



IFAC News

A NEWS BRIEFING FROM THE INTERNATIONAL FEDERATION OF ACCOUNTANTS

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IFAC Council Approves Reforms Strengthening Standard Setting

At its meeting in November 2003, the Council of the International Federation of Accountants (IFAC) unanimously approved proposals for reform designed to strengthen its standard-setting activities. Council also approved constitutional changes impacting IFAC governance and adopted a new mission and strategic plan that gives priority to IFAC's public interest activities.

A key element of the reforms is the establishment of a Public Interest Oversight Board (PIOB), comprised of regulators and other public interest representatives, to oversee standard-setting and compliance activities. In addition, the reforms will

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result in the establishment of consultative advisory groups (CAGs) for the IFAC Ethics and Education Committees and an expanded role for the International Auditing and Assurance Standards Board's (IAASB's) CAG to provide for more public input into the standard-setting process. Ongoing dialogue with regulators will be maintained through a regulatory Monitoring Group and IFAC Leadership Group (see page 2). To view the reform proposals in their entirety, go to www.ifac.org/downloads/ReformProposals.pdf.

The Constitutional changes approved by Council increase the size of the IFAC Board from 16 to 21 members, plus the president, and provide for greater member body representation

and input. A complete listing of 2004 Board members appears on page 10.

Council also approved the formation of two permanent task forces — one to focus on needs and support for small and medium practices and the other to focus on the needs of developing nations — as well as a Compliance Advisory Panel to oversee the IFAC Member Body Compliance Program. The terms of reference for these groups are currently under development. The Compliance Advisory Panel is holding its first meeting in January and the task forces will be established at the beginning of 2004.

In other actions, IFAC's Board supported the work of the Professional Accountants in Business Committee on sustainability and enterprise governance. A booklet featuring case studies on enterprise governance is in the process of being developed and a landscape paper on the value of sustainability will be presented to the IFAC Board in March.

The IFAC Council agreed to an IFAC strategic plan for 2004-2007 and the budget for 2004 and the Board also approved a slate of committee chairs (see page 5). ■

IFAC's Mission

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

Handbook of International Auditing and Ethics Standards To Be Released; New Searchable eComPress Version Offered

The 2004 *Handbook of International Auditing, Assurance and Ethics Pronouncements*, featuring all pronouncements issued by the International Auditing and Assurance Standards Board (IAASB) and the Ethics Committee through December 31, 2003, is scheduled for release at the end of February. The handbook will be available in several formats: a printed bound volume, a newly developed searchable eComPress online version, an eComPress CD-ROM, and a free downloadable version.

The 2004 edition includes IFAC's Code of Ethics for Professional Accountants, International Standards on Auditing (ISAs), International Standards on Review Engagements (ISREs), which deal with the audit and review of historical financial statements, and International Standards on Assurance Engagements (ISAEs), which deal with assurance engagements other than the audit or review of historical financial information.

The handbook also includes related practice statements that, together with the standards, provide the guidance and tools auditors need to comply with increasing and changing demands for reports on financial information and assist auditors in meeting their public interest responsibilities.

The 2004 handbook features the most up-to-date international guidance on auditor independence issues as well as the following new pronouncements:

IAASB Interim Terms of Reference

Revised Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services

Audit Risk Standards

- ISA 315, *Obtaining an Understanding of the Entity and Its Environment and Assessing the Risks of Material Misstatement*
- ISA 330, *The Auditor's Response to Assessed Risks*
- ISA 500 (Revised), *Audit Evidence*
- Related changes to ISA 200, *Objective and Principles Governing an Audit of Financial Statements*

- IAPS 1005 (Revised), *The Special Considerations in the Audit of Small Entities*
- IAPS 1014, *Reporting by Auditors on Compliance with International Financial Reporting Standards*.

Assurance Guidance

- An Assurance Framework
- ISAE 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Information*.

When the 2004 handbook is available on the website, a press release will be issued and all IAASB eNews subscribers notified. You may subscribe to IAASB eNews by going to www.ifac.org and clicking on the eNews section in the left-hand navigation bar.

The fee for the print handbook, the eComPress online handbook or the eComPress CD-ROM is US \$100 each plus shipping. You may purchase the print handbook together with either the eComPress online or CD-ROM version for US \$170, plus shipping. A free downloadable

PDF version of the handbook will be available at no charge on IFAC's website. A 30 percent discount applies to academics, students, and individuals in developing nations. To place an order, contact Damarys Gil at damarysgil@ifac.org. ■

Key Features of New eComPress Handbook

This new version of the handbook —

- Features a user-friendly search function
- Makes it easy to copy and paste text and includes footnotes indicating where the text was copied from
- Allows users and user groups to insert notes
- Enables users to save data in a compressed file, thus using minimal storage space

An update to the eComPress online handbook will be provided in mid-2004 and all new information will be easily identified. ■

IFAC Reform Overview

Key Groups

Public Interest Oversight Board (PIOB) — This board, comprising 10 members, will oversee IFAC standard-setting activities in the areas of audit performance standards, independence, and other ethical standards for auditors, audit quality control and assurance standards. It will also oversee IFAC's proposed Compliance Program. The Monitoring Group will select the members of the PIOB.

Monitoring Group (MG) — The MG will comprise international regulators and related organizations including representatives of the International Organization of Securities Commissions, the Basel Committee on Banking Supervision, the European Commission, the International Association of Insurance Supervisors and the World Bank. The MG will update the PIOB regarding significant events in the regulatory environment, and among other things, will be the vehicle for dialogue between regulators and the international accountancy profession.

IFAC Leadership Group (ILG) — The ILG includes the IFAC President, Deputy President, Chief Executive, the Chairs of the IAASB, the Transnational Auditors Committee, the Forum of Firms, and up to four other members designated by the IFAC Board. It will work with the MG and address issues related to the regulation of the profession.

For a full description of IFAC reforms, go to www.ifac.org/downloads/ReformProposals.pdf. ■

Choosing the Path toward Credibility

This past year has been a year of challenge and a year of change for the accounting profession worldwide. It has also been a year of achievement and for that I thank the



René Ricol

IFAC Board, committees, member bodies, and staff. Together we have helped to forge a new path for IFAC, a path that I believe will lead us ultimately to renewed confidence in the profession.

The year commenced with the first-ever meeting of a group of IFAC member body chief executives, regional organizations, Forum of Firm members, and others to get a clear focus on IFAC's role and priorities. That meeting, and subsequent meetings with regulators and other external groups, helped us to establish a clear direction for 2003 and beyond – to focus primarily on enhancing IFAC standard setting, as well as to facilitate and coordinate the exchange of information with member bodies, and to serve as the international spokesperson on those public policy issues affecting the profession and which impact on the public interest.

As our focus on IFAC standard setting took shape, we continued to engage the regulators to obtain their perspectives on how the public interest could best be served. The results of these discussions were the "Proposals for Reforms," fully endorsed by worldwide regulators and unanimously approved by IFAC's Council in November.

Representing the most significant changes in IFAC's standard setting since its inception over 25 years ago, the reforms, outlined on pages 1 and 2, provide for public interest oversight of IFAC's standard-setting and compliance

activities, greater public input into the process, and increased transparency. Additionally and equally significant, they provide for ongoing collaboration between regulators and the profession, formalizing the collaborative process established in 2003.

Concurrently with the development of the reform proposals, IFAC's independent Credibility Task Force completed its work on studying and recommending how to rebuild confidence in financial reporting. Its final report, issued in August, is an important guidepost for all professional accountants, as well as management and others involved in the financial reporting process, on what they can and must do to strengthen the process and protect the public interest.

IFAC's strategic plan, also approved in November, reinforces the organization's commitment to protect the public interest, emphasizes the importance of its standard-setting role, and seeks to reinforce those values that IFAC leadership, member bodies, and regulators see as critical to the profession: integrity, transparency and expertise.

These are the values that will guide IFAC in 2004 as it works to implement the reform proposals, launch a member body compliance program, and carry out its strategic plan. The plan recognizes the diversity of the profession and, in addition to focusing on standard setting, identifies other key initiatives, including meeting the needs of small and medium practices and developing nations and assisting member bodies in supporting their members in business and industry.

With the approval of two permanent task forces for small and medium practices and developing nations, IFAC will be giving these areas increased focus. Additionally, former IFAC Board member Peter Wong has accepted an assignment

that will seek to identify the issues that nations face in implementing standards developed by IFAC and the International Accounting Standards Board (IASB) that impede the implementation of international accounting and auditing standards. This includes the issues faced by developing nations and small- and medium-sized enterprises. Ultimately, these efforts will assist the profession in achieving convergence to high quality standards.

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The profession's strength rests in ensuring that quality work is performed and the more consistent it is across borders, the more effectively we can serve the public interest. For this reason, convergence to international standards on auditing and assurance services, ethics, education and public sector accounting, will remain an IFAC priority.

I look forward to our next meetings with member body chief executives and regulators. That global input will help to guide IFAC down its new path toward restoring public confidence in the work of the profession. ■

IAASB Update

Acting on its commitment to serve the public interest through the development of high quality international standards, at its meeting in December, the International Auditing and Assurance Standards Board (IAASB) approved final guidance on the assurance framework and several new exposure drafts addressing issues pertaining to the auditor's report and group audits. (See related articles on page 5).

In addition, the IAASB progressed projects on improving the clarity of its standards – a key issue that is vital to the achievement of worldwide convergence – and on developing quality control stand-

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ards for firms that perform audits and other assurance services. Two new quality control standards are expected to be presented to the IAASB for approval at its February meeting. Release of these final standards is viewed as critical by the European Commission, which plans to require adherence to International Standards on Auditing (ISAs) beginning in 2005.

The IAASB will hold its next meeting February 16-19 in New York City. This is the first meeting at which regulatory observers will be present. This includes the US Public Company Accounting Oversight Board and Japan's Financial Services Agency. The presence of these groups at the IAASB's meetings not only enhances the transparency of the Board's work but also represents a significant step toward achieving convergence.

IAASB meeting summaries and agenda papers are available on the IAASB website at www.iaasb.org. Individuals may also register to attend IAASB meetings from this section of the site. ■

IAASB Proposes New Wording For Auditor's Report

As part of its ongoing commitment to contribute to the improvement of audit quality worldwide, the IAASB released an exposure draft (ED) proposing significant changes to the wording of the auditor's report on a complete set of general purpose financial statements. The revisions, outlined in proposed revised ISA 700, *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*, are intended to promote consistency in reporting practices between jurisdictions.

Significant changes include:

- Introducing guidance on matters the auditor considers in forming the audit opinion, including a requirement that the auditor reflects, at the end of the audit process, on the fair presentation of the financial statements as a whole;
- Clarification of the auditor's responsibilities with respect to management's identification of an applicable reporting framework; and
- Requiring that reference to compliance with ISAs in the audit

report is based on the auditor ensuring that the report includes all ISA reporting elements.

The proposed wording of the audit report includes:

- A better explanation of the responsibilities of the auditor and management, including respective responsibilities for internal control, accounting policies and estimates;
- An updated description of the audit process to reflect the new audit risk standards; and
- An explanation of the limitations of the auditor's consideration of internal control in a financial statement audit.

In addition, the IAASB proposes conforming changes to ISA 200, *Objective and General Principles Governing an Audit of Financial Statements*; ISA 210, *Terms of Audit Engagements*; ISA 560, *Subsequent Events*; ISA 701, *Modifications to the Independent Auditor's Report*; and ISA 800, *The Independent Auditor's Report on Special Purpose Audit Engagements*.

The ED may be downloaded by going to www.ifac.org/EDs. Comments on the exposure draft are requested by March 31, 2004. ■

IFAC Works to Advance Relevancy And Authority of Its Code of Ethics For Professional Accountants

IFAC's Ethics Committee is reviewing comments on a recent exposure draft (ED) of a revised *Code of Ethics for Professional Accountants*. The proposed revised Code expands guidance for all individual accountants addressing integrity, objectivity, professional competence, confidentiality, and professional behavior. It also provides new and in-depth guidance for professional accountants in business.

Additionally, the ED further clarifies the authority of the Code, indicating that no member body or firm is allowed to apply less stringent standards.

The Ethics Committee has also recently proposed revisions to auditor rotation rules. An ED on the topic makes it clear that an individual who has completed a predefined period in the role of lead engagement partner for an audit of a listed entity should not participate in the assurance engagement until a further period, normally two years, has elapsed. The deadline for comments is February 15, 2004. ■

Auditor Responsibilities on Group Audits Subject of New Proposed Guidance

The IAASB has released exposure drafts of a revised ISA and International Auditing Practice Statement (IAPS) addressing the auditor's responsibilities when using the work of related or other auditors in the audit of group financial statements. Proposed Revised ISA 600, *The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements*, which also includes proposed new International Auditing Practice Statement (IAPS), *The Audit of Group Financial Statements*, may be downloaded from the IFAC website by going to www.ifac.org/EDs.

Significant changes to ISA 600 include:

- Applying the new audit risk standards to an audit of group financial statements;
- Recognizing the differences that exist when the other auditor is

related to the group auditor through a firm operating under common quality control policies;

- Discussing the group auditor's responsibility to access relevant information; and
- Providing guidance on determining the adequacy of the other auditor's work.

The IAPS sets out practical assistance on how the standard along with other ISAs would be applied when the group auditor takes sole responsibility for the audit opinion on the group financial statements.

It is proposed that the standard should be applicable for audits of financial statements for periods beginning on or after December 15, 2004. Comments on the exposure draft are requested by March 31, 2004. ■

IFAC 2004 Committee Chairs

Compliance Advisory Panel – Robert Mednick

Education Committee – Warren Allen

Ethics Committee – Marilyn Pendergast

International Auditing and Assurance Standards Board – John Kellas

Professional Accountants in Business Committee – Bill Connell

Public Sector Committee – Philippe Adhémar

Transnational Auditors Committee – Robert Garland ■

Assurance beyond Financial Statements

Environmental, social and sustainability issues, information systems, internal control, corporate governance processes and compliance with grant conditions are some of the varied subjects about which assurance reports are increasingly being demanded.

In recognition of this need, the IAASB has approved a revised "Assurance Framework" and a new International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*.

The Framework defines and describes the elements and objectives of an assurance engagement and identifies engagements to which International Standards on Auditing (ISAs) and ISAEs apply. It provides a frame of reference for practitioners and others involved with assurance engagements, such as those engaging a practitioner and the intended users of an assurance report.

ISAE 3000 establishes basic principles and essential procedures for all assurance engagements other than audits or reviews of historical financial information covered by ISAs. Topics addressed with in ISAE 3000 include:

- Ethical requirements
- Quality control
- Engagement acceptance
- Planning
- Using the work of an expert
- Obtaining evidence
- Documentation
- Preparing the assurance report

While ISAE 3000 has been written for general application, the IAASB expects to develop further ISAEs to provide detailed guidance on specific subject matters, and at its April 2004 meeting will consider issues papers dealing with assurance on internal control and assurance on sustainability reports.

Also, recognizing that the provision of broader assurance services is an evolving field, the IAASB intends to keep the practical implementation of the Framework and ISAE 3000 under review and actively seeks feedback from practitioners and others on their experience with applying them. ■

First International Education Standards Set Global Benchmarks

The release of the first six International Education Standards (IESs) in October 2003 represented a significant step in IFAC's overall effort to ensure high quality performance by professional accountants worldwide. The standards prescribe the essential elements of education for becoming a professional accountant and the ongoing education requirements necessary to remain competent. They provide an important framework for achieving quality and consistency in accounting education worldwide and lay the foundation for

IESs provide an important framework for achieving quality and consistency in accounting education worldwide and lay the foundation for achieving convergence.

achieving convergence to international audit, ethics, and public sector standards.

By establishing the subject matter, methods and techniques that education and development programs are expected to contain, the IESs represent a valuable resource for those responsible for accounting education including IFAC member bodies, which are generally responsible for either establishing or implementing education standards and requirements at

the national level. All IFAC member bodies are expected to comply with the standards effective January 1, 2005.

IES 1, Entry Requirements to a Program of Professional Accounting Education

IES 1 prescribes the requirements for entry to an IFAC member body's program of professional accounting education and practical experience. The standard requires candidates to have education that is at least equivalent to what is required for admission into a recognized university degree program or its equivalent.

IES 2, Content of Professional Accounting Education Programs

IES 2 sets out the knowledge required in three key areas: accounting, finance and related knowledge; organizational and business knowledge; and IT knowledge. The standard identifies the subjects to be covered in each of these key areas. It also prescribes that the knowledge may be gained in an academic environment or within a member body's own program of professional study.

IES 3, Professional Skills

For individuals who seek to qualify as professional accountants, IES 3 prescribes a mix of skills in the following key areas: intellectual; technical and functional; personal; interpersonal and communications; and organizational and business management.



IES 4, Professional Values, Ethics and Attitudes

To enable the profession to provide services of consistently high quality in the public interest, this standard prescribes the professional values, ethics and attitudes professional accountants should acquire during the education program leading to qualification.

IES 5, Practical Experience Requirements

To ensure that candidates seeking to qualify as professional accountants have acquired the practical experience necessary, this standard prescribes a minimum of three years of practical experience before qualification as a professional accountant.

IES 6, Assessment of Professional Capabilities and Competence

This standard addresses the need for a final assessment of a candidate's professional capabilities and competences before awarding qualification as a professional accountant. The standard maintains that a significant proportion of this assessment should test underpinning theoretical knowledge as well as the practical application of knowledge.

With the first international education standards released, the Education Committee is turning its focus to additional guidance required to assist member bodies in implementing the requirements set out in the standards. ■

New CPD Standard To Be Developed

The Education Committee also recently exposed for comment a new IES, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*.

The proposed standard addresses the evolving role of professional accountants and the need for all professional accountants to make a commitment to maintain professional competence through lifelong learning. It also makes it clear that the responsibility to maintain professional competence applies to all professional accountants, including those working for accounting firms, corporations, small or medium enterprises, public sector organizations or in other environments.

The comment period ended December 31. The committee plans to issue a final standard in mid-2004. ■

PAIB Committee Survey Highlights Member Body Needs and Priorities

Corporate governance, external and enhanced reporting, and ethical issues were identified by IFAC member bodies as their top global priorities related to professional accountants in business. Member bodies also cited professional training issues and professional image as two other areas they are addressing or intend to address within the coming year. These were among the results of the recent 2003 Professional Accountants in Business (PAIB) Survey, conducted by the PAIB Committee.

The survey was distributed via email to 32 member bodies. The member bodies were selected based on two criteria: member bodies that specifically address the needs of accountants who work in and for business, and member bodies represented on the PAIB Committee. Of the 32 member bodies targeted, 26 member bodies (81%) from 17 countries representing more than 850,000 professional accountants in business, replied to the survey.

The survey addressed the following:

- Extent of support given specifically to accountants in business;
- Awareness, use, and perceived quality of PAIB publications;
- Areas of interest on member body agendas regarding professional accountants in business;
- Most important services IFAC can provide to assist member bodies and support those who work in or for business; and
- Willingness among member bodies to share information and collaborate on projects that address issues of significance to accountants in business.

PAIB Publications Achieve Wide Readership

The responses to a question concerning five recent PAIB publications indicated that more than 50 percent of those responding had read the publications. The publications meriting the highest reader-

ship were *The Role of the Chief Financial Officer in 2010* (65%) and *Articles of Merit – 2002 Competition* (62%). Member bodies have the option of reprinting these publications, with appropriate copyright, to distribute to their own members, or to include a link from their site to the IFAC site.

In terms of quality, all PAIB publications earned an average rating of at least 3.8, with 5.0 being the highest rating. Publications receiving the highest rating of 4.3 were *Managing Risk to Enhance Stockholder Value* and *The Role of the Chief Financial Officer in 2010*.

Support for Collaboration Remains Constant

The extent of support for collaboration with other IFAC member bodies on projects addressing issues of concern to accountants in business has not changed since the previous survey. Fifty-four percent of respondents are definitely in favor of collaboration; 46% indicated they may be interested. The greatest percentage of respondents (88%) indicated that they

would collaborate to share and build on established expertise, while 35% indicated that they wished to gain new knowledge.

Member Bodies See IFAC as Facilitator

The results of the 2002 survey indicated that there were a number of ways in which IFAC could support member bodies in meeting the needs of accountants in business. As a follow-up, the 2003 survey asked member bodies to rank those services in order of importance. Facilitating the communication and sharing of resources was ranked either as a first or second priority by 81% of all survey respondents. This was followed by identifying and endorsing best practice guidance, which was ranked a high priority by 69% of all respondents.

Results to Influence PAIB Future Direction

Following a more detailed analysis, the PAIB Committee will utilize the results of the survey to direct its work program and to identify potential members for future PAIB projects. The committee also welcomes the input of IFAC member bodies that did not participate in the survey. Comments may be sent to rmathieson@ifac.org. ■

New Guidance for Small Enterprises And Accounting Practices

IFAC's Small and Medium Practices (SMP) Task Force published five guidance documents in 2003 to assist small and medium accounting practices (SMPs) and enterprises (SMEs) in managing and operating their computer systems. They are:

- *Controlling Computers in Business: Logical Access Security*
- *Controlling Computers in Business: Selection, Implementation and Testing of Packaged Software*
- *Controlling Computers in Business: Computer Disaster Recovery Planning*
- *Controlling Computers in Business: Backup, Archive and Restore*
- *Controlling Computers in Business: Physical Security*

Each of the booklets features a series of notes that provide information on specific computer control issues, including definition of key terms, costs and benefits, and risks and practicalities. A best practice checklist is also included in each booklet.

The series was first produced by the Institute of Chartered Accountants of Scotland (ICAS). The majority of the research and drafting of these publications was undertaken by PricewaterhouseCoopers LLP.

The documents may be downloaded at no charge from the SMP section of IFAC's online bookstore (www.ifac.org/store). Print copies may be ordered through the online bookstore for US \$25 each plus shipping, with discounts applying to individuals from developing nations. ■

Professional Accountants in Business Committee Focuses on Collaboration and Member Needs

Recognizing the increasing challenges, complexities and responsibilities facing professional accountants in business today, the Professional Accountants in Business (PAIB) Committee has embarked on a stronger program of collaboration with member bodies to support their efforts in meeting the needs of PAIBs today and facilitate the sharing of resources. A member body survey, described on page 7, has helped the PAIB Committee identify critical areas to be addressed, programs of benefit, and possibilities for ongoing collaboration.

Current projects are focused on three primary areas: enterprise governance, sustainability and professional ethics. A theme booklet on enterprise governance featuring a series of 25 case studies from 10 countries and covering a cross section of



market sectors and geographical regions is in the process of being prepared. The purpose is to further expand the framework for enterprise governance as well as to explore causes of corporate failure against this framework.

With respect to sustainability, the PAIB Committee has already reviewed a draft landscaping paper and plans to develop a theme booklet on the topic working with member bodies and other stakeholders. Among other things, the theme booklet will highlight the added value role of the professional accountant in business in sustainability. A consultative steering committee is being formed to begin work on this project.

Finally, the PAIB Committee is also involved in the updating of sections of the IFAC Code of Ethics that specifically address professional accountants in business. In 2003, IFAC's Board released an exposure draft of a proposed revised Code of Ethics that features a principles-based approach and provides more in-depth guidance for PAIBs. The PAIB Committee provided input on this document. ■

PAIB Releases 2003 Articles of Merit

IFAC recently released an international collection of award-winning articles addressing some of the most significant issues confronting professional accountants in business. Entitled *Articles of Merit: 2003 Competition*, the book features articles selected by IFAC's Professional Accountants in Business (PAIB) Committee as part of its annual Articles of Merit Award Program for Distinguished Contribution to Management Accounting.

"Putting Strategy into the Balanced Scorecard" by Peter Brewer of the Institute of Management Accountants (IMA) was the winning article. This article, which was first published in IMA's magazine, *Strategic Finance*, highlights how companies fail to connect their strategy with performance measurement and how the most important step in creating a balanced scorecard is defining the strategy.

Additional award-winning articles in the booklet focus on topics such as:

- Contract management
- Implementing e-business strategies
- Corporate governance and management accountants
- Cost management and creating value
- Accounting treatment of business combinations
- Environmental management accounting

Member bodies may reproduce the articles electronically or in print as long as they provide attribution to the originating publication and IFAC's PAIB Committee.

The print booklet with all articles may be purchased for US \$25 plus shipping and handling and can be ordered through the IFAC's online bookstore (www.ifac.org/store) or by calling +1-212/286-9344. The electronic version may be downloaded free of charge through the IFAC online bookstore. ■

IFAC Welcomes New Associate Members

At its meeting in Singapore in November, the IFAC Council accepted the following organizations as associate members:

- Lithuanian Chamber of Auditors
- The Chamber of Auditors of the Azerbaijan Republic
- Society of Certified Accountants and Auditors of Kosovo
- Mongolian Institute of Certified Public Accountants
- The Institute of Chartered Accountants of Nepal

This brings the total number of IFAC member bodies to 159 in 118 countries. Member bodies now represent approximately 2.5 million professional accountants.

A complete listing of all member bodies and their contact information may be found on the IFAC website by going to www.ifac.org. Information on the various categories of membership and how to apply for membership is also available in the "About IFAC" section of the site. ■

Public Sector Committee Update

IFAC's Public Sector Committee (PSC) has continued its efforts to strengthen financial reporting and accountability by governments around the world through the development and promotion of International Public Sector Accounting Standards (IPSASs) and by providing for greater outside input in the development of those standards.

Steering Committees, which include non-PSC members, provide input early on in the standards-development process. Two Invitations to Comment issued in January 2004 (see below) were developed by Steering Committees on Social Policy Arising from Non-Exchange Transactions and Non-Exchange Revenues.

The PSC also issued the following documents in January 2004:

- **An update of Study 14, *Transition to the Accrual Basis of Accounting*** The update reflects new IPSASs and certain other relevant documents published since April 2002 when Study 14 was first issued. In addition, web links contained in the document have been updated.
- ***A Glossary of Defined Terms for IPSAS 1 to IPSAS 20.***
- **An Occasional Paper, *The Governmental Accounting System in Argentina***, describing the major reforms affecting the federal government of Argentina and the governmental accounting system in its migration to accrual accounting. It traces



the steps taken in the development and implementation in governmental financial administration in Argentina from 1993 as a consequence of the government's decision to prepare the financial statements on the accrual basis. The paper was prepared by PSC member Carmen Giachino Palladino, who is the former Accountant General of Argentina.

The PSC is also moving ahead on other initiatives, including a project on budget reporting and the development of an exposure draft on accounting for development assistance. It is also involved in the Organization for Economic Cooperation and Development (OECD) Task Force dealing with the harmonization of statistical and accounting bases of financial reporting and, where appropriate, pursues the harmonization of IPSASs with IASB International Financial Reporting Standards. ■

IFAC Public Sector Committee Invites Comments on Two New Documents

IFAC's Public Sector Committee has issued two Invitations to Comment (ITCs) on two critical financial reporting issues for governments:

- *Accounting for Social Policies of Governments*; and
- *Revenue from Non-Exchange Transactions (Including Taxes and Transfers)*.

Both documents were developed by Steering Committees that include non-PSC members.

The ITC on *Accounting for Social Policies of Governments* examines the financial reporting obligations and potential liabilities that arise when governments provide social benefits to individuals and organizations. It also considers the financial reporting consequences of undertakings governments may make to provide benefits in the future.

The ITC on *Revenue from Non-Exchange Transactions* deals with public sector issues, such as how to account for tax revenue and transfers including grants, donations, appropriations and gifts in general purpose financial statements of public sector entities.

The ITCs may be downloaded from the IFAC website by going to <http://www.ifac.org/EDs>. Responses to

these ITCs are due by June 30, 2004 and will be considered in the preparation of exposure drafts of International Public Sector Accounting Standards. ■

External Review of Public Sector Committee Now Underway

A wide-ranging review of the activities of the PSC is now underway. The PSC focuses on the accounting, auditing, and financial reporting needs of national, regional and local governments, related governmental agencies, and the constituencies they serve. The review will result in recommendations regarding how the PSC fulfills this role and meets its objectives in the long term. Specific short- and medium-term implications will also be identified.

Sir Andrew Likierman, Head of the Government Accountancy Service of the United Kingdom, is chairing the review process, which will be conducted by a Review Panel, including representatives from the World Bank, the developed and developing world as well as the incoming and outgoing chairs of the PSC.

An integral part of the review is finding out what key constituents think of the PSC's current approach and arrangements. In order to obtain the views of a wide range of constituents, the Panel has developed a questionnaire that focuses on a number of issues relating to the PSC's current role and governance arrangements.

IFAC member body key contacts, members of ministries of finance and governmental agencies, accounting standard setters and regulators are among those invited to complete the questionnaire. Individuals who fall into these categories but have not yet been invited to complete a questionnaire may request a copy by contacting John Stanford at john.stanford@cipfa.org. ■

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