surveys (January and May) to (1) obtain an understanding of the level of acceptance and use of the COSO frameworks and/or guidance outside of the USA, and (2) assess the need to internationally align risk management and internal control frameworks, standards, or guidance. The roundtable that was planned to follow the surveys was deferred.*

United Nations Conference on Trade and Development

IFAC contributed a chapter for a book, *Corporate Governance in the Wake of the Financial Crisis—Linking Governance, Strategy and Sustainability*, that will be published by the United Nations Conference on Trade and Development (UNCTAD) in 2011.* The chapter was submitted to UNCTAD in March.

IFAC also co-hosted a conference with UNCTAD. *Corporate Governance in the Wake of the Financial Crisis: Linking Governance, Strategy and Sustainability—A Conference on the Role of the Accountancy Profession* was held in October in Geneva, Switzerland. Various IFAC representatives presented at the conference. In addition, IFAC held a workshop with member body representatives in conjunction with the conference. The purpose of the workshop was to discuss corporate governance-related issues identified during the conference and IFAC's role in addressing them.

SMALL AND MEDIUM PRACTICES

Good Practice Guidance

In March, the SMP Committee approved the *Guide to Practice Management for Small- and Medium-Sized Practices* (the Practice Management Guide) and in October, a companion guide, *Supplementary User Guidance for Member Bodies*, was published. In April, the SMP Committee issued an information paper, *The Role of SMPs*

in Providing Business Support to Small-and Medium-Sized Entities.

TRANSNATIONAL AUDITING

Symposiums and Workshops

In October, the TAC hosted a symposium on applying ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

The TAC also issued a paper, *Client Acceptance and Continuance*, in October.

All 21 full members of the TAC reported compliance with membership obligations in December.

SECTION 4 REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST

IFAC comments on material published by other international and regional organizations that directly relates to the accountancy profession and accounting or auditing matters; develops and maintains relationships with other international and regional organizations as appropriate; participates in global, regional, and national forums; and develops policy positions in areas where the expertise of the profession and IFAC is most relevant.

Many of the activities presented in this section directly or indirectly promote the adoption and implementation of the international standards.

WORLD CONGRESS OF ACCOUNTANTS

The 18th World Congress of Accountants (WCOA) was held in November in Kuala Lumpur, Malaysia, and was jointly organized by the Malaysian Institute of Accountants (MIA) and IFAC. The theme of the conference was “Accountants: Sustaining Value Creation.” The WCOA provided an opportunity for board and committee members and IFAC staff to conduct outreach with participants from member bodies and other international and regional organizations.

PUBLIC POLICY AND REGULATORY ACTIVITIES

Public Interest Oversight Board

During 2010, IFAC representatives (including the officers,² senior management, and the chairs of the Public Interest Activity Committees³) participated in the March, June, and November meetings of the Public Interest Oversight Board (PIOB). (The March and June meetings were held in Madrid, Spain; the November meeting was held in Kuala Lumpur, Malaysia.)

Monitoring Group

IFAC representatives met with the Monitoring Group in February (Brussels, Belgium), July (Brussels, Belgium), September (Paris, France), and November (Kuala Lumpur, Malaysia) to discuss the Monitoring Group’s recommendations with regard to the effective implementation of the 2003 IFAC Reforms.

In August, IFAC responded to the Monitoring Group’s *Review of the IFAC Reforms—Consultation Paper*. The Monitoring Group issued *Review of the IFAC Reforms—Final Report* in November during the 2010 WCOA. The IFAC

president responded to the final report during a presentation at the Congress.

IFRS Advisory Council of the International Accounting Standards Board

The executive director, professional standards, attended the February, June, and November meetings of the IFRS Advisory Council of the IASB. These meetings were held in London, UK.

Global Public Policy Committee

IFAC representatives met with members of the Global Public Policy Committee (GPPC) through the IFAC Regulatory Liaison Group (IRLG) throughout 2010. In addition, the executive director, quality and member relations, attended meetings of the Regulatory Working Group of the GPPC in January (Washington, D.C., USA), June (Moscow, Russia), and September (Istanbul, Turkey); and the executive director, professional standards, attended meetings of the Standards Working Group of the GPPC in January and April (London, UK), and August (New York, New York, USA).

² President, deputy president, and chief executive officer

³ The Public Interest Activity Committees are the Compliance Advisory Panel, International Auditing and Assurance Standards Board, International Accounting Education Standards Board, and International Ethics Standards Board for Accountants.

SECTION 4 REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST

National and International Meetings, Roundtables, Seminars, and Conferences

The officers and senior management also participated in the following national and international meetings, roundtables, seminars, and conferences:

MEETING / EVENT	LOCATION	MONTH
World Bank Fiduciary Forum	Alexandria, Virginia, USA	March
FEE-Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili (CNDCEC) Congress	Venice, Italy	April
Eastern, Central and Southern African Federation of Accountants (ECSAFA) Council Meeting	Livingstone, Zambia	April
American Institute of Certified Public Accountants (AICPA) Spring Council Meeting	San Diego, California, USA	May
Global Reporting Initiative (GRI) Annual Conference	Amsterdam, the Netherlands	May
Institute of Chartered Accountants of India (ICAI) and the Institute of Cost and Works Accountants Meetings	New Delhi, India	May
UNCTAD-International Standards of Accounting and Reporting (ISAR) Consultative Group Meeting	Geneva, Switzerland	May
International Organization of Securities Commissions (IOSCO) Annual Conference	Montreal, Canada	June
Institute of Internal Auditors (IIA) 69 th Annual International Conference	Atlanta, Georgia, USA	June
World Trade Organization Council Meeting	Geneva, Switzerland	June
HLB Audit and Tax Conference	Chicago, Illinois, USA	July
Presentations on the importance of the profession and the benefits of accountancy reform for financial sector growth and overall economic development at the IFAC-World Bank-OECD-Development Co-operation Directorate (DCD-DAC) joint meeting on Building Sustainable Financial Management Capacity	Paris, France	July
American Accounting Association (AAA) 2010 Annual Meeting	San Francisco, California, USA	July
18 th Congress of the Turkish Accounting Profession	Ankara, Turkey	September
Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR) 18 th Congress of the Romanian Accountancy Profession	Bucharest, Romania	September

MEETING / EVENT	LOCATION	MONTH
The Federal Accounting Council (CFC) and the National Treasury Department's International Seminar on Public Sector Accounting	Belo Horizonte, Brazil	September
Institute of State Authorized Public Accountants Conference	Reykjavik, Iceland	September
Meeting of the Institute of Internal Auditor's Professional Practices Framework Oversight Council	Orlando, Florida, USA	October
Corporate Governance in the Wake of the Financial Crisis: Linking Governance, Strategy and Sustainability —A Conference on the Role of the Accountancy Profession	Geneva, Switzerland	October
UNCTAD Intergovernmental Working Group of Experts on ISAR 27 th Session	Geneva, Switzerland	October
Accounting and Accountability for Regional Economic Growth (Contabilidad y Responsabilidad para el Crecimiento Económico Regional, or CReCER) Leadership Roundtable	Panama City, Panama	October
Colegio de Contadores Públicos Autorizados de Panama (CCPAP) Regional Accounting Conference on Implementation of International Standards	Panama City, Panama	October
Instituto Mexicano de Contadores Públicos (IMCP) 87 th General Meeting / Convention	Ixtapa Zihuatanejo, Guerrero, Mexico	October
FIDEF Council Meeting	Strasbourg, France	October
CNDCEC 2 nd Congress	Naples, Italy	October
The World Bank Centre for Financial Reporting Reform Meeting	Brussels, Belgium	October
Harvard Business School Conference on Developing an Action Plan for Integrated Reporting	Boston, Massachusetts, USA	October
New York State Society of Certified Public Accountants International Conference	New York, New York, USA	October
Confederation of Asian and Pacific Accountants (CAPA) Meeting	Kuala Lumpur, Malaysia	November
Association of Chartered Certified Accountants (ACCA) Council	London, UK	November
FEE General Assembly	Brussels, Belgium	December
CIPFA 125 th Anniversary	Manchester Town Hall, UK	December

SECTION 4 REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST

Regulatory and Other Relationships

During 2010, IFAC maintained relationships with the following international and regional organizations:

- African Development Bank
- Asian Development Bank
- Basel Committee on Banking Supervision
- European Commission
- Financial Stability Board
- Global Public Policy Committee
- IFRS Foundation
- Institute of Internal Auditors
- Inter-American Development Bank
- International Accounting Standards Board
- International Association for Accounting Education and Research
- International Corporate Governance Network
- International Forum of Independent Audit Regulators
- International Monetary Fund
- International Organization of Securities Commissions
- International Organization of Supreme Audit Institutions
- International Valuation Standards Council
- Monitoring Group
- Organisation for Economic Co-operation and Development
- Prince of Wales' Accounting for Sustainability (A4S) Project
- Transparency International
- United Nations
- United Nations Conference on Trade and Development
- World Bank
- World Federation of Exchanges

PUBLIC POLICY POSITIONS AND EXTERNAL SUBMISSIONS

Public Policy Positions

In June, IFAC developed a research paper, *Recommendations Regarding Accountancy Services Background Note by the Secretariat [S/C/W/316 June 2010]: A Consultative Document Prepared for the World Trade Organization, Council for Trade in Services*.

In November, IFAC approved an exposure draft of proposed Policy Position Paper #4, *A Public Interest Framework for the Global Accountancy Profession*. The proposed principles-based framework enables evaluation as to whether the public interest is being served through the actions of the profession and its institutions. It provides policymakers, regulators, and business leaders with the means to more consistently assess many of the issues currently debated at the national and international levels.

External Submissions

During 2010, the following formal submissions were made to external organizations:

- IFAC responded to IOSCO's *Transparency of Firms that Audit Public Companies: Consultation Report* in January.
- The chief executive officer wrote to the G-20 ahead of the G-20 meeting in Toronto, Canada, on June 26-27 to emphasize the need for greater transparency and accountability in public sector finances.
- The IAASB responded to the Financial Stability Board's (FSB) *Thematic Peer Review on Risk Disclosures* in September.
- IAASB staff provided input to the FSB's update of its *Compendium of Standards* in October.
- IFAC, the IAASB, the IAESB, and the IESBA each responded to the EC's Green Paper on *Audit Policy: Lessons from the Crisis* in December.

Modifications

During 2010, staff deferred the development of case studies on auditor liability due to a need to conduct further research. The development of a roadmap to convergence, adoption, and implementation of global standards for the accountancy profession was deferred due to other priorities, including the response to the Green Paper.*

PROMOTION OF IFAC'S PUBLIC INTEREST ACTIVITIES

Accounting Education

International Accounting Education Standards Board Consultative Advisory Group

During 2010, the IAESB CAG met in February in New York, New York, USA, and in September in Edinburgh, UK.

Meetings with Regulators and Other Stakeholders, and International, Regional, and National Forums

IAESB representatives participated in the following meetings with regulators and other stakeholders, and international, regional, and national forums:

MEETING / EVENT	LOCATION	MONTH
Consultative Committee of Accountancy Bodies (CCAB) Meeting	Dublin, Ireland	January
International Section of the AAA 2010 Annual Mid-Year Conference	San Diego, California, USA	January
Federation of Schools of Accountancy Annual Seminar / 2010 Accounting Programs Leadership Group	Albuquerque, New Mexico, USA	February
Japanese Institute of Certified Public Accountants Accounting Education Seminar	Tokyo, Japan	February
International Advisory Committee and Professional Qualifications Advisory Committee of CPA Australia Meeting	Melbourne, Australia	February
Nederlands Instituut Van Registeraccountants (Royal NIVRA) Education Conference	Breukelen, the Netherlands	April
Sistema Federal de Actualización Permanente (SFAP) Educators National Meeting	Buenos Aires, Argentina	May
Foreningen af Statsautoriserede Revisorer-IAESB Education Seminar	Copenhagen, Denmark	May
Expoitora Ciudad de Mexico & Monterrey Conference	Mexico City and Monterrey, Mexico	May
IAESB-FEE Qualification and Market Access Working Party Meeting	Brussels, Belgium	May
European Accounting Association 2010 Annual Congress	Istanbul, Turkey	May
Instituto de Censores Jurados de Cuentas de España (ICJCE)-IAESB Accounting Education Seminar	Madrid, Spain	June
Institute of Chartered Accountants of Ensenada Conference	Baja California, Mexico	July
AAA 2010 Annual Meeting	San Francisco, California, USA	July
Nordic Federation of Accountants Annual Assembly / Conference	Reykjavik, Iceland	August
CPA Australia Kate Stanton Annual Research Lecture, presentation on Global Accounting Education Standards: Facilitating Access, Convergence, and Implementation	Hobart and Launceston, Australia	August
Institute of Chartered Accountants of Tapachula Conference	Chiapas, Mexico	September
Financial Executives Institute Conference	Mexico City, Mexico	September
Community of Educational Innovation in Accounting and Business—First Virtual National Forum	—	September
CReCER Leadership Roundtable	Panama City, Panama	October

SECTION 4 REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST

MEETING / EVENT	LOCATION	MONTH
FEE Council Meeting	Brussels, Belgium	October
UNCTAD ISAR 27 th Session	Geneva, Switzerland	October
Education Directors Forum	City of Singapore, Singapore	November
Institute of Certified Public Accountants of Singapore (ICPAS) Accountancy Convention 2010	City of Singapore, Singapore	November
IAAER 11 th World Congress	City of Singapore, Singapore	November
World Bank Road to Europe Program of Accounting Reform and Institutional Strengthening (REPARIS) Accounting Education Community Practice Workshop	Vienna, Austria	November

AUDITING AND ASSURANCE

International Auditing and Assurance Standards Board Consultative Advisory Group

During 2010, the IAASB Consultative Advisory Group met in March in Barcelona, Spain, and in September in London, UK.

National Auditing Standard Setters

During 2010, the National Auditing Standard Setters met in June in Dublin, Ireland.

European Audit Standard Setters

IAASB representatives participated in a meeting of the European Audit Standard Setters in March in Brussels, Belgium.

European Commission

IAASB representatives met with EC representatives in March and June in Brussels, Belgium.

Public Company Accounting Oversight Board

IAASB representatives met with the Public Company Accounting Oversight Board (PCAOB) in January and June in Washington, D.C., USA.

IAASB representatives also participated in meetings of the Standing Advisory Group of the PCAOB in April and October in Washington, D.C., USA.

International Accounting Standards Board

As part of its project to monitor the projects of the IASB, the IAASB actively monitored eight IASB projects during 2010. In addition, the IAASB or IAASB representatives:

- Observed meetings of the IASB Expert Advisory Panel's *Financial Instruments: Impairment of Financial Assets* project in February, March, and April in London, UK; in May in Norwalk, Connecticut, USA; and in June in Beijing, China (via teleconference). Also participated in various teleconferences of the EAP Cash Flows Subgroup.
- Participated in outreach meetings with representatives from the IASB in February in London, UK.
- Issued a response to the IFRS Foundation on its Exposure Draft, *International Financial Reporting Standards (IFRS) Taxonomy 2010*, in April.
- Submitted comment letters to the IASB on the Exposure Draft, *Measurement of Liabilities*, in May, and the Exposure Draft, *Revenue from Contracts with Customers*, in November.
- Held a liaison meeting with the IASB chair and other IASB representatives in July in London, UK.

The IAASB received a presentation on recent IFRS developments from an IASB member in December in Orlando, Florida, USA.

Meetings with Regulators and Other Stakeholders, and International, Regional, and National Forums

IAASB representatives participated in the following meetings with regulators and other stakeholders, and international, regional, and national forums:

MEETING / EVENT	LOCATION	MONTH
AICPA Meeting	New York, New York, USA	January
International Section of the AAA 2010 Annual Mid-Year Conference	San Diego, California, USA	January
Center for Audit Quality Meeting	Washington, D.C., USA	January
European Union Conference on International Developments in Accounting and Auditing	Brussels, Belgium	February
Financial Stability Institute Accounting and Auditing Seminar	Basel, Switzerland	February
FEE XBRL Policy Statement Launch Event	Brussels, Belgium	February
Meeting with investor representatives from Hermes Equity Ownership Services, Investment Management Association and Ardmore	London, UK	February
Meeting with the Institute of Chartered Accountants in England and Wales (ICAEW), ACCA, the Financial Services Agency, the Financial Reporting Council, and the UK Auditing Practices Board	London, UK	February
Meeting with the UK Government Department for Business Innovation & Skills	London, UK	February
ACCA Council Meeting	London, UK	March
Aarhus School of Business Student Group, Aarhus, Denmark Presentation	New York, New York, USA	March
FSB Secretary General Teleconference	—	March, May
Forum of Firms Meeting	London, UK	April
FEE-CNDCEC Congress	Venice, Italy	April
Endurskodunardagur 2010 (via videoconference)	Reykjavik, Iceland	April
XBRL International Conference	Rome, Italy	April
Australian Financial Reporting Council Meeting	Melbourne, Australia	May
Australian Auditing and Assurance Standards Board Meeting	Melbourne, Australia	May
Australian Auditing and Assurance Standards Board Public Lecture	Melbourne, Australia	May
Australian Professional Bodies Joint Meeting	Melbourne, Australia	May
Australian Stock Exchange Meeting	Sydney, Australia	May

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MEETING / EVENT	LOCATION	MONTH
Steering Committee of the Professional Standards Committee (PSC) of the International Organisation of Supreme Audit Institutions (INTOSAI) Meeting	Copenhagen, Denmark	May
Victoria University of Wellington Centre for Governance Public Seminar	Wellington, New Zealand	May
New Zealand Institute of Chartered Accountants Meeting	Wellington, New Zealand	May
New Zealand Professional Standards Board Meeting	Wellington, New Zealand	May
Hong Kong Institute of Certified Public Accountants Auditing and Assurance Forum	Hong Kong, Special Administrative Region of the People's Republic of China	May
IOSCO Annual Conference	Montreal, Canada	June
Royal NIVRA International Meeting	Amsterdam, the Netherlands	June
Canadian Institute of Chartered Accountants Auditing and Assurance Standards Board Meeting	Toronto, Canada	June
International Corporate Governance Network Meeting	Toronto, Canada	June
Canadian Public Accountability Board Meeting	Toronto, Canada	June
Roundtable with Regulators	Mainz, Germany Paris, France	June September
Institut der Wirtschaftsprüfer in Deutschland (IDW) -Wirtschaftsprüferkammer (WPK) Seminar	Mainz, Germany	June
AICPA International Business, Accounting, Auditing and Tax Conference	Washington, D.C., USA	June
UNCTAD ISAR Conference	City of Singapore, Singapore	June
ICJCE-IAESB Accounting Education Seminar	Madrid, Spain	June
Institute of Certified Financial Managers Conference	Kyiv, Ukraine	July
IOSCO Technical Committee Meeting with Industry Stakeholders	Madrid, Spain	July
IOSCO Standing Committee 1 Meeting	Luxembourg, Grand Duchy of Luxembourg	July
AAA 2010 Annual Meeting	San Francisco, California, USA	July
Center for Audit Quality Symposium—Audit Practice Meets Audit Research	San Francisco, California, USA	July
Ascend National Pan-Asian Business Leaders Forum 2010 Annual National Convention	New York, New York, USA	August

MEETING / EVENT	LOCATION	MONTH
Nordic Federation of Public Accountants Annual Meeting	Reykjavík, Iceland	August
IFIAR Meeting	Madrid, Spain	September
Financial Audit Subcommittee of the PSC of INTOSAI Meeting	Sandhamn, Sweden	September
Malta Institute of Accountants 2010 Biennial Conference	St. Julians, Malta	September
International Forum of Independent Audit Regulators (IFIAR) Plenary Meeting	Madrid, Spain	September
National Association State Boards of Accountancy (NASBA) International Forum on Cross-Border Co-operation	Madrid, Spain	September
CCPAP Regional Accounting Conference on Implementation of International Standards	Panama City, Panama	October
CRcER 2010 Leadership Roundtable	Panama City, Panama	October
Forum of Firms Symposium on International Standards on Auditing 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i>	New York, New York, USA	October
Institute of Chartered Accountants of Pakistan Seminars	Islamabad, Karachi, and Lahore, Pakistan	October
World Bank REPARIS Conference	Brussels, Belgium	October
ICJCE XIX National Audit Congress	Madrid, Spain	October
International Congress of Supreme Audit Institutions (INCOSAI)	Johannesburg, South Africa	November
Johannesburg Stock Exchange and Independent Regulatory Board for Auditors Meetings	Johannesburg, South Africa	November
International Valuation Standards Council Meeting	New York, New York, USA	November
Ernst & Young Global Professional Practice Meeting	London, UK	December
KPMG Leadership Presentations	London, UK	December
PwC Leadership Presentations	London, UK	December
9 th Annual Conference of the Fédération des Experts Comptables Méditerranéens / Federation of Mediterranean Accountants Annual Conference	Marseille, France	December
Conference of the Fédération des Experts Comptables Européens—Stakeholders' Expectations from Statutory Auditors	Brussels, Belgium	December

SECTION 4 REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST

Joint Statement with Chinese Auditing Standards Board

In November, the IAASB signed a joint statement with the Chinese Auditing Standards Board in recognition of the progress made in adopting the ISAs in China.

ETHICS

International Ethics Standards Board for Accountants Consultative Advisory Group

During 2010, the IESBA Consultative Advisory Group met in March in Barcelona, Spain, and in September in London, UK.

National Ethics Standard Setters

During 2010, the National Ethics Standard Setters met in October in Dublin, Ireland.

European Commission

IESBA representatives met with EC representatives in June in Brussels, Belgium.

Meetings with Regulators and Other Stakeholders, and International, Regional, and National Forums

IESBA representatives participated in the following meetings with regulators and other stakeholders, and international, regional, and national forums:

MEETING / EVENT	LOCATION	MONTH
IOSCO Teleconference	—	April
National Congress of Accountants	Casablanca, Morocco	May
ICAI Meeting	New Delhi, India	May
Autorité des Marchés Financiers Meeting	Paris, France	June
Haut Conseil du Commissariat aux Comptes (H3C) Meeting	Paris, France	June
IOSCO Standing Committee 1 Meeting	Luxembourg, Grand Duchy of Luxembourg	July
IFIAR Meeting	Madrid, Spain	September
NASBA International Forum	Madrid, Spain	September
CCAB Ethics Group Meeting	London, UK	October
Confederation of British Industry Meeting	London, UK	October
CReCER 2010 Conference	Panama City, Panama	October
Ordem dos Revisores Oficiais de Contas X Congress	Lisbon, Portugal	October
ICJCE XIX National Audit Congress	Madrid, Spain	October
ICPAS Accountancy Convention 2010	City of Singapore, Singapore	November
Accounting and Corporate Regulatory Authority Meeting	City of Singapore, Singapore	November
CAPA Meeting	Kuala Lumpur, Malaysia	November
Crowe Horwath International Meeting	New York, New York, USA	November
PKF International Annual Conference	Prague, Czech Republic	November
FEE Council Meeting	Brussels, Belgium	December

PUBLIC SECTOR FINANCIAL REPORTING

World Standard Setters

IPSASB representatives participated in the World Standard Setters meeting in September in London, UK.

National Standard Setters

IPSASB representatives participated in the National Standard Setters meeting in April in Seoul, South Korea; and provided an update on the Conceptual Framework Project at the

National Standard Setters meeting in September in Rome, Italy.

OECD Public Sector Accrual Symposium

IPSASB representatives participated in the OECD Public Sector Accrual Symposium in Paris, France, in March, providing an update of the IPSASB's activities and a more detailed review of the IPSASB's project on the long-term sustainability of the public finances.

Meetings with Regulators and Other Stakeholders, and International, Regional, and National Forums

IPSASB representatives participated in the following meetings with governments and other stakeholders, and international, regional, and national forums:

MEETING / EVENT	LOCATION	MONTH
Annual Seminar on Public Sector Accounting, presentation to the Federal Chancellery	Vienna, Austria	January
Board of Audit of Japan, discussion with officers	Tokyo, Japan	January
Court of Audit of France, IPSASB update	Paris, France	January, April
European Central Bank Seminar on Challenges for Fiscal Sustainability in the EC, presentation on The Long-Term Sustainability of Public Finances	Frankfurt, Germany	January
Major government departments, the Institute of Certified Public Accountants in Israel, and other stakeholders, sixteen presentations / discussions on IPSAS Adoption and Audited Financial Statements	Jerusalem and Haifa, Israel	January, February, March, May, June, July, September, November, December
IASB Meeting	London, UK	January, February, March, May, September
Accounting Standards Review Board (ASRB) and Financial Reporting Standards Board (FRSB), IPSASB update	Auckland / Wellington, New Zealand	January, February, April, July, October, November, December
Indonesian Public Sector Accounting Standards Board, IPSASB update	Jakarta, Indonesia	January, April
IASB Practice Fellow, meeting on rate-regulated activities	London, UK	January
Ministry of Finance of Brazil Seminar on IPSASs and Government Financial Statements	Winterthur, Switzerland	January

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MEETING / EVENT	LOCATION	MONTH
Ministry of Internal Affairs and Communications of Japan, meeting with officers	Tokyo, Japan	January, September
North Atlantic Treaty Organization International Board of Auditors, IPSASB update	Brussels, Belgium	January
Royal Commissioners and other authorities of the 12 provinces in the Netherlands, presentation on IPSASs	Utrecht, the Netherlands	January
Public Sector Accounting Office of the Ministry of Finance of Japan, discussions with officers	Tokyo, Japan	January, September
Committee on Public-Benefit Entities of the UK Accounting Standards Board, IPSASB update	London, UK	January, March, May, November
Waseda University (undergraduates), lecture on IPSASB and IPSASs	Tokyo, Japan	January
Auditor general and staff, IPSASB update	Wellington, New Zealand	February, July
Inspector general (vice-minister) of the General Republic of Indonesia; the chair of the Indonesian Public Sector Accounting Standards Board / deputy head internal audit, General Republic of Indonesia; and the chief accountant of the General Republic of Indonesia, IPSASB update	Jakarta, Indonesia	February
IDW, IPSASB update	Düsseldorf, Germany	February
Ministry of Finance of Kazakhstan, IPSAS course for staff	Astana, Kazakhstan	February
Meeting for professional accountants in the public sector on the IPSASs Roadmap; and open forum for professional accountants in the public sector on IPSASs	Nairobi, Kenya	February
Conference on Is It Time for IPSASs?, participation in panel	Wellington, New Zealand	February
Secretary of the Treasury, IPSASB update	Wellington, New Zealand	February
University of Tilburg, IPSASs course for students in post-masters degree	Tilburg, the Netherlands	February
Arab Federation of Accountants and Auditors, Order des Experts Comptables de Tunisie, and Tunisian Court of Audit, IPSASs awareness training	Tunis, Tunisia	March
CIPFA-ICAEW Public Sector Conference	Leeds, UK	March
East and Southern African Association of Accountants-General, IPSAS training	Pretoria, South Africa	March, May, July, August

MEETING / EVENT	LOCATION	MONTH
Federal Ministry of Finance, IPSASB update	Berlin, Germany	March
FEE Public Sector Committee, IPSASB update	Nicosia, Cyprus	March
International Conference of Actuaries	Cape Town, South Africa	March
FEE-Institute of Certified Public Accountants of Cyprus Public Sector Joint Seminar	Nicosia, Cyprus	March
OECD-IPSASB Seminar on Long-Term Sustainability of Public Finances Consultation Paper	Paris, France	March
Free University New Public Management Seminar	Amsterdam, the Netherlands	March
Government accountants from the Netherlands Bureau for Economic Policy Analysis, Ministry of Finance and Bureau of Statistics, presentation on The Long-Term Sustainability of Public Finances	The Hague, the Netherlands	March
OECD Accrual Accounting Symposium for Senior Budget Officers, presentation on Basis of Preparation of New Zealand's Long-Term Fiscal Projections	Paris, France	March
Invited audience of opinion formers in the UK, presentation / discussion on public sector financial constituents' views on priorities for IPSASB's future strategy and work plan	London, UK	March
Ministry of Finance of Zambia, presentation on IPSASs	Lusaka, Zambia	March
Swiss Public Sector Financial Reporting Advisory Committee, IPSASB update	Berne, Switzerland	March
Accounting Standards Board of Japan on Service Concession Arrangements, meeting with staff	Tokyo, Japan	April
Australian Accounting Standards Board, IPSASB update	Melbourne, Australia	April, July
Finance and Development Supervisory Board (reporting to the president of the Republic of Indonesia), IPSASs training	The Hague, the Netherlands	April
European Court of Auditors DAS Think Tank, presentation / discussion of audit methodology	Luxembourg, Grand Duchy of Luxembourg	April
Indonesia Government Accounting Standards Committee, discussion on IPSASB due process	Norwalk, Connecticut, USA,	April
Institute of Chartered Accountants Public Sector Special Interest Group Seminar on <i>Should We Hitch Ourselves to IPSASs?</i>	Hamilton, New Zealand	April
AusAID Governance and Financial Management program with middle and senior management personnel from Iraqi Ministry of Finance and other relevant ministries, presentations / group discussion	Melbourne, Australia	April, October

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MEETING / EVENT	LOCATION	MONTH
Association of Southeast Asian Nations (ASEAN) Government Accounting Standards Setter Summit	Denpasar, Indonesia	May
CAPA, presentation on IPSASB and panel discussion	Wellington, New Zealand	May
IASB-IPSASB Liaison Meeting	London, UK	May, December
State of Zurich Supreme Audit Office Oversight Board, IPSASB update	Zurich, Switzerland	May
Swiss Federal Financial Administration and Brazilian Treasury (videoconference)	Berne, Switzerland	May
6 th Transatlantic Dialogue	Siena, Italy	June
Bundeskongress Haushaltsmodernisierung	Berlin, Germany	June
Commonwealth of Nations, presentation on Auditing IPSAS Financial Statements	London, UK	June
Dutch auditors working on international engagements, presentation on Globalization of Government Accounting	Amsterdam, the Netherlands	June
Foreign Affairs Ministry civil servants of the Directorate in charge of the United Nations and other intergovernmental organizations, presentation on IPSASs	Paris, France	June
International Maritime Organization, presentation on Adoption of IPSASs in UN organizations	London, UK	June
Meeting of public sector accounting professionals, presentation on Adoption of IPSAS in International Organizations	Luxembourg, Grand Duchy of Luxembourg	June
Meeting of public sector accounting professionals, presentation on the review of the Cash Basis IPSAS	The Hague, the Netherlands	June
Federico II University of Naples, presentation on IPSASs to scholars and PhD students	Naples, Italy	June
Russian Treasury Seminar—Official Visit	Winterthur and Berne, Switzerland	June
Supreme Audit Institutions, Conseil Supérieur de l'Ordre des Experts-Comptables, Ministry of Finance, academics, Ministry in charge of social security, Foreign Affairs Ministry, and public sector accounting standard setter, IPSASB update	Paris, France	June
UK Accounting Standards Board Academics liaison meeting	London, UK	June

MEETING / EVENT	LOCATION	MONTH
37 th International Budget Presentation Association Seminar to the Assembly of Composite Body for all budget offices for Latin America and Spain, as well as civil partnerships budgets experts of every country on a plan of cooperation between IPSASB and ASIP	Madrid, Spain	July
ASRB, meeting with the chair and technical advisor	Wellington, New Zealand	July
Ministry of Finance, presentation and panel discussion on IPSASs	Vienna, Austria	July
New Zealand Securities Commission and the Audit Office, roundtable on Current Financial Reporting Issues	Wellington, New Zealand	July
National Symposium of Financial Management System of the Public Sector	Huancayo, Peru	July
Zambia Institute of Certified Public Accountants (ZICPA), presentation on Financial Reporting by the Government of Zambia: The Way Ahead According to IPSASs	Lusaka, Zambia	July
CPA Australia Public Sector Finance and Management Conference	Canberra, Australia	August
State of Berne, course for Finance Administration and Supreme Audit Office	Berne, Switzerland	August
Institute of Certified Public Accountants of Kenya (ICPAK), presentation on Long-Term Sustainability of Public Finances	Nairobi, Kenya	August
Japan-Korea Joint Academic Seminar, presentation on Public Sector Financial Management	Shizuoka, Japan	August
ZICPA, presentation on Public Sector Financial Management: Need for Change	Livingstone, Zambia	August
Auditors, chartered accountants, national standard setters, academics, and the Ministry of Budget, presentation on IPSASs	Paris, France	September
French Government Accounting Standards Setter, meeting with the chair	Paris, France	September
The CFC and the National Treasury Department's International Seminar on Public Sector Accounting	Belo Horizonte, Brazil	September
IASB Staff, webcast on Fair Value Measurement and SFAS No. 157	London, UK	September
Ministry of Finance, meeting on implementation of IPSAS	Zaragoza, Spain	September
Royal NIVRA, IPSAS training for government officials and public sector accounting practitioners	Amsterdam, the Netherlands	September

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MEETING / EVENT	LOCATION	MONTH
22 nd International Colloquium on Financial Management for National Governments	Boston, Massachusetts, USA	October
AICPA Public Sector and Not-for-Profit Conference	Las Vegas, Nevada, USA	October
CReCER 2010 Conference	Panama City, Panama	October
Victoria University Financial Reporting Conference—New Landscapes	Wellington, New Zealand	October
French Government Standard Setter, meeting on the Conceptual Framework and Service Concession Arrangement projects	Paris, France	October
Ministry of Finance and National Planning, presentation on the review of the Cash Basis IPSAS	Honiara, Solomon Islands	October
Ministry of Finance and National Planning, presentation on the review of the Cash Basis IPSAS	Suva, Fiji	October
Free University, guest lecture on IPSASs	Amsterdam, the Netherlands	November
International Association of Treasury Services Seminar	Ljubljana, Slovenia	November
Annual Research Lecture Commentary	Canberra, Australia	November
Court of Audit, presentation on Auditing IPSAS Financial Statements	The Hague, the Netherlands	November
Queensland Government State public servants, presentation on Long-Term Fiscal Sustainability	Gold Coast, Australia	November
South Asian Federation of Accountants Conference	Kuala Lumpur, Malaysia	November
INCOSAI	Johannesburg, South Africa	November
University of Modena and Reggio Emilia Conference	Reggio Emilia, Italy	November
Swiss Financial Reporting Advisory Committee Meeting	Berne, Switzerland	December
Zurich University of Applied Sciences Annual Government Accounting Conference	Winterthur, Switzerland	December
Government of Abu Dhabi, presentation on Implementation Issues in Accrual Accounting IPSASs	Abu Dhabi, Dubai	December
Seminars on the Adoption of IPSASs in the Government of Israel	Tel Aviv, Israel	December

Modifications

The presentation at the World Bank Forum planned for 2010 was deferred.*

MEMBER BODY/PROFESSIONAL ACCOUNTANCY ORGANIZATION DEVELOPMENT

Outreach to Member Organizations, Recognized Regional Organizations, Acknowledged Accountancy Groupings, and Other Relevant Organizations

During 2010, the Compliance Advisory Panel (CAP) and Developing Nations Committee (DNC) staff met with representatives of the following member organizations, recognized regional organizations, acknowledged accountancy groupings, and other relevant organizations:

MEETING / EVENT	LOCATION	MONTH
Institut des Réviseurs d'Entreprises-Instituut van de Bedrijfsrevisore and Institut des Experts-Comptables et des Conseils Fiscaux	Brussels, Belgium	January
CCPAP—Action Plan Workshop with Costa Rica, the Dominican Republic, El Salvador, and Nicaragua in attendance	Panama City, Panama	January
Philippine Institute of Certified Public Accountants	Mandaluyong City, Philippines	January
Instituto Nacional de Contadores Públicos de Colombia	Bogota, Colombia	February
Interamerican Accounting Association	La Paz, Bolivia San José, Costa Rica	February August
Kammer der Wirtschaftstrehänder (KWT) / Institut Österreichischer Wirtschaftsprüfer (IWP)	Vienna, Austria	March
Croatian Audit Chamber (HRK), Croatian Association of Accountants and Financial Experts	Zagreb, Croatia	March
Institute of Certified Public Accountants of Greece	Athens, Greece	March
Junta de Decanos de Colegios de Contadores Públicos del Perú	Santa Beatriz, Peru	March
Qatar Institute of Certified Public Accountants	Doha, Qatar	March
Slovenska Komora Auditorov	Bratislava, Slovakia	March
Treuhand-Kammer	Zürich, Switzerland	March
ICPAK	Nairobi, Kenya	April
ECSAFA	Nairobi, Kenya	April
Institute of Chartered Accountants of Sierra Leone	Freetown (Western Area), Sierra Leone	April

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MEETING / EVENT	LOCATION	MONTH
Colegio de Contadores Públicos de Costa Rica	San José, Costa Rica	May
Chamber of Auditors of the Republic of Kazakhstan, Union of Accountants and Auditors of Kyrgyzstan	Almaty, Kazakhstan	May
Ordre des Experts Comptables du Royaume du Maroc	Marrakech, Morocco	May
Colegio de Contadores Públicos de Nicaragua	Managua, Nicaragua	May
National Association of Accountants and Auditors of Uzbekistan	Tashkent, Uzbekistan	May
National Steering Committee on Accountancy Reform in Ethiopia	Addis Ababa, Ethiopia	June
Colegio de Contadores de Paraguay	Asuncion, Paraguay	June
The Audit Chamber of Russia, Russian Collegium of Auditors, and Institute of Professional Accountants of Russia	Moscow, Russia	June
Colegio de Contadores, Economistas y Administradores del Uruguay	Montevideo, Uruguay	June
Fiji Institute of Accountants	Suva, Fiji	August
Instituto Guatemalteco de Contadores Públicos y Auditores	San José, Costa Rica	August
Certified Practicing Accountants Papua New Guinea	Port Moresby, Papua New Guinea	August
CAPA	Suva, Fiji Kuala Lumpur, Malaysia	August November
Instituto de Contadores Públicos Autorizados de la República Dominicana	Panama City, Panama	October
Institute of Authorized Chartered Auditors of Albania	Kuala Lumpur, Malaysia	November
Serbian Association of Accountants and Auditors	Kuala Lumpur, Malaysia	November
Sudanese Association of Certified Accountants	Kuala Lumpur, Malaysia	November
Union of Economists	Kuala Lumpur, Malaysia	November
ASEAN Federation of Accountants (AFA)	Kuala Lumpur, Malaysia	November
Ordre National des Experts Comptables et Comptables Agréés	Kuala Lumpur, Malaysia	November
Federación Argentina de Consejos Profesionales de Ciencias Económicas	Buenos Aires, Argentina	December

Meetings with the World Bank, Regulators, and Other Stakeholders

CAP representatives participated in the following World Bank and other funded projects to develop the accountancy profession:

- World Bank ROSC Dissemination Workshop, Khartoum, Sudan, March
- World Bank ROSC Accounting & Auditing Roundtable, Addis Ababa, Ethiopia, June

The CAP and staff representatives also met with the Asian Development Bank in Manila, Philippines, in January and the International Federation of Independent Audit Regulators (IFIAR) in Amsterdam, the Netherlands in October.

PROFESSIONAL ACCOUNTANTS IN BUSINESS

Business Reporting

The PAIB Committee continued its work on the Business Reporting Project. In the final phase of the project, the project group interviewed 25 key business leaders from around the globe on what should be done to improve corporate governance, business reporting, and auditing in the aftermath of the financial crisis. In 2010, 20 of the interview transcripts, grouped into five themes, were published on the IFAC website. Each theme consists of a summary article and the individual interviews. At December 31, articles for the first three themes have been published on the IFAC website. The themes are:

- Theme 1: Good Governance and Sustainability Fundamental for Improved Business Reporting (June)
- Theme 2: Business Reporting Beyond the Crisis: How to Make Sure That We Don't Tumble Into Another Black Hole (June)
- Theme 3: Business Reporting Through the Lens of the Investor (August)
- Theme 4: A Global Language for Business Reporting
- Theme 5: Towards a Broader View of Business Reporting

Approval of the final report is scheduled for early 2011.*

Meetings of Stakeholders and National, Regional, and International Conferences

PAIB Committee representatives participated in the following meetings of stakeholders and national, regional, and international conferences:

MEETING / EVENT	LOCATION	MONTH
ACCA / KPMG Round Table on Carbon Accounting, University of Dayton	Dayton, Ohio, USA	February
CFO Conference	Karachi, Pakistan	March
Certified Management Accountant Conference	Colombo, Sri Lanka	July
CECCAR 18 th Congress of the Romanian Accountancy Profession	Bucharest, Romania	September

SMALL AND MEDIUM PRACTICES

Articles for Member Body Use

- *An Interview with Sylvie Voghel*, June – published by at least 14 member bodies
- *The Evolution of SMPs—International Federation of Accountants' President Robert L. Bunting Says SMPs Should Evolve to Satisfy SMEs' Growing Needs*, October – published by at least 12 member bodies

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Meetings of Stakeholders and National, Regional, and International Conferences

SMP Committee representatives participated in the following meetings of stakeholders and national, regional, and international conferences:

MEETING / EVENT	LOCATION	MONTH
European Federation of Accountants and Auditors for Small- and Medium-Sized Enterprises Conference	Brussels, Belgium London, UK	January May
Days of the United Mediterranean Cities	Naples, Italy	March
SMP Committee–FEE SME/SMP Working Party Joint Meeting	Venice, Italy	April
FEE–CNDCEC Congress	Venice, Italy	April
CECCAR, 18 th Congress of the Romanian Accountancy Profession	Bucharest, Romania	September
Institut Oesterreichischer Wirtschaftspruefer Annual Congress	Vienna, Austria	October
CCPAP Regional Accounting Conference on Implementation of International Standards	Panama City, Panama	October
CRcER 2010 Leadership Roundtable	Panama City, Panama	October
CNDCEC 2 nd Congress	Naples, Italy	October
2010 National Conference of the Institute of Chartered Accountants of Sri Lanka	Colombo, Sri Lanka	October
ICPAS Accountancy Convention 2010	City of Singapore, Singapore	November
ACCA Roundtable	City of Singapore, Singapore	November
ACCA-IAAER Roundtable	Kuala Lumpur, Malaysia	November
Fédération des Experts Comptables Méditerranéens Congress	Marseille, France	December
Malta Institute of Accountants 2010 Biennial Conference	St. Julian's, Malta	December

SECTION 5 COMMUNICATIONS

IFAC's communications activities support its overall strategy by promoting the value of and adherence to high-quality international standards; increasing awareness of the accountancy profession's many roles and, in particular, its contributions to economic growth and development; and facilitating collaboration and ongoing dialogue with IFAC stakeholders through the IFAC website and various other electronic and print media. IFAC's communications are targeted to a wide-ranging audience that includes member bodies and associates, regional accountancy organizations, firms, the media, regulators, standard setters, development agencies, academics, professional accountants, and various international organizations.

MEDIA RELATIONS

Interviews, Press Conferences, and Press Releases Issued

- 57 press releases issued
- 24 interviews given by IFAC representatives
- IFAC continued contact with media outlets with an interest in accountancy, business, finance, and regulation *

Letters to the Editor, Editorials, and Articles

The chief executive officer submitted the following letters to the editor:

- "New Zealand Accrual Basis Continues to Work Well," published in December in the Financial Times, (letter to the editor)
- "Global Warning," published in December in CIPFA's 125th Anniversary Commemorative Supplement (supplement article)

Promotion and Marketing

- Produced *Enhancing the Relevance of the Profession* brochure to communicate the new strategic and operational plans to member organizations

Communications Materials and Reports

The following IFAC communications materials were issued:

- IFAC News (available in print as well as electronic) in April, August, and December
- IFAC 2009 Annual Report (available in print as well as electronic) in May

- IAASB 2009 Annual Report (available in print as well as electronic) in March
- 17 eNews
- 12 editions of the Global Digest
- 12 editions of the IFAC Update
- The IFAC Updates were translated into the five official UN languages
- IFAC fact sheets were updated throughout the course of the year to reflect expanded service deliveries, changes in work plans, and changes in volunteers

Website Development and Enhancements

The IFAC website was updated and enhanced to improve the accessibility of standards and guidance and better engage users. During 2010, the following additions and enhancements were made to the IFAC website:

- Pages were updated on an ongoing basis to reflect the release of new publications, press releases, standards, exposure drafts, etc.
- Updates to core sections of the IFAC website were translated into Arabic, Chinese, French, Russian, and Spanish
- An *IFAC in the News & Video Library* page was created
- The International Center for Professional Accountants in Business was modified to reflect the PAIB Committee's focus on specific issue areas

Social Media and Other Tools

The SMP Twitter feed (www.twitter.com/IFAC_SMP) now has over 300 followers, and is following 93 organizations.

Modifications

Enhancements to the home page and IAASB page on the IFAC website planned for 2010 were deferred. These will form part of the overhaul of the IFAC website planned for 2011.*

The 2010 Global Leadership Survey was conducted during January / February 2011.*

INDEPENDENT ASSURANCE REPORT ON SERVICE DELIVERY



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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 Service Delivery for the year ended December 31, 2010 (Service Delivery). The Service Delivery is a list of specific services delivered by IFAC during 2010. The objective of the assurance procedures was to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2010 in accordance with the criteria described in the introduction to the Service Delivery. 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 controls 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 2010. 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 2010.
- 2) Examination of board, committee and group minutes approving pronouncements, exposure documents, guidance, and consultation papers issued during 2010.
- 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.

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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 2010 in accordance with the criteria described in the introduction to the Service Delivery.

Citrix Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS
March 4, 2011





2010 FINANCIAL HIGHLIGHTS AND FINANCIAL STATEMENTS

2010 FINANCIAL HIGHLIGHTS

The International Federation of Accountants (IFAC) continues to operate a control environment designed to ensure that the values of integrity, transparency, and expertise are inherent in every aspect of the organization. This environment provides for sound stewardship of the resources provided by member organizations, the transnational accountancy firms, and other funders, and for a clear decision-making and accountability framework.

During 2010, management continued to manage operations and service delivery to respond to the pressures and opportunities brought about by the global financial crisis. The surplus for the year is \$428,000. In November, management forecasted a surplus between \$0 and \$200,000 after a reserve build up of \$100,000. The slightly higher surplus is mainly due to higher revenue from the 2010 World Congress of Accountants (\$453,000 against a budget of \$300,000) and an unexpected increase in the sale of publications in the fourth quarter. The surplus continued to strengthen the operating reserve position—a necessity in light of the Board's decision to cover the operating costs associated with the 2011 office expansions from the reserves (while the capital costs will be covered from the additional contribution from member bodies).

Below are the financial highlights for 2010. The financial statements provide further information on IFAC's financial performance, financial position, and cash flows for 2010.

Continued Growth

Total revenue and expenses continued to rise in 2010. Total revenue increased by 10 percent (2009: 14 percent) to \$23.4 million and total expenses by 17 percent (2009: 6 percent) to \$22.9 million.

The increase in total expenses in 2010 is significantly higher than the increase in total expenses in 2009. In 2009, management reduced the planned cost of operations and changed the priorities of services to respond to the pressures brought about by the global financial crisis. These actions gave rise to significant cost savings in 2009, resulting in a surplus of \$1.5 million against an originally budgeted surplus of \$350,000. In 2010, management has increased staff resources and the use of consultants to restart or accelerate service delivery. This gave rise to an increase in total expenses and, in particular, staff costs, travel and meeting costs, and consultant costs.

Financial Position

IFAC's financial position as at December 31, 2010 reflects an increase of 10 percent (2009: 39 percent) in total assets and an increase of 7 percent (2009: 8 percent) in total liabilities from the prior year.

At December 31, 2010, based on a discount rate of 5.65 percent, the funded status of the defined benefit pension plan was negative \$1.5 million (2009: negative \$1.3 million). Unrecognized prior service cost was \$89,000 (2009: \$102,000) and unrecognized net actuarial losses amounted to \$1.1 million (2009: \$906,000). The accrued pension costs liability was \$326,000 (2009: \$285,000). The net periodic pension expense for 2010 was \$343,000 (2009: \$275,000).

The surplus contributed to the increased equity position as at December 31, 2010.

Cash Flow

The statement of cash flows reports a 23 percent (2009: 19 percent) increase in IFAC's cash position at December 31, 2010.

Public Interest Oversight Board

IFAC continued to provide financial support to the Public Interest Oversight Board (PIOB). In 2010, the financial support amounted to \$1.9 million (2009: \$1.8 million). The PIOB has indicated that in 2011 IFAC's financial support will be reduced with the grant to be received from the European Commission (approximately Euro 300,000).

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended December 31, 2010

		2010	2009
Amounts in US Dollars			
	Note		
Revenue			
<i>From exchange transactions:</i>			
Membership dues, net		\$12,625,787	\$11,735,795
Forum of Firms	18	8,824,502	8,206,153
World Congress of Accountants		453,202	-
Publications		326,670	152,959
Interest income		7,809	11,737
Other revenue		232,073	131,058
<i>From non-exchange transactions:</i>			
External funding	2	898,597	950,925
Total revenue		\$23,368,640	\$21,188,627
Expenses			
Employee costs	5, 13	\$12,572,567	\$10,945,129
Travel and meeting costs		4,388,200	3,526,962
Funding provided to the Public Interest Oversight Board	3, 4	1,898,382	1,784,870
Occupancy and maintenance		814,839	734,286
Consultants		857,701	426,670
Communications and publicity		337,611	385,142
Depreciation and amortization	8, 9	376,735	358,873
Printing, distribution, and postage		281,540	282,405
Recruitment and relocation costs		168,253	187,320
Telephone		147,521	174,280
IT support		95,715	171,582
Legal and other professional fees		134,088	148,926
Auditor remuneration			
Audit of financial statements and assurance of service delivery information		149,098	93,052
Tax and other services		65,726	23,373
Bad debt expense		48,894	94,643
Insurance		74,383	65,085
Loss on disposal of intangible asset	9	53,971	-
Impairment loss	9	60,000	-
Other expenses		415,559	232,176
Total expenses	3	\$22,940,783	\$19,634,774
Surplus for the year		\$427,857	\$1,553,853

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

STATEMENT OF CHANGES IN NET ASSETS/EQUITY

For the year ended December 31, 2010

	2010	2009
Amounts in US Dollars		
Net assets/equity at beginning of year		
Accumulated surpluses	\$3,808,777	\$2,254,924
Surplus for the year	427,857	1,553,853
Net assets/equity at end of year	\$4,236,634	\$3,808,777

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

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2010

		2010	2009
Amounts in US Dollars			
	Note		
Current assets			
Cash and cash equivalents	16	\$3,190,229	\$2,590,129
Receivables from exchange transactions			
Dues receivable, net	6	38,053	45,115
Receivable from the Forum of Firms	7	2,253,538	2,057,392
Other receivables		443,924	121,963
Other receivables from non-exchange transactions		86,971	164,914
Other current assets		206,127	393,478
Total current assets		\$6,218,842	\$5,372,991
Non-current assets			
Property and equipment, net	8	\$260,036	\$421,156
Intangible assets, net	9	79,127	182,172
Non-current receivables	12, 17	222,157	205,139
Total non-current assets		\$561,320	\$808,467
TOTAL ASSETS		\$6,780,162	\$6,181,458
Current liabilities			
Accounts payable and accrued expenses		\$972,687	\$828,456
Employee entitlements	10	1,154,254	1,057,295
Revenue received in advance	11	25,001	94,583
Total current liabilities		\$2,151,942	\$1,980,334
Non-current liabilities			
Accrued pension costs	5, 13	\$325,902	\$285,177
Deferred rent		65,684	107,170
Total non-current liabilities		\$391,586	\$392,347
TOTAL LIABILITIES		\$2,543,528	\$2,372,681
Net assets/equity			
IFAC members		\$4,236,634	\$3,808,777
Total net assets/equity		\$4,236,634	\$3,808,777
TOTAL LIABILITIES AND NET ASSETS/EQUITY		\$6,780,162	\$6,181,458



Robert L. Bunting – President (Nov. 2008 to Nov. 2010)



Ian Ball – Chief Executive Officer



Göran Tidström – President (Nov. 2010 to Dec. 2010)

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

STATEMENT OF CASH FLOWS

For the year ended December 31, 2010

Amounts in US Dollars		2010	2009
	Note		
Cash flows from activities			
<i>Cash was provided from:</i>			
Membership dues		\$12,904,524	\$12,206,193
Forum of Firms		8,628,356	6,236,202
External funding		998,597	1,135,856
Publications		326,670	152,959
Interest received		7,809	11,737
		\$22,865,956	\$19,742,947
<i>Cash was applied to:</i>			
Employee costs		\$(12,434,883)	\$(10,489,089)
Other payments		(9,620,359)	(8,835,206)
		\$(22,055,242)	\$(19,324,295)
Net cash inflow from activities	14	\$810,714	\$418,652
Cash flows from investing activities			
<i>Cash was applied to:</i>			
Purchase of property and equipment		\$(149,868)	\$(90,852)
Proceeds from disposal of property and equipment		-	1,700
Purchase of intangible assets		(76,673)	(25,906)
Net cash outflow from investing activities		\$(226,541)	\$(115,058)
Cash flows from financing activities		\$ -	\$ -
Net increase in cash and cash equivalents		\$584,173	\$303,594
Cash and cash equivalents at beginning of year		\$2,590,129	\$2,178,078
Effect of exchange rate change on foreign currency balances		15,927	108,457
Balance of cash and cash equivalents at end of year		\$3,190,229	\$2,590,129

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

STATEMENT OF ACCOUNTING POLICIES

For the year ended December 31, 2010

Basis of Preparation

The International Federation of Accountants' (IFAC) financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) is applied.

IFAC has not applied the following new or revised IPSASs that have been issued but are not yet effective: *Improvements to IPSASs—2010*, IPSAS 29, *Financial Instruments: Recognition and Measurement*, IPSAS 30, *Financial Instruments: Disclosures*, and IPSAS 31, *Intangible Assets*. Management has not yet determined the effect of these standards on the financial statements in the period of initial application.

The preparation of financial statements in accordance with IPSAS 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. The most significant estimates and assumptions relate to the measurement of the defined benefit pension plan expense and liability. 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 have been prepared on the historical cost basis, unless otherwise stated in the accounting policies.

The financial statements are presented in United States Dollars.

Significant Accounting Policies**(i) Revenue Recognition**

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the organization and the amount of the revenue can be measured reliably.

Membership dues revenue

Payments of annual membership dues are initially recorded as deferred revenue and recognized on a straight-line basis over the reporting period. Membership dues revenue is reported net of any approved discounts.

Forum of Firms revenue

Revenue from the Forum of Firms is recognized when it is receivable. Revenue from the Forum consists of a contribution of an amount agreed on an annual basis, and a contribution of an amount

equal to the expenses incurred by the Transnational Auditors Committee activity during the reporting period.

Grant revenue

Revenue from grants is recognized when there is reasonable assurance that IFAC has complied with all the conditions of the grants and that the grants will be received. Grants are recognized in the statement of financial performance on a systematic basis over the periods in which IFAC recognizes as expenses the related costs for which the grants are intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to IFAC with no future related costs are recognized in the statement of financial performance in which they become receivable.

Publications revenue

Revenue from publications is recognized when the publications are shipped.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to IFAC and the amount can be reasonably measured.

Donated services

Donated services are not recognized in the financial statements as their value cannot be measured reliably.

(ii) 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 are calculated on an actual entitlement basis at current rates of pay.

IFAC provides retirement benefits for employees under a defined contribution plan and a defined benefit plan. Payments to the defined contribution plan are recognized as expenses as they become due.

IFAC participates in a multiple employer defined benefit plan. IFAC is one of three sponsoring employers. The plan is wholly or partly funded. The direct and indirect obligations arise from existing pensions as well as future pension and retirement obligations. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined annually by an independent actuary. The expected benefits are spread over the entire length of service of the employees.

STATEMENT OF ACCOUNTING POLICIES

For the year ended December 31, 2010

The amount recognized as the defined benefit liability is the net total of the present value of the defined benefit obligation, plus any unrecognized actuarial gains or less any unrecognized actuarial losses, less any unrecognized past service cost, and less the fair value of plan assets out of which the obligations are to be settled directly.

Actuarial gains and losses are recognized if they exceed the greater of 10 percent of the present value of the defined benefit obligation or of the fair value of plan assets. The amounts exceeding 10 percent are amortized over the average remaining service lives of the employees beginning in the following year. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

(iii) Property and Equipment

Property and equipment are carried at cost, and are depreciated on a straight-line basis over their expected useful lives. The useful lives, residual values, and depreciation methods are reviewed annually. Refer to (v) Impairment below.

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

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

Gains and losses on disposal are determined by comparing proceeds with carrying amounts, and are included in the statement of financial performance. Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

(iv) Intangible Assets

Intangible assets consist primarily of software licenses and development, and externally developed intellectual property.

An intangible asset is recognized when it is identifiable, the organization has control over the asset, it is probable that economic benefits will flow to the organization, and the cost of the asset can be measured reliably. Intangible assets that do not meet these criteria are recognized as an expense in the period in which the expense is incurred.

Intangible assets are carried at cost, and are amortized on a straight-line basis to recognize the consumption of economic benefits of the assets over their useful lives. Refer to (v) Impairment below.

The estimated useful lives of intangible assets are as follows:

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

(v) Impairment

IFAC reviews the carrying amounts of its property and equipment and intangible assets if there is indication that impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognized as an expense in the statement of financial performance in the period the impairment is incurred.

(vi) Financial Instruments

IFAC uses only non-derivative financial instruments. These financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. Financial instruments are recognized in the statement of financial position at cost, which approximates fair value due to their short-term nature.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and on deposit at a bank, and other short-term liquid investments with original maturities of three months or less.

Accounts receivable

Accounts receivable are carried at original invoice amount less any subsequent approved discount, and less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified.

(vii) Operating Lease

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.

(viii) Taxation

IFAC has received an exemption from the Internal Revenue Service (IRS) from federal income taxes under Section 501(a), as an entity described in Section 501(c)(6) of the Internal Revenue Code of 1986, as amended. IFAC is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. IFAC is also exempt from Swiss income taxes.

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



(ix) Foreign Currencies

Transactions in foreign currencies are translated to United States Dollars at the rates of exchange prevailing at the date of the transactions. Assets and liabilities at the reporting 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.

(x) Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

Amounts in US Dollars

1. International Federation of Accountants

IFAC is the global organization for the accountancy profession. Founded in 1977, it is comprised of 164 accountancy organizations in 125 countries and jurisdictions. These accountancy organizations represent approximately 2.5 million accountants in commerce and industry, education, the not-for-profit sector, public practice, and the public sector.

IFAC's vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets and economies.

The mission statement of IFAC is to serve the public interest by:

- Contributing to the development, adoption, and implementation of high-quality international standards and guidance
- Contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants
- Promoting the value of professional accountants worldwide
- Speaking out on public interest issues where the accountancy profession's expertise is most relevant

IFAC's values are integrity, expertise, and transparency. These values are the guiding principles that IFAC as an organization seeks to exemplify through its Council, Board, boards and committees, volunteers, and staff.

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, New York, United States of America.

2. External Funding

	2010	2009
External funding for the activities of:		
International Public Sector		
Accounting Standards Board	\$759,214	\$833,925
Developing Nations Committee	94,250	70,000
Small and Medium Practices Committee	45,133	47,000
Total external funding	\$898,597	\$950,925

The Developing Nations Committee received external funding for the Conference on Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean (CReCER). The Small and Medium Practices Committee received external funding for the IFAC Small and Medium Practices Forum.

3. IFAC Expenses by Activity

	2010	2009
International Auditing and Assurance Standards Board	\$4,163,655	\$3,617,593
International Public Sector Accounting Standards Board	1,845,757	1,750,999
Communications	1,375,354	1,468,642
Compliance Program	1,083,117	985,774
Developing Nations Committee	1,004,341	787,132
Small and Medium Practices Committee	810,834	466,356
International Ethics Standards Board for Accountants	612,180	547,619
Board and Council	591,120	431,007
Professional Accountants in Business Committee	589,631	558,172
Adoption and Implementation Support	587,564	193,879
Translations	495,384	548,810
International Accounting Education Standards Board	435,692	415,919
Transnational Auditors Committee	466,502	342,153
Public Policy and Regulation	443,971	426,975
Nominating Committee	259,224	200,641
Member Relations	65,187	-
Total IFAC activities	\$14,829,513	\$12,741,671
Funding provided to the Public Interest Oversight Board (refer to Note 4)	1,898,382	1,784,870
Total activities expenses	\$16,727,895	\$14,526,541
Total general expenses	6,212,888	5,108,233
Total expenses	\$22,940,783	\$19,634,774

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

4. Public Interest Oversight Board

The Public Interest Oversight Board (PIOB) 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, ethics and education, 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 operations 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 Euro zone. 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 2010 amounted to \$1,898,382 (2009: \$1,784,870).

5. Employee Costs

For 2010, employee costs include retirement benefits of \$576,407 (2009: \$449,017). The retirement benefit amount comprises the net periodic pension expense of \$342,848 (2009: \$274,582) associated with the defined benefit plan, an employer contribution of \$153,839 (2009: \$142,447) associated with the defined contribution plan for

US-based employees, and an employer contribution of \$79,720 (2009: \$31,988) to registered Retirement Savings Plans of Canada based employees.

6. Dues Receivable

	2010	2009
Dues receivable	\$159,154	\$169,320
Provision for uncollectible dues	(121,101)	(124,205)
Net dues receivable	\$38,053	\$45,115

7. Receivable from the Forum of Firms

As at December 31, 2010 \$2,253,538 (2009: \$2,057,392) represents the remaining amount to be received from the Forum of Firms for contributions invoiced relating to 2010.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

8. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Opening net carrying value	\$120,585	\$163,354	\$87,270	\$123,638	\$213,301	\$318,850	\$421,156	\$605,842
Additions	80,448	55,539	57,956	29,132	11,464	6,181	149,868	90,852
Depreciation	(90,718)	(98,308)	(39,171)	(65,500)	(181,099)	(111,730)	(310,988)	(275,538)
Closing net carrying value	\$110,315	\$120,585	\$106,055	\$87,270	\$43,666	\$213,301	\$260,036	\$421,156
Cost	\$541,745	\$536,079	\$465,676	\$407,720	\$655,821	\$644,357	\$1,663,242	\$1,588,156
Accumulated depreciation	(431,430)	(415,494)	(359,621)	(320,450)	(612,155)	(431,056)	(1,403,206)	(1,167,000)
Net carrying value	\$110,315	\$120,585	\$106,055	\$87,270	\$43,666	\$213,301	\$260,036	\$421,156

In 2010, management reduced the remaining useful life of leasehold alterations from 31 months to nine months on the basis that the lease on the office space at 545 Fifth Avenue, New York, New York is to be replaced with a new lease for new office space.

Management estimates that the move to the new office space will take place during the third quarter of 2011. This decreased the net carrying value of leasehold alterations by \$96,444.

9. Intangible Assets

	Software Licenses & Development				Intellectual Property		Total	
	2010		2009		2010	2009	2010	2009
	2010	2009	2010	2009	2010	2009	2010	2009
Opening net carrying value	\$122,172	\$159,601	\$60,000	\$80,000	\$182,172	\$239,601	\$182,172	\$239,601
Additions	76,673	25,906	-	-	76,673	25,906	76,673	25,906
Disposals	(53,971)	-	-	-	(53,971)	-	(53,971)	-
Impairment loss	-	-	(60,000)	-	(60,000)	-	(60,000)	-
Amortization	(65,747)	(63,335)	-	(20,000)	(65,747)	(83,335)	(65,747)	(83,335)
Closing net carrying value	\$79,127	\$122,172	-	\$60,000	\$79,127	\$182,172	\$79,127	\$182,172
Cost	\$141,238	\$352,652	-	\$100,000	\$141,238	\$452,652	\$141,238	\$452,652
Accumulated amortization	(62,111)	(230,480)	-	(40,000)	(62,111)	(270,480)	(62,111)	(270,480)
Net carrying value	\$79,127	\$122,172	-	\$60,000	\$79,127	\$182,172	\$79,127	\$182,172

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 an association database. During 2010, IFAC discontinued the web search engine originally designed for the IFAC KnowledgeNet (refer to www.IFACnet.com). IFAC now utilizes an alternative search engine for this purpose.

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. In 2010, management reviewed the carrying amount of the guide on the basis that the anticipated future economic benefits had not been realized and was unlikely to be realized. Consequently, the carrying amount of the guide was reduced to zero and an impairment loss

of \$60,000 recognized as an expense in the statement of financial performance.

10. Employee Entitlements

	2010	2009
Performance based remuneration	\$720,761	\$641,637
Accrued Paid Time Off	433,493	415,658
Total employee entitlements	\$1,154,254	\$1,057,295

Retirement benefit plans are discussed in Note 13.

11. Revenue Received in Advance

Revenue received in advance at December 31, 2010 of \$25,001 (2009: \$94,583) represents membership dues received in advance of \$25,001 (2009: \$4,450). At December 31, 2009, it also included application fees to host the World Congress of Accountants in 2014 of \$45,000, and funding received from member organizations for the development of the *Guide to Practice Management for Use by Small- and Medium-sized Practices* of \$45,133.

12. Operating Lease Obligations

As at December 31, 2010, IFAC has operating leases primarily for office space.

Obligations payable after the reporting date on non-cancelable operating leases:

	2010	2009
Not later than one year	\$665,662	\$608,652
Later than one year and not later than five years	1,184,954	1,561,160
Later than five years	10,837	-
Total operating lease obligations	\$1,861,453	\$2,169,812

These obligations reflect the effect of escalation clauses provided for in the operating leases. In the case of the office space on the 12th floor at 545 Fifth Avenue, New York, New York, the rent increased 6 percent on February 1, 2010. This lease expires on July 31, 2013. In the case of the office space at 277 Wellington Street West, Toronto, Ontario, the rent increases 10 percent on April 1, 2014. This lease expires on March 31, 2016. In the case of the office space at 2-8 St. Andrews Street, Brighton, Victoria,

Australia, the rent increases 4 percent on August 1, 2011 and 4 percent on August 1, 2012. This lease expires on July 31, 2013.

Operating lease payments for the year ended December 31, 2010 were \$608,652 (2009: \$587,788).

IFAC has a security deposit related to the office space at 545 Fifth Avenue in the form of outstanding letters of credit. As at December 31, 2010, the total outstanding letters of credit were \$152,238 (2009: \$152,238). IFAC also has security deposits in the form of cash related to the office space at 277 Wellington St. West of \$8,598 (2009: \$nil), and the office space at 2-8 St. Andrews St. of \$6,649 (2009: \$nil). These amounts are included in non-current receivables in the statement of financial position.

13. Retirement Benefit Plans

Defined contribution plan

IFAC operates a defined contribution plan for all full-time employees based in the United States 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 administered by CitiStreet Associates LLC. For 2010, the contributions that have been recognized as an expense are \$153,839 (2009: \$142,447).

In the case of full-time employees based in Canada, IFAC contributes an amount equal to seven percent of their annual base salary or the maximum annual amount established under relevant Canadian legislation, whichever is less, to a registered Retirement Savings Plan in the name of each individual employee. For 2010, the contributions that have been recognized as an expense are \$79,720 (2009: \$31,988).

These expenses are included in employee costs in the statement of financial performance (refer also to Note 5).

Defined benefit plan

IFAC participates in the defined benefit pension plan (the plan) of the American Institute of Certified Public Accountants (AICPA). All full-time employees based in the United States are eligible to participate in the plan at age 21. (IFAC does not operate a defined benefit plan for non-United States based employees.) IFAC makes periodic contributions to the plan as determined by an actuary. Pension benefits earned are generally based on years of service and compensation during active employment. The plan was

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

amended on April 1, 2007 to provide that no further benefit accruals will occur after April 30, 2017. During 2010, IFAC amended the plan to provide that employees engaged after October 1, 2010 will accrue benefits using a half of career average earnings (rather than career average earnings). To compensate these employees, IFAC increased the level of its contribution to the defined contribution plan.

In 2008 and earlier years, the actuary presented pension plan information for the twelve-month period ending July 31 (AICPA year-end). IFAC adjusted the July 31 information to December 31 (IFAC year-end) to reflect net periodic pension expense and any employer contribution made during the intervening period.

From 2009, the actuary presented pension plan information for the twelve-month period ending December 31.

The following presents pension plan information for the twelve-month periods ending December 31, 2010 and December 31, 2009.

Change in the present value of the defined benefit obligation:

For the twelve-month periods ending	December 31, 2010	December 31, 2009
Present value of defined benefit obligation		
Opening balance	\$2,844,349	\$2,205,272
Interest cost	171,533	132,938
Current service cost	229,776	183,200
Benefits paid	(110,297)	(99,564)
Actuarial loss on obligation	275,835	422,503
Closing balance	\$3,411,196	\$2,844,349

Change in fair value of defined benefit plan assets:

For the twelve-month periods ending	December 31, 2010	December 31, 2009
Fair value of defined benefit plan assets		
Opening balance	\$1,551,029	\$1,222,510
Expected return on plan assets	123,429	97,254
Contributions by employer	302,123	162,318
Benefits paid	(110,297)	(99,564)
Actuarial loss on plan assets	46,189	168,511
Closing balance	\$1,912,473	\$1,551,029

IFAC anticipates making a contribution of \$393,968 to the plan during 2011. The actual rate of return for the last plan year (May 1, 2009 to April 30, 2010) was 30.4 percent (May 1, 2008 to April 30, 2009: -22.7 percent). The actual rate of return for the period January 1, 2010 to December 31, 2010 was 12.7 percent (annualized rate of return for the period May 1, 2009 to December 31, 2001: 33.9 percent).

Liability recognized in statement of financial position:

	December 31, 2010	December 31, 2009
Present value of defined benefit obligation	\$3,411,196	\$2,844,349
Fair value of plan assets	1,912,473	1,551,029
Funded status	(1,498,723)	(1,293,320)
Unrecognized prior service cost	88,722	101,894
Unrecognized net actuarial losses	1,084,099	906,249
Accrued pension costs	\$325,902	\$285,177

Expense recognized in the statement of financial performance:

For the twelve-month periods ending	December 31, 2010	December 31, 2009
Current service cost	\$229,776	\$183,200
Interest cost	171,533	132,938
Expected return on plan assets	(123,429)	(97,254)
Amortization of actuarial loss	51,796	42,526
Amortization of prior service cost	13,172	13,172
Net periodic pension expense	\$342,848	\$274,582

Categories of plan assets:

For the twelve-month periods ending	December 31, 2010	December 31, 2009
US Government obligations	\$21,511	\$16,335
Common stocks	235,602	283,797
Mutual funds	1,546,370	1,104,064
Foreign stocks	20,798	25,749
Investment in partnership	88,192	121,084
Fair value of plan assets	\$1,912,473	\$1,551,029

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

IFAC does not issue debt securities or net assets/equity securities, nor does it occupy property, or use assets, owned by the plan.

Principal actuarial assumptions:

	December 31, 2010	December 31, 2009
Discount rates	5.65%	6.15%
Expected rates of return on plan assets	7.75%	8.25%
Expected rates of salary increases	4.00%	4.00%
Projected staff turnover	.14% -.10%	.14% -.10%

The actuarial computation of the defined benefit obligation is based on interest rates that reflect the time value of money, as well as projected salary/wage and pension increases, and staff turnover

Plan trend rates:

	December 31, 2010	December 31, 2009	July 31, 2009	July 31, 2008	July 31, 2007
Present value of defined benefit obligation	3,411,196	2,844,349	2,695,646	1,784,230	1,772,580
Fair value of plan assets	1,912,473	1,551,029	1,301,419	1,393,930	1,526,062
Surplus (deficit) in plan	(1,498,723)	(1,293,320)	(1,394,227)	(390,300)	(246,518)
Experience adjustments arising on					
The plan liabilities	275,835	422,503	730,179	(162,136)	25,499
Plan assets	46,189	168,511	(268,384)	162,848	(27,472)

trends. For purposes of determining the time value of money, the rate on high-quality United States corporate bonds is used. The future stream of benefit payments that corresponds to the defined benefit obligation is first determined; then the present value of this payout stream is calculated using both the Above Median Citigroup Yield Curve and the Aon Yield Curve as at the reporting date. A single rate of interest that is equivalent to each yield curve is determined, and these two rates are averaged to determine the discount rate.

The expected return on plan assets reflects the target asset allocation and was derived from historical asset performance and projected long-term returns.

The calculations are based on the 1994 Group Annuity Mortality Table.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

14. Reconciliation of Net Surplus with Net Cash Inflow from Activities

	2010	2009
Net surplus for the period	\$427,857	\$1,553,853
<i>Add/(less) non-cash items:</i>		
Depreciation and amortization	376,735	358,873
Provision for doubtful accounts	-	83,436
Deferred rent	(41,486)	(40,778)
Net (gain) loss on disposal of equipment	113,971	(1,700)
<i>Add/(less) movements in working capital:</i>		
Dues receivable	7,062	226,412
Receivable from Forum of Firms	(196,146)	(1,969,951)
Other receivables	(274,018)	180,869
Other current assets	187,351	(77,786)
Non-current receivables	(17,018)	4,536
Accounts payable and accrued expenses	128,304	(385,362)
Employee entitlements	96,959	343,776
Revenue received in advance	(39,582)	30,210
Accrued pension costs	40,725	112,264
Net cash inflow from activities	\$810,714	\$418,652

15. Employee Disclosure

As at December 31, 2010, IFAC had 57 full-time employees (2009: 48 full-time employees), and two part-time employees (2009: two part-time employees). In addition to these employees, IFAC had two contracted personnel (2009: three contracted personnel), two secondees (2009: two secondees), and one intern.

16. Financial Instruments

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

Liquidity risk

IFAC manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. IFAC has no borrowings.

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 liquid investments with original maturities of three months or less with high-quality credit institutions; and
- maintaining credit control procedures over accounts receivable.

As at December 31, 2010, a total of \$2,930,128 was held with JP Morgan Chase Bank (2009: \$2,412,278). This represented 47 percent of the total amount of bank balances, short-term liquid investments, receivables, and other current assets (2009: 45 percent). The maximum exposure at December 31, 2010 is equal to the total amount of bank balances, short-term liquid investments, and receivables disclosed in the statement of financial position. Receivables considered uncollectible have been adequately provided for.

For the year ended December 31, 2010 one member body accounted for 12 percent of total revenue (2009: 13 percent). There were no amounts due from this member body as at December 31, 2010 (2009: \$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 the reporting 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, 2010, the carrying amounts for all financial instruments held by IFAC approximate the fair values (2009: carrying amounts approximate the fair values).

Restrictions on the use of cash and cash equivalents

There are no restrictions on the use of the cash and cash equivalents.

17. Related Parties

Council

Ultimate governance of IFAC rests with the IFAC Council, which comprises one representative from each member body. 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 2010, the Board met four times (2009: four times). Positions on the Board are voluntary and there is no honorarium paid for any position held.

Senior executive management

As at December 31, 2010 the senior executive management (key management personnel) includes the chief executive officer, two executive directors, and four directors (2009: chief executive officer, one executive director, 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 \$3,468,311 (2009: \$3,225,731).

There were no loans to key management personnel and their close family members that were not available to other categories of staff. These loans comprise guarantees or deposits to secure rented residences (refer to *IFAC employees* below). There was no other remuneration or compensation to key management personnel.

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 (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 practitioners. In 2009, IFAC also entered into a contract with the New Zealand Institute of Chartered Accountants for the revision of Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. In addition, IFAC has agreements with some of its member organizations for the reproduction or translation and reproduction of the IFAC publications.

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 18.)

IFAC employees

As part of employee relocation packages included in individual employment contracts, IFAC offers to provide employees guarantees or deposits to secure rented residences. As at December 31, 2010, the balance outstanding of employee receivables relating to residential security deposits was \$53,037 (2009: \$52,901). This amount is included in non-current receivables in the statement of financial position.

18. Forum of Firms

The objective of the Forum of Firms 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 of Firms is the Transnational Auditors Committee, which by way of the Constitution is also a committee of IFAC. The Transnational Auditors Committee 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 Transnational Auditors Committee business. The members of the Transnational Auditors Committee are selected by the Forum and are approved by the IFAC Nominating Committee and the IFAC Board.

For 2010, the IFAC financial statements reflect revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution of \$8,358,000 (2009: \$7,864,000), and for expenses

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2010

incurred by the Transnational Auditors Committee totaling \$466,502 (2009: \$342,153). These amounts are paid to IFAC on a quarterly in arrears basis. Refer to Note 7 for the information relating to the receivable from the Forum.

19. Commitments and Contingencies

As at December 31, 2010, IFAC had no outstanding commitments other than those lease obligations identified in Note 12 (2009: \$nil).

IFAC is currently engaged in a lawsuit which involves a former employee. Management is currently unable to determine when the matter will be resolved, or the ultimate outcome. In the opinion of management, settlement of this matter is not expected to have a material adverse effect on the organization's statements of financial performance, cash flows, or financial position. IFAC has no other contingencies outstanding as at December 31, 2010 (2009: \$nil).

20. Line of Credit

As at December 31, 2010, IFAC had an available line of credit with its bank, JP Morgan Chase, of \$2,000,000 (2009: \$1,750,000). The line carries an interest rate of LIBOR +2.9% (3.17% at December 31, 2010) and expires on June 10, 2011. IFAC did not access its line of credit while available during 2010 and 2009. Borrowings under the line of credit are collateralized by substantially all of IFAC's assets.

INDEPENDENT AUDITORS' REPORT



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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 statements of financial position as at December 31, 2010 and 2009, and the statements of financial performance, changes in net assets/equity and cash flows for the years then ended, and a statement of accounting policies and other explanatory notes. As described in the statement of accounting policies, the accompanying financial statements have been prepared in accordance with International Public Sector Accounting Standards.

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 and auditing standards generally accepted in the United States. 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.

INDEPENDENT AUDITORS' REPORT

continued

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable 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, 2010 and 2009, and of its financial performance, changes in its net assets/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
March 4, 2011



International Federation of Accountants

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