

September 2008

# Strategic Plan for 2009–2012



**International Federation  
of Accountants**

## Table of Contents

		<b>Page</b>
<b>Section 1</b>	<b>Introduction</b>	<b>1</b>
<b>Section 2</b>	<b>Mission</b>	<b>2</b>
<b>Section 3</b>	<b>Values</b>	<b>2</b>
<b>Section 4</b>	<b>Environment Facing the Profession &amp; IFAC</b>	<b>2</b>
<b>Section 5</b>	<b>Outcomes</b>	<b>3</b>
<b>Section 6</b>	<b>Linkages</b>	<b>6</b>
<b>Section 7</b>	<b>Strategic Themes &amp; Objectives</b>	<b>8</b>
<b>Section 8</b>	<b>Service Areas</b>	<b>16</b>
<b>Section 9</b>	<b>Statement of Operating Principles to Support Strategy</b>	<b>18</b>
<b>Section 10</b>	<b>Organizational &amp; Staffing Plan</b>	<b>20</b>
<b>Section 11</b>	<b>Financial Plan</b>	<b>22</b>
<b>Section 12</b>	<b>Risk Assessment &amp; Mitigation Plan</b>	<b>25</b>

---

## Section 1 Introduction

This Strategic Plan defines a path for the International Federation of Accountants (IFAC) for the period 2009-2012. The plan represents an evolution of the previous plan: it seeks to ensure IFAC's continued credibility and momentum in its core areas of standard setting and supporting the adoption and implementation of international standards, while advancing the relevance of the profession through continual development of professional institutions and providing a strong, influential voice for the global profession.

In order to respond responsibly to the pressures on the organization, IFAC's leadership has endeavored to identify those actions and services that are critical to a successful future for the organization and to the strengthening of the global accountancy profession.

IFAC's leadership has, with the support and guidance of the Board and Planning and Finance Committee, developed this Strategic Plan for 2009-2012, which states the strategies, objectives and priorities of IFAC. It is supported by an Operational Plan and a detailed budget, which projects specific activities, services and costs for 2009 and 2010 and, where possible, for the two years beyond. In developing these plans, IFAC's Management, Officers, Planning and Finance Committee and the Board have monitored, consulted, discussed, evaluated and planned for the following:

- Changes in the global marketplace, especially the evolving role of professional accountants;
- The needs and priorities of IFAC's stakeholders;
- The risks associated with possible actions as well as inaction; and
- IFAC's current and future resource needs.

To achieve the objectives outlined in this plan, IFAC has identified the need to invest in its resources and expand its capacity. Since 2000, IFAC has successfully met the growing demands on the organization to increase services, but these have significantly outpaced the growth in IFAC resources. Hence, the first portion of the plan's four-year period will focus on capacity building in order to ensure the successful implementation of the entire plan.

The work plans and budgets for each of IFAC's activity areas identify the resources required. A significant portion of the costs anticipated in 2009 are related to services which IFAC has already committed to provide. Other expenses are related to the increased demands on volunteers, increases in operational costs associated with staff, and the need to replenish the financial reserves of the organization to a level appropriate to its planned operations.

The next four years will be an exciting and challenging period for IFAC and the profession. It is now more critical than ever that IFAC be a credible and effective organization for the global accountancy profession. The following sections of this plan highlight IFAC's objectives, its approach to achieving those objectives and the resources required to be successful.

## Section 2 Mission Statement

To serve the public interest, IFAC will continue to 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.

## Section 3 Values

The values indicated below reflect the guiding principles that IFAC as an organization through its Council, Board, boards and committees, other volunteers and staff should seek and be seen to exemplify:

- Integrity
- Expertise
- Transparency

IFAC also seeks to reinforce professional accountants' adherence to these values, which are reflected in the IFAC Code of Ethics for Professional Accountants.

## Section 4 Environment Facing the Profession and IFAC

In holding true to its mission and values, IFAC strives to operate with efficiency and effectiveness and aims to achieve clarity and simplicity in its guidance and communications.

IFAC continually monitors the environment in which it operates and seeks to proactively shape that environment, react to the pressures being exerted where appropriate and to influence various outcomes (refer to Section 5) through the identification of its strategic direction and the services it delivers.

The planning process revealed the following perspective on the current environment and its impact on the wider profession. While the environment and some of the resulting pressures on the profession and IFAC are continuations of those identified during IFAC's last planning process, change has been evidenced by the growing intensity of globalization and the impact of regulation on the profession. The environment that the accountancy profession operates in is, and is anticipated to become increasingly:

- **Diverse and segmented:**
  - Developed, mature economies juxtaposed against rapidly emerging nations and slowly emerging ones
  - Large, public enterprises and large firm practices vs. SMEs/SMPs
  - Accountants in public practice vs. professional accountants in business
- **Globalized:** due to economic, social and technological forces reshaping the profession, for example:
  - A rapidly growing acceptance of international standards that impact on the profession
  - Global companies and investors, expecting uniform accounting and auditing practices everywhere
  - Outsourcing/off-shoring shifting the global centers in which accounting is performed

- Globalizing information technology, unbundling the sites in which the storage, access, reporting, and application of judgment to a given body of information can take place
- Globalized accountants, wanting to be able to practice their profession globally
- Challenges associated with adoption and implementation of international standards
- Pressures on accountancy qualification programs to adapt to the growing acceptance of international standards
- Increasing recognition of the importance of corporate social responsibilities in relation to the economy, society and the environment
- **Regulated:** since the early 2000s the involvement of the regulatory community in relation to the accountancy profession, including IFAC, has grown significantly, ranging from oversight of the profession's actions through to full regulation of sectors of the profession, resulting in:
  - Oversight of IFAC's role as standard setter
  - A more active regulatory community, including the creation of new regulatory bodies such as the International Forum of Independent Audit Regulators and many of its members, and the resulting pressures on the profession (e.g., audit firm inspections)
- **Competitively tested:** with rivals encroaching on the territory of accounting by offering related or even core accounting services and raising questions about what that core is.

Each of the above factors impacts the profession and, to a varying degree, has implications for IFAC, particularly in terms of the strategic direction it adopts and the services it provides. While the above outline does not reflect a level of significance of impact or priority, the factors above strongly influence the nature of services provided by IFAC and the allocation of resources to those activities. IFAC is also aware that there are other organizations that have an active interest in addressing these factors and that IFAC's role will vary between leader, facilitator and collaborator. This strategic plan and the IFAC operational plan address each of these roles, although emphasis is placed on areas where IFAC assumes a leadership role, for example in various standard-setting areas.

The outcomes illustrated in the following section and IFAC's strategic direction outlined in Section 7 reflect, and seek to address, the pressures being exerted on the profession and IFAC.

## Section 5 Outcomes

IFAC seeks to achieve its Mission in an effort to influence various economic and social results, otherwise referred to as "outcomes." The illustration below provides an indication of the outcomes that IFAC wants to influence or have an impact on through the delivery of its services identified in the center circle. The alignment between these outcomes, IFAC's strategic themes and objectives, and its services is outlined in the following section.

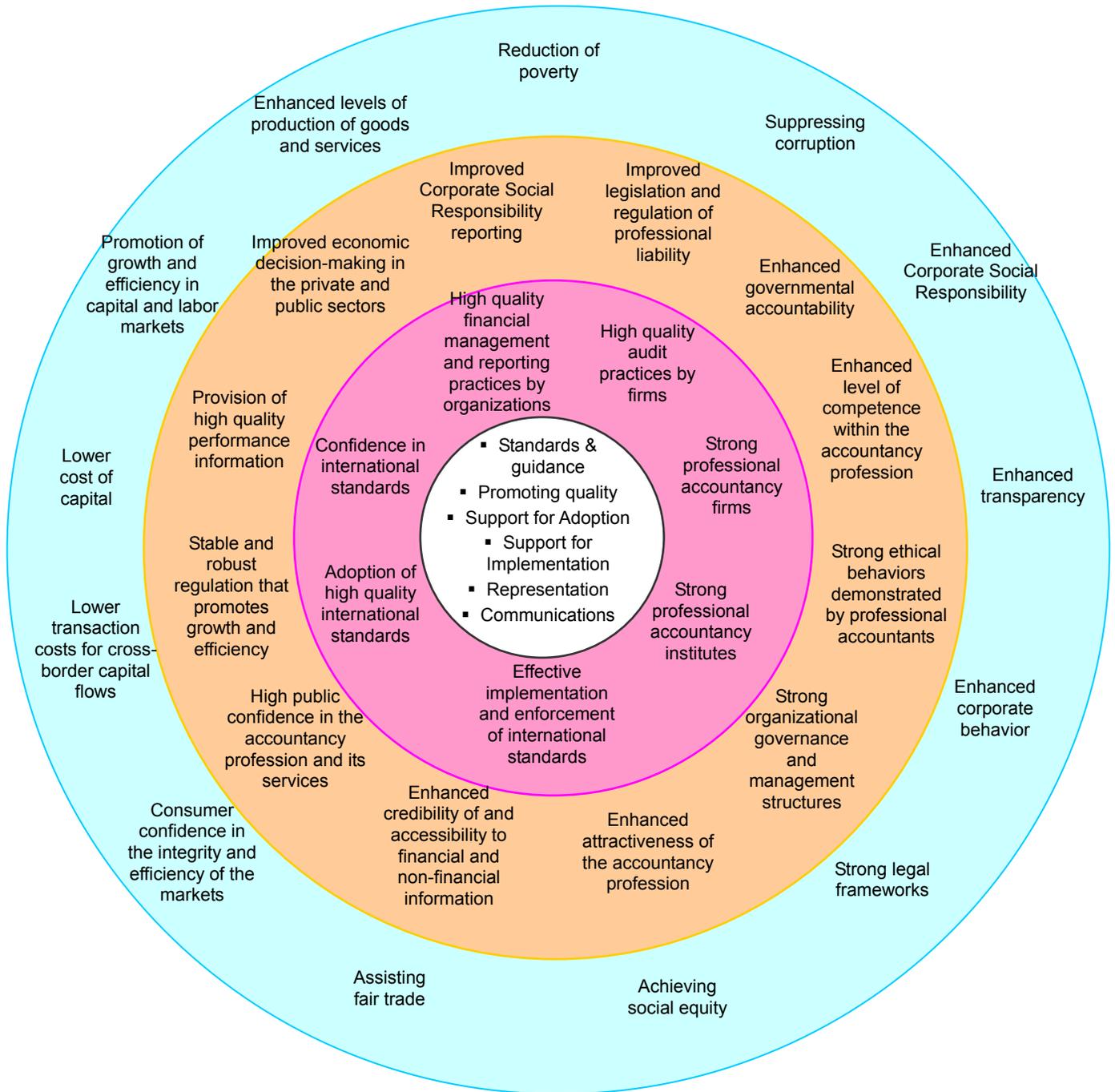
The illustration reflects a ripple effect of flow-on impacts as well as how IFAC seeks to influence these outcomes. IFAC will have a more direct influence on the outcomes closer to the center. The outcomes in the second circle are the outcomes most closely aligned to IFAC's strategic themes and will primarily impact the profession at an institutional level (for example, member bodies, regional organizations, firms, standard setters, etc).

The third circle reflects those outcomes that will have an impact on individuals within the profession and various groups outside the profession, such as the regulatory community. The level of influence by IFAC will be less direct for these outcomes.

The fourth and final circle indicates those community-wide outcomes that IFAC and the profession generally only have indirect influence over but have an interest in seeing achieved.

IFAC seeks to contribute to the achievement of these outcomes through applying specific strategic themes and objectives, and by delivering specified services. The budget for a given year supports the delivery of the specified services and ultimately contributes to the achievement of the outcomes below.

## Economic growth and stability across all economies



Key:	
Main Impact On	Influence
<span style="display: inline-block; width: 15px; height: 15px; background-color: #FF69B4; border: 1px solid black;"></span> Profession/Institutions	More Direct
<span style="display: inline-block; width: 15px; height: 15px; background-color: #FFDAB9; border: 1px solid black;"></span> Individuals/Regulators	Less Direct
<span style="display: inline-block; width: 15px; height: 15px; background-color: #ADD8E6; border: 1px solid black;"></span> Community	Indirect

## Section 6 Linkages

This section provides a brief outline of some of the critical information provided in this plan as well as how this plan is linked to the detail of the planned services and other organizational actions provided in IFAC's operational plan.

The operational plan will be supported by operational plans that provide greater detail of the planned services and the organizational actions required to implement the strategy. The level of detail provided will be greater for the following two years, with more general implications and projections for the years beyond those two.

As outlined in the prior section, IFAC seeks to influence various outcomes through the achievement of its strategic direction and the delivery of services. This plan articulates IFAC's strategic direction in the form of four Strategic Themes for achievement over the four-year period.

The themes are:

- Strategic Theme 1 – Be recognized as the international standard setter in the areas of auditing and assurance, education, ethics and governmental financial reporting.
- Strategic Theme 2 – Actively support the adoption of, and assist in, the implementation of international standards.
- Strategic Theme 3 – Continually enhance the relevance of the profession.
- Strategic Theme 4 – Be an influential voice for the global accountancy profession.

More detailed strategic objectives have been identified under each theme, with the services supporting those objectives identified. What IFAC does control is the selection of services it delivers to contribute to the achievement of its strategies. The IFAC Board, with the support of the various boards, committees and staff, has identified five service areas and a mix of services under each to place IFAC in a position to achieve its objectives.

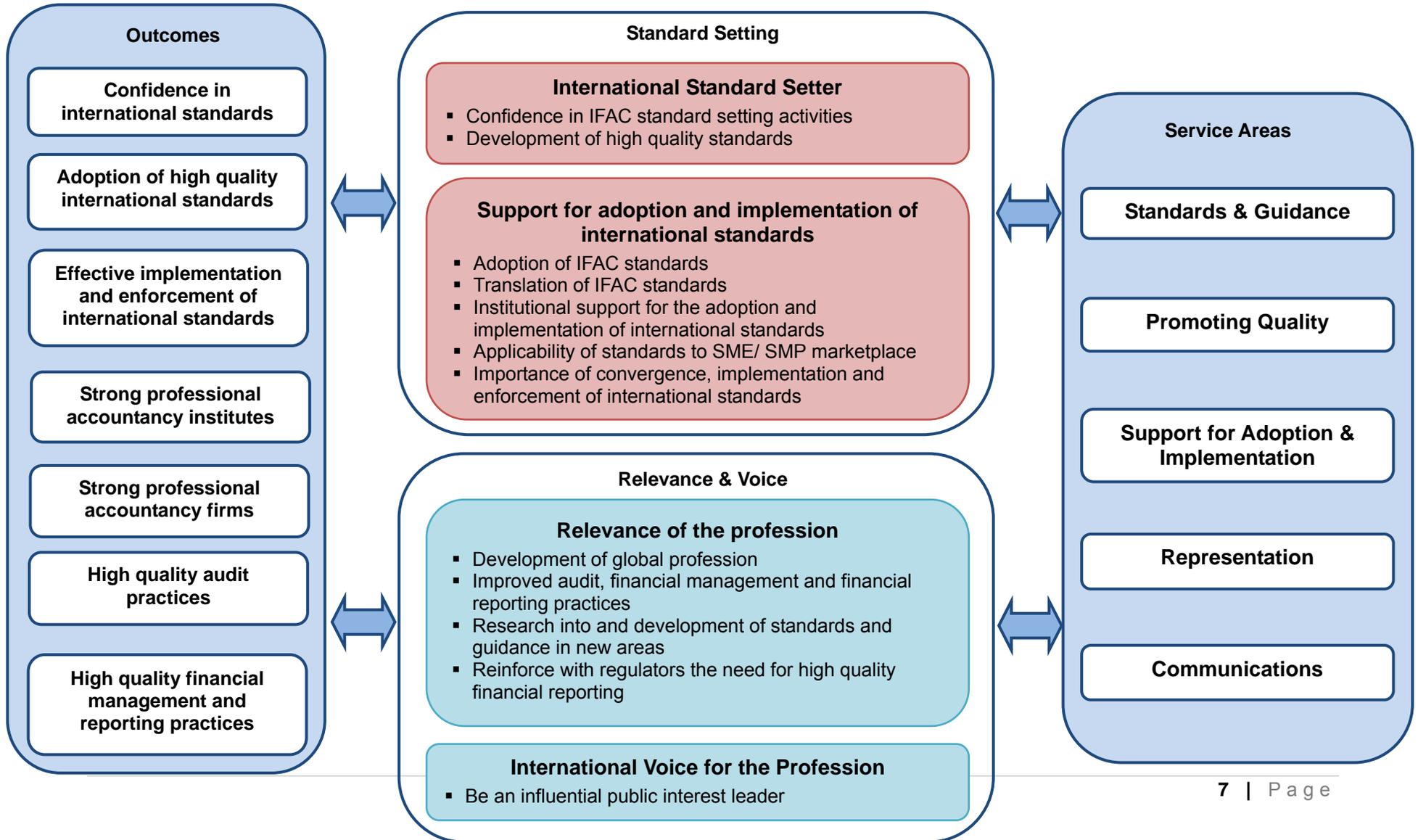
The illustration below provides readers an overview of the alignment of the mission and values, outcomes, strategic themes and objectives, and the services that contribute to achieving those objectives. For decision-making and reporting purposes, IFAC's service areas reflect a high level grouping of similar services as determined at the point of delivery.

While there is a linkage between the outcomes identified, the themes and objectives, and ultimately the services delivered, these linkages are not on a one to one basis. In most cases each outcome is supported by more than one strategic theme and similarly each theme is achieved through the delivery of services in more than one service area.

**Mission:** To serve the public interest, IFAC will continue to 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

**Values:** Integrity, Expertise and Transparency

**Strategic Themes**



## Section 7 Strategic Themes and Strategic Objectives

The strategic themes and associated strategic objectives identified below reflect the intended strategic direction of IFAC for the period 2009-2012.

Under each strategic theme the following information is provided:

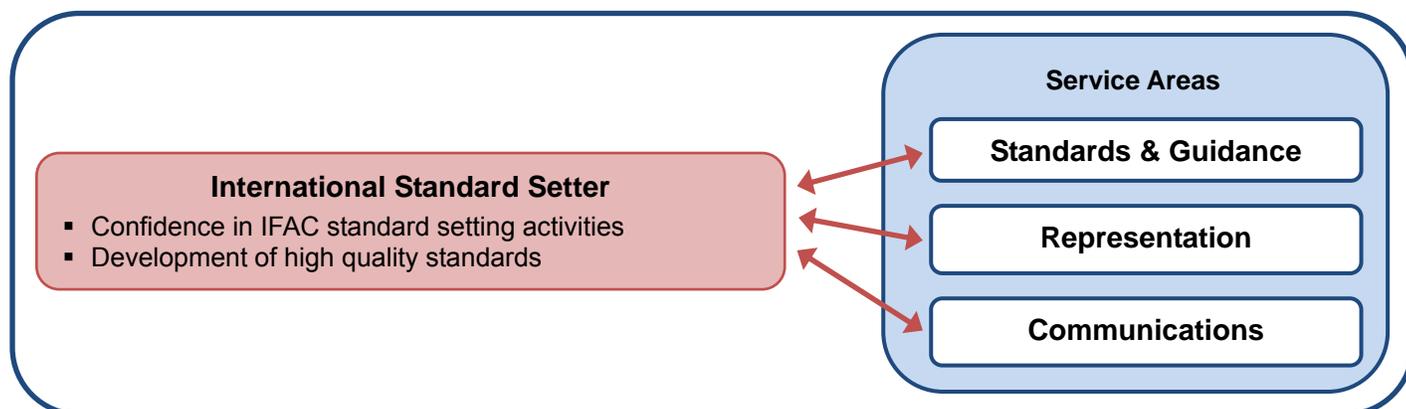
- Any specific outcomes, over and above those identified in Section 5, that IFAC is seeking to influence;
- An illustration linking the theme to the respective service areas; and
- The strategic objectives identified for the plan period and the significant services that are planned to support their achievement.

**Strategic Theme 1: Be recognized as the international standard setter in the areas of auditing and assurance, education, ethics and governmental financial reporting.**

### Specific Outcomes

In addition to the general outcomes identified above, under this Strategic Theme IFAC also seeks to influence the following specific outcomes:

- Public Interest Oversight Board (PIOB) approval on a standard by standard basis that the agreed due process has been met.
- PIOB approval of process for setting, and content of, Public Interest Activity Committees<sup>1</sup> (PIACs) strategic and work plans.
- PIOB approval of PIAC terms of reference.
- PIOB approval of the appointment of PIAC members and chairs.
- Acceptance by the Monitoring Group of Regulators<sup>2</sup> (MG) and the PIOB that oversight of IFAC standard setting activities should be extended to include the IPSASB.



1 Public Interest Activity Committees include the IAASB, the IAESB, the IESBA and the Compliance Advisory Panel (CAP).

2 The Monitoring Group of Regulators includes the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors, Basel Committee on Banking Supervision, the World Bank, the Financial Stability Forum, the European Commission and observers such as the International Forum of Independent Audit Regulators.

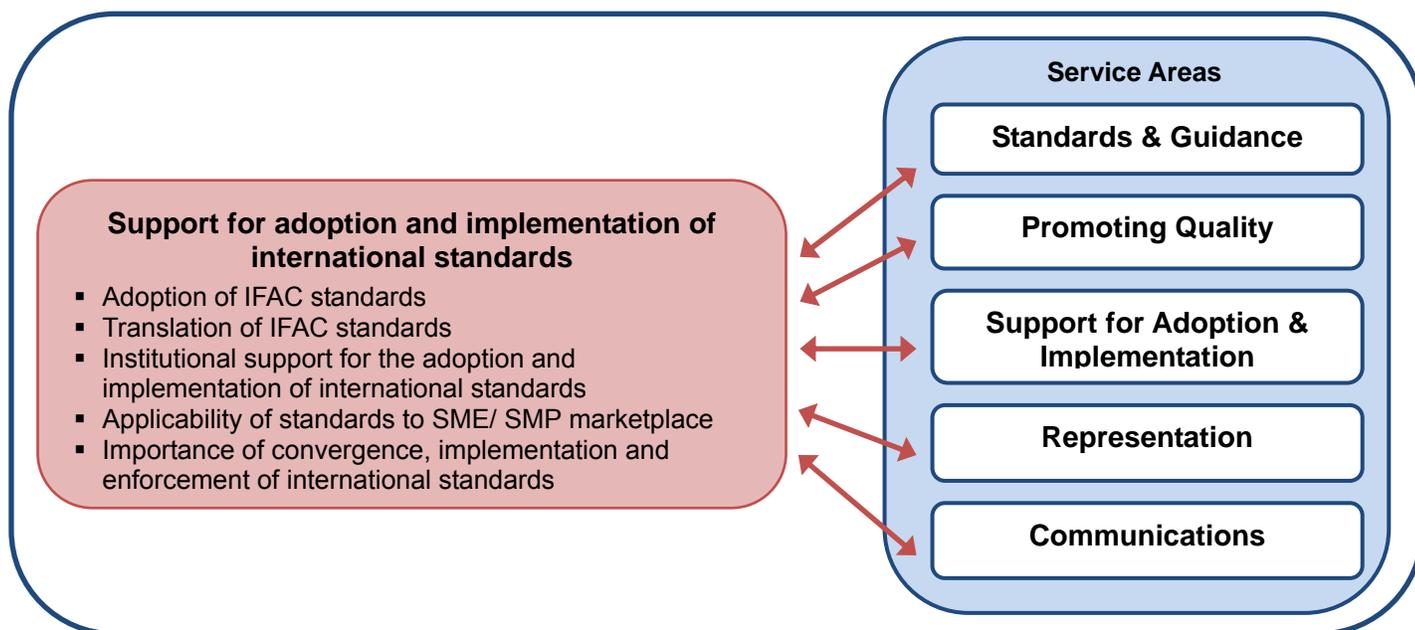
Strategic Objective	Services
1) Sustain confidence in IFAC's standard setting activities within the global regulatory community and other key constituencies:	<p>Actively consult with various parties, including regulators, investor groups, standard setters, firms, preparers and member bodies to seek input regarding agenda setting and standard development processes and technical content.</p> <p>Incorporate impact assessments and post implementation effective reviews into IFAC's standard setting processes.</p> <p>Establish consistent processes and structures between the IPSASB and other IFAC standard setting boards.</p> <p>Ensure that the content and breadth of proposed new standards facilitates their global acceptance and adoption.</p>
2) Develop and maintain high quality auditing and assurance pronouncements for use by all practitioners irrespective of size and across the public and private sectors.	<p>Develop audit and assurance pronouncements that address:</p> <ul style="list-style-type: none"> <li>▪ Performance and reporting International Standards on Auditing (ISAs)</li> <li>▪ Assurance standards relevant to raising international capital</li> <li>▪ New technologies and reporting models</li> <li>▪ Pronouncements that contribute to developments in corporate social responsibility (CSR) reporting</li> <li>▪ Pronouncements that address the needs of SMEs</li> </ul>
3) Develop and maintain high quality ethical pronouncements for all professional accountants, whether operating in practice or in industry.	<p>Reissue the <i>Code of Ethics for Professional Accountants</i> in a redrafted style.</p> <p>Develop ethical pronouncements that address:</p> <ul style="list-style-type: none"> <li>▪ Accountants in Government</li> <li>▪ Fraud and illegal acts encountered by accountants in business and public practice</li> <li>▪ Conflicts of interest</li> </ul>
4) Develop and maintain high quality public sector accounting pronouncements for use by all governments and other relevant organizations.	<p>Develop public sector financial reporting pronouncements that address:</p> <ul style="list-style-type: none"> <li>▪ International Financial Reporting Standard convergence of International Public Sector Accounting Standards (IPSAS)</li> <li>▪ The development of a Conceptual Framework for IPSASs</li> </ul>
5) Develop and maintain high quality education pronouncements.	<p>Develop education pronouncements that address:</p> <ul style="list-style-type: none"> <li>▪ A revision of the <i>Framework for International Education Standards</i></li> <li>▪ Review existing International Education Standards (IESs), consider the need for further IESs and reissue in a redrafted style</li> </ul>

**Strategic Theme 2: Actively support the adoption of, and assist in the implementation of, international standards.**

**Specific Outcomes**

In addition to the general outcomes identified above, under this Strategic Theme IFAC also seeks to influence the following specific outcomes:

- Obtain explicit recognition from the members of the MG, other regulators and/or standard setters in jurisdictions seeking to adopt or incorporate ISAs and the Code of Ethics for Professional Accountants, with emphasis on major capital markets and organizations.
- Achieve broad acceptance of the revised independence section of the Code of Ethics, including support from SMEs/SMPs.
- Obtain recognition from governments, regulators, standard setters and other significant organizations in jurisdictions seeking to adopt or incorporate IPSASs.

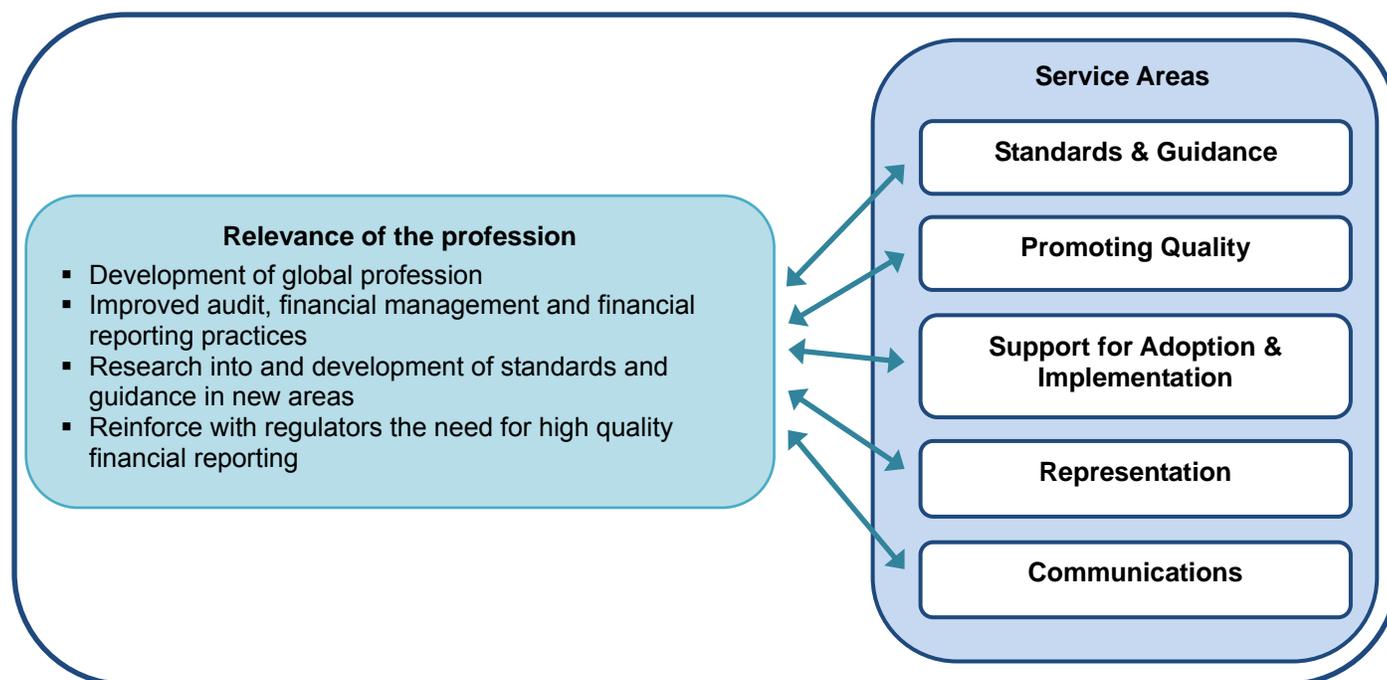


Strategic Objective	Services
1) Adoption of ISAs by major capital markets and relevant organizations.	Actively discuss with national standard setters (including the U.S. Public Company Accounting Oversight Board), public authorities (in particular the European Commission), oversight bodies that monitor audit quality (including the International Forum of Independent Audit Regulators), and international regulators (including the International Organization of Securities Commissions) to identify and address barriers to the further adoption and implementation of ISAs  Continued assessment of progress towards adoption of ISAs from 2009 to 2012 through the Member Body Compliance Program.

Strategic Objective	Services
2) Adoption of the revised Code of Ethics by major capital markets and relevant organizations.	Continued assessment of progress towards adoption of the Code of Ethics from 2009 to 2012 through the Member Body Compliance Program.
3) Adoption of International Public Sector Accounting Standards (IPSASs).	Continued assessment of progress towards adoption or incorporation of IPSASs from 2009 to 2012 through the Member Body Compliance Program.
4) Adoption of International Education Standards.	<p>Develop benchmarks to assist member bodies in assessing effective implementation of IESs.</p> <p>Continued assessment of progress towards adoption or incorporation of IESs from 2009 to 2012 through the Member Body Compliance Program.</p>
5) Coordinate and facilitate the translation of IFAC standards and supporting documents.	<p>Implement new Translations Policy for IFAC standards with a priority on ISAs and IFAC Code of Ethics in 2009-2010.</p> <p>Facilitate translations of all four groups of IFAC standards in 30 languages by 2012.</p> <p>Coordinate and leverage translation processes with the International Accounting Standards Committee Foundation.</p>
6) Provide support at an institutional level to those responsible for the adoption of IFAC standards.	<p>Provide high level customized adoption advice to jurisdictions adopting one or more IFAC sets of standards.</p> <p>Provide a knowledge base for sharing of adoption experiences across jurisdictions.</p> <p>Develop guidelines for achieving and maintaining adoption status.</p>
7) Provide support at an institutional level to those responsible for the implementation of IFAC standards.	<p>Develop high level implementation support, as appropriate, for each of IFAC's four sets of standards, following consideration of scope, authority and target audience.</p> <p>Identify implementation support developed by and/or provided by regional and national professional accountancy organizations, national standard setters and others that is applicable in an international context, and communicate the existence of and facilitate access to such support.</p> <p>Develop a process for assessing the effectiveness of the implementation of new standards to determine whether there is any need for further refinement to achieve the intended effect of new standards</p> <p>Provide a knowledge base for sharing of implementation experiences across jurisdictions.</p>

Strategic Objective	Services
8) Promote, and support, the implementation other international standards including these developed by the International Accounting Standards Board.	Support, as appropriate, the regional rollout of the International Financial Reporting Standard for Small and Medium-sized Entities.
9) Contribute to improving the applicability of standards to the SME/SMP marketplace.	Develop and maintain implementation guide to assist SMPs in the implementations of ISAs, quality control of practices, and practice management.
10) Continually promote and consult on the importance of convergence, implementation and enforcement of international standards.	<p>Engage in strategic outreach with relevant groups to communicate messages about convergence, implementation and enforcement of international standards.</p> <p>Actively consult with regulators and oversight authorities, in particular members of the MG and the International Forum of Independent Audit Regulators, on the adoption and implementation of international standards.</p> <p>Issue press releases and obtain media coverage of issues related to the importance of convergence, including obtaining recognition of where and how convergence has been achieved.</p>
11) Forum of Firms membership and compliance with Forum obligations	<p>Actively encourage applications from appropriately qualified accountancy firms.</p> <p>Support the program of Forum of Firms membership obligations.</p> <p>Collaborate with the Forum of Firms on enhancing the implementation of ISAs.</p>

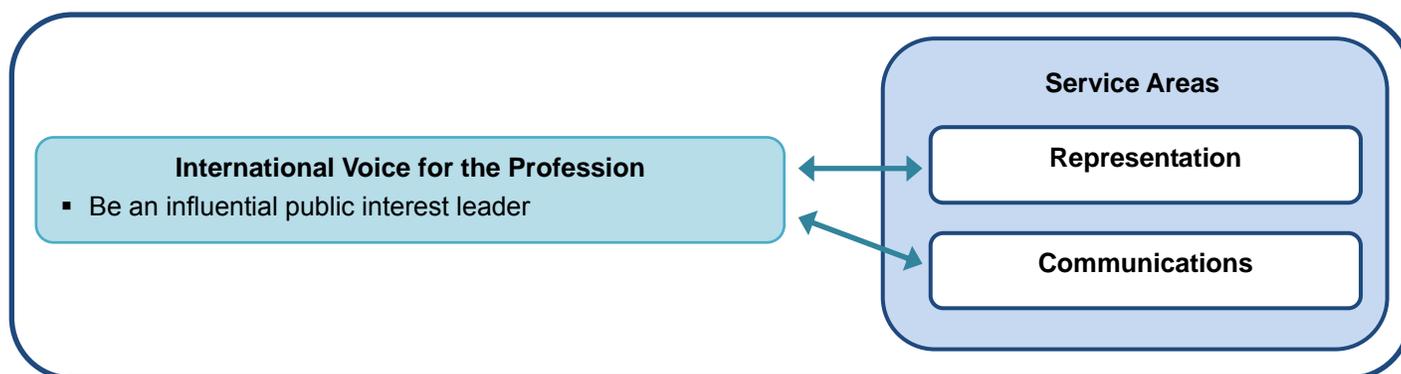
**Strategic Theme 3: Continually enhance the relevance of the profession.**



Strategic Objective	Services
<p>1) Contribute to the development of the global profession by supporting the growth of strong professional accountancy organizations.</p>	<p>As part of the Member Body Compliance Program, support and monitor the development and execution of Action Plans to assist member bodies in meeting the Statements of Membership Obligations.</p> <p>Establish a dialogue and ongoing means of cooperation with regulators, firms and other organizations who may wish to work more closely with the Member Body Compliance Program.</p> <p>Perform due diligence admission reviews of professional accountancy organizations to become associates and members of IFAC, through on site assessments and stakeholder consultations, including regional organizations and accountancy groupings.</p> <p>Facilitate sharing of information between IFAC and the World Bank with respect to the Compliance Program and World Bank ROSC program to build common country messages and recommendations.</p> <p>Actively contribute to and participate in ROSC report peer reviews, dissemination and follow up events which are attended by key stakeholders.</p> <p>Support the development of member bodies through active facilitation of mentoring relationships and access to donor funding.</p> <p>Further develop relationships with key donor agencies active in supporting the development of the profession.</p>

Strategic Objective	Services
	<p>Facilitate greater coordination and accountability between IFAC and Regional Organizations and Accountancy Groupings through implementation of new Policy Statements.</p> <p>Actively encourage applications from appropriately qualified accountancy organizations.</p>
<p>2) Contribute to improving the quality and consistency of audit and financial management and financial reporting practices.</p>	<p>Actively consult the Transnational Auditors Committee (TAC) and the IFAC Regulatory Liaison Group on enhancing audit quality, transparency, and consistency of regulation.</p> <p>Develop good practice guidance on matters related to audit quality and related topics by the Forum of Firms and TAC.</p> <p>Develop principle-based good practice guidance in core financial management areas for use by professional accountants in business.</p> <p>Conduct a review of IFAC's activities that support those professional accountants operating in business, whether in commerce and industry, the public sector, not for profit sector or academia.</p>
<p>3) Conduct research into and consider the need for the development of standards or guidance for the auditing/assurance/ reporting implications in areas such as XBRL, CSR, and other emerging issues.</p>	<p>Conduct research and develop guidance in the areas of:</p> <ul style="list-style-type: none"> <li>▪ Guidance for auditors in relation to new technologies and reporting models</li> <li>▪ Contributing to developments in CSR reporting</li> </ul>
<p>4) Work with regulatory community to reinforce the importance of the profession to high quality financial reporting.</p>	<p>Deliver clear messages about the value of the profession through spokesperson and public relations activities.</p> <p>Actively consult through the IFAC Regulatory Liaison Group (IRLG) with members of the Monitoring Group of Regulators and the International Forum of Independent Audit Regulators, collectively and individually, to promote the value of professional accountants working in all sectors in supporting the public interest.</p>

**Strategic Theme 4: Be an influential voice for the global accountancy profession.**



Strategic Objective	Services
<p><b>1)</b> Be an influential public interest leader in the development and enhancement of economic growth and stability through representing views in areas where the profession's and IFAC's expertise is most relevant.</p>	<p>Speak out to key national, regional and international organizations in both the public and private sectors on matters where the profession's expertise is most relevant.</p> <p>Develop, disseminate and publicize; in collaboration with member bodies and firms as appropriate; IFAC policy positions on matters where the profession's expertise is most relevant, including:</p> <ul style="list-style-type: none"> <li>▪ Regulation of the accountancy profession</li> <li>▪ Financial management policies</li> <li>▪ Auditor liability</li> <li>▪ Concentration of the profession</li> <li>▪ CSR</li> <li>▪ Corporate Governance</li> <li>▪ Sub-prime crisis</li> </ul> <p>Investigate the current global state of professional liability and develop policy position(s) to communicate and publicize IFAC's views.</p> <p>Encourage, and where necessary commission, academic research on public interest topics of relevance to the accountancy profession.</p>

## Section 8 Service Areas

A brief explanation of the services provided and why IFAC provides these services has been provided below. The Operational Plan for 2009 identifies the detailed services to be delivered within each service area along with an appropriate measure and expected delivery timeframe.

### **Standards and Guidance – Develop high quality professional standards and guidance, and encourage convergence**

*The standards developed cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting. Authoritative guidance is developed in these areas as well as others such as the development of the profession and the role of professional accountants operating in business. The level of authority associated with this guidance is intended to be less than that associated with IFAC standards, although these materials may provide illustrations of best or good practices. This guidance is considered distinct from guidance supporting the adoption and implementation of standards.*

### **Promoting Quality – Promote the provision of high quality services by all members of the accountancy profession worldwide**

*Services are provided in relation to the promotion of quality through the implementation of the member body compliance program, member body development initiatives, working alongside organizations such as the World Bank and regional development banks to strengthen the profession, initiatives aimed at improving audit quality and the issuance of good practice guidance.*

### **Support for Adoption & Implementation – Provide institutional support targeted at those responsible for adoption and implementation of international standards at a national, regional or global level**

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

*The implementation support provided at an institutional level will involve the provision of implementation resources targeted to the needs of the recipient. IFAC recognizes that, like adoption, the central responsibility for implementation, rests at a national or regional level and that its role will be to provide support as appropriate through the development of high level guidance, provision of advice, facilitation, and the sharing of knowledge and best practices.*

**Representation of the Accountancy Profession in the Public Interest – Speak out on public interest issues where the profession’s expertise is most relevant**

*IFAC comments on material published by other international and regional organizations that directly relates to the accountancy profession, accounting or auditing matters; it develops and maintains relationships with other international and regional organizations as appropriate; participates in global, regional and national forums; and develops policy positions, in collaboration with member bodies and firms as appropriate, in areas where the profession and IFAC’s expertise are most relevant.*

**Communications – Provide services that communicate with IFAC stakeholders on matters related to the achievement of the IFAC mission**

*IFAC communications activities support IFAC’s overall strategy by 1) promoting the value of and adherence to high quality international standards; 2) increasing awareness of the profession’s many roles and, particularly, its contributions to economic growth and development; and 3) facilitating collaboration and ongoing dialogue with IFAC stakeholders through the website and various other electronic and print media. IFAC communications are targeted to a wide-ranging audience that includes member bodies and associates, regional accountancy organizations, firms, the media, regulators, standards setters, development agencies, academics, professional accountants, and various international organizations.*

## **Section 9 Statement of Operating Principles to Support Strategy**

IFAC adheres to the following operating principles in implementing this strategic plan, delivering services and operating its governance and management arrangements.

### **Principle 1: Strong governance and management structures**

To achieve this principle, IFAC:

- Seeks to balance representation on its boards and committees in terms of geography, industrial sector and gender, while adhering to the primary criterion of best person for the position.
- Actively encourages participation in its activities through a range of mechanisms, including but not limited to, membership on IFAC boards and committees, an interactive annual Council meeting, regional forums and other events, and direct input throughout the development process of IFAC standards and guidance.
- Conducts a strategic planning process designed to assess existing strategies against changing environmental pressures and identify the need to adjust strategies as a result of evolving risks and opportunities. The planning process is based on environmental scanning, stakeholder consultation and the implementation of an enterprise risk management approach.
- Is reliant on strong governing and managerial leadership, and fosters a clear understanding of the roles of each and recognition of the importance of a separation of responsibilities between them.
- Implements effective structures, policies, processes and procedures to ensure delivery of high quality services and adherence to strong operational practices.

### **Principle 2: Identification and effective use of collaborative opportunities**

To achieve this principle, IFAC:

- Seeks to identify and act on collaboration opportunities with member bodies, standard setters, regional organizations and acknowledged accountancy groups, regulatory agencies and development agencies.
- Coordinates the alignment of efforts and investments to achieve synergy and effective delivery of services with and among member bodies in areas of common interest.

### **Principle 3: Maintain financial sustainability and the health of the organization**

To achieve this principle, IFAC:

- Seeks to operate within the financial parameters established in its approved annual budget.
- Endeavors to establish and maintain an equity position that adequately reflects the needs of the organization and its exposure to external environmental factors.
- Identifies and acts on appropriate opportunities to enhance IFAC's financial resources.
- Ensures that IFAC's resources continue to be used effectively, efficiently and economically.

**Principle 4: Continually enhance IFAC's capacity**

To achieve this principle, IFAC:

- Seeks the appointment and retention of high quality volunteer representatives who support the objectives of each board and committee, and the commitment of their supporting member organizations, firm or other organization.
- Actively seeks to attract high quality staff, and is committed to the retention and development of staff across all functions.
- Identifies and acts on opportunities to use technology to support and enhance the effectiveness and capacity of the organization.

## Section 10 Organizational and Staffing Plan

This section of the strategic plan provides a commentary on the organizational and staffing structures of IFAC which will support the achievement of the strategic plan during the period 2009-2012.

### Organizational Plan

It is anticipated that the current board and committee organizational structure, including the Council, Board, standard setting boards, technical committees and other groups, will remain in place. These groups will continue to use various task forces or other sub-groups to support their activities. The Board itself will continue to be supported by the Audit Committee, the Planning and Finance Committee, the IFAC Regulatory Liaison Group and other working groups as required from time to time. It is anticipated, however, that the mode of operation for many of these groups will change over time to reflect various factors, such as the growing use of technology and the increasing costs of physical meetings.

In addition to the existing structures, it is anticipated that the development of certain new services identified in this plan, such as the support for implementation of international standards, will require new informal groups of experts to be formed. It is not anticipated that these groups will hold any decision-making authority within IFAC's governance structures, unless considered appropriate by the IFAC Board, but will provide access to greater expertise and/or input on particular projects.

IFAC continues to be reliant on the commitment and expertise of volunteers and their supporting organizations to the various IFAC boards, committees and other groups to achieve its strategic objectives. The amount of time devoted by these individuals has increased across most of IFAC's activities over recent years and it is anticipated that for some activities, further increases may be necessary during the plan period. Each of the standard setting boards and technical committees have significant projects, events or other activities planned during the course of this strategic plan that will only be achieved through the efforts of dedicated volunteers and staff. Recent nomination process enhancements have also emphasized the importance of leadership succession and ongoing performance evaluation to continuity and the organization's ability to achieve its strategic plan.

While independent of IFAC's organizational structure, the PIOB will continue to have oversight over several IFAC activities, including the IAASB, the IAESB, the IESBA and the CAP. In performing its oversight functions, representatives of the PIOB will observe meetings of the each of the above groups and the associated Consultative Advisory Groups, the Nominating Committee and the IFAC Board.

Also independent of the IFAC structure, the Forum of Firms (the Forum) continues to be supportive of the activities of IFAC. It shows its support directly through the work of the Transnational Auditors Committee, the nomination of volunteers to support the work of the IAASB, the IESBA and the IASEB, as well as through its financial contributions to the IFAC budget.

### Staffing Plan

This strategic plan reinforces the continued support for IFAC's core services as well as identifying a focus on new or enhanced services, particularly in relation to adoption and implementation of international standards that are essential for IFAC's ongoing credibility. The staffing required to support the five service areas and the operational activities of the organization will increase during the plan period. It is anticipated that, subject to the timing of recruitment, IFAC will be close to a full staffing complement by the end of 2011 or early 2012. At present, IFAC's staff comprises 53 positions (full and part time), including vacancies for some existing

positions. The planned staffing complement at the end of 2010 is 64 positions, with further consideration given to the need for approximately five new positions to be added during 2011 and 2012.

It is anticipated that to cater for this growth, IFAC will need to implement new recruiting and relocating approaches and systems. Many of IFAC's existing and planned positions are highly specialized and require significant efforts to identify and attract the right person for the role. While IFAC has in recent years enjoyed a stable base of upper and middle management across both technical and operational areas, it is also recognized that in the current environment it is important to continually assess approaches to retaining staff. The senior management team is considering approaches to attracting and retaining staff, as well as succession planning at all managerial levels, but particularly at a senior management level. IFAC has also benefited from a solid administrative team that strongly supports all its functions.

As noted in IFAC's previous strategic plan, to support the objective of having a strong staffing base, efforts have been made to secure an acknowledged international status within the United States of America. These efforts are still under consideration; however significant investment in pursuing this status will be deferred until 2009 as a result of the elections in late 2008 in the United States.

### **Office Facilities**

The IFAC main office and headquarters will remain in New York City, United States of America. The Board and senior management team continue to believe there are substantial benefits to operating from New York. To this end, IFAC is in the process of considering its options in relation to office and meeting space given the required staff growth during the plan period. The options pursued will be based on the vast majority of staff being in its New York office as well as the need to have adequate meeting facilities and access to technology enhancements.

IFAC does operate smaller offices in Toronto, Canada and Melbourne, Australia. The office in Toronto houses the core of the staff supporting the International Public Sector Accounting Standards Board. It is anticipated that up to five staff will be based in Toronto at any one time. Toronto's proximity and time zone ensure a strong link with the New York office.

## **Section 11 Financial Plan**

This section of the strategic plan provides commentary on the financial resources which support the overall IFAC strategy during the period 2009-2012.

### **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 member bodies, the Forum of Firms and others who provide IFAC with financial resources, and the operation of a clear decision and accountability framework.

IFAC operates a “lead by example” approach to financial reporting. It applies International Public Sector Accounting Standards (IPSAS) as appropriate to IFAC and International Financial Reporting Standards where an IPSAS is not in place. Its external audit is performed in accordance with International Standards on Auditing, with its internal control systems routinely assessed. In addition, for the first time IFAC’s service delivery reported in its 2007 Annual Report was subject to assurance procedures by IFAC’s independent auditors. This additional assurance was sought in recognition of the importance of the non-financial service delivery information as an indication of IFAC’s overall performance.

### **Planning Process Evolution**

In support of the financial management and reporting systems, IFAC continues to evolve its planning processes. With the support of the senior management team, the Planning and Finance Committee 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.

One example of the evolution of the planning process is the development of detailed activity work plans and budgets for two years. This has been performed to provide greater clarity on the impact of the implementation of approved strategies, as well as to assist in resource management efforts over the plan period. While this information will be provided in the operational plan, the Board and Council will only be asked to approve the budget as it relates to the immediate year, as per the Constitution.

### **Priorities, Linkages and Efficiencies**

While IFAC continues to operate within resource constraints, both financial and human, it will continue to apply its strategic direction, while maximizing the value of available resources. It will achieve this by continually prioritizing its strategies and services, and assessing the efficiency with which it is carrying out its activities. Additionally, IFAC continues to assess 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 this strategic plan and the operational plan, IFAC will need to extend the level of financial resources received from current sources and identify and utilize other sources, as appropriate for a specific activity.

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 2009 highlights the budgeted direct costs for each IFAC activity and the estimated full cost of delivering services in each of the five service areas.

To demonstrate its commitment to operating as efficiently as possible, the Planning and Finance Committee has identified certain aspects of IFAC’s operation for review. The first of these reviews was completed in late

2007 and addressed the selection of meeting locations and the associated travel and other costs. The resulting Meeting Location Policy ensures that IFAC's meetings are cost effective and efficiently use staff, volunteer and supporting organization financial and human resources through a consistent approach to the selection of meeting locations. The policy has been fully implemented in relation to the selection of the 2009 meeting locations.

### **IFAC Reserves**

The IFAC Board, Planning and Finance Committee and senior management team 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. The immediate focus for the current plan period is to build up the short-term unrestricted (operating) reserves, as determined at year end, to a target of two months of budgeted operating expense (16.5% of budgeted operating expense). As a result of decisions required to accommodate resource constraints, the short-term unrestricted (operating) reserve for the past four years has reduced from 16% in 2004 to 7% in 2007.

To ensure adequate fiscal cover during the buildup period, IFAC will also seek to establish other arrangements such as guarantees from its larger contributors as well as maintaining existing credit facilities. The reserve buildup will be monitored during the plan period, as the timing of certain events will likely have an impact.

### **High Level Financial View**

It is anticipated that there will be reasonably significant revenue and expense increases during the plan period. To provide a clear understanding of IFAC's budgetary requirements, it maintains detailed budgets for the immediate two years. While all budgets are prepared from a zero base for each year, the expense increases generally relate to one of the following five categories: expenses associated with existing commitments; cost increases (including the impact of currency fluctuations); the buildup of short-term (operating) reserves; the need to invest in organizational capacity (human and physical assets); and new activities. The increase for 2009 is focused predominantly on the first four categories, ensuring the capacity to fully implement new activities in subsequent years.

The 2009 and 2010 budgets reflected in the operational plan present a revenue and expense increase of approximately 16.5% and 18.5%, respectively. To support these increases, total funding from both the member bodies and the Forum of Firms is planned to increase by 18% in 2009 and 2010. Other budgeted revenues are derived from various external funding sources provided on an activity or project basis, limited publications revenues, interest revenue and other revenues.

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 2011 and 2012, while percentage increases have not been determined at this stage, it is anticipated that as a result of some of the resource decisions made in relation to 2009 and 2010 further capacity increases will be needed in 2011 and 2012. It is likely, therefore, that budgetary increases will exceed the inflation rate for those years. An assessment of developments in environmental factors will also be made ahead of determining any increases required for 2011 and 2012.

Certain operational and financial assumptions and approaches have been applied in determining the budgeted and estimated revenues and expenses for the first two years of the plan period. Some of the more significant assumptions and approaches include:

- The planned staffing increases over the plan period have been incorporated into the budgets for 2009 and 2010. In relation to 2009, new staff positions (7 planned full time equivalent positions) have been budgeted to start during 2009 once sufficient office space is available. In relation to 2010, new staff positions (6 planned full time equivalent positions) have been budgeted for the full year, however it is anticipated that these positions will be added throughout 2010. The savings resulting from the timing of appointments will be incorporated into any reserve buildup for 2010.
- The detailed budgets for 2009 and 2010 have been prepared based on planned activities for each year and reflect a zero-based approach. Standardized budget assumptions have been applied in the development of the budgets for 2009 and 2010.
- The mode of operation for delivering existing services will remain consistent with current practice, although new approaches will be considered in relation to delivery of new services.
- Funding from existing external sources will continue to be important for certain activities. It is anticipated that while the proportion of external funding will remain similar to the current levels (3-6% of total revenue over the past four years), targeted external funding levels for certain events, projects and activities are expected to be established in the future.
- IFAC will generally budget for a break-even position, although for the plan period significant amounts have been budgeted to buildup IFAC's short term unrestricted (operating) reserve (refer to "IFAC Reserves" above). During this period, no additional budget contingency will be budgeted. IFAC's targeted reserve is two months' operating expenses.
- During 2009, it is anticipated that new office and meeting space will be added to cater for the organization's needs during and beyond the plan period. The capital and operating expenditure requirements associated with this have been incorporated into the budget; specifically, the increased capital needs have been reflected in increased depreciation.

A summary of IFAC's proposed budget for 2009 and estimated budget for 2010 is provided below. A more detailed budget for 2009 and 2010 is provided in the operational plan for 2009.

	Revised 2008 Budget (000's)	Proposed 2009 Budget (000's)	Increase %	Estimated 2010 Budget (000's)	Increase %
Member Body Dues	10,140	11,967	18.0	14,120	18.0
Forum of Firms – IFAC	6,665	7,863	18.0	9,280	18.0
Forum of Firms – TAC	460	406	(11.9)	440	8.9
Other Revenues	1,500	1,664	11.1	2,160	30.9
<b>Total Revenues</b>	<b>18,765</b>	<b>21,900</b>	<b>16.7</b>	<b>26,000</b>	<b>18.8</b>
Total Activities Expenses	12,165	14,385		17,450	
PIOB Funding	1,950	2,020		2,100	
Total Indirect and Overhead Expenses	4,600	5,150		5,600	
<b>Total Expenses</b>	<b>18,715</b>	<b>21,550</b>		<b>25,150</b>	
Reserve Buildup	50	350		850	
<b>Total Expenses &amp; Reserve</b>	<b>18,750</b>	<b>21,900</b>	<b>16.7</b>	<b>26,000</b>	<b>18.8</b>
<b>Surplus</b>	<b>0</b>	<b>0</b>		<b>0</b>	

## Section 12 Risk Assessment & Mitigation Plan

IFAC operates in an extremely complex and rapidly changing global environment. To accomplish its mission, IFAC must pursue opportunities and provide services which may pose significant external and/or internal degrees of risk. Accordingly, IFAC's policy is to apply an enterprise risk management (ERM) framework with clear roles and responsibilities in the identification and management of risk, and to ensure that effective management of risk is an enterprise core competency.

The 2009-2012 Strategic Planning process included a formal analysis of the risks facing IFAC and the profession, and the development of plans to mitigate significant risks. The Planning and Finance Committee (PFC), on behalf of the Board, applied IFAC's enterprise risk management framework in conjunction with its responsibilities for the strategic planning process.

The approach to formally address risks included the following elements:

- Chief Risk Officer (CRO) – Appointed the Director of Operations as CRO; defined role and responsibilities for the CRO.
- Risk Identification and Assessment – Assessed risks facing the profession and the organization.
- Risk Policy – Defined the IFAC policy regarding risk, including risk tolerance; described elements of the risk management framework.
- Risk Management – Integrated risk management fully into the strategic planning process.
- Risk Mitigation – Incorporated selected risk mitigation efforts in the annual work plans of IFAC staff members and Committees.
- Measure and Report – Identified measure, report and manage risk mitigation activities with associated strategic planning and management initiatives.

Additional details of the 2009 risk management integration into the strategic planning process include:

### **Risk identification and assessment**

The PFC reviewed the environment facing the profession – as well as IFAC's role in that environment – and defined a set of thirty one risks facing IFAC. For each risk identified, on a best judgment consensus basis, Likelihood and Consequences were assessed. The Likelihood rating addressed the following question: If unaddressed, what is the likelihood that this risk will occur – High, Medium or Low? Consequences were similarly assessed: What are the consequences on IFAC and the profession if this risk were to occur – High, Medium or Low?

### **Risk Policy**

The PFC updated the risk policy statement for Board review and approval. The risk policy defines IFAC's approach to risk management in the organization, and sets specific direction as to how risks will be evaluated and mitigated. The IFAC Risk Policy document is available and can be read in its entirety on the Member Body Intranet.

### **Risk Management**

Each of the risks identified was reassessed through the filter of a risk map, which mapped likelihood and consequence ratings, combined with the definition of the organization's risk tolerance:

<b>Zero Risk Tolerance</b>	In relation to the IFAC value of <i>integrity</i> , the Board has zero risk tolerance and is unwilling to accept risks under any circumstances that even remotely compromise this core value.
<b>Low Risk Tolerance</b>	Risks assessed as <i>High Likelihood/High Consequence</i> are highlighted in this category and require, in all circumstances, risk mitigation assignment by the PFC to appropriate staff and/or committees, action plans, tracking and reporting to the Board. The expected result of mitigation efforts is to reduce either the likelihood or the consequences of risks initially assessed to be in this category.
<b>Moderate Risk Tolerance</b>	IFAC is willing to accept risks in certain circumstances that may, for example, result in loss of membership, incidents of regulatory or government conflict, etc. Risks assessed as <i>High Likelihood/Medium Consequence</i> , <i>Medium Likelihood/High Consequence</i> , or <i>Low Likelihood/ High Consequence</i> are included in this category. Such risks shall selectively receive mitigation assignment by the PFC, but all will be tracked and reported to the Board
<b>High Risk Tolerance</b>	Risks assessed by the PFC to be in this category will be monitored by the Chief Risk Officer and reviewed, and re-assessed annually with the PFC.

### Risk Mitigation

All Low and Moderate Tolerance risks are continuously reassessed based on changes to the external environment and the internal IFAC operations and resulting pressures. Each risk remaining in this category is assigned as appropriate to a staff member or committee, with explicit direction for mitigation (for example, take steps as a part of the 2009 Operational Plan to lower the likelihood or consequence of this risk to a lower level).

Additionally, the PFC reviewed other environmental risks and determined which also deserved attention despite not falling into the Low or Moderate Tolerance category.

### Measure & Track

Management will monitor and report periodically to the PFC and Board regarding IFAC's risk management.

### Communication

The Chief Risk Officer will periodically initiate communications concerning risk issues to IFAC member bodies. This will include provision of information as well as solicitation of input regarding risks to the IFAC mission and/or organization.



**International Federation of Accountants**

545 Fifth Avenue, 14<sup>th</sup> Floor, New York, NY 10017 USA

Tel +1 (212) 286-9344 Fax +1(212) 286-9570 [www.ifac.org](http://www.ifac.org)