

Financial Plan

This section of the strategic plan provides commentary on the financial resources necessary to support the implementation of the strategic plan.

Financial Management and Reporting

IFAC continues to operate a control environment designed to ensure that the values of integrity, expertise and transparency are inherent in every aspect of the organization. This approach reinforces the need for strong stewardship to members and associates, the Forum of Firms and others who provide IFAC with financial resources, and the operation of a clear decision and accountability framework.

IFAC applies IPSASs and, where an IPSAS does not address a particular issue, the appropriate IFRS. In future, it will also consider integrated social, economic and environmental reporting. Its external audit is performed in accordance with ISAs, with its internal control systems routinely assessed. In addition, IFAC's annual service delivery statement is subject to assurance procedures by its independent auditors. This additional assurance recognizes the importance of the non-financial service delivery information as an indication of IFAC's overall performance.

Planning Process

The Planning and Finance Committee, with the support of senior management, has oversight responsibility for strategic planning and budget development and implementation. The dual strategy and budget responsibilities are designed to ensure that strategic decisions are made with a clear understanding of the implications for resource allocation, both financial and human.

Priorities, Linkages and Efficiencies

IFAC prioritizes its strategies and services, and assesses the efficiency with which it is carrying out its activities, on a continuous basis. Additionally, it assesses existing and potential revenue sources, while ensuring that its ability to act in the public interest is not compromised. In order to achieve the strategies and services identified in the strategic and operational plans, IFAC will need to extend the level of financial resources received from current sources and identify and utilize other sources, as appropriate, for specific activities or projects.

The strategic and operational plans reflect a tight linkage between the strategic direction of the organization, the planned services, the organizational and staffing plan, and the financial plan. The operational plan for 2011 highlights the budgeted direct costs for each IFAC activity and the estimated full cost of delivering services in each of the four service areas.

To demonstrate its commitment to operating as efficiently as possible, the Planning and Finance Committee from time to time identifies aspects of IFAC's operations for review.

IFAC Reserves

The Board, Planning and Finance Committee and senior management recognize that fiscal responsibility requires the organization to maintain an adequate equity (net asset) position and ensure that the breakdown of short term unrestricted (operating) reserves and long term reserves is appropriate for the size and nature of the organization. IFAC aims to build up the short term unrestricted reserves, as determined at year end, to a target of two months of budgeted operating expense.

To ensure adequate fiscal cover during the buildup period, IFAC will maintain existing credit facilities. The reserve buildup will be monitored during the strategic plan period, as the timing of certain events will likely have an impact.

High Level Financial View

IFAC develops a detailed annual budget from a zero base. Standardized budget assumptions are applied. IFAC generally budgets for a break-even position, although for the plan period amounts will be budgeted to fund the leasehold improvements and furniture associated with the office expansion, and to buildup the short term unrestricted reserves.

While the budget is prepared from a zero base, the expense increases generally relate to one of the following five categories: expenses associated with existing commitments; expenses associated with enhanced or new activities; the need to invest in organization capacity (human and physical assets); cost increases (including the impact of currency fluctuations); and the buildup of short term unrestricted reserves.

The 2011 budget reflected in the operational plan presents an expense increase of approximately 7% over the 2010 budget, excluding the expenses associated with the office expansions. To support the increase, funding from the members and the Forum of Firms is planned to increase by 10% in 2011 over the 2010 funding.

In addition, the Board recommends that the first 42 members make an additional contribution to fund the leasehold improvements and furniture (\$1,810,000), and that IFAC fund the expenses associated with the office expansions (\$980,000). The additional contribution by the members could be paid over two years (i.e., 2011 and 2012).

Budgeted other revenues are derived from external funding sources provided on an activity or project basis, and limited publications, interest and other revenues. In 2011, budgeted other revenues will make up 5% of budgeted total revenue. The strengthening of IFAC's funding model over the medium to longer term will be an important consideration during this plan period. Targeted external funding levels for certain activities, events and projects are expected to be established in the future.

IFAC also gratefully acknowledges the significant donated support received from volunteers in terms of time and effort, and from the supporting organizations that fund their participation in IFAC activities.

For 2012-2014, while percentage increases have not been determined at this stage, it is anticipated that the planned office expansions, the response to the findings of the Monitoring Group's review of the effectiveness of the 2003 reforms, and the establishment of public interest oversight of the IPSASB may imply further increases in 2012-2014. An assessment of developments in environmental factors will be made ahead of determining any increases required for 2012-2014.

The increase in IFAC's budget recognizes that increased globalization—including a global financial system—gives rise to global demands, which in turn requires global responses. IFAC—as global representative of the accountancy profession—is uniquely positioned to lead, facilitate, or collaborate to deliver such responses.

A summary of IFAC's proposed budget for 2011 (excluding the effect of the office expansions and related additional contribution by members) is provided below. A more detailed budget for 2011 is provided in the operational plan for 2011.

Summary of IFAC's Proposed Budget for 2011

	2009 Actual (000's)	2010 Budget (000's)	Proposed 2011 Budget (000's)	Increase
Member Body Dues	11,735	12,719	13,991	10%
Forum of Firms – IFAC	7,864	8,358	9,194	10%
Forum of Firms – TAC	342	438	495	
Other Revenues	1,248	1,765	1,280	
Total Revenues	21,189	23,280	24,960	
Total Activities Expenses	12,742	15,527	17,007	
PIOB Funding	1,785	1,800	1,500	
Total Indirect and Overhead Expenses	5,108	5,853	6,451	
Total Expenses before Expenses Associated with the Office Expansions	19,635	23,180	24,958	7%
Expenses Associated with the Office Expansions	-	-	980	4%
Total Expenses	19,635	23,180	25,938	
Surplus / (Deficit)	1,554	100	(978)	
Office Expansions			2011 Effect (000's)	
Additional Rent			540	
Additional Occupancy Costs			200	
Additional Depreciation			190	
Relocation and Legal Expenses			50	
Draw Down on Reserves to Fund Associated Expenses			980	