Global Leadership Survey, Chief Executives’ Strategic Forum Provide Input to IFAC Board and Officers

IFAC recently conducted its Fourth Annual Global Leadership Survey of the Accounting Profession (GLS), which revealed key opportunities and top-of-mind issues for the global accountancy profession. In addition, on-site polling at the 2011 Chief Executives’ Strategic Forum, which comprises the chief executives of a selected group of IFAC member bodies, similarly asked global accountancy leaders to weigh in on major issues and areas of focus.

International Standards: The most crucial issue for the accountancy profession is transitioning to International Standards on Auditing (ISAs), with 96 percent of GLS respondents citing it as very important or important. This is a substantial increase over last year, when 83 percent said this was a key issue. There was also universal sentiment that IFAC, as a representative of the global accountancy profession, has a key role to play relating to adoption of high-quality international standards—virtually all survey participants (98 percent) said that IFAC plays a very important or important role in this area. The vast majority of survey participants believe that IFAC should continue to work toward effective implementation of international standards, and 91 percent of those surveyed said that it is very important or important that IFAC continue to develop guidance regarding international standards.

Global relevance: A substantial 97 percent of GLS respondents said that recognition of IFAC as the umbrella organization for international standards in the areas of auditing and assurance, education, ethics, and public sector financial reporting is very important or important. Similarly, the chief executives said that a broader global approach is the #1 most important IFAC action in relation to issues raised by the European Commission Green Paper.

Sustainability: Sustainability emerged as a key issue among both groupings as well, with 91 percent of GLS respondents saying that progressing corporate social responsibility, including sustainability, is important. This is a marked increase over last year, when 82 percent cited this issue as important. At the Chief Executives’ Forum, 86 percent of those polled said that they think integrated reporting will be mandatory in their country by 2020.

SMPs and SMEs: Ninety-five percent of respondents to the GLS said that addressing the needs of small- and medium-sized entities (SMEs) and small- and medium-sized practices (SMPs) was crucial. A number of participants called for greater recognition by IFAC of SMEs’ needs, their economic value, and their significant importance in many national economies. IFAC was also urged to build the profile of SMPs by emphasizing their professional capabilities, produce innovative ideas for alternatives to audit for use in the SME environment, and provide greater support for SMPs in terms of standards and guidelines tailored to their needs. Again, a significant majority said that addressing the needs of SMEs and SMPs would increase in importance over the coming three years.

Ethics: The survey also confirmed the widespread opinion that there is a clear need to have a global code of ethics to protect the fundamental qualities of the profession, particularly relating to independence. Auditor independence and agreeing/discussing expectations to prevent and detect fraud were cited as very important or important by 91 percent and 89 percent of respondents, respectively.

The 2010 GLS surveyed officers from IFAC’s member bodies, associates, affiliates, and regional accountancy organizations and groupings. The results include data from 123 respondents from 73 countries and jurisdictions who took the survey January 10–February 15, 2011. The GLS can be accessed from Publications and Resources on the IFAC website. On-site polling at the 2011 Chief Executives’ Strategic Forum took place February 28–March 1, 2011.
IAASB Has a Productive Start to 2011

The International Auditing and Assurance Standards Board (IAASB) had a busy first quarter of 2011, releasing four documents for public consultation, issuing a new publication on audit quality, and approving for exposure two additional proposals.

The year began with the release of the Proposed IAASB Strategy and Work Program for 2012-2014, which seeks stakeholder input on the future strategic priorities of the IAASB. The paper acknowledges the need to balance efforts between ensuring that the clarified International Standards on Auditing are successfully implemented and kept up to date, while also developing standards that support new and emerging assurance services and addressing the needs of small- and medium-sized entities and practices.

Proposed International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, is an exposure draft issued in response to a strong and growing need to enhance assurance of emissions reporting. In addition to illustrative assurance reports on greenhouse gas statements, the proposed standard addresses the practitioner’s responsibilities in identifying, assessing, and responding to risks of material misstatement. It also addresses the need for the practitioner to integrate experts—in engineering or environmental science, for example—into various stages of the engagement.

The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications is a discussion paper that highlights recent trends in financial statement disclosures, explores practical challenges in preparing, auditing, and using them, and addresses critical issues involving evidence and materiality. The paper is intended to help the IAASB better understand different viewpoints on a range of issues about financial statement disclosure practices, as well as the implications from an auditing perspective—and, as such, asks specific questions of preparers; investors, lenders, and other creditors; regulators; and auditors.

An exposure draft on International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements, was also issued (see story below).

The publication, Audit Quality: An IAASB Perspective, is part of the IAASB’s continuing efforts to facilitate robust audits in the public interest and to stimulate further debate and discussion on audit quality among stakeholders in the financial reporting process. The publication highlights several important perspectives on audit quality and provides an indication of the IAASB’s plans to consider pursuing a future project on audit quality.

In addition, at its most recent meeting in Paris, France in March, the IAASB approved proposals to revise ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, and update its International Framework for Assurance Engagements. These proposals will be released in April 2011 for public comment.

These and other IAASB initiatives are discussed in more detail in the IAASB Annual Report 2010, which can be found at www.iaasb.org, under About the IAASB.

IAASB Issues Proposed Standard on Review Engagements

As part of its continuing efforts to further address the needs of small- and medium-sized practices (SMPs) and small- and medium-sized entities (SMEs), the International Auditing and Assurance Standards Board (IAASB) released in January proposed International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements.

The proposed standard establishes robust requirements for the practitioner’s performance of a review engagement, including making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained. It also specifies the form and content of the practitioner’s report, which indicates his/her conclusion on whether anything has come to the practitioner’s attention that causes him/her to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework.

The IAASB hopes that the proposed standard will help create a globally accepted benchmark for practitioners around the world who perform review engagements, and facilitate development of practice in jurisdictions that currently do not have relevant national standards.

This is the second IAASB proposal in recent months that addresses the growing international need for robust standards for services that can be used by entities that are either not required or do not elect to be audited. In October 2010, the IAASB released proposed International Standard on Related Services (ISRS) 4410 (Revised), Compilation Engagements; in a compilation engagement, practitioners apply their expertise in accounting and financial reporting to assist the management of an entity in preparing and presenting historical financial information for use by the entity’s internal or external stakeholders.

For more information on the broad range of assurance and related services supported by international standards, see Meeting Diverse Needs, which can be found at www.iaasb.org under the Project History for Assurance and Related Services on Financial Information Other Than Audits–Compilation Engagements and Review Engagements.
Earlier this year, IFAC held the 2011 Chief Executives’ Strategic Forum (CE Forum), providing us the chance to discuss the current environment facing IFAC and the accountancy profession, and how it may impact our planned activities this year. Our main topics of discussion were opportunities and risks, including the European Commission’s Green Paper on Audit Policy and the Monitoring Group Report, as well as our new strategic focus areas, which include integrated reporting and sovereign debt.

Previously, I wrote that IFAC and the profession need to continue to ask ourselves the tough questions about the profession’s contribution to financial and non-financial reporting in a more sustainable world, as well as questions about the value of the audit, and that we need to work toward continuous improvement in the public interest. Our discussions at the CE Forum were a solid step forward in this area.

As we reported to the chief executives, we traveled to Brussels in February for the European Commission’s conference, Financial Reporting and Auditing: A Time for Change?, a follow-up to the Green Paper, Audit Policy: Lessons from the Crisis. It was a lively session, with many views expressed. There was diverse global representation, even from outside the EU. In fact, an on-site poll conducted at the CE Forum confirmed this is truly a global discussion—over 80 percent of EU respondents believe that their governments/regulated are engaged with the Green Paper, and over 40 percent of non-EU respondents say that their governments/regulated are engaged. Going forward, we will continue to be as responsive to these issues as possible—and we will continue to seek to make sure our voice is heard.

Similarly, we worked to respond to consultation papers about the IFRS Foundation’s Strategy Review and the Monitoring Board Review—both valuable opportunities for IFAC to raise our profile on the world stage. Our response to the IFRS Foundation asserted our view that standard setting should be a shared responsibility between the private and public sectors in order to facilitate greater legitimacy and a wider scope of accountability to society at large. In responding to the Monitoring Board Review, due in April, we plan to note that IFAC supports improvements designed to enhance the legitimacy and accountability of the standard-setting process, while retaining the necessary level of independence. To most effectively achieve this aim, IFAC believes that governance arrangements (including monitoring, oversight, management, standard setting, etc.) should be clearly defined, with separate responsibilities assigned to different components of the governance structure.

Also in February, we met with the Monitoring Group as a follow-up to its Review of the IFAC Reforms—Final Report. We discussed our plans to respond to the recommendations, including providing more relevant information about backgrounds, qualifications, and affiliations of board members and their technical advisors, and clearly delineating the roles of board members and technical advisors. I’m pleased to note that these discussions continue to go well. We are proud of the improvements IFAC has made since the Reforms, and we continue to make enhancements to our diversity, transparency, and accountability in the public interest.

Our new strategic focus areas are shaping many of our activities. Sovereign debt and public sector finance continue to be significant issues and of key concern to our member bodies. Indeed, in our on-site polling at the CE Forum, 68 percent of respondents said that their federal/local governments are engaged in adopting accounting standards based on IPSASs. These results echo our recently issued Global Leadership Survey, which found that our members consider adoption of accrual accounting to be a necessity, and that many governments have adopted, or are working to adopt, accrual accounting and IPSASs. Of course, IPSASs won’t solve everything; but we will continue to advocate for accrual accounting, which supports a focus on debt reduction and is therefore a step in the right direction for sovereign debt risk.

Integrated reporting is also an important strategic issue. We continue to work with the International Integrated Reporting Committee (IIRC), The Prince’s Accounting for Sustainability (A4S) Project, and the Global Reporting Initiative (GRI) to create a multi-stakeholder collaborative effort. In addition to accounting firms and member bodies, IIRC participants include a wide cross-section of NGOs, corporations, and universities—including preeminent organizations such as The World Bank, 100 Group of Finance Directors, Harvard Business School, Nestle, and Microsoft. Our goals are to raise awareness, demonstrate the clear links between environmental, social, governance, and financial factors, and provide the necessary framework for these factors to be systematically taken into account in reporting and decision making. Without a doubt, the outputs of this group will have important implications for auditors and professional accountants in business.

Each of these areas—the Green Paper, the Monitoring Group Report, sovereign debt, and integrated reporting—has the potential to change the landscape of our profession. They could fundamentally change reporting, the services accountants and auditors perform, market dynamics, and more. Part of our focus on continuous improvement and asking ourselves the tough questions must include these critical areas. I feel confident that IFAC has done a good job over the past several months making our global voice heard about these areas and the future of the accountancy profession, and we intend to continue this course.
Forum Identifies Opportunities/Challenges for Accounting Education Programs

United Nations in Geneva for the Accountancy Education Forum: Building Human Capacity and Professional Accounting Education for High-Quality Corporate Reporting. This event was jointly hosted by the United Nations Conference on Trade and Development (UNCTAD) and the International Accounting Education Standards Board (IAESB). Guest speakers included representatives from UNCTAD, the IAESB, IFAC, The World Bank, and universities in North and South America, Asia, and Europe.

Opportunities for advancement and challenges being faced in the implementation of accountancy education programs were discussed during the full-day event, with the overarching goal of identifying ways to developing human capacity by improving the competence of the accounting profession. There was general consensus from speakers and participants that updating the UNCTAD-ISAR Model Accounting Curriculum and the International Education Standards (IESs) to meet the challenges of delivering accountancy education would be very beneficial to PAOs—for example the involvement of the Institut national des techniques économiques et comptables (Intec) with Francophone Africa, as discussed by Professor Alain Burlaud. In addition, revising the suite of IESs, which the IAESB is currently undertaking, will enable better understanding by PAOs all around the world of their obligations in the development of competent professional accountants. Forum participants also discussed opportunities for development through sponsored or donor-assisted programs. Henri Fortin, Head, Centre for Financial Reporting Reform (CFRR), cited The World Bank's key expectations when delivering technical assistance on projects, and shared examples of their challenges and successes.

The event provided UNCTAD and the IAESB with an opportunity to reach out to key stakeholders in the area of accounting education and to share the latest developments in their respective activities, including the IAESB’s current work program on updating its IESs and its efforts to assist PAOs with implementation of existing accounting education standards.

Conceptualization of this Forum began at the twenty-seventh session of the Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR) in October 2010, where a portion of the agenda focused on the development of a capacity-building framework, including issues relating to human capacity-building.

To download the presentations and papers from the event, visit the IAESB-UNCTAD Accountancy Education Forum website.

IAAER/ACCA Research Projects Summary to Inform the IAESB Released

To support the International Accounting Education Standards Board (IAESB) in its efforts to establish and maintain a conceptual and empirical basis for its standards, in 2008 the International Association for Accounting Education and Research (IAAER), with funding from the Association of Chartered Certified Accountants (ACCA), issued a global invitation for proposals to select research projects for funding. The results of the completed projects, Informing the International Accounting Education Standards Board: A Summary of IAAER/ACCA Research Projects, are now available.

The call for proposals included research directed at developing theory and evidence to inform the IAESB’s standard-setting agenda. Funded projects were intended to provide evidence on the acceptance, implementation, and impact of accounting education standards throughout the world. Research projects with international relevance and a multi-disciplinary approach were particularly encouraged. From the 29 proposals submitted, four were selected for research grants, funded by the ACCA:

- **Does Education and Training in Ethics Affect the Ethical Awareness of Practicing Accountants?** Ervin L. Black, F. Greg Burton, Salvador Ruiz-de-Chavez, Sam Hardy, Lee H. Radebaugh, Edson Luiz Riccio, and Kevin D. Stocks. This North and South American team represents Brigham Young University (USA), the Mexican Association of Accounting and Business Faculty (Mexico), and the University of São Paulo (Brazil).

- **Searching for Good Practice in the Development and Assessment of Non-Technical Skills in Accountancy Trainees—A Global Study,** Elizabeth Gammie, Erica Cargill, and Susan Hamilton from The Robert Gordon University (UK).

- **IES Compliance and the Knowledge, Skills and Values of IES 2, 3 and 4,** Louise Crawford, Christine Helliar, Elizabeth Monk, Maria Mina, Claudio Teodori, Monica Veneziani, Simeon Wanyama, and Khalid Falgi. These team members represent the University of Dundee (UK), Universita degli Studi di Brescia (Italy), and Uganda Martyrs University (Uganda).

The IAESB expresses its gratitude to the IAAER and the ACCA for their support. The board also recognizes the hard work of the research teams and appreciates the relevant and valuable research findings that will support its standard-setting work. The summary can be found at [www.ifac.org/Education](http://www.ifac.org/Education) and the full research findings are available on the [IAAER grants website](http://iaaer.grants).
IESBA Project Update

The International Ethics Standards Board for Accountants (IESBA) is continuing its work on the Conflicts of Interest and Responding to Suspected Fraud or Illegal Acts projects. In addition, the board has begun a new project to reconsider the paragraphs in the Code of Ethics for Professional Accountants (the Code) that address an Inadvertent Violation of the Code.

The need to identify and appropriately address conflicting interests has become increasingly relevant as the roles of accountants in business expand and as public accounting firms increase in size and areas of practice. To date, in the Conflicts of Interest project, the IESBA has made several tentative decisions—for instance, to provide a description of a conflict of interest, rather than a definition, and to structure guidance in the following order: description, examples, reasonable and informed third party test, identifying/evaluating significance, and safeguards. The project scope may also be expanded to include guidance on ethical behavior in Section 320 of the Code. An exposure draft is expected in the fourth quarter of 2011.

The Responding to Suspected Fraud or Illegal Acts project aims to provide guidance for professional accountants on how to respond when encountering a suspected fraud or illegal act. The board is considering whether to also address unethical acts as part of this project: whether there should be a duty to disclose internally and externally, and whether and when to disclose externally. The IESBA has tentatively decided that disclosure outside the professional accountant’s client or employer should be required if it is in the public interest and not contrary to law. An exposure draft is expected in the fourth quarter of 2011.

In the Inadvertent Violation project, the IESBA is considering whether there is a need for provisions to address inadvertent violations of the Code and, if so, whether the provisions should address the whole Code or only the independence provisions. At its February meeting, the IESBA tentatively decided that guidance to deal with violations is needed and that it should address the impact of a violation, regardless of whether it was inadvertent. The board also tentatively determined that guidance should address only independence violations. An exposure draft is expected in the second quarter of 2011, with a final standard in 2012.

For more detailed information on IESBA’s projects and the tentative decisions that have been made, please visit www.ifac.org/Ethics.

IPSASB Update

In January, the International Public Sector Accounting Standards Board (IPSASB) issued an updated and improved version of Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities. The third edition of Study 14, which features links to many useful resources, provides guidance on how to migrate to the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSASs). This latest edition of Study 14 covers all 31 IPSASs, including first-time coverage of the five IPSASs issued in late 2009 and early 2010: IPSAS 27, Agriculture; IPSAS 28, Financial Instruments: Presentation; IPSAS 29, Financial Instruments: Recognition and Measurement; IPSAS 30, Financial Instruments: Disclosures; and IPSAS 31, Intangible Assets. In light of the much increased global knowledge and experience in adopting IPSASs, the non-technical sections of Study 14 were also substantially improved. They now reflect the current state-of-the-art in adoption and implementation.

IPSASB chair Andreas Bergmann wrote an article for the March issue of Accountancy Futures magazine. “Holding Governments to Account” focuses on the IPSASB’s ongoing plans for a global public sector accounting framework, and the status of the project so far. The article can be accessed from the Media Center on the IFAC website.

At the IPSASB meeting in March, the board approved Exposure Draft (ED) 45, Improvements to IPSASs 2011. Part I proposes to delete the Introduction section of each IPSAS where relevant (i.e., 21 of 31 IPSASs). Part II proposes to add an Objective paragraph to the four IPSASs that do not currently include an Objective paragraph (IPSASs 6–8 and 10). Part III proposes improvements to four IPSASs (IPSAS 16, 17, 19 and 21). The ED was recently released and has a comment period to June 30, 2011.

IAASB Releases Interactive 2010 Annual Report

The International Auditing and Assurance Standards Board (IAASB) issued an interactive 2010 Annual Report. The report highlights the IAASB’s ongoing work to promote the adoption and implementation of its clarified International Standards on Auditing (ISAs), and the issuance of a number of proposals in areas where there is demand for new and innovative assurance and related services other than audits of financial statements. Its new interactive format will allow those interested in the IAASB’s work to more easily stay abreast of developments. Find it at www.iaasb.org, under About the IAASB.
Over the course of the past two years, IFAC’s Business Reporting Project Group has been conducting in-depth interviews on business reporting with respected business leaders from around the world in order to determine best practices. The end result, *Integrating the Business Reporting Supply Chain*, was recently published by IFAC. This report is the final endeavor of the Business Reporting Project Group, which was established in response to the 2008 IFAC report *Financial Reporting Supply Chain: Current Perspectives and Directions*.

A diverse range of professional backgrounds, industries, and countries of residence were represented among interviewees; therefore, a broad range of opinions were compiled to determine a collective outlook on improving governance in organizations, financial reporting, and financial auditing, as well as steps toward integrated business reporting. Overall, the interviewees were aligned on several key points, including:

- The primary responsibility of directors is performance, not compliance.
- Organizations should expand their view from a shareholder perspective to a stakeholder perspective.
- Organizations should take economic, as well as social and environmental, performance factors into account.
- Organizations should better integrate governance and sustainability in strategy, operations, and stakeholder communications.
- Organizations should further improve their stakeholder communications.

The interviewees included well-known figures such as Mervyn King, chair of South Africa’s King Committee on Corporate Governance and deputy chair of the International Integrated Reporting Committee, Sir David Tweedie, chair of the International Accounting Standards Board, Joe Kaeser, CFO of Siemens, and many others, including standard setters, preparers, regulators, accountants, auditors, and investors.

The report, a summary of key recommendations, and transcripts of all the leadership interviews are available on IFAC’s website at [www.ifac.org/frsc](http://www.ifac.org/frsc).

### Key Recommendations

The final report outlined key recommendations for moving toward improved integrated reporting. These include:

- More independence should be required from boards of directors.
- It is critical that financial reporting becomes more relevant and understandable to the various users.
- Financial reporting standard setters should simplify their standards so stakeholders can understand them and implement them properly.
- The use of fair value in financial reporting should be supported.
- Audit choice should be increased.
- Management commentary should put the numbers into context.

FAC CEO Ian Ball was awarded the Chartered Institute of Public Finance and Accountancy’s (CIPFA) highest honor at their 1st International Conference held March 17 in London. CIPFA President Jaki Meekings Davis presented Mr. Ball with the CIPFA President’s Medal to commemorate his contribution to the public sector finance profession. “This medal recognizes Ian’s outstanding contribution to the accounting profession in the public sector, and in particular his work to champion excellent public financial management and high standards in governments around the world,” Ms. Davis explained. This is only the third time CIPFA has presented the award; Noel Hepworth OBE, formerly CIPFA CEO, received the medal previously.

As a keynote speaker at the international conference on *Trust and Accountability in Public Financial Management*, Mr. Ball’s address called for governments worldwide to take their financial management seriously, and move toward an increase in transparency in the public sector. The text of his speech is available for download from the *Speech Library* on the IFAC website.
Most companies undergo periodic strategic reviews—some are financial, and others relate to future planning or an emerging issue. Either way, companies are required to continually evolve to keep up with market demands. Professional Accountancy Organizations (PAOs) are no different. Regardless of organization-specific goals and plans, PAOs look to the future with an eye for how to best serve the needs of their members and the public interest, and modify their goals to meet emerging needs. Action Plans, as required by IFAC’s Statements of Membership Obligations (SMOs) and the Compliance Program for membership to remain in good standing, can serve as a tool for this purpose. Action Plans and their updates require IFAC members to explain how they will make progress toward, or continue to uphold, each SMO—adhering to the “best endeavors” requirement. While most member bodies have submitted plans, the time for an updated review may be fast approaching—or may have already passed.

Once completed, there are multiple ways a PAO can make use of an Action Plan. These include: as a communications tool to demonstrate transparency and accountability to donors, developers, investors, and the general public; as a way to communicate the plans and progress the organization has made; and as a way to increase the trust and confidence of stakeholders by demonstrating clear plans for future progress and continual compliance. This roadmap for the future also serves the global profession by displaying a coordinated approach, evidence of progress, and a plan to overcome obstacles for the accountancy profession worldwide.

To be fully useful for PAOs, a plan needs to be part of a continuing conversation—not simply a once-a-year evaluation. Some IFAC members have found ways to incorporate their plans into annual strategic planning. For example, the Malaysian Institute of Accountants (MIA) has embedded its Action Plan into its organizational structure by making it part of the ongoing governance program. The MIA’s plan is reviewed every two months, and is a standing agenda item at its board of directors meetings.

Progress is being made. Most IFAC member bodies have submitted their plans, and many are in the process of submitting their annual update. And, encouragingly, more PAOs are taking increased responsibility for the development and review of their plans.

We believe that each organization should be asking themselves, what are we doing to address our Action Plan in an ongoing fashion?

IFAC Resources Available for Member Bodies and PAOs

For member bodies that may be struggling with how to solve a problem or complete a section of the Action Plan template, IFAC has many tools and resources available that can offer guidance.

Resources and tools available to PAOs developing Action Plan reviews include:

- **Member Body Development (MBD) Staff**
  IFAC staff members are available to give advice and to discuss challenges. They are familiar with comparable challenges that other members have overcome and can facilitate discussions between member bodies.

- **Action Plans** on IFAC website
  All Action Plans are available on the IFAC website in the Compliance Program section. IFAC MBD staff can direct members to plans that are relevant to specific situations.

- **PAODC Resources**
  The Professional Accountancy Organization Development Committee (PAODC) recently published guidance for emerging PAOs: Establishing and Developing a Professional Accountancy Body and Tools and Resources to Support the Development of the Accounting Profession (see article on page 8). These resources include guidance for any existing, established PAO that may need further development.

- **Action Plan template and Guidance Notes**
  An Action Plan template and guidance is available on the IFAC website. These have been created by IFAC MBD staff to offer suggestions, tips, and tools.

  For questions or guidance on the Compliance Program and Action Plans, please contact Szymon Radziszewicz at szymonradziszewicz@ifac.org.

Compliance Advisory Panel Program Update

The Compliance Advisory Panel (CAP) recently released for comment Proposed Member Body Compliance Program Strategy 2011-2014. The paper is open for comment until May 30, 2011, and is available in the Exposure Drafts and Consultation Papers section of the IFAC website.
Building upon the work of the former Developing Nations Committee, the Professional Accountancy Organization Development Committee (PAODC) has released its first guidance as a new committee. The structure of the guidance, enhanced and simplified from the original version, is now organized in two sections: Establishing and Developing a Professional Accountancy Body, which covers the roles and responsibilities of a Professional Accountancy Organization (PAO), education and examinations, and capacity development; and Tools and Resources to Support the Development of the Accounting Profession, which includes new case studies, practical illustrations, and supplementary guidance. This well-received guidance, though just recently released, has already been downloaded more than 800 times from the IFAC website.

Establishing and Developing a Professional Accountancy Body is a valuable resource for individuals and organizations involved in building the capacity of the accountancy profession, IFAC members and associates seeking further development, and other organizations involved in the regulation of accounting and auditing activities. While primarily aimed at building the capacity of the profession in emerging countries, the guidance is also useful for more developed PAOs considering revisions to governance structures, the development of education programs, and the adoption and implementation of international standards.

The guidance also addresses a range of situations, including where the accountancy profession does not exist in a country, where the profession exists and there is a desire to establish a PAO, and where an existing PAO requires further development and enhancement. Some suggested areas for priority action are highlighted, including some short-, medium-, and longer-term goals and projects. It is, however, for each group and organization to determine their own priorities and actions, depending on their unique needs and circumstances.

Highlights from Establishing and Developing a Professional Accountancy Body and Tools and Resources to Support the Development of the Accounting Profession include further guidance on enhancing public sector focus and strengthening governance; information about the IFAC Statements of Membership Obligations (SMOs); Sample Action Plans on quality assurance and on adoption and implementation of international standards; and additional illustrations about the development of accountancy education and the financing of PAOs. The guidance was developed in English with plans for translation into Arabic, French, Russian, and Spanish.

Part 1, Establishing and Developing a Professional Accountancy Body, and Part 2, Tools and Resources to Support the Development of the Accounting Profession, can be downloaded free of charge from PAODC Publications and Resources on the IFAC website.

PAODC European Outreach: Advancing the Development of the Profession

Last month, IFAC member body development staff, who were supporting the efforts of the Professional Accountancy Organization Development Committee (PAODC), traveled throughout South Central and Eastern Europe to meet in person with ten of the region’s Professional Accountancy Organizations (PAOs), as well as The World Bank Centre for Financial Reporting Reform (CFRR). One of the purposes of this outreach trip was to further the missions of the PAODC: to raise awareness of the importance of accountancy, to bring attention to the need for a formal profession, and to highlight the economic and social benefits that a formal profession can bring.

IFAC staff met with existing and potential future IFAC PAOs based in Poland, Hungary, Montenegro, Bosnia and Herzegovina, Serbia, and Slovenia. PAO meetings focused on the development and update of Action Plans and on identifying ways the PAODC can support PAOs as they strengthen their profession and enhance compliance with IFAC Statements of Membership Obligations (SMOs). A very positive recurring message throughout these European meetings was one of PAO commitment to regional collaboration and the sharing of knowledge, best practices, and lessons learned.

In addition to meetings with PAOs, the outreach allowed the opportunity for a productive meeting between IFAC and The World Bank’s CFRR. During this meeting, IFAC staff received an update on key regional projects, including the Financial Reporting Technical Assistance Program (FRTAP) for new EU member states, and the Road to Europe: Program of Accounting Reform and Institutional Strengthening (REPARIS) for countries in South Central and Southeast Europe. The aim of both programs is to create a transparent policy environment and effective institutional framework for corporate reporting. The PAODC looks forward to continued dialogue and cooperation with the CFRR in its efforts to enhance the accountancy profession throughout the region.

Finally, discussions were held with Austria’s two PAOs, the Kammer der Wirtschaftstreuhänder (KWT) and the Institut Österreichischer Wirtschaftsprüfer (iwp) regarding the selection of Vienna, Austria as the location for the next meeting of the PAODC scheduled for May 16-17, 2011. In recognition of the role the PAODC plays in the development of the profession, the KWT and iwp have graciously agreed to co-host this important meeting. Both organizations look forward to welcoming PAODC members in May.
The idea of sustainability—looking at the triple bottom line of economic viability and social and environmental responsibility—has become one of key interest to organizations, shareholders, governments, and the general public. However, how to integrate sustainability into the very structure of an organization and its business practices is more difficult, and an issue that is increasingly under discussion. Professional accountants are in a position to take key leadership roles to guide their organizations, as creators, enablers, preservers, and reporters of sustainable value, through the process of embedding sustainability deep within an organization.

The Professional Accountants in Business (PAIB) Committee recently updated the IFAC Sustainability Framework, a tool to help accountants integrate sustainability within an organization’s strategy, operations, and reporting. Through key considerations developed from examples and opinions from major international corporations, smaller firms, and sustainability leaders from around the world, the Framework provides a comprehensive global view of some of the current best practices in each of these areas.

The Framework addresses sustainability from three key perspectives:

- Business strategy: By taking a strategic approach, professional accountants encourage their organizations to allow sustainability considerations to inform all aspects of planning—vision and leadership, strategic planning, objectives, goals and targets, governance, accountability, and risk management.

- Operations: By looking at all organizational management and management accounting activities through the lens of sustainability, accountants can help implement an organization’s sustainability goals to support higher-quality information and more informed decision making.

- Reporting: By incorporating sustainability impacts with financial statements, including specific effects on the key financials (e.g., environmental impacts on assets, liabilities, income, and expenditures), accountants can review and find ways to enhance their organization’s external communications and reporting.

In many organizations, accountants already help minimize waste, create efficiencies, and cut costs. But there is also the room and opportunity for accountants to take on expanded roles, activities, and new skills in the discussion and implementation of sustainability.

The IFAC Sustainability Framework 2.0 can be downloaded from Publications and Resources on the IFAC website.

Economies and markets throughout the world are increasingly globalized. The recent financial crisis demonstrated quite clearly that a crisis or collapsing market in one nation or region affects far more than only those living and working in the immediate area. Because of this globalization, economic, social, and environmental issues that arise in individual nations need to be considered in a global context, especially issues of risk. Strong risk management and internal control systems are therefore increasingly important to strengthening the governance of organizations, and working to avoid potential problems down the road.

To investigate what is needed to strengthen risk management and internal control on a global level, IFAC’s Professional Accountants in Business (PAIB) Committee, with the support of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), began a survey project on risk management and internal control in 2010. The PAIB committee recently compiled replies from more than 600 respondents into the report Risk Management and Internal Control Survey, which provides an analysis of the survey results, as well as respondents’ proposed next steps.

The first of the three overriding results of the survey is that risk management and internal control systems should be better and more fully integrated into the governance, strategy, and operations of an organization. The second is that risk management and internal control guidelines should be combined into one set of integrated guidelines. Respondents to the survey overwhelmingly felt that both sets of guidelines—risk management and internal control—are integral parts of an effective governance framework.

The third result is a call for better alignment between the various national and international risk management and internal control guidelines. Respondents called upon national and international standard-setting bodies to determine similarities and differences between existing guidelines, compile leading risk management and internal control practices, and further integrate and align risk management and internal control regulations and guidelines.

Once these steps have been taken, respondents indicated an interest in the creation of an international integrated framework that brings together the common denominators in governance, risk management, and internal control.
On March 21st representatives from IFAC member bodies and other organizations convened in Istanbul for the fifth IFAC SMP Forum. The one-day event attracted over 200 participants from more than 45 countries and jurisdictions, making it the largest gathering in the event’s history. This year, the event was held in cooperation with the Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB), the Expert Accountants’ Association of Turkey (EAAT), and the Fédération des Experts Comptables Méditerranéens (FCM).

Themed “Partnering with SMEs to Build and Sustain Value,” the Forum featured a keynote address from IFAC President Göran Tidström and an overview of the accountancy profession’s activities in Turkey and the Mediterranean region to support small- and medium-sized practices (SMPs) and small- and medium-sized entities (SMEs). The event gave delegates the chance to discuss key challenges and opportunities, share best practices and ideas, and contribute to the prioritization of future SMP Committee initiatives.

Panel discussions and breakout sessions were held on a broad range of topics, including the challenges of keeping up with an increasingly complex and rapidly changing regulatory environment. Panelists agreed that steps need to be taken by policy makers and regulators to take better account of the unique characteristics of SMEs and SMPs to ensure regulation and policy is better suited to these sectors. Another panel focused on how SMPs can further support SMEs by evolving and adapting the range of their services and skills to meet the changing needs of these clients. SMPs may need to change their practice model to more effectively support SMEs, according to the panel discussion.

Three interactive breakout sessions were held on implementing the Code of Ethics for Professional Accountants, future projects of the International Auditing and Assurance Standards Board (IAASB), and resources and tools to support the SME sector.

The SMP Committee is committed to building the capacity of SMPs to provide high-quality and relevant services to their SME clients. To learn more about IFAC’s activities to support this sector, see the International Center for SMPs on the IFAC website. Presentations from this year’s forum, as well as videos, will be available on this site in April.

SMP Quick Poll Reveals Some Optimism Despite Economic Uncertainty for SMEs

Earlier this year, the IFAC Small and Medium Practices (SMP) Committee launched the SMP Quick Poll, a short survey that aims to measure the economic outlook of and current challenges for small- and medium-sized accountancy practitioners. The SMP Quick Poll will be a regular feature in the SMP eNews throughout 2011 in order to collect data that can be used to measure trends over the course of the year.

The results of the first poll, which included responses from 425 practitioners over a two-week period (January 27–February 9, 2011), indicated that economic uncertainty is still the biggest challenge faced by small- and medium-sized entities (SMEs), the clients typically served by SMPs. However, despite this uncertainty, nearly 40 percent of respondents expect business to improve in 2011. When asked about the most important issue facing their practice right now, the largest group of respondents cited keeping up with regulations and standards (41 percent), followed by attracting and retaining clients (27 percent). Finally, the poll showed that SMPs continue to generate the largest proportion of their revenue from traditional compliance-based services. Nearly 45 percent indicated that audit and assurance is their main source of revenue, followed closely by accounting and compilation (40 percent).

To sign up for the SMP eNews and participate in our next poll, scheduled for April, see Subscribe to IFAC Newsletter and eNews on the IFAC homepage.

IFAC Website Redesign

Over the past several months, we have undertaken an extensive process of redesigning the IFAC website to better suit your needs.

The new site will feature a clean and modern design, a more intuitive architecture/navigation, expanded content, and topical and timely issues and insights. Since our information will be organized around issues and outputs—and include cross-referencing and tagging—it will be easier to find the information you’re looking for, as well as related resources. We’re looking forward to launching the site later in 2011, and to your feedback. And, of course, we’ll be available if you need help in the transition. Stay tuned…
The International Public Sector Accounting Standards Board (IPSASB) develops accounting standards and guidance for use by public sector entities. Many governments, as well as intergovernmental organizations, have adopted the International Public Sector Accounting Standards (IPSASs)—including the European Commission (for its own financial reports), NATO, and the OECD. In addition, the United Nations (UN) system, its programs and funds, and its related organizations, such as the World Trade Organization, have also adopted the IPSASs.

As a result, making updated versions of the IPSASs available in all of the official UN languages is not only important—it’s necessary. Presently, updated Arabic and Russian translations of the 2010 Handbook of International Public Sector Accounting Pronouncements are available for download from Translations and Permissions on the IFAC website. However, the most recent French and Spanish IPSASB Handbook translations are from the 2007 edition. IFAC is actively seeking solutions for updating and maintaining these translations. Some of these efforts have included:

- IFAC has recently entered into an agreement with the IFRS Foundation (IFRSF) to allow the translated International Financial Reporting Standards (IFRSs) to be used as the basis for the translation of IPSASs into French and Spanish, and additional languages as required. This agreement will allow IFAC’s designated translating body to obtain, for a fee, the translated IFRSs. It will then only be necessary to translate the changes from the IFRSs to the IPSASs, ensuring a high degree of consistency with IFRS terminology and enhanced translation quality.
- The World Bank has secured funding from the Spanish government for the Spanish language translation of the Handbook of International Public Sector Accounting Pronouncements (2011 Edition). IFAC is working with The World Bank to establish a structure for performing and reviewing this translation, and a Call for Nominations for a Spanish language IPSAS review committee will be issued soon.

IFAC is currently seeking a translating body and review committee to update and maintain an IPSAS French translation. Please contact permissions@ifac.org with any recommendations.

Recent and Upcoming Translations

**RECENT**

**Policy Statements**

**Arabic, Chinese, Russian, Spanish, and French**

- Policy for Translating and Reproducing Standards
- Policy for Reproducing, or Translating and Reproducing, Publications
- Modifications to International Standards of the International Auditing and Assurance Standards Board

**Handbooks and Guidance**

**Arabic**

- Handbook of International Public Sector Accounting Pronouncements (2010 Edition)

The Arab Society of Certified Accountants (Jordan)

**Russian**

- Handbook of International Public Sector Accounting Pronouncements (2010 Edition)

The Ministry of Finance of the Republic of Kazakhstan

**UPCOMING**

**Handbooks and Guidance**

**Chinese**


Chinese Institute of Certified Public Accountants

- Handbook of International Public Sector Accounting Pronouncements (2010 Edition)

China Financial and Economic Publishing House, on behalf of the Ministry of Finance of the People’s Republic of China

**Spanish**


Instituto de Censores Jurados de Cuentas de España and Instituto de Contabilidad y Auditoría de Cuentas, with contributions from Federación Argentina de Consejos Profesionales de Ciencias Económicas and a Latin American review committee consisting of IFAC Latin American member bodies


Instituto de Censores Jurados de Cuentas de España and Instituto de Contabilidad y Auditoría de Cuentas


IFAC and The World Bank


Instituto Mexicano de Contadores Públicos

**Russian**


Chamber of Auditors of the Republic of Kazakhstan

Please visit Translations and Permissions on the IFAC website to access these translations, as well as the extensive translations database.
What appealed to you most about being the Transnational Auditors Committee (TAC) chair?

The need for high-quality and consistent reporting and auditing has, and will continue to, grow. What is very appealing for me is being part of a group of people who not only believe this, but, more importantly, are willing to take action to help deliver on it. This, in and of itself, is very energizing. Having the opportunity to be able to step outside the day-to-day business agenda that we all have, and to stand back objectively to identify what can be done—along with the leading global organizations in the audit world to drive this agenda—I consider this to be very engaging and also a privilege.

What are the three key topics the TAC will focus on in this year?

The three areas of importance for me as TAC Chair are:

• Ensuring that we provide a forward-looking and collaborative space where some of the best professionals can share their best ideas and knowhow—all in the public interest.

• Offering a contact channel for third parties who also share a desire for high-quality and consistent reporting and auditing standards globally.

• Encouraging contact with potential new members who will gain from being part of the Forum of Firms (FoF) and also help the FoF achieve its objectives.

Which of these three will provide the most benefit to the objectives of the FoF, and why?

Each of the three offer different angles on the same set of objectives, but I have listed them in the order of their likely impact on achieving our objectives. This is because we are fortunate enough to already have the main global players in the FoF, and the caliber of professionals engaged is world class. Sharing their best thinking and knowhow is a rare and direct method of driving quality on a global basis quickly and practically. The second and third topics are just as important, but perhaps not so immediate in regard to impact.