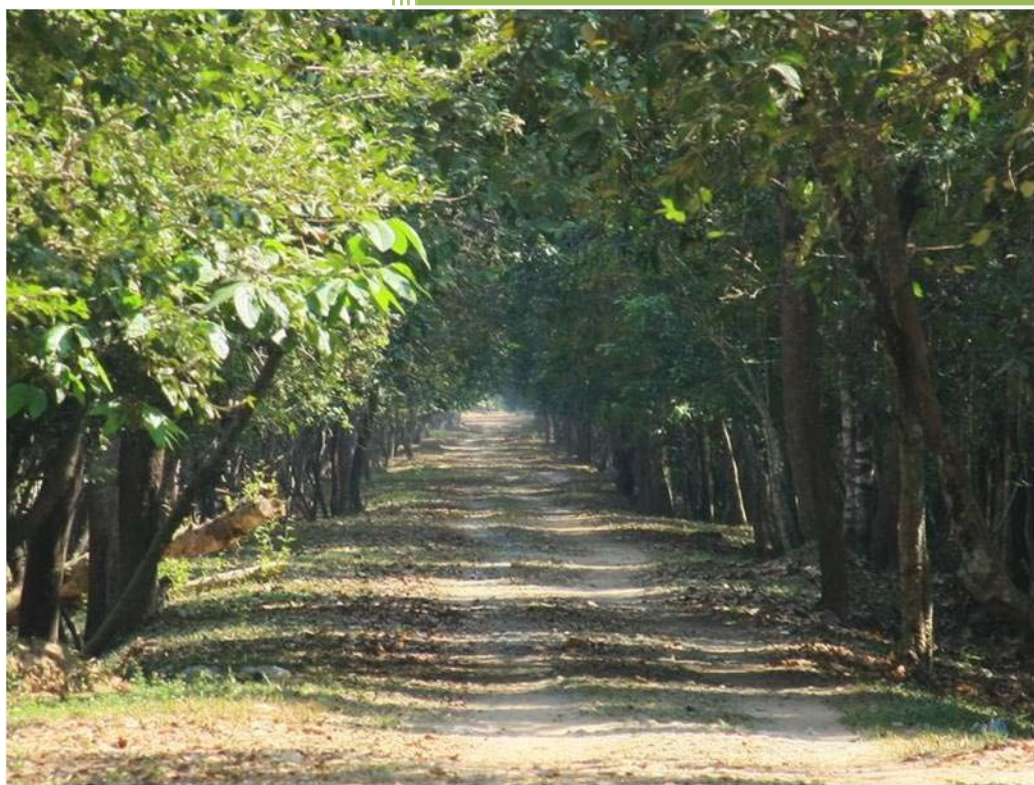


Proposed IFAC Member Body Compliance Program Strategy 2011-2014



REQUEST FOR COMMENTS

The Compliance Advisory Panel (CAP) approved this Consultation Paper, Proposed IFAC Member Body Compliance Program Strategy for 2011–2014, for publication in February 2011. This consultation paper may be modified in light of comments received before being issued in final form.

Respondents are asked to submit their comments electronically through the IFAC website (www.ifac.org), using the “Submit a Comment” link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website.

Comments can also be faxed to the attention of the Compliance Senior Technical Manager at +1 (212) 856-9420, or mailed to:

Senior Technical Manager
Compliance Program
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Comments should be submitted by May 30, 2011.

Copies of this Consultation Paper may be downloaded free of charge from the IFAC website at www.IFAC.org

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**INTERNATIONAL FEDERATION OF ACCOUNTANTS
IFAC MEMBER BODY COMPLIANCE PROGRAM
STRATEGY AND WORK PLAN FOR 2011–2014**

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Chairman's Statement

As a Chairman of the Compliance Advisory Panel (CAP) it is my pleasure to provide an introduction to this consultation paper presenting the draft CAP and IFAC Member Body Compliance Program (the Program) strategy for 2011-2014.

The Compliance Program was launched in 2004 as a part of a series of reforms, including the establishment of the Public Interest Oversight Board (PIOB), adopted by IFAC to clearly demonstrate its commitment to strengthen the accountancy profession around the world. The goal of the Program is to encourage continuous improvement in the practice of accountancy through an ongoing assessment of member bodies' commitment to use best endeavors to adopt international financial reporting, auditing, ethical, education, and public sector accounting standards as well as best practice in quality assurance and investigation and disciplinary mechanisms. You will find more information about the evolution and achievements of the Program in Appendix 2 to this paper but I would like to stress two important things:

First, the objective of the program – despite its title – is not punitive but to encourage all members and associates to continuously improve by adopting and successfully implementing international standards and best practice.

Second, while we are still working with members on finalizing some of the initial Action Plans, we are aware it will take years before the required actions have been completed. But we are also well aware that through the Program we have already positively impacted the agendas of professional accountancy organizations around the world, focusing more and more attention and resource on improving the quality of financial reporting and auditing.

These achievements were also highlighted in the Fifth Public Report of the PIOB and you can find the relevant excerpts in Appendix 3 to this paper. The report clearly states the work of the CAP and the Compliance Program constitutes an important element of the IFAC's public interest activities. Since 2007, PIOB representatives observed substantially all CAP meetings. Our ongoing dialogue with them and their input to our discussions contributed greatly to the progress of the Program and its evolution to date.

As we have progressed with the implementation of the CAP mandate we have been carefully developing processes underlying our core activities. I am very proud that we now have compiled a comprehensive due process setting out the CAP Terms of Reference as well as, the principles for the Action Plan process, membership admission process, and revisions to our core document – the Statements of Membership Obligations (SMO).

Regardless of the significant achievements to date, we realize that we are just at the beginning of the road. By setting out our updated strategy we want to continue on the path that was laid for us through the IFAC reforms.

In the coming years we want to further intensify our cooperation with the independent standard-setting boards and provide them with important feedback on successes and challenges in adoption and implementation of their standards. We will explore how best we can build closer links with the newly reformed Professional Accountancy Organizations Development Committee (former Developing Nations Committee). We will work towards further strengthening of the Regional Organizations and Accountancy Groupings Policies and Accountability Framework to facilitate closer cooperation. And, finally, we will continue to seek enhanced and strengthened relationships with external stakeholders like the IOSCO Emerging Markets Committee, the International Forum of Independent Audit Regulators, the World Bank, and other international and national donor agencies.

I would like to encourage you to review this document and share your thoughts with us by submitting your comments on this draft strategy.

Manuel Sánchez y Madrid

Chairman, Compliance Advisory Panel

1 Introduction

This strategy and work plan sets out the vision, strategic direction and corresponding work plan of the IFAC Member Body Compliance Program (the Program) for the years 2011-2014.

The Program is the responsibility of the IFAC Compliance Staff reporting to the Chief Executive. The Compliance Advisory Panel (CAP) oversees the Program's implementation and operation. The CAP is subject to the oversight of the Public Interest Oversight Board (PIOB).

The CAP's Terms of Reference (see Appendix 1) are subject to review at least every three years. The draft strategy set out below builds on:

- The current Program's strategy and work plan;
- The Self-assessment submitted as part of the 2009-2010 Monitoring Group's review of the IFAC Reforms (see Appendix 2);
- The comments in the Fifth Public Report of the PIOB, May 2010 (See Appendix 3); and
- The strategic discussions between the CAP, Compliance staff and PIOB representatives in October 2010 and January 2011.

This strategy is aligned with the overall IFAC Strategic Plan for 2011-2014.

2 Alignment to IFAC Strategy

IFAC's mission, as stated in the IFAC's *Strategic Plan for 2011–2014*, 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
- Promoting high-quality practices by professional accountants worldwide
- Speaking out on public interest issues where the accountancy profession's expertise is most relevant

IFAC's *Strategic Plan for 2011–2014* explains that IFAC seeks to achieve its mission by influencing various economic and social **outcomes**. An important aspect of IFAC's strategic planning process is the selection

of services and allocation of resources that have the greatest influence on the IFAC's vision in the context of the current environment.

IFAC's services fall into four **service areas**:

- 1 Standards and Guidance;
- 2 Adoption and Implementation;
- 3 Quality and Development; and
- 4 Representation.

The IFAC Member Body Compliance Program's *Strategy and Work Plan for 2011–2014* is designed to complement IFAC's *Strategic Plan for 2011–2014*. Table in the Appendix 4 illustrates the link between IFAC's strategy and the Program's strategic objectives and the outcomes over which the Program has a more direct influence.

3 Member Body Compliance Program

The IFAC Board established the Compliance Program and the Compliance Advisory Panel (CAP) in November 2003. The Compliance Program is a staff driven function reporting to the Chief Executive. The Compliance Advisory Panel, currently comprised of six members representing six regions of the World, provides oversight and advice to the staff as outlined in the CAP Terms of Reference (Appendix 1). The Program is also subject to oversight by the Public Interest Oversight Board (PIOB).

The primary emphasis of the Program is to encourage continuous improvement by professional accountancy organizations through an ongoing assessment of their commitment to use best endeavors to adopt and support implementation of international financial reporting, auditing, ethical, education, and public sector accounting standards as well as to operate or otherwise support robust quality assurance and investigation and disciplinary mechanisms.

IFAC members and associates have the responsibility for maintaining the accuracy of their Action Plans and ensuring that they are kept up to date and reflect the status of the accountancy profession in their jurisdictions.

4 Program's Vision, Values and Goals

Program's Vision

The Program's Vision builds on the objectives outlined in the CAP Terms of Reference as well as, the experience of the Program since its inception and provides the fundamental strategic direction for the future:

In the spirit of encouragement and improvement the Compliance Program strives to be a meaningful global platform for the national adoption and implementation of international standards on private and public sectors accounting, auditing, ethics, education and best practices. The Program influences actions and drives behaviors of professional accountancy organizations around the world by focusing attention and resource on improving the quality of the accountancy profession in support of the IFAC vision and in the public interest.

Program's Values

The Program executes its strategy within the following set of guiding values:

- Commitment to quality and continuous improvement
- Transparency
- Understanding and appreciation of differing regulatory frameworks, national environments and stages of development of PAOs around the world

Program's Objectives

In executing the strategy the Program is aiming to achieve the following key objectives:

- **Quality and continuous improvement** through clear and relevant Statements of Membership Obligations (SMOs) supporting strong Professional Accountancy Organizations
- **Influence agendas and actions** for the meaningful adoption and implementation of international standards
- **Information and knowledge sharing** on Compliance Program and regulatory matters both internally and externally
- **Collaboration** with stakeholders involved in the regulation and development of the profession

5 Strategy

The Program pursues its objectives through executing the following key strategic goals:

- **Quality and continuous improvement**
 - Encouraging recognition of the SMOs as the international benchmarks for professional accountancy organizations
 - Monitoring the progress of Action Plans developed, updated and executed by Members and Associates under their responsibilities
 - Enhancing the enforcement framework in support of the CAP mandate
 - Performing the IFAC membership application process with stringent due diligence
 - Enhancing the Accountability Framework for Regional Organizations and Accountancy Groupings
- **Influence agendas and actions**
 - Having a lasting impact on the agendas of professional accountancy organizations around the world by ensuring they:
 - Understand the need for successful adoption and implementation of international standards and best practices
 - Publish and regularly update their SMO Action Plans to describe their commitment to adoption and implementation
 - Establish and/or maintain strong relationships with government agencies and other countries' stakeholders
 - Providing policy advice and guidance to professional accountancy organizations and other key constituencies
 - Enhancing focus on specific strategic countries or groups of countries
- **Information and knowledge sharing**
 - Being a central repository of valuable and user friendly information on the status of the accountancy profession around the world
 - Enabling IFAC to understand, articulate and disclose members and associates' progress on Action Plans

- Enhancing due diligence to minimize the risk of IFAC Members and Associates submitting biased or incorrect information
- Promoting Compliance Program Action Plans to external users and stakeholders (governments, regulators and donor agencies)
- **Collaboration**
 - Enhancing collaboration and knowledge sharing with the independent standard-setting boards under the auspices of IFAC
 - Providing input into the execution of the development activities led by the Professional Accountancy Organization Development Committee (PAODC)
 - Enhancing cooperation with and between Regional Organizations and Accountancy Groupings
 - Providing continuous input into the World Bank Accounting and Auditing ROSC process through peer reviews and other projects
 - Assisting regulators and other key stakeholders worldwide in achieving their objectives to improve the quality of the practice of accounting and auditing

6 Work Plan

Outline of the Work Plan for 2011-2014

In support of the strategy set out in this document, Appendix 5 includes an outline of the proposed work plan for 2011-2014.

Detailed Work Plan for 2011

The current detailed Work Plan for 2011 is in Appendix 6. This is provided for information only and is reflected in the *IFAC Operational Plan for 2011* and the corresponding budgets.

7 Reporting and Communication

The Program will seek to continue to communicate in an innovative and user friendly way. For instance, in addition to reporting periodically to the IFAC Board, the staff and CAP will report on its activities and results, from time to time, to relevant stakeholders – independent standard-setting boards, member bodies, regional accountancy organizations and acknowledged accountancy groupings, regulatory and donor communities and others: at meetings, conferences and other forums. The Program will also look for ways to make the reports available on the IFAC website and to include them in the IFAC annual report.

8 Resources

Specific budget considerations for the CAP and Compliance Program activities are included in the overall IFAC's budget considerations as outlined in 2011-2014 Strategy and related Operational Plan. The CAP and Compliance Program are supported by the IFAC staff of the Member Body Development team. This team also supports the Professional Accountancy Organization Development Committee (PAODC).

Appendix 1 CAP Terms of Reference

COMPLIANCE ADVISORY PANEL

TERMS OF REFERENCE

(Approved by the IFAC Board in September 2008)

1.0 Purpose

The purpose of the Compliance Advisory Panel (CAP) is to oversee the implementation and operation of the IFAC Member Body Compliance program which is the responsibility of the IFAC Compliance Staff reporting to the Chief Executive. The Compliance Advisory Panel is subject to the oversight of the Public Interest Oversight Board (PIOB).

2.0 Objectives

The objectives of the CAP are to oversee and advise the IFAC Compliance staff with regards to:

- Assessing applications for membership to IFAC and the related recommendations to the Board;
- Undertaking periodic reviews of the criteria for admission to membership and related recommendations to the Board;
- Reviewing the relevance, sufficiency and efficacy of the Statements of Membership Obligations (SMOs) and related recommendations to the Board;
- Implementing a self assessment process to determine whether members and associates comply with applicable SMOs;
- Approving action plans prepared by members and associates to address required improvements in their compliance with the SMOs;
- Disclosing compliance self assessments and action plans, as appropriate, for each member and associate via publication on the IFAC web site;
- Preparing recommendations to the Board for suspension or expulsion of a member or associate for failure to adequately participate in the Compliance Program;
- Involving Regional Organizations and Accountancy Groupings in the implementation of the compliance program, as appropriate;
- Reporting to the Board and Council on the compliance program and the results thereof;
- Assessing applications for the recognition of Regional Organizations and the acknowledgement of Accountancy Groupings and related recommendations to the Board; and

- Preparing recommendations to the Board for withdrawal of recognition or acknowledgement for Regional Organizations and Accountancy Groupings for failure to meet their obligations to IFAC.

3.0 Authority of Pronouncements

The Board has the authority to issue the SMOs. The CAP and Compliance staff may recommend to the Board the issuance of or changes to the SMOs with an affirmative vote of a simple majority of the CAP.

4.0 Membership

The CAP, including the Chair and Deputy Chair, shall be composed of not less than five members from IFAC member bodies appointed by the Board on the recommendation of the Nominating Committee and with the approval of the PIOB. Selection is based on the principle of “the best person for the job”. Additionally, the Nominating Committee shall properly consider that members of the CAP are experts in compliance matters and provide a broad geographic representation of member bodies.

Subject to transitional arrangements, members are appointed for terms of three years, and shall not serve more than two consecutive three-year terms, unless the person is appointed to serve as Chair for a further three-year term. Appointments are made annually, in such a way that approximately one third of the Committee shall retire every year.

Each member of the CAP shall sign an annual statement at the first meeting of the panel in each calendar year declaring that they will act in the public interest and with integrity in discharging their roles within IFAC.

5.0 Meeting Procedures

Each CAP meeting requires the presence, in person or by simultaneous telecommunications link, of at least two-thirds of the appointed members.

Each member has one vote. The affirmative vote of a simple majority of the members present at the meeting or by simultaneous telecommunications link is required to approve any decision. All membership and application matters which may result in a staff recommendation to the Board will be considered by the CAP before such recommendation is made to the Board. The meetings and agenda papers are in English which is the official working language of IFAC.

6.0 Other

The CAP will annually report on its work program, activities and progress made in achieving its objectives during the year. This report should normally be included as part of the IFAC annual report.

IFAC will review the terms of reference and processes followed by the CAP at least every three years.

Appendix 2 CAP Self-Assessment for the Monitoring Group's 2009-2010 Review of IFAC Reforms

The Compliance Advisory Panel (CAP) – Introduction

The IFAC Member Body Compliance Program (“the Program”) was launched in 2004 as an integral part of the 2003 reforms. It is a staff driven program reporting directly to the IFAC Chief Executive overseen by a small advisory panel of highly experienced professionals, one from each of six distinct geographic regions of the world. The primary emphasis of the Program is to encourage continuous improvement by professional accountancy organizations through an ongoing assessment of their commitment to use best endeavors to adopt and support implementation of international financial reporting, auditing, ethical, education, and public sector accounting standards as well as to operate or otherwise support robust quality assurance and investigation and disciplinary mechanisms.

Core Elements

Statement of Membership Obligations

The foundation of the Program are seven Statements of Membership Obligations (“SMOs”), ratified by the IFAC Council in 2004 as part of the 2003 reforms. Participation is mandatory for the 157 IFAC members and associates in over 120 countries. Five of the seven SMOs cross reference to the five sets of international standards established by the four IFAC standard setting boards and the International Accounting Standards Board. The other two establish best practice for Quality Assurance Reviews and Investigation and Disciplinary Processes. All IFAC members are required to use their “best endeavors” to adopt and support implementation of these international standards and best practices within their countries, recognizing that in many jurisdictions the authority to establish standards and practices does not exist within the member but in some other regulatory body.

Part 1 – Assessment of the Standard-Setting and Regulatory Framework

Beginning in 2010, the CAP will initiate a review to consider revisions to existing SMOs as well as the addition of new SMOs to make sure the IFAC membership obligations are clearly stated and meet the needs of the current environment.

The implementation of the Program has been conducted in three distinct phases. Part 1, launched in 2004, was a fact-gathering exercise using a lengthy questionnaire that provided details of the legal, regulatory and standard setting arrangements in each jurisdiction represented by an IFAC member body. Completion of the questionnaire proved to be a significant challenge to many member bodies. It took all of 2004 and well into 2005 until ultimately completed. Along the way, 12 member bodies (almost 10% of total membership) had to be temporarily suspended and, in the end, 5 member bodies were expelled for failure to satisfactorily participate while a sixth body resigned its membership. These were the first suspension and expulsion actions by IFAC for reasons other than failure to pay membership dues and,

therefore, sent an important message both internally and externally that IFAC was transforming itself into a strongly focused organization willing to regulate its membership.

Part 2 – SMO Self-Assessment

Part 2 was launched in 2005 using specialized software that moved individual respondents through a self-assessment questionnaire to increasingly specific questions depending on their answers to previous questions. During this phase, members and associates self-assessed their level of compliance with the specific requirements of the 7 SMOs as well as the status of their convergence with the underlying international standards and best practices. While this was a self-assessment, the IFAC staff was able to perform selected validation by:

- Probing further where responses seemed questionable or internally inconsistent;
- Comparing responses from different member bodies where there is more than one member body in a particular country;
- Comparing the responses received to the approximately 75 ROSC Accounting & Auditing reports published by the World Bank as well as inquiring about specific matters with the World Bank staff and other knowledgeable parties.

Part 3 – Action Plans

Part 3 was launched in late 2007 and, is itself, being carried out in two phases. The first phase involved the preparation by the Compliance staff of broad Policy Recommendations based on the staff's analysis of the gaps in compliance identified during the Part 2 Self-Assessments. Member bodies were given 3 months to consider the recommendations, not only at a staff level but also by appropriate committees of volunteers, and then confirm them (with clarifications, if necessary) at the governing body level (e.g. their Board or Council). Once Policy Recommendations were agreed, members and associates were given another 6 months to prepare detailed Action Plans, including specific timelines and accountabilities, indicating how and when the recommended actions would be taken.

By January 2009, Policy Recommendations had been issued to all of the more than 120 developing member bodies. In addition, as a result of a successful pilot test with 10 developed member bodies during 2008, each of the approximately 35 developed bodies were requested to prepare an Action Plan, without the need for Policy Recommendations, with an emphasis on how they support implementation of the underlying standards and continuously monitor any changes in the standards.

While the staff has prepared a detailed Guide on the Preparation of Action Plans, including templates and illustrative plans, it has been emphasized in a Background Note in published plans and elsewhere that such plans are prepared by member bodies for their own use and reflect their specific national frameworks, priorities, processes and challenges. As a result, Action Plans vary in objective, content and level of detail. The key is that the member body takes full ownership of the plan which is the only way it can be successfully implemented.

The first six Action Plans, prepared by member bodies on four different continents, were posted to the IFAC website in July 2008 (Argentina, Botswana, China, Czech Republic, Kenya, and Romania). As of November 2009, a total of 70 plans have been published and over 40 drafts are currently under review¹. The Action Plan, however, is just the beginning of the process. The goal is actual change reflected by the completion of the action steps identified in the plan. As a result, the staff has begun the implementation of a Monitoring process for member bodies with published Action Plans. This process involves an informal assessment every 6 months by the staff and member body of the progress on planned activities. A formal progress report by each member body on completed actions as well as a comprehensive update to the Action Plan will be required at least once a year.

Transparency and Oversight

From the outset of the program, a core element was a commitment to transparency. All Part 1 and 2 questionnaires, as well as the published Action Plans, are posted to a separate section of the IFAC website and are available to anyone who wants to review such information. Since the initial postings, over 1 million page views have been recorded in this portion of the website.

PIOB representatives have observed substantially all meetings of the CAP since April 2007 and have provided feedback on CAP processes as well as the public interest aspects of the CAP agenda.

In addition, in 2008, the CAP Chairman has met with members of IFIAR and the IOSCO Emerging Markets Committee and provided updates on the Compliance Program. Such outreach is important to keep key constituencies informed of ongoing progress, challenges and the valuable output of the Compliance Program.

Outcomes

Since its inception, the Program and its related activities have achieved a number of important outcomes:

- Transformation – through the member body commitments contained in the SMOs, the Program has made a substantial contribution to transforming IFAC into a professional organization that is demonstrating its commitment to strengthen the accountancy profession around the world.
- Recognition – the SMOs have become recognized as the international benchmarks for professional accountancy organizations; in particular, the World Bank ROSC A&A reports specifically refer to the SMOs as part of their Policy Recommendations to governments and professional accountancy organizations.
- Regulatory Support – the Program may assist regulators and other key stakeholders in achieving their objectives by providing a transparent assessment of the current status of adoption of international standards and best practices in their jurisdictions (as well as other jurisdictions)

¹ As of January 15, 2011 a total of 117 Action Plans have been published and 24 drafts are currently under review.

worldwide) and the planned activities of their national professional bodies to achieve convergence with these standards and practices.

- Valuable Feedback – while the Program is designed to drive behavior and action at the individual member and associate level, extremely valuable information about the status of adoption of international standards across all jurisdictions is a supplementary global benefit. Such information is now being analyzed and organized by the Compliance staff and the first comprehensive assessment – Basis of ISA Adoption - was launched on the IFAC website in November 2009 (<http://web.ifac.org/isa-adoption/chart>). Additionally, the Compliance staff regularly provides feedback on adoption and implementation issues observed in the Program to the IFAC standard setting boards.
- Influencing Action – as described above, the Program serves as an engine to drive behavior to achieve the successful adoption and implementation of international standards and best practices, either through the direct actions of IFAC members and associates or through their encouragement and advocacy to other stakeholders with the authority to initiate change in their jurisdictions. It is currently estimated that all initial Action Plans should be published by the end of 2010. However, it will take a considerable period of time before member bodies complete all required action steps. Nevertheless the Program has significantly impacted the agendas of professional accountancy organizations around the world, focusing more and more attention and resource on improving the quality of financial reporting and auditing.
- Facilitating Funding for the Development of the Accountancy Profession – the required actions will not be easy. Moreover, the further the Program moves into the Action Plan phase the more obvious it becomes that developing member bodies will need significant assistance - both financial and technical - to get the job done. As a result, IFAC has been building relationships with development partners such as the World Bank, regional development banks, bilateral donor agencies, and others to promote the funding of projects to help these developing bodies. At the July 2009 G-20 Accountancy Summit, the World Bank highlighted the urgent need to develop and strengthen the profession in developing and emerging economies as a key step in achieving financial stability and announced that it will work with IFAC to deepen cooperation and establish a framework for building sustainable capacity for the accountancy profession in such economies.
- IFAC, through its Developing Nations Committee², has also strongly promoted mentoring relationships within regional organizations and by the most developed member bodies. Ultimately, the ability of developing accountancy bodies to meaningfully execute their Action Plans will significantly depend on 1) their ability to clearly communicate their challenges, required actions and need for assistance including resources and 2) the willingness of governments, donor agencies and developed professional bodies to provide assistance whenever possible.

² In July 2010, in accordance with the Recommendations of the DNC Review Task Force, the IFAC Board approved the revised Terms of Reference of the committee which name has been changed to Professional Accountancy Organization Development Committee (PAODC).

Appendix 3 Excerpts from the Fifth Public Report of the PIOB

Note: Full text of the 5th PIOB Report can be downloaded from the PIOB website at:

<http://ipiob.org/public-reports>

PIOB Oversight Model

(See 5th PIOB Report Page 4-5)

The PIOB was established to oversee the standard-setting processes sponsored by the IFAC in the areas of audit, education, and ethical standards for professional accountants, including independence and ethical requirements for auditors, quality control and assurance standards, and compliance. The PIOB's oversight responsibility extends, specifically, to three of the independent standard-setting bodies under the aegis of the IFAC and their respective consultative advisory groups (CAGs): the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB). The PIOB also oversees the Compliance Advisory Panel (CAP) of the IFAC, which evaluates the compliance of members with IFAC membership obligations, including each member's progress in promoting the adoption of private and public sector accounting (International Financial Reporting Standards and International Public Sector Accounting Standards), audit, ethics, and education standards. These independent standard-setting bodies and the CAP are collectively referred to as the public interest activity committees (PIACs).

Improvements after Five Years of Independent Oversight

(See 5th PIOB Report Page 9)

Compliance by IFAC member bodies with their membership obligations has made significant progress under the vigorous leadership of the Compliance Advisory Panel. Membership obligations include, on a best-endeavors basis, adopting and supporting implementation of standards developed by the PIACs and the IASB. In addition, action plans designed to ensure and enhance compliance with membership obligations are being developed by IFAC member bodies under the guidance of the CAP and are progressing, or have progressed, to the stage of implementation. Many IFAC member bodies have already adopted and are executing their action plans. The PIOB believes that the compliance program has become, and will continue to be, an important platform for encouraging and facilitating convergence toward international standards. The rigor and focus of the CAP are already enhancing the quality of the profession, assisting member bodies to develop meaningful action plans for compliance with Statements of Membership Obligations (SMOs), and, through this activity, positioning prospective members for further assistance and funding.

Oversight of the CAP and the IFAC Compliance Program in 2009

(See 5th PIOB Report Page 16)

PIOB members believe that the Compliance Advisory Panel is an important element in the IFAC's public interest activities. It continues to be a high priority for the PIOB. The CAP has made important progress

over the years in enhancing the level of compliance with the IFAC membership obligations. About half of IFAC member bodies and associates have published their action plans to date (usually the first step in the process of achieving or maintaining convergence with international standards and practices), and many other member bodies have submitted partial or complete drafts for CAP review. This year the PIOB observed the CAP deliberations during which various action plans were approved for publication. The CAP has pledged to finalize the remaining action plans by 2010, providing the circumstances of individual members so allow. Further, the CAP requires members to report periodically on their progress. This reporting has helped the CAP to communicate regularly with the accountancy bodies and to discuss their efforts to achieve international convergence. The CAP performs extensive outreach activities that have included contacts with regional organizations and acknowledged accountancy groupings. The CAP also has processed and recommended several new IFAC members this year and has continued to work with professional bodies that have expressed an interest in becoming IFAC members.

This year the CAP has continued to work on its project to revise the seven Statements of Membership Obligations during the 2010–2012 period and the possible development of new statements covering areas such as the corporate governance of member bodies. These two projects will be among the most important on the CAP's agenda over the next few years. The PIOB will monitor these projects given the public interest inherent in each of the SMOs and the benefits that would derive from the global adoption and implementation of the international standards covered by the SMOs.

The Challenges of Adoption and Implementation

(See 5th PIOB Report Pages 24-25)

The adoption of international standards in the areas of audit practice, assurance services, ethics, and education for professional accountants in many jurisdictions around the world will bring adoption and implementation challenges to—and increase the workload of— international standards setters. This will include requests for interpretation, practice guidance, revision of existing standards, and, potentially, the creation of new ones. With five years of experience in monitoring and overseeing the IFAC's responses to the challenges it faces, the PIOB is well placed to ensure that a proper public interest perspective is maintained in these important new areas. The proper implementation of standards is a joint responsibility of audit practitioners, other accountancy professionals, accounting bodies, and national audit regulators who are charged with ensuring compliance. Implementation involves numerous activities and actors to set the stage for successful compliance. Some of these tasks and processes include the translation of standards, the adoption of standards by national jurisdictions, the development of implementation methodologies by all sizes of audit practices, the education and training of practitioners, the development of professional bodies in emerging markets or regions, and the creation of mechanisms and channels of communication to promote the achievement of uniform implementation around the world. While these are largely national activities, the creation of necessary conditions to support compliance is an area of implementation support that requires international coordination subject to common due process disciplines. Implementation and compliance must be effective if they are to serve the public interest, so public interest oversight has a role to play.

Implementation is a large area in which various activities are already being carried out. For example, the International Forum of Independent Audit Regulators is playing an important and growing role in identifying the processes used by audit firms to implement international standards and evaluating how these standards are being applied in practice. The PIOB has established a strong dialogue with the IFIAR. The World Bank plays a broader and more macro role in determining whether countries are complying with adopted standards, through its Reports on the Observance of Standards and Codes (ROSC) initiative.

Finally, the work of the Compliance Advisory Panel is growing rapidly in importance. The work of the IFAC Compliance Program to test and promote improvements in the compliance of IFAC member bodies with their obligations relative to international standards constitutes an important platform for promoting the adoption and effective implementation of these standards. The advice and direction provided by the CAP are crucial to the success of these initiatives. The CAP is already subject to intense PIOB oversight. Going forward, it would be beneficial to evaluate whether the public interest dimension of the CAP's work would be strengthened by adopting certain principles and practices underlying the work of the standard-setting boards. An immediate step could be for the CAP to review its current Terms of Reference as well as to consider developing its own Due Process and Working Procedures documents.

Appendix 4 IFAC's strategy and the Compliance Program

Service Area	Mission	Outcomes (relevant to CP)	CP Contribution
Standards and Guidance Adoption and Implementation	Contributing to the development, adoption, and implementation of high-quality international standards and guidance	<ul style="list-style-type: none"> Confidence in international standards Adoption of high-quality international standards Effective implementation and enforcement of international standards 	<ul style="list-style-type: none"> Direct – Through SMOs Indirect – As a platform for meaningful adoption and implementation
Quality and Development	<p>Contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants</p> <p>Promoting the value of professional accountants worldwide</p>	<ul style="list-style-type: none"> Strong professional accountancy organizations Strong accounting firms High-quality services by accounting firms and practitioners High-quality financial management and reporting practices in all types of organization 	<ul style="list-style-type: none"> Regular revision of the SMOs to ensure their currency and in turn their credibility Action Plan process / Member Body Strategic Planning Policy advice and guidance to IFAC Members Membership Applications' due diligence and assessments Input to World Bank ROSC Reviews RO/AG Policies and Accountability Framework Continued Promotion of the Value and Relevance of the Member Body Compliance Program to Relevant Regulatory Bodies and other stakeholders
Representation of the Accountancy Profession	Speaking out on public interest issues where the accountancy profession's expertise is most relevant	<ul style="list-style-type: none"> All of the above 	<ul style="list-style-type: none"> Participation in events of Member Organizations, ROs, AGs, and Other Relevant Organizations Meetings with Regulators and Other Stakeholders (including participation in World Bank and other funded projects)

Appendix 5 Outline of the Work Program 2011-2014

KEY STRATEGIC GOALS	ACTIVITIES AND PROJECTS	STATUS	JAN 2011	APRIL 2011	JULY 2011	OCT 2011	JAN 2012	APRIL 2012	JULY 2012	OCT 2012	JAN 2013	APRIL 2013	JULY 2013	OCT 2013	2014
Quality and Continuous Improvement	SMOs Revision Project	Current	X	X	X	X	X	X	X	X					
	Monitoring of Action Plan Progress	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
	Enforcement (Current and enhanced)	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
	Membership Applications: – Assessment and Due Diligence – Management of the potential member pipeline	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
	Management of Accountability Framework for Regional Organizations (ROs) and Accountancy Groupings (AGs)	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X

KEY STRATEGIC GOALS	ACTIVITIES AND PROJECTS	STATUS	JAN 2011	APRIL 2011	JULY 2011	OCT 2011	JAN 2012	APRIL 2012	JULY 2012	OCT 2012	JAN 2013	APRIL 2013	JULY 2013	OCT 2013	2014
Influence Agendas and Actions	Publish Action Plans	Ongoing	X	X	X	X	X								
	Publish Action Plan Updates	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
	Policy Advice and Guidance to IFAC Members	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
Information and Knowledge Sharing	Compliance Information Analysis and Reporting (internal and external)	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
	Combine and Maintain Parts 1 and 2	New					X	X	X	X	X	X	X	X	X
	Further enhance validation of the information gathered through the Program and Membership application process	New					X	X	X	X	X	X	X	X	X
Collaboration	Promote the Value and Relevance of the Program to Relevant	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X

KEY STRATEGIC GOALS	ACTIVITIES AND PROJECTS	STATUS	JAN 2011	APRIL 2011	JULY 2011	OCT 2011	JAN 2012	APRIL 2012	JULY 2012	OCT 2012	JAN 2013	APRIL 2013	JULY 2013	OCT 2013	2014
	Regulatory Bodies														
	Input to the World Bank Reports on Observance of Standards and Codes (ROSC) – Auditing & Accounting program	Ongoing	X	X	X	X	X	X	X	X	X	X	X	X	X
Others	Strategic and Operational Plan 2011-2014	Current	X	X	X										

Appendix 6 Detailed Work Plan for 2011

Note: Shaded areas represent external service delivery

Service Area	Action / Service Description	Delivery Method	Timeframe
Standards & Guidance	Revision of the Statement of Membership Obligations (SMOs) and develop a proposal for amendments, as appropriate	Exposure Draft Approved by Board	Q2/Q3 2011
		Final SMOs ratified by Council	November 2012
		Consolidation and refinement of the Information Gathering Questionnaires (Part 1 and Part 2)	2012-Q1 2013
Adoption and Implementation	Report on the Status of the Adoption of International Standards Issued by the IAASB, IAESB, IESBA and IPSASB	Report or other website publication	Q2-Q4 2011
Quality and Development	Publication of Initial Action Plans	Published new Action Plans	Throughout 2011
	Soft Updates of Action Plans	Soft updates completed	Throughout 2011
	Annual Updates of Action Plans	Published updated Action Plans	Throughout 2011
	Policy Advice and Guidance to IFAC Members	Staff Outreach to Member Bodies re Action Plans / SMOs and related matters	Throughout 2011
	Assessment and Due Diligence of Membership Applications	Membership Applications for Approval by IFAC Council [2011 Estimate: 10]	Throughout 2011

Service Area	Action / Service Description	Delivery Method	Timeframe
	Manage potential member pipeline	Establishing Early Contact with Potential Members and Managing Appropriate Application Timing [30 organizations]	Throughout 2011
	Input to the World Bank Reports on Observance of Standards and Codes (ROSC) – Auditing & Accounting program	<ul style="list-style-type: none"> • ROSC reports where IFAC provides comments as a peer reviewers • ROSC dissemination workshops with IFAC representation • Other forms of input provided to the World Bank ROSC initiative 	Throughout 2011
	Continued Promotion of the Value and Relevance of the Program to Relevant Regulatory Bodies	Informal and formal interactions with relevant stakeholders	Throughout 2011
	Continued implementation of Policy Statements for Regional Organizations (ROs) / Accountancy Groupings (AGs)	<ul style="list-style-type: none"> • Meetings with individual ROs / AGs • Annual ROs / AG meeting • Assessment reports received from ROs / AGs • Interactions with ROs/AGs to progress Member Body Compliance Program in their constituency 	Throughout 2011
	Reports to PIOB	Reports by CAP Chair and/or Executive Director to PIOB	Throughout 2011
Representation of the Accountancy Profession	Provide Country and Other Relevant Briefing Materials to IFAC Leadership	Briefings Provided	Throughout 2011
	Events of Member Organizations, ROs, AGs, and Other Relevant Organizations	Attendance at / participation in events	Throughout 2011
	Meetings with Regulators and Other Stakeholders (including participation in World Bank and other funded projects)	Attendance at / participation in events	Throughout 2011

Service Area	Action / Service Description	Delivery Method	Timeframe (
Other	Revise CAP TOR and Strategy as required by the CAP ToR	Draft Strategy for Public Exposure by Q2 of 2011. Board Approval by Q3/Q4 of 2011	Q1 2011 – Q3/Q4 2011
	Member Body/Country/Region input into Officer speeches	Speeches with input provided	Throughout 2011
	Annual Updates to the independent standard-setting boards	Reports by staff to respective boards	Throughout 2011