



# IFAC Board Meeting Highlights and Decisions

March 2005

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This summary of decisions and discussions of the March 17-18, 2005 meeting of the Board of the International Federation of Accountants (IFAC) has been prepared for information purposes only.

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## Regulatory Monitoring

Stavros Thomadakis, the chair of the newly appointed Public Interest Oversight Board (PIOB), attended the two-day meeting and indicated that IFAC's reforms, including the establishment of the PIOB, have been welcomed by the world's regulators. He stated that IFAC standards, including international standards on auditing and assurance, the code of ethics and education standards were critical foundations of the market process.

## Public Interest Activity Committees Self-Review

The Chairs of the three standard setting Public Interest Activity Committees<sup>1</sup> (PIACs) have conducted self-assessments and made recommendations regarding various matters including objectives, membership, and due process. The reports from the Chairs of the Ethics and Education Committees were approved by the Board in November 2004 and the report from the Chair of the International Auditing and Assurance Standards Board was discussed and approved at the March 2005 meeting. These reports will be submitted to the PIOB for consideration.

## Due Process

The Board approved a consistent, comprehensive and transparent due process that will apply to all IFAC standard-setting activities. This will be submitted for approval to the PIOB.

## Member Body Compliance Program

The Board received an update on the activities of the compliance staff and the Compliance Advisory Panel. Under Phase I of the Member Body

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<sup>1</sup> The Public Interest Activity Committees include the Ethics Committee, Education Committee, International Auditing and Assurance Standards Board (IAASB), as well as their respective Consultative Advisory Groups. The Compliance Advisory Panel is also considered a PIAC although it is not a standard setting body.

Compliance Program—Assessment of the Regulatory and Standard-Setting Framework—163 surveys have been distributed since March 2004 to IFAC’s member bodies; 140 surveys have been completed and returned to staff, with extensions granted to some member bodies.

The Board considered recommendations from the Compliance Advisory Panel to suspend from membership those member bodies which had not responded to IFAC staff regarding Phase I of the Member Body Compliance Program. It was noted that while the objective of the Member Body Compliance Program is to encourage member bodies to adopt and implement international standards and to provide assistance in this regard, the Member Body Compliance Program needs to be perceived as being enforceable in order to be effective. The Board supported these sentiments and agreed to suspend six member bodies for failure to respond to the Phase I assessment, but expressed a commitment to further efforts to work with these member bodies.

### Consultative Conference

The Board considered the conclusions of an IFAC Consultative Conference held in Prague, on March 10-11, 2005, which focused on establishing an international response to meeting the needs of developing nations, and small and medium accounting practices (SMPs) and enterprises (SMEs). The Board supported the recommendations that emerged from the conference. Details of these recommendations are described in the respective sections below.

### Developing Nations

The Board supported the following recommendations from the Prague Consultative Conference in respect of issues facing developing nations:

- Developing a country-specific approach to supporting developing nations, helping both those countries where there is no established profession and those that have only begun to build the professional, financial and regulatory architecture necessary to support economic growth.
- Continuing to reinforce the need for International Financial Reporting Standards that can be effectively implemented for developing nations, particularly by SMEs.
- Establishing a process whereby accountancy institutes in more developed countries can serve as “mentors” to those in less developed countries.
- Creating a blueprint that clearly delineates the steps involved in establishing a viable and high quality accountancy profession.

Adding to these discussions by the Board were South African Finance Minister Trevor Manuel and NEPAD (the New Partnership for Africa’s Development) Chairman Reuel Khoza who discussed how IFAC can best

contribute to the economic development of African countries and of developing nations in general. Finance Minister Trevor Manuel discussed the Commission for Africa Report, *inter alia*, and identified three important areas within IFAC's work program:

- Developing Nations – Emphasizing the need to augment this activity, including identifying incentives for skilled workers to remain in developing countries.
- Small and Medium Practices – Emphasizing the importance of diversity of the profession, including the need to have more medium-sized practices.
- International Financial Reporting Standards (IFRS) – Emphasizing the issues of complexity and relevance to organizations of all sizes.

Reuel Khoza described the events and the objectives leading to the formation of the NEPAD Business Foundation. He stressed the importance of:

- Providing the investment community with a level of confidence in the political environment in Africa.
- Development initiatives being owned and led by Africa.
- Achieving efficiencies by regionalizing various infrastructures.
- Partnering with both the developed world and more broadly within the African continent.

### Small and Medium Accounting Practices and Enterprises

The Board supported the following recommendations from the consultative conference in respect of SMP and SME issues:

- The urgent need for International Financial Reporting Standards to be developed which are relevant to SMEs and to micro-enterprises. The discussion focused on the current International Accounting Standards Board project and the way forward in addressing the needs of entities not covered by this project.
- The need to ensure that International Standards on Auditing are relevant and easily understandable to SMEs and SMPs.
- Consideration of the use of assurance reviews rather than audits, and the importance of ensuring that this service is clearly understood.

### Corporate Governance

The Board agreed that the working group, together with the Professional Accountants in Business Committee, would further develop a position paper regarding the role of professional accountants in business relating to corporate governance. The Board will review this paper in July 2005.

## Narrative Reporting

The Board received an update on the Narrative Reporting project that is on the Professional Accountants in Business Committee's work program. It was noted that the International Accounting Standards Board (IASB) is addressing this topic. This approach was supported by the Board.

## History of IFAC

The Board approved the commissioning of a history of IFAC. The project is anticipated to be conducted over a three year period.

## World Congress of Accountants

The Board received a report from the Chair of the Organizing Committee for the World Congress of Accountants (WCOA) 2006. Board members were invited to comment on the proposed program, including plenary sessions, keynote speakers, and theme of the event.

The Board was reminded that an invitation to tender to host the following WCOA in 2010 had been distributed to all member bodies.

## Financial Statements

The Board approved the 2004 IFAC financial statements. The Board and management reaffirmed the intention of IFAC's financial statements reflecting international best practice.

## Constitutional Working Group

The Board approved the terms of reference of the constitutional working group. The Board also considered and provided input on an issues paper detailing key matters to be considered in the drafting of the revised constitution as well as the timetable for the project.

## Other Matters

The Board considered other matters in the following areas:

- The Chief Executives' Meeting held February 7-8, 2005
- Activity reports from:
  - The Education Committee
  - The Forum of Firms and Transnational Auditors Committee
  - The International Auditing and Assurance Standards Board
  - The Professional Accountants in Business Committee
  - The Audit Committee
  - The Planning and Finance Committee
- Nominating process issues

## Next Meeting

The next IFAC Board meeting will be held in New York, New York USA on July 27-29, 2005.