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**Note to Readers**—This report marks IFAC’s first step toward producing an integrated annual report. *What We Do* and *How We Do It* provide an integrated overview of IFAC’s activities, accomplishments, structures, and processes, while looking both to the past and to the future in honor of the transition of leadership from CEO Ian Ball to his successor Fayez Choudhury. The *PIOB, CAGs, and Independent Standard-Setting Boards* provides relevant information regarding the boards IFAC supports. The *Service Delivery and Financial Statements* provide a detailed report on IFAC’s inputs and outputs.
The Past Decade

2002
- Enron scandal
- World Congress of Accountants (WCOA), Hong Kong

2003
- IFAC Reforms
- Compliance Program and CAP established

2004
- Financial and Management Accounting Committee becomes PAIB Committee

2005
- PSC becomes IPSASB
- IAASB clarity project begins
- First SMOs issued

2006
- Ethics Committee becomes IESBA
- WCOA, Istanbul

2005
- SMP Committee and DNC (now PAODC) established
- PIOB established
Message from the President

During 2012, IFAC made significant progress in furthering its mission and leading the development of the global accountancy profession. The independent standard-setting board accelerated activity on key projects, including auditor reporting, and took leadership positions on critical and sensitive topics, such as the role of the professional accountant in responding to suspected illegal activity. We maintained an ongoing dialogue with the Monitoring Group and Public Interest Oversight Board, and made progress toward obtaining oversight for the International Public Sector Accounting Standards Board.

We continued to deepen our relationships with key parties and aligned IFAC with other institutions in the global financial system. We hosted a first-of-its-kind Sovereign Debt Seminar attended by 100+ finance leaders and experts from around the world. We increased activities in public policy and regulation, issuing five new or updated position papers. And we supported the growth and development of the profession, for example, through adding new signatories to MOSAIC, a landmark agreement that outlines how IFAC and the international donor community will work together to support the accountancy profession in emerging economies.

As I end my term as president, I wish to thank IFAC’s staff and its volunteers—they are crucial to the day-to-day functioning of the boards and committees, and hence to achieving IFAC’s vision. With new, well-qualified, and highly capable professionals stepping into the roles of CEO, president, and deputy president, I am confident that IFAC will continue to be successful—building on the foundations that have been laid to achieve even more in the future.

Göran Tidström, President

Message from the CEO

When I stepped into my role as CEO early in 2002, it was an especially turbulent time for the accountancy profession. Ten years later, my tenure has now drawn to a close, and I am proud to say that IFAC has made significant strides—addressing challenges to our profession, embracing opportunities, leveraging the reach of our member bodies, and strengthening our position.

There are too many highlights to list, but some include: instituting the IFAC Reforms, which resulted in shared public/private sector responsibility for standard setting and enhanced credibility; creating the Member Body Compliance program, which has become the de facto roadmap for the development of professional accountancy organizations; establishing the SMP Committee; leveraging our convening powers to found the Private Sector Taskforce of Regulated Professions and Industries (now renamed the Professionalism and Standards Taskforce of Regulated Professions and Industries); increasing engagement with the International Integrated Reporting Council; and acting as a catalyst in generating awareness of the need for improvements in public sector financial reporting.

Serving as IFAC CEO has been a very rewarding experience, both professionally and personally. It has been an honor to serve IFAC’s members, associates, affiliates, regional organizations, accountancy groupings, and the wider accountancy profession. I want to thank the presidents that I have worked with, Board and Council members, volunteers, and IFAC staff, past and present. I hugely appreciate the support I have received from them all.

IFAC has an extraordinary commitment to the global accountancy profession and a recognition of the central role that it must play in realizing the profession’s potential in an increasingly interconnected world. I look forward to hearing about and sharing in the continued progress of IFAC in the years to come, under the leadership of new CEO Fayez Choudhury, to whom I extend my support and thanks.

Ian Ball, Chief Executive Officer
Over the past 10+ years—from Enron, Parmalat, and Arthur Andersen, to the global financial crisis, sovereign debt crisis, and economic downturn—the importance of the accountancy profession’s role in the development of strong and sustainable organizations, financial markets, and economies has been amplified.

As the global organization for the accountancy profession, IFAC works in the public interest to strengthen and support the profession, and through the profession, the global economy and the societies in which we live and work.

The following report shows the interrelated work of IFAC, its committees, and activity areas, the independent standard-setting boards, and other external organizations, in four areas:

• Moving toward consistent global standards;
• Building the future of reporting;
• Strengthening the capacity of the profession; and
• Advocating for public sector financial management.¹

Each section discusses IFAC’s challenges and outlines the outcomes we hope to accomplish, in terms of the profession and the institutions and organizations within it; individuals and regulators; and the communities in which we operate. Each section also highlights our accomplishments and plans for the future.

This is the essence of what IFAC strives to accomplish: Transparency and accountability. Past. Present. Future.

¹ What We Do is not intended to reflect the complete set of IFAC services but to highlight those that are considered strategically significant at the present time. See the Service Delivery Statement for a complete list of external services delivered.
For 35 years, IFAC has been dedicated to supporting the development, adoption, and implementation of high-quality international professional standards in the public interest. High-quality international standards increase the overall comparability, consistency, clarity, credibility, and transparency of financial information.

And, high-quality financial information, in turn, increases the stability of our global financial infrastructure. It contributes to economic growth and helps maintain fair, orderly, and efficient capital markets. It fosters confidence in the markets of emerging nations, which encourages international investment. It enhances the effective management of public resources. It protects investors.

We live in a global economy with increasingly interconnected markets. Even small- and medium-sized entities work across borders and geographies. Countries, regions, and governments are more interdependent. We’ve learned that in many areas national or even regional solutions are no longer viable. A sustainable, global business environment, a strong financial architecture, and the efficient functioning of capital markets need to be supported by strong, sound financial reporting. Global convergence of standards, IFAC believes, is a critical part of finding global solutions.

A key issue for global convergence is the legitimacy and independence of the standard-setting process. A decade ago, accounting and auditing problems—from Enron to Parmalat, and WorldCom to Arthur Andersen—caused a crisis in confidence in financial reporting and the profession. Governments responded strongly, establishing new regulations and radically strengthening the rules for accounting and auditing in the private sector, in an attempt to restore public and investor confidence in financial reporting.

In 2002, IFAC began working with the international regulatory community on a series of changes to rebuild trust in financial reporting, the work of auditors, and securities markets worldwide. The result of this collaborative effort, known as the IFAC Reforms, is a standard-setting arrangement in which the public and private sectors share responsibility—drawing on the expertise and technical competence of professional accountants—who will implement the standards—while being conducted within a governance structure that ensures the public interest is paramount. It incorporates independence, transparency, appropriate levels of standard setter performance, and the accountability of standard setters to stakeholders, especially the international regulatory community. As part of the Reforms, IFAC established the Member Body Compliance Program in 2003 to support its members in their efforts to adopt and implement international standards. And in 2005, the Public Interest Oversight Board was established to oversee standard-setting activities in the areas of audit and assurance, ethics, and education.

Over the course of the past decade, IFAC remained committed to the Reforms and their success. During 2009-2010, the Monitoring Group conducted a review of the Reforms, and concluded that virtually all of the changes had been implemented.

Over the years, the standard-setting boards, IFAC, and its committees have continued to work toward global convergence, by supporting effective adoption and implementation of high-quality international standards and continuously monitoring the effectiveness of the standards to identify where improvements are needed.

In 2004, the International Auditing and Assurance Standards Board (IAASB) began a clarity project, a comprehensive program to enhance the clarity of the International Standards on Auditing (ISAs); it is currently undertaking a post-implementation review of the clarified ISAs to determine whether they are being consistently understood and implemented. The International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB) embarked on similar clarity projects in 2007 and 2009 respectively.

In 2010, the IESBA formed an SME/SMP (small-and medium-sized entity/practice) Working Group,
to help address the unique challenges faced by this constituency in complying with the Code of Ethics for Professional Accountants (the Code). And, in 2012, the IESBA began to look at the application of the Code to professional accountants in business (PAIBs)—a key area, given the importance of the role of accountants within organizations.

The standard-setting boards have issued a wide array of guidance and tools—for example, the IAASB's ISA Modules, which include videos and slides on the clarified ISAs to facilitate training and professional development efforts. In addition, IFAC's committees develop implementation guidance, such as the SMP Committee's ISA and Quality Control Guides.

To foster effective adoption and implementation of the standards throughout the non-English-speaking world, IFAC’s Translations & Permissions Department facilitates translation and reproduction by member bodies and other organizations; today, publications by IFAC have been translated into 48 languages. In 2012, IFAC and three of its members—Instituto de Censores Jurados de Cuentas de España, Federación Argentina de Consejos Profesionales de Ciencias Económicas, and Instituto Mexicano de Contadores Públicos—formally agreed to establish an Ibero-American cooperation framework to achieve longer-term, sustainable processes for a single, Spanish translation of international standards and other IFAC publications.

IFAC has outlined its policy positions on high-quality international standards, standard setting, and global convergence in papers emphasizing the importance of a single set of auditing standards for all entities regardless of size; standard setting and the public interest; and the importance of International Public Sector Accounting Standards (IPSASs) to transparency and accountability in public sector financial management, among others. IFAC also engages regularly with global and regional organizations, such as the G-20, the European Commission, and the IFRS Foundation, submitting recommendations and comments on key topics of global significance.

In addition, to enhance cooperation and advance adoption and implementation, IFAC has formal agreements with several international bodies, including the International Organization of Supreme Audit Institutions, International Valuation Standards Council (IVSC), and International Accounting Standards Board (IASB). In 2011, IFAC helped form the Professionalism and Standards Taskforce of Regulated Professions and Industries (originally called the Private Sector Taskforce of Regulated Professions and Industries), along with a number of other organizations representing different areas of the financial sector, including the CFA Institute; IASB; INSOL International; IVSC; Institute of International Finance; International Actuarial Association; International Corporate Governance Network; and International Insurance Society. The taskforce issued a report to the G-20 that outlined regulatory convergence recommendations in order to facilitate economic stability in the world’s capital markets.

IFAC Officers, board and committee chairs and members, and senior IFAC staff engage in extensive outreach through speeches and representation at a wide variety of international forums, meetings, and conferences. While this representation activity has progressed many of IFAC’s strategic initiatives, the focus has been to encourage the adoption and implementation of international standards. Over the years, IFAC’s representation activities have encompassed a wide variety of organizations, including the Financial Stability Board, International Organization of Securities Commissions, the European Commission, the Basel Committee on Banking Supervision, the World Bank, the United Nations Conference on Trade and Development, the World Trade Organization, the International Forum for Independent Audit Regulators, the Organisation for Economic Co-operation and Development, and many IFAC member conferences.

Where do we stand now? The clarified ISAs are now in use—or there are plans to use them—in over 80 jurisdictions. In addition, at the time of this writing, there is an explicit mention of the adoption
of the clarified ISAs in the European Commission’s proposed legislation. IPSASs have been widely adopted, either outright or as the basis for the development of national standards, by more than 50 governments, as well as other public sector entities around the world.

Going forward, IFAC will continue to work toward global convergence as a step toward global financial stability. We will do this through our own adoption and implementation activities and outreach, as well as supporting the independent standard-setting boards in theirs, providing enhanced guidance and tools, and strengthening our global partnerships.

**The Outcomes IFAC Seeks to Influence**

In pursuing its mission, IFAC seeks to influence various economic and social outcomes. The boldface items in this diagram indicate those outcomes IFAC seeks to influence by moving toward consistent global standards.

**Key:**

- **Main Impact On**
  - Profession/Institutions/Organizations
  - Individuals/Regulators
  - Community

- **Influence**
  - More Direct
  - Less Direct
  - Indirect

In pursuing its mission, IFAC seeks to influence various economic and social outcomes. The boldface items in this diagram indicate those outcomes IFAC seeks to influence by moving toward consistent global standards.
Building the Future of Reporting

During the past decade, much has changed about the way we think about business reporting. Yes, there has been increasing support for international standards; International Financial Reporting Standards and International Public Sector Accounting Standards have seen significant adoption and implementation around the world. But there has also been increasing concern with the existing model—in terms of both its complexity and its adequacy to inform investment decisions.

Relevant, understandable, and reliable business reporting lies at the heart of strong capital markets and sustainable economic growth. At the same time, there has been an increasing recognition that, in order to achieve sustainability, organizations must follow good governance practices and manage financial, environmental, and social dimensions of performance. But, how do we measure environmental and social performance, and how can we integrate it with the existing reporting model? How can we add information, without making reports longer, more complex, and more difficult to use? Professional accountants have a critical role to play in finding global solutions to these questions—and our aim is that accountancy leads the way.

IFAC has long been active in this area: Following the March 2008 publication of the report, Financial Reporting Supply Chain: Current Perspectives and Directions, IFAC established a project group to study progress in the areas of governance, financial reporting, and auditing, which resulted in a global study and a 2009 publication on developments in the financial reporting supply chain, followed by Integrating the Business Reporting Supply Chain, a report based on interviews with key business leaders around the world regarding governance, financial reporting, auditing, and broader business reporting. Most recently, IFAC’s Professional Accountants in Business (PAIB) Committee issued a new International Good Practice Guidance, Principles for Effective Business Reporting Processes, which provides 11 key principles for evaluating and improving business reporting processes for organizations of all sizes, structures, and sectors.

And, at the Council Meeting in November, IFAC recognized the substantial contributions to corporate governance and integrated reporting of Professor Mervyn King, presenting him with the International Gold Service Award, IFAC’s annual recognition of outstanding contributions to the profession.

In 2011, IFAC—along with a diverse group of organizations from the accountancy profession, the regulatory and standard-setting communities, NGOs, the investor community, companies, and others—established the International Integrated Reporting Council (IIRC) to explore how companies can communicate about strategy, governance, performance, and prospects, and how they lead to the creation and preservation of value over the short, medium, and long terms. The IIRC published a Discussion Paper, Towards Integrated Reporting—Communicating Value in the 21st Century, in September 2011, and a summary of the responses in June 2012. A draft outline of an integrated reporting framework—which ultimately will bring together financial, management commentary, governance and remuneration, and sustainability reporting into a coherent, integrated whole—was published in July 2012, and version 1.0 of the final framework is expected to be approved in December 2013.

The IIRC also established a pilot program to enable businesses and investors to test the framework and share feedback and experiences. A 2012 Yearbook, showcasing the activities and learnings from the first year of the pilot program, was published in September 2012. IFAC continues to be a key contributor to the IIRC: the IFAC president is a member of the IIRC; former IFAC CEO Ian Ball is a board member and chair of the working group (a role he will continue as IFAC representative); and an IFAC staff member is seconded to the IIRC and works on developing the integrated reporting framework and designing future governance arrangements.

The independent standard-setting boards and IFAC committees have also recognized the importance of incorporating sustainability
In 2009, the PAIB Committee launched the Sustainability Framework, a web-based tool targeted at professional accountants who can influence the way organizations integrate sustainability into their operations; it was subsequently updated in 2011. In addition, in 2012, the Small and Medium Practices (SMP) Committee and the PAIB Committee jointly issued The Role of Professional Accountants in the Sustainability of Small Businesses—a special edition eNews that showcased IFAC’s and member organizations’ activities addressing small- and medium-sized entities (SMEs), sustainability, and the role of accountants. Also, the International Auditing and Assurance Standards Board (IAASB) released a new International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements, in 2012. This landmark standard addresses an increasingly relevant global assurance service in support of reliable emissions reporting, whether for regulatory compliance purposes or undertaken on a voluntary basis to inform investors, consumers, and others.

In the area of governance, IFAC is currently partnering with the Chartered Institute of Public Finance and Accountancy (CIPFA), in collaboration with a high-level international reference group, in the development of an International Framework, Good Governance in the Public Sector. The framework, which builds on earlier publications by both organizations, seeks to establish a good governance benchmark for the public sector, and enable them to operate in a more effective, efficient, ethical, and transparent manner.

Finally, the IAASB is currently taking a leadership role to develop a global solution in the area of auditor reporting. The auditor’s report is the auditor’s primary means of communication with an entity’s stakeholders—as such, it has to be clear, be meaningful, and provide value. Today’s global business environment combines increasingly complex financial reporting requirements and a lingering global financial crisis. Users of audited financial statements, in particular institutional investors and financial analysts, are calling for more pertinent information. They want to know more about individual audits and to gain further insight into the audited entity and its financial statements. While the auditor’s opinion is valued, change is essential for the auditor’s report to remain a valuable decision-making resource for investors.

In June 2012, the IAASB released its Invitation to Comment (ITC), Improving the Auditor’s Report, which provided an indicative direction of the board’s future standard-setting proposals to improve how and what auditors report. Three roundtables focused on the ITC were held in September and October 2012 in New York, Brussels, and Kuala Lumpur. The ITC received 165 responses, which are being taken into consideration as the IAASB develops an exposure draft of revised auditor reporting standards, expected for release in mid-2013.

Developing a single international framework for integrated reporting and modifying the auditor’s report to provide more insightful information will not be easy. Both tasks will require skilled craftsmanship on the part of framework developers and standard setters. IFAC believes that professional accountants are well equipped to rise to these challenges and lead the evolution of business reporting.
The Outcomes IFAC Seeks to Influence

In pursuing its mission, IFAC seeks to influence various economic and social outcomes. The boldface items in this diagram indicate those outcomes IFAC seeks to influence by building the future of reporting.
Strengthening the Capacity of the Profession

As countries have opened their borders politically, socially, and economically, the important role of accounting in economic development has been increasingly recognized, both by governments in developing countries and by international organizations. Sound and stable economies are supported by a strong financial infrastructure; the international accountancy profession is a critical part of this infrastructure. When professional accountancy organizations (PAOs) function properly, they have the ability to support the production of high-quality financial information, which contributes to public and private sector development and has the power to drive economic growth, the effectiveness of international aid, and social progress.

As part of the IFAC Reforms, the Member Body Compliance Program was created in 2003. With its focus on support, guidance, and improvement, this program has been one of the most effective and important vehicles for the international development of the accountancy profession. In 2012, IFAC completed its revision of the Statements of Membership Obligations (SMOs), which are the basis of the IFAC Member Body Compliance Program. The revised SMOs are the result of a comprehensive two-year exercise aimed at clarifying them so that they can serve as a globally recognized framework for strong, credible, and high-quality PAOs. They are designed to further support the adoption and implementation of international standards and ensure PAOs are maintaining adequate mechanisms for quality assurance review and investigation and discipline.

In 2005, IFAC created the Developing Nations Committee (formerly the Developing Nations Permanent Task Force) to support the development of the accountancy profession in emerging economies, strengthen relationships with governments, and arrange international forums about issues affecting developing nations.

Today known as the Professional Accountancy Organization (PAO) Development Committee, its focus is on addressing the challenges faced by PAOs in emerging and developing countries.

The Financial and Management Accounting Committee, created in 1978, was renamed the Professional Accountants in Business (PAIB) Committee in 2004, and has since provided leadership and guidance on issues relevant to PAIBs and the business environments in which they work. Through this committee, IFAC strives to achieve global recognition of the contribution of PAIBs as partners in facilitating sustainable organizational success, stressing the importance (especially to companies and regulators) of having professional accountants in key financial roles. The committee also aims to enhance PAIBs’ competence through development and sharing of good practices and ideas, addressing a wide range of issues, including ethics, governance, sustainability, risk management and control, business reporting, and the role and value of professional accountants in business.

Small- and medium-sized entities (SMEs) are an integral part of the global economy, and provide a key source of stability and growth. In 2005, IFAC created the Small and Medium Practices (SMP) Committee (formerly the SMP Permanent Task Force) to support SMPs and the SMEs they serve, primarily through IFAC members. This committee has developed comprehensive guides to support professional accountants who work in SMPs, including the ISA Guide, Quality Control Guide, and Practice Management Guide. In addition, the committee works to ensure the needs of the SMP and SME sectors are considered by standard setters, regulators, and policy makers. It speaks out on behalf of SMPs to raise awareness of their role and value, especially in supporting SMEs, and the importance of the small business sector overall. It facilitates the sharing of information, guides, resources, and tools among IFAC members and associates. And, it monitors global regulatory reform to ensure its suitability for SMEs and SMPs.
One of the standard setters the SMP Committee interacts with regularly is the International Auditing and Assurance Standards Board (IAASB). While the IAASB feels strongly that “an audit is an audit,” it is committed to exploring standards for services that meet the unique needs of SMEs. This includes assurance services that can enhance the credibility of and confidence in an SME’s financial statements—when the SME is not required or chooses not to have an audit—and therefore help SMEs grow and develop. In line with this commitment, the IAASB has released International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements, and International Standard on Related Services (ISRS) 4410 (Revised), Compilation Engagements.

The International Accounting Education Standards Board (IAESB) also has a sharp focus on strengthening the worldwide accountancy profession, by issuing high-quality accounting education standards and guidance to develop professional knowledge, skills, values, ethics, and attitudes—both for prequalification education and training of professional accountants, and for continuing professional education and development for members of the profession. Developing, implementing, and promoting these standards not only enhances the education and competence of the global accountancy profession, but also helps to foster a common understanding of the skills and attributes of professional accountants—both of which are critical to strengthening public trust.

In 2011, IFAC took its development efforts to a new level: through the PAO Development Committee, it signed MOSAIC—Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration. MOSAIC outlines how IFAC, international donors, and the international development community will work together to increase the capacity of PAOs and improve the quality of public and private sector accounting and financial management in emerging economies—with an ultimate goal of contributing to economic growth and poverty alleviation. In 2012, MOSAIC produced the draft Global Development Report, which describes the current status of PAO development worldwide, as well as in the regions of Africa, Asia-Pacific, Europe and Central Asia, and Latin America and the Caribbean, and provides direction to future MOSAIC cooperation and support.

IFAC is committed to developing the capacity of the profession and recognizes that it cannot succeed in isolation. In addition to MOSAIC, IFAC launched a Mentoring Program in 2012, which leverages the experience and knowledge of more established institutes by matching them with less established PAOs in mentoring partnerships that contribute to efforts to strengthen the global accountancy profession. Going forward, IFAC will assess the success of current partnerships and continue to encourage new ones. Through MOSAIC, it will help to target and deliver support to the regions around the world with the most need. And, via the PAO Development Committee and the Member Body Compliance Program, IFAC will work with its members to support their growth, development, influence, and impact.
In pursuing its mission, IFAC seeks to influence various economic and social outcomes. The boldface items in this diagram indicate those outcomes IFAC seeks to influence by strengthening the capacity of the profession.
Advocating for Public Sector Financial Management

IFAC has long recognized that a fundamental way to protect the interests of both the public and investors is to develop, promote, and enforce a common set of high-quality international financial reporting standards for the public sector. In 2002, IFAC’s Public Sector Committee—later named the International Public Sector Accounting Standards Board (IPSASB)—completed the first stage of developing a comprehensive body of accrual-based international accounting standards for governments. At that time, governments reporting on an accrual basis were rare, and the cash basis was the generally accepted benchmark. However, over the past decade—and, in particular, with the sovereign debt crisis over the past several years—we have seen a significant change, and accrual-based accounting by national governments and other public sector organizations has become much more common.

Strong and transparent financial reporting is in the public interest—it has the potential to improve public sector resource allocation and decision making, hold governments more accountable to their citizens, and enhance global financial stability and fiscal sustainability. Accrual-based accounting practices improve the quality of financial information for all stakeholders—including investors, taxpayers, ratepayers, public officials, suppliers, creditors, and employees—along with the quality of financial management, in several key ways. They reinforce the principles of transparency and accountability, provide an accurate and comprehensive picture of fiscal performance and position—including full details of debt, other liabilities, contingent liabilities and guarantees, and future expenditures and the resources needed to support them—and reduce the risk of fraud, including financial reporting fraud. As the stewards of financial reporting, assurance, and auditing, professional accountants are crucial in this transformation, and IFAC has been an outspoken advocate for the adoption and implementation of International Public Sector Accounting Standards (IPSASs) worldwide.

IFAC has issued two Policy Position Papers in this area: Public Sector Financial Management Transparency and Accountability: The Use of International Public Sector Accounting Standards and Global Regulatory Convergence and the Accountancy Profession. IFAC and the IPSASB have also made submissions to global and regional organizations, such as the G-20 and Eurostat.

Through the years, IFAC Officers, IPSASB members, and senior IFAC staff have engaged in extensive outreach through speeches and representation at a wide variety of international forums, seminars, meetings, and conferences, with groups including the Financial Stability Board, the World Bank, the Organisation for Economic Co-operation and Development (OECD), and IFAC member bodies.

In order to foster the adoption and implementation of international standards and guidance throughout the non-English-speaking world, IFAC’s Translations & Permissions Department facilitates translation and reproduction by member bodies and other organizations; today, the IPSASs have been translated into 20 languages.

In 2012, IFAC organized a first-of-its-kind seminar, The Sovereign Debt Crisis, a Matter of Urgency—From Lessons to Reform, on the sovereign debt crisis and the need for public sector financial reporting and financial management reform. Developed in conjunction with the public sector leaders of the large accounting firms, and sponsored by Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR), Ernst & Young, PwC, and the World Bank, the seminar featured experts from around the globe, addressing topics including standard setting, government reporting reform, long-term sustainability of governments, and the role of the finance professional as leader and catalyst for change. Over one hundred key decision makers, politicians, public finance management leaders, and interested parties from around the world met over two days to participate in presentations, debates, and discussions. The seminar was aimed at gaining a comprehensive understanding of the causes
contributing to the international sovereign debt crisis and the steps needed for meaningful reform.

Also in 2012, the International Monetary Fund issued a paper, *Fiscal Transparency, Accountability, and Risk*, which supports IPSASs, highlights the seriousness and extent of the current inadequacies in governments’ fiscal reporting and accountability, and underscores the immense risks associated with these shortcomings. In addition, Eurostat completed its review of the suitability of IPSASs for European Union (EU) member states; while the recently released report does not require implementation of IPSASs, it does specify IPSASs as a primary reference framework for EU-harmonized accrual-based public sector accounting standards.

Currently, over 50 governments and other public sector entities around the world have either adopted the accrual IPSASs or have announced plans to adopt them in the near future. Some countries adopt the IPSASs outright while others use them as the basis for development of national standards. They include: Brazil, Costa Rica, Estonia, Indonesia, Kenya, Peru, Russia, Slovakia, South Africa, Switzerland, and Thailand. In addition, IPSASs have been adopted by the European Commission (for their own financial statements), the North Atlantic Treaty Organization (NATO), the OECD, and the United Nations system.

Going forward, public interest oversight of the IPSASB—which has been a goal of IFAC’s for many years—is becoming an increasingly important issue. The sovereign debt crisis strongly reinforced the public interest dimension of the IPSASB’s work, and independent public oversight will further strengthen the board’s credibility and legitimacy. During 2012, the IPSASB submitted a response to the Monitoring Group (MG) Consultation Paper concerning this issue and the Public Interest Oversight Board (PIOB) indicated its support for taking an oversight role. Subsequently, the MG concluded that the PIOB should not be expanded to provide IPSASB oversight; rather, the World Bank and the International Monetary Fund will lead consideration of alternative arrangements. In addition, IFAC continues to work toward financial and operational stability for the IPSASB. While the board receives support (both direct financial and in-kind) from the World Bank, the Asian Development Bank, the United Nations, and the governments of Canada, China, New Zealand, and Switzerland, it requires additional resources in order to operate most effectively.
In pursuing its mission, IFAC seeks to influence various economic and social outcomes. The boldface items in this diagram indicate those outcomes IFAC seeks to influence by advocating for public sector financial management.
HOW WE DO IT
IFAC’s Vision

IFAC’s vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets, and economies.

IFAC’s Mission

IFAC’s mission is to serve the public interest by: contributing to the development of high-quality standards and guidance; facilitating the adoption and implementation of high-quality standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide; and speaking out on public interest issues.

IFAC’s Values

○ Integrity
○ Transparency
○ Expertise

IFAC’s Structure and Governance—Accountability, Oversight, and Consultation
IFAC’s Structure

IFAC’s structure provides for accountability, oversight, and consultation. Founded in 1977, IFAC is a Swiss-registered association whose member bodies are professional accountancy organizations.

IFAC’s Constitution and Bylaws detail the responsibilities and authority of IFAC’s Council and Board. They also address IFAC’s mission, membership requirements, and the election/appointment of IFAC Officers (the president, deputy president, and CEO).

Ultimate governance of IFAC rests with the Council, which comprises one representative from each member body. The Council ordinarily meets once a year.

The Board is responsible for overseeing the operations of IFAC. The Board ordinarily meets four times per year. The Board makes recommendations to the Council on matters under the Council’s authority.

The Board comprises the president, deputy president, and a maximum of 20 members. Membership on the Board reflects the level of member bodies’ financial contributions to IFAC. The organization aims to achieve a diverse composition, in terms of gender balance, regional representation, and professional backgrounds.

The Board is assisted by various subcommittees, as follows:

- The Governance and Audit Committee monitors IFAC’s governance arrangements, the integrity
of IFAC’s financial and non-financial reporting processes and system of internal control, and the independence and performance of the external auditor. It also recommends the appointment of the external auditor to the Council, and provides an avenue of communication between the external auditor, management, and the Board.

- The Planning and Finance Committee monitors IFAC’s risk management, and provides input on IFAC’s strategies and the financial activities required to implement those strategies.

- The Public Policy & Regulation Advisory Group provides guidance, input, and expertise to the IFAC Public Policy & Regulation Department for its development of policy positions, research projects, interactions with external organizations, and other initiatives.

In 2011, the Board commissioned consultants to assist with a self-assessment of its effectiveness. The Governance and Audit Committee is monitoring the development and implementation of recommendations to address the self-assessment findings.

IFAC does not remunerate Board members (including the president and deputy president), or (except for the president) reimburse them for expenses incurred in attending meetings.

**Management**

The chief executive officer, supported by management, is responsible for IFAC’s day-to-day operations and promotion of good governance throughout the organization. The chief executive officer and management provide detailed reports at every Board meeting.

The president, deputy president, and Governance and Audit Committee chair, in consultation with the past president where appropriate, are responsible for setting the chief executive officer’s performance objectives, and reviewing his/her performance and remuneration. The president reports to the Board in this regard.

The chief executive officer is responsible for setting senior management’s (executive directors and directors) performance objectives, and reviewing their performance and remuneration. Senior management is responsible for setting
Member Body Compliance Program, makes recommendations to the Board about membership applications, and collaborates with regional organizations and accountancy groupings. The CAP falls under the oversight of the Public Interest Oversight Board (PIOB).

The Transnational Auditors Committee (TAC) is the executive arm of the Forum of Firms (FoF), and a committee of IFAC. The FoF is an association of international networks of accounting firms that perform transnational audits. It is a separate legal entity independent of IFAC. Members of the FoF have committed to adhere to and promote the consistent application of high-quality audit practices worldwide. The TAC provides the official linkage between the FoF and IFAC and plays a major role in encouraging members of the FoF to meet...
high-quality standards in the practice of international auditing.

Robust and transparent arrangements exist for nominating and appointing members to the boards and committees (see Nominating Committee below).

IFAC also has several constituency-focused committees: the Professional Accountancy Organization (PAO) Development Committee, Professional Accountants in Business (PAIB) Committee, and the Small and Medium Practices (SMP) Committee (see What We Do).

IFAC generally does not remunerate committee members, or reimburse them for expenses incurred in attending meetings. However, IFAC may reimburse the expenses incurred by committee members in attending external events on behalf of IFAC.

**International Standard Setting in the Public Interest**

The International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB) (collectively referred to as the independent standard-setting boards) develop standards and guidance for use by professional accountants. The structures and processes that support the operations of the independent standard-setting boards are facilitated by IFAC. The IAASB, IAESB, and IESBA operate under the oversight of the PIOB. IFAC is currently working to establish public interest oversight for the IPSASB. The independent standard-setting arrangements for auditing and assurance, ethics for professional accountants, and accountancy education encompass a combination of public and private sector roles and provide a structure and process that operate and are seen to operate in the public interest.

Defined public sector roles are the responsibility of the Monitoring Group (MG), the PIOB, the Consultative Advisory Groups (CAGs), and through observer roles on the standard-setting boards. The private sector roles are the responsibility of the independent standard-setting boards, and through the membership on the boards; all members are expected to operate in the public interest.

Legitimacy is achieved through the independence, high levels of transparency, and appropriate levels of performance of the independent standard-setting boards; and through their accountability to stakeholders.

The international standard-setting arrangements have a number of elements designed to ensure and protect the independence of the boards. The first of these is formal, independent, public interest oversight: the PIOB has authority over key elements of the standard-setting structure and process. The MG is responsible for the composition and membership of the PIOB, as well as the PIOB’s budget. IFAC has guaranteed funding for the PIOB to ensure its ongoing operations until 2015, and the PIOB has obtained some external funding from the European Commission. The MG is seeking additional external funding to reduce the funding provided by IFAC. For 2013, the MG has secured additional funding from the Abu Dhabi Accountability Authority, Bank for International Settlements, International Organization of Securities Commissions, UK Financial Reporting Council, and World Bank. All parties recognize that the PIOB being funded primarily by IFAC could be perceived as a threat to independence.

Threats to the independence of members of the independent standard-setting boards are further safeguarded by three other aspects of the process. The first is a highly transparent due process for standard setting that is formally approved by the PIOB. The second is the involvement of the CAGs and observers in the standard-setting process. The third is the requirement that members of the independent standard-setting boards annually sign declarations that they will act in the public interest and with integrity, and will not submit to
any improper influence. In addition, all nominating organizations, and the employing organizations of the chairs of the independent standard-setting boards as appropriate, are required to sign declarations that they will not exert undue influence that might impair the members’ or chairs’ ability to serve or act with independence, integrity, and in the public interest.

IFAC facilitates the nominations and selection process, and provides human resources, facilities management, and financing to the independent standard-setting boards. The nominating organizations provide technical support to their nominees, and reimburse them for expenses incurred in attending meetings. The PIOB is responsible for evaluating the adequacy of funding provided to the independent standard-setting boards. IFAC generally does not remunerate board members, or reimburse them for expenses incurred in attending meetings. Exceptions are as follows: the IAASB and IESBA chairs are remunerated positions; IFAC reimburses the expenses incurred by IAASB and IESBA task force members in attending task force meetings; and IFAC may reimburse the expenses incurred by board members in attending external events on behalf of IFAC.

Transparency is central to the functioning of the independent standard-setting boards, and is reflected in many elements of their structure and process. This includes public access to agenda material, meetings that are open to public observers, and the publication of a basis for conclusions with each final standard to explain how the board has addressed all significant comments from respondents to the exposure draft.

It is important to balance technical expertise of the items on the boards’ agendas with a public interest perspective. The performance of the boards is enhanced through an appropriate representation of members with current or recent technical experience, those with hands-on experience in the implementation and application of the standards, and non-practitioners who represent a range of perspectives and the broader public interest.

Performance also refers to responsiveness and efficiency. To be responsive, the standard-setting process must enable standards to be produced and/or revised in a timely fashion to recognize changed circumstances and respond to the concerns of stakeholders and others affected by the standard-setting process. Efficiency refers both to economic efficiency in relation to standards (i.e., costs vs. benefits), and productive efficiency in relation to the standard-setting process (i.e., inputs consumed vs. outputs produced).

Clearly established mechanisms ensure that the independent standard-setting boards are held accountable, both individually as board members and collectively as a board. There are also appropriate accountability arrangements for other parts of the process, such as the PIOB.

The features described—indepedence, transparency, performance, and accountability—should not be viewed in isolation. The key underlying objective is an integrated system that involves certain trade-offs among these features, given that some features may work in opposition to others.

Further, this need for trade-offs carries implications for the allocation of functions within the overall structure. It implies that a key design feature is the allocation of functions between public and private sectors.

An effective system of shared responsibility for standard setting is able to bridge the divide between principles and practice. In this respect, internal policies and procedures have been established to ensure that the principles upon which the system is designed are reflected in the way the system actually operates and that cooperation between the private and public sector interests in the system of shared responsibility is consistent and highly functional.

**Nominating Committee**

Robust and transparent arrangements exist for nominating, recommending, and appointing members to the Board, the Nominating Committee, and other boards and committees.

The PIOB approves the composition of the IAASB, IAE SB, IESBA, and CAP. The Council elects the Board, president, and deputy president. The

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**31,000**

Approximate number of hours volunteered by members of the independent standard-setting boards
Council approves and recommends to the PIOB the non-ex-officio membership of the Nominating Committee.

The Nominating Committee is guided by the need for transparency in its decision-making process, balanced with privacy and propriety in order to maintain a respectful, fair, and judicious environment. The committee seeks to achieve transparency via regular reporting to the Board, Council, and PIOB regarding its objectives, the process followed during the nominations cycle, and any significant issues that arose as part of that process.

A representative of the PIOB observes those parts of Nominating Committee meetings devoted to the selection of nominees for membership of the IAASB, IAESB, IESBA, and CAP, and for non-ex-officio membership of the Nominating Committee.

In making recommendations on appointments, the Nominating Committee adheres to the principle that the primary criterion for selection of nominees is the best person for the available position, taking into consideration factors such as leadership ability, experience, and other personal skills and attributes. Notwithstanding the foregoing, the committee also takes into consideration geographic balance, industry balance, size of employer, and gender balance.

The Nominating Committee comprises the president and deputy president ex-officio, and no less than five ordinary members. Ordinary members should be members of IFAC member bodies, of whom no more than two may be members of the Board. The chief executive officer is the secretary to the Nominating Committee.

Nominating Committee members (including the president and deputy president) are not remunerated by IFAC; except for the president, their expenses incurred in attending meetings are also not reimbursed.

Our People

IFAC’s global footprint attracts a diverse workforce, with a wide range of nationalities, ages, backgrounds, experiences, and skills that bring a variety of perspectives, enrich the workplace, and make IFAC unique and successful. IFAC strives to provide employees with comprehensive, best-in-class benefits and challenging, interesting work within a context of a collegial and harmonious work environment.

Like most professional organizations, IFAC is only as good as its staff, and we strive to attract and retain skilled, high-performing employees. Our approach to remuneration is designed to position IFAC as a preferred employer. IFAC uses market data, taking into account geography, industry, and required experience, to determine competitive salary ranges and incentives for each job description.

IFAC’s benefits package consists of both complimentary and voluntary coverage for staff and their dependents, including: health, dental, vision, short- and long-term disability, life/accidental death and dismemberment, employee assistance programs—such as worldwide emergency travel and work-life balance assistance—defined contribution and defined benefit plans, professional development and tuition reimbursement, generous paid time off, and paid holidays. Voluntary benefit plans include additional term life and accidental death and dismemberment coverage, flexible spending accounts, accident indemnity, hospital protection, specified disease insurance (heart disease and cancer), and pet insurance. During 2012 IFAC enhanced its pre- and post-tax transit and parking benefits plan.

IFAC is committed to the health, safety, and welfare of our staff; we maintain employment policies in this regard and also provide a wide range of health and wellness benefits. IFAC’s employment policies are included in the Employee Handbook and include: Equal Employment Opportunity Policy; Anti-Harassment Policy; Sexual Harassment Policy; and Whistleblower Policy. During 2012, IFAC established a Workplace Violence Policy and communicated it to all staff, and also provided workplace harassment prevention training.
In addition, we offer a number of health and wellness benefits in our offices. These include weekly yoga classes offered periodically throughout the year; safety and security training; annual flu immunizations; and annual health fairs.

IFAC works to develop its people and their capabilities through internal and external professional development training as well as educational assistance. Human resources and management strive to support staff by recommending classes and approving time out of the office to support staff in achieving their professional development goals.

Every year, Human Resources conducts training on goal setting, and all staff are required to work with their supervisors to develop specific, measurable, realistic, achievable performance and developmental goals that are aligned with departmental and organizational goals. At the end of the year, staff first conduct self-evaluations to assess the completion of their goals, in addition to their demonstration of organizational values and performance according to role-specific competencies. Supervisors then evaluate their direct reports and meet one-on-one to discuss achievements and areas for improvement. In 2012, we streamlined the performance evaluation process by clarifying the competency descriptions and customizing the competencies to align with each role. In 2013, we’ll be looking for more ways to encourage staff to track and update their goals throughout the year as priorities and needs change. Performance evaluations are one of the metrics used to determine performance-related bonuses, raises, and promotions.

During 2012, IFAC conducted its first employee engagement survey to identify strengths as well as areas for improvement and make IFAC a better, more productive, and more positive place to work. The survey received a very high response rate, and the overall results were positive.

The survey showed that employees feel they understand IFAC’s vision, mission, and values, and how their roles contribute to departmental and organizational goals. The majority of employees know what is expected of them in their work, are challenged, and feel their positions make good use of their skills and abilities. In addition, a strong majority believe they are treated with respect, both by managers and colleagues. Job satisfaction also received good ratings. Four topics elicited higher levels of concern or dissatisfaction from employees: communication (from senior management to staff), team building, performance management and feedback, and learning and development.

During 2013, we will be delving into these areas further and working with employees to develop a plan to improve these and other areas. The survey will be conducted annually.

Other new initiatives launched in 2012 include on-site and web-based anti-harassment training and a series of on-site lunch-and-learn professional development classes for New York-based staff, including email etiquette and conflict resolution training.

IFAC’s Risks

IFAC operates in a complex and rapidly changing global environment. To accomplish its mission, IFAC pursues opportunities and provides services that may pose external or internal risk. Accordingly, IFAC’s policy is to apply an enterprise risk management framework with clear roles and responsibilities in the identification and management of risk, and to ensure that effective management of risk is a core competency.

Risk management is an integral part of IFAC’s strategic planning process. Management monitors the environment and, in consultation with the Board, uses a systematic process to identify and assess the risks that may cause IFAC not to achieve its mission, and develop and implement actions to mitigate those risks. This risk identification and assessment helps management, in consultation with the Board, select services and allocate resources in order to have the greatest effect on the outcomes IFAC aims to influence.

Languages spoken by IFAC staff

New hires in 2012

26

11
Management, in consultation with the Board, has identified the following top five strategic risks: 

1. Insufficient funding (from current sources). IFAC needs sufficient resources to deliver its services and be able to respond to critical developments. In 2012, despite unbudgeted costs associated with responses to changes in the environment, IFAC was able to significantly limit the deficit to $236,647. Work on alternative funding strategies that will reduce pressure on current sources of funding also progressed during the year.

2. Loss of intellectual resources and the ability to attract and retain a diverse and highly qualified staff and volunteer base. IFAC needs highly qualified staff and volunteers to deliver the services that make up the strategy. During 2012, IFAC remained committed to the development and retention of staff across all functions. More on this topic can be found under Our People. The Nominating Committee received 194 nominations of highly qualified candidates for positions on the boards and committees in 2013, and recommended 73 candidates for re-appointment or appointment. The committee continued to improve gender balance as well as PAIB and SMP representation on the boards and committees. In 2012, the committee also recommended modifications to the annual call for nominations; in particular, it encouraged nominations from the BRICS countries (Brazil, Russia, India, China, and South Africa).

3. The failure to identify, prioritize, and render services to meet conflicting demands of stakeholders. IFAC must balance the needs of a very diverse group of stakeholders with a limited pool of resources. During 2012, IFAC successfully implemented many recommendations that came out of its reviews of constituency-focused activities and services. IFAC will continue to mitigate this risk by working with its member organizations to take an inclusive approach that supports the diverse needs of PAIBs, SMPs and their small- and medium-sized entity clients, and the accountancy profession in developing and
transitional economies. The services delivered in 2012 to meet these needs can be found in the Service Delivery Statement.

4. **Loss of position as the representative voice of the global profession.** IFAC collaborated with member organizations to leverage their combined expertise in speaking out on issues affecting the accountancy profession and the public it serves. Specifically, IFAC focused on:
   - commenting on issues that directly relate to the accountancy profession;
   - developing and maintaining relationships with other organizations as appropriate;
   - participating in global, regional, and national forums; and
   - developing policy positions that address issues relevant to the global accountancy profession.

More detail on the services delivered, which comprise IFAC’s efforts to be proactive and relevant, can be found in the Service Delivery Statement.
IFAC Board
(November 2011 to November 2012)

Göran Tidström, President, Sweden
Warren Allen, Deputy President, New Zealand
Abdeljelil Bouraoui, Tunisia
Ramon Casals Creus, Spain
Kevin Dancey, Canada
Ingrid Doerga, the Netherlands
Ana Maria Elorrieta, Brazil
Rachel Grimes, Australia
Ahmadi Hadibroto, Indonesia
Robert Harris, United States
Robert Hodgkinson, United Kingdom
Japheth Katto, Uganda
Olivia Kirtley, United States
Norbert Pfitzer, Germany
Jacques Potdevin, France
Ganapathy Ramaswamy, India
Marta Rejman, United Kingdom
Roberto Resa, Mexico
Makoto Shinohara, Japan
Masum Turker, Turkey
Steve Vieweg, Canada
Zhiguo Yang, China

IFAC Committees
(January 1, 2012 to December 31, 2012)

Compliance Advisory Panel
Manuel Sánchez y Madrid, Chair, Mexico
James Dickson, Deputy Chair, Australia
Kathryn Byrne, United States
Angelo Casò, Italy
Caroline J. Kigen, Kenya
Hao (Phoebe) Yu, China

Nominating Committee
Göran Tidström, President, Sweden
Warren Allen, Deputy President, New Zealand
Abdeljelil Bourou, Tunisia
Juan Carlos Cincotta, Argentina
Margaret Parker, Australia
David Smith, Canada
Judy Tsui, China
Sir David Tweedie, United Kingdom

Professional Accountancy Organization Development Committee
Deborah J. Williams, Chair, United Kingdom
Ahmad Almeghames, Deputy Chair, Saudi Arabia
Devika Mohotti, Australia
Jean Precourt, Canada
Zhuoqi Zhang, China
Amarjit Chopra, India
Ardiana Bunjaku, Kosovo
Shabbar Zaidi, Pakistan
Milton Ayon, Panama
Aldona Kamela-Sowinska, Poland
Carmen Mataragiu, Romania
Gary Scopes, United States
Irene Lombe Ng’andwe, Zambia

Observers
Ms. Tatiana Krylova, UNCTAD
Ms. Samia Msadek, World Bank

82 Volunteers serve on the IFAC Board and IFAC committees
Professional Accountants in Business Committee
Roger Tabor, Chair, United Kingdom
John Cahill, Deputy Chair, Australia
Elena Andrews, Australia
Fredrick M. Banda, Zambia
Karyn Brooks, Canada
Susanna Chiu, Hong Kong (Special Administrative Region of China)
Hugh Evans, United Kingdom
Cristina Maria Ivan, Romania
Alan Johnson, United Kingdom
Henny Kapteijn, the Netherlands
Keith Luck, United Kingdom
Stephen Lugalia, Kenya
Vittorio Lusvarghi, Italy
Athalanallur Natarajan Raman, India
Ian Rushby, United Kingdom
Todd Scaletta, Canada
William Schneider, United States
Yacoob Suttar, Pakistan

Transnational Auditors Committee
VOTING REPRESENTATIVES
David Maxwell, Chair, Grant Thornton International Ltd
Jean-Luc Barlet, Mazars
Roderick Devlin, KPMG International Cooperative
Karen Golz, Ernst & Young Global Limited
Chuck Horstmann, Deloitte Touche Tohmatsu Limited
David Isherwood, BDO
Kenneth Chatelain, PricewaterhouseCoopers International
Andrew Nicholl, Moore Stephens International Limited
Peter Stefanou, Russell Bedford International
Theodorus Vermaak, PKF International Limited
Wes Williams, Crowe Horwath International

ALTERNATES
Marc Biquard, Constantin Associates Network
John Capper, RSM International Limited
Graham Gilmour, PricewaterhouseCoopers International
Gilles Hengoat, Grant Thornton International Ltd
Susan Lister, BDO
Danita Ostling, Ernst & Young Global Limited
Marilyn Pendergast, UHY International Limited
Edelfried Schneider, HLB International
Jens Simonsen, Deloitte Touche Tohmatsu Limited
Sylvia Smith, KPMG International Cooperative
Mohammed Yaqoob, Nexia International

Small and Medium Practices Committee
Giancarlo Attolini, Chair, Italy
Brian Bluhm, Deputy Chair, United States
Abdulwahid Aboo, Kenya
Uttam Prakash Agarwal, India
Albert Au, Hong Kong (Special Administrative Region of China)
Stuart Black, Australia
David Chitty, United Kingdom
Philip Cowperthwaite, Canada
Christina Foo, Malaysia
Cemal Ibis, Turkey
Chen Longwei, China
Dorothy Ngwira, Malawi
Andreas Noodt, Germany
Nnamdi Okwuadiigbo, Nigeria
Mats Olsson, Sweden
Ricardo Rodil, Brazil
Inge Saey, Belgium
Florin Toma, Romania

Meetings held in person by IFAC Board and IFAC committees in 2012
23
Members
(As at December 31, 2012)

173
IFAC members and associates at year-end 2012

ALBANIA
• Institute of Authorized Chartered Auditors of Albania

ARGENTINA
• Federación Argentina de Consejos Profesionales de Ciencias Económicas

AUSTRALIA
• CPA Australia
• The Institute of Chartered Accountants in Australia
• Institute of Public Accountants

AUSTRIA
• Institut Österreichischer Wirtschaftsprüfer
• Kammer der Wirtschaftstreuhänder

AZERBAIJAN
• The Chamber of Auditors of Azerbaijan Republic

BAHAMAS
• The Bahamas Institute of Chartered Accountants

BAHRAIN
• Bahrain Accountants Association

BANGLADESH
• The Institute of Chartered Accountants of Bangladesh
• The Institute of Cost and Management Accountants of Bangladesh

BARBADOS
• The Institute of Chartered Accountants of Barbados

BELGIUM
• Institut des Experts-comptables et des Conseils Fiscaux—Instituut Van de Accountants en de Belastingconsulenten
• Instituut van de Bedrijfsrevisoren—Institut des Réviseurs d’Entreprises

BOLIVIA
• Colegio de Auditores de Bolivia

BOSNIA AND HERZEGOVINA
• Association of Accountants and Auditors of Republic Srpska

BOTSWANA
• Botswana Institute of Chartered Accountants

BRAZIL
• Conselho Federal de Contabilidade
• Instituto dos Auditores Independentes do Brasil

BULGARIA
• Institute of Certified Public Accountants of Bulgaria

CAMEROON
• The Institute of Chartered Accountants of Cameroon

CANADA
• The Canadian Institute of Chartered Accountants
• Certified General Accountants’ Association of Canada
• CMA Canada

CHILE
• Colegio de Contadores de Chile

CHINA
• The Chinese Institute of Certified Public Accountants

CHINESE TAIWAN
• Federation of CPA Associations of Chinese Taiwan

COLOMBIA
• Instituto Nacional de Contadores Públicos de Colombia

COSTA RICA
• Colegio de Contadores Públicos de Costa Rica

CROATIA
• Croatian Association of Accountants and Financial Experts

CYPRUS
• The Institute of Certified Public Accountants of Cyprus

CZECH REPUBLIC
• Chamber of Auditors of the Czech Republic
• Union of Accountants of the Czech Republic

DENMARK
• FSR—danske revisorer

DOMINICAN REPUBLIC
• Instituto de Contadores Públicos Autorizados de la República Dominicana
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<tr>
<th>Country</th>
<th>Organization</th>
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<tr>
<td>EGYPT</td>
<td>The Egyptian Society of Accountants &amp; Auditors</td>
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<td>ESTONIA</td>
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<td>Conseil Supérieur de l’Ordre des Experts-Comptables</td>
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<td>GEORGIA</td>
<td>Georgian Federation of Professional Accountants and Auditors</td>
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<td>GERMANY</td>
<td>Institut der Wirtschaftsprüfer</td>
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Members
(As at December 31, 2012)

KOSOVO
• Society of Certified Accountants and Auditors of Kosovo

KENYA
• Institute of Certified Public Accountants of Kenya

KOREA, REPUBLIC OF
• Korean Institute of Certified Public Accountants

KUWAIT
• Kuwait Association of Accountants and Auditors

LATVIA
• Latvian Association of Certified Auditors

LEBANON
• Lebanese Association of Certified Public Accountants

LESOTHO
• Lesotho Institute of Accountants

LIBERIA
• The Liberian Institute of Certified Public Accountants

LITHUANIA
• Lithuanian Chamber of Auditors

LUXEMBOURG
• Institut des Réviseurs d’Entreprises

MADAGASCAR
• Ordre des Experts Comptables et Financiers de Madagascar

MALAWI
• The Society of Accountants in Malawi

MALAYSIA
• Malaysian Institute of Accountants
• The Malaysian Institute of Certified Public Accountants

MALTA
• The Malta Institute of Accountants

MEXICO
• Instituto Mexicano de Contadores Públicos, A.C.

MOLDOVA, REPUBLIC OF
• Association of Professional Accountants & Auditors of the Republic of Moldova

MONGOLIA
• Mongolian Institute of Certified Public Accountants*

MOROCCO
• Ordre des Experts Comptables du Royaume du Maroc

NAMIBIA
• Institute of Chartered Accountants of Namibia

NEPAL
• The Institute of Chartered Accountants of Nepal

NETHERLANDS
• Nederlandse Beroepsorganisatie van Accountants (Formerly Koninklijk Nederlands Instituut van Registeraccountants; name change effective January 2013)

NEW ZEALAND
• New Zealand Institute of Chartered Accountants

NICARAGUA
• Colegio de Contadores Públicos de Nicaragua

NIGERIA
• The Institute of Chartered Accountants of Nigeria

NORWAY
• Den Norske Revisorforening

PAKISTAN
• The Institute of Chartered Accountants of Pakistan
• Institute of Cost and Management Accountants of Pakistan

PANAMA
• Colegio de Contadores Públicos Autorizados de Panamá

PARAGUAY
• Colegio de Contadores de Paraguay

PERU
• Junta de Decanos de Colegios de Contadores Públicos del Peru

PHILIPPINES
• Philippine Institute of Certified Public Accountants

Approximate number of professional accountants represented by IFAC members and associates worldwide

2.5M

Approximate number of professional accountants represented by IFAC members and associates worldwide
POLAND
- Accountants Association in Poland
- National Chamber of Statutory Auditors

PORTUGAL
- Ordem dos Revisores Oficiais de Contas

ROMANIA
- The Chamber of Financial Auditors of Romania
- Corpul Expertilor Contabili si Contabililor Autorizati din Romania

RUSSIAN FEDERATION
- The Institute of Professional Accountants of Russia
- Russian Collegium of Auditors

SAUDI ARABIA
- Saudi Organization for Certified Public Accountants

SERBIA
- Serbian Association of Accountants and Auditors

SIERRA LEONE
- The Institute of Chartered Accountants of Sierra Leone

SINGAPORE
- Institute of Certified Public Accountants of Singapore

SLOVAKIA
- Slovenska Komora Auditorov

SLOVENIA
- The Slovenian Institute of Auditors

SOUTH AFRICA
- The South African Institute of Chartered Accountants
- The South African Institute of Professional Accountants

SPAIN
- Instituto de Censores Jurados de Cuentas de España

SRI LANKA
- The Institute of Chartered Accountants of Sri Lanka

SWAZILAND
- Swaziland Institute of Accountants

SWEDEN
- FAR

SWITZERLAND
- Treuhand-Kammer—Swiss Institute of Certified Accountants and Tax Consultants

TANZANIA, UNITED REPUBLIC OF
- National Board of Accountants and Auditors

THAILAND
- Federation of Accounting Professions

TRINIDAD AND TOBAGO
- The Institute of Chartered Accountants of Trinidad & Tobago

TUNISIA
- Ordre des Experts Comptables de Tunisie

TURKEY
- Expert Accountants’ Association of Turkey
- Union of Chambers of Certified Public Accountants of Turkey

UGANDA
- Institute of Certified Public Accountants of Uganda

UKRAINE
- Ukrainian Federation of Professional Accountants and Auditors

UNITED KINGDOM
- The Association of Chartered Certified Accountants
- The Chartered Institute of Management Accountants
- The Chartered Institute of Public Finance and Accountancy
- The Institute of Chartered Accountants in England & Wales
- The Institute of Chartered Accountants of Scotland
- Institute of Financial Accountants
- Association of Accounting Technicians*

UNITED STATES
- American Institute of Certified Public Accountants

* Admitted by the IFAC Council in November 2012
Members
(As at December 31, 2012)

URUGUAY
• Colegio de Contadores, Economistas y Administradores del Uruguay

VIETNAM
• Vietnam Accounting Association

ZAMBIABWE
• Zambia Institute of Chartered Accountants

ZIMBABWE
• The Institute of Chartered Accountants of Zimbabwe

ALBANIA
• Instituti i Kontabilistëve të Miratuar

ARMENIA
• Association of Accountants and Auditors of Armenia

BENIN
• Ordre des Experts-Comptables et Comptables Agréés du Bénin

BOSNIA AND HERZEGOVINA
• Union of Accountants, Auditors and Financial Workers of Federation of Bosnia and Herzegovina

BRUNEI DARUSSALAM
• Brunei Darussalam Institute of Certified Public Accountants

CAMBODIA
• Kampuchea Institute of Certified Public Accountants and Auditors

CAYMAN ISLANDS
• Cayman Islands Society of Professional Accountants

CROATIA
• Croatian Audit Chamber

EL SALVADOR
• Instituto Salvadoreño de Contadores Públicos

IRELAND
• Accounting Technicians Ireland

KAZAKHSTAN
• Chamber of Professional Accountants of the Republic of Kazakhstan

KYRGYZSTAN
• Union of Accountants and Auditors

LUXEMBOURG
• Ordre des Experts-Comptables du Luxembourg

MACEDONIA, THE FORMER YUGOSLAV REPUBLIC OF
• Institute of Certified Auditors of the Republic of Macedonia

MAURITIUS
• Mauritius Institute of Professional Accountants

MEMBERS AND ASSOCIATES
BY REGION

- North America 2%
- Latin America-Caribbean 14%
- Europe 39%
- Australasia-Oceania 4%
- Asia 19%
- Africa-Middle East 22%

Associates
(As at December 31, 2012)
Affiliates
(As at December 31, 2012)

MONTENEGRO
• Institute of Accountants and Auditors of Montenegro
• Institute of Certified Accountants of Montenegro

NIGERIA
• The Association of National Accountants of Nigeria*

PAKISTAN
• Pakistan Institute of Public Finance Accountants

PAPUA NEW GUINEA
• Certified Practising Accountants Papua New Guinea

PORTUGAL
• Ordem dos Técnicos Oficiais de Contas*

RUSSIAN FEDERATION
• Audit Chamber of Russia
• The Institute of Professional Accountants*

RWANDA
• Institute of Certified Public Accountants of Rwanda*

SENEGAL
• Ordre National des Experts Comptables et Comptables Agréés du Sénégal

TOGO
• Ordre National des Experts-Comptables et des Comptables Agréés du Togo*

SRI LANKA
• Association of Accounting Technicians of Sri Lanka
• Institute of Certified Management Accountants of Sri Lanka

UKRAINE
• Ukrainian Association of Certified Accountants and Auditors

UZBEKISTAN
• National Association of Accountants and Auditors of Uzbekistan

NETHERLANDS
• Nederlandse Orde van Register EDP-Auditors

UNITED STATES
• Information Systems Audit and Control Association
• The Institute of Internal Auditors
• National Association of State Boards of Accountancy

Regional Organizations
(As at December 31, 2012)

• Confederation of Asian and Pacific Accountants
• Fédération des Experts Comptables Européens
• Interamerican Accounting Association
• Pan African Federation of Accountants*

Accountancy Groupings
(As at December 31, 2012)

• Association of Accountancy Bodies of West Africa
• Eurasian Council of Certified Accountants and Auditors
• Fédération des Experts-Comptables Méditéranéens
• Fédération Internationale des Experts Comptables Francophones
• The Institute of Chartered Accountants of the Caribbean
• South Asian Federation of Accountants

* Admitted/recognized by the IFAC Council in November 2012

6 New associates admitted
The Role of the Auditor in Changing Times

Now that 2012 is behind us, is there any overarching message—a common denominator or a red thread—that one could identify as characteristic for the past year in terms of international standard setting? If I were to choose one common feature, it would be the significant changes in the role of the auditor that underlie some of the most significant projects dealt with by the Public Interest Activity Committees (PIACs).¹ Three items, for which public interest is a substantive component, come to mind: auditor reporting, the auditor’s activity contributing to prudential supervision, and the role of the auditor when confronted with a suspected illegal act. All three underscore the auditor’s role and position in serving the public interest. In that sense, they attract considerable interest from the Public Interest Oversight Board (PIOB).

The International Auditing and Assurance Standards Board (IAASB)’s seminal work on auditor reporting is likely to mark a fundamental change in the auditor’s role. An improved and expanded auditor’s report, providing more relevant information about the audited entity, would certainly benefit users, regulators, and supervisors and, therefore, would be a strong contribution to the public interest. An enhanced report would better reflect the nature and extent of the work performed by the auditor, indicating what ultimately supports the auditor’s opinion on the financial statements. Beyond the formal verification of data, a more informative auditor’s report would better support the entity’s financial statements, strengthening their credibility and public confidence, especially in relation to public interest entities.

As a consequence of the financial crisis, investors and other stakeholders in financial reporting want to be better informed about crucial issues, such as the continuity of entities under the difficult business climate that we have known in recent years. The auditor’s assessment of the appropriateness of management going concern assumptions and related decision-making procedures, material uncertainties, remuneration reporting, valuation of goodwill or of financial instruments are some of the more salient components that would increase the value of the auditor’s report as an information and decision-making tool for the various users and stakeholders. By highlighting these more judgmental elements, the proposals would broaden the message given by the audited financial statements from reflecting “a fair representation” of the audited entity to more generally indicating that its business is run in a way that inspires credibility and confidence.

Although the final standard on auditor reporting is still some way off, this new way of thinking about the role of the auditor in serving the public interest is quite significant and is welcomed by the PIOB, as it will enhance the role of the auditor and value of the audit.

The role of the auditor in financial institutions has also triggered renewed attention, in particular, from the Basel Committee on Banking Supervision, and Financial Stability Board (FSB). Here again the public interest aspect of the auditor’s role will come clearly to the fore.

The relationship of the prudential supervisor with the auditor of financial institutions has in the past been organized in very different ways. This relationship is undoubtedly an important aspect of the auditor’s role and is expected to be addressed in a statement from the Basel Committee in the first half of 2013. One can expect the external auditor to be involved in the risk management and internal control procedures, reviewing the efficiency and effectiveness of internal risk control measures, and if needed contributing to strengthening their effectiveness. He or she will report findings to the audit committee.

The FSB on its side has launched an initiative to improve financial institution risk disclosures. In the first stage, it will mainly deal with the risk disclosures as mentioned in annual reports. A task force, in which external auditors take part, has been formed to discuss the roles of those stakeholders.
directly involved in risk transparency and risk management and related disclosures, in progressing these areas.

In all these cases, the professional accountant—whether the external auditor or professional accountant in business—will play a more prominent role in the prudential framework and will be addressed directly by the prudential supervisors. In both initiatives, the public interest as the stability of the financial system will be the guiding force.

A third project that may change the position of the auditor is the work of the International Ethics Standards Board for Accountants (IESBA) regarding suspected illegal acts. The basic concern is that when an auditor comes across an activity that is a suspected breach of the law, this activity—at least if it is sufficiently grave and widespread—should not be continued as it might endanger the audited entity as a whole. For the auditor, the dilemma is whether to withdraw from the assignment and leave matters unsolved, or to act in order to confirm or dispel the suspicion, elevating the issue as needed. Withdrawal is not a very satisfactory course of action as the illegal activity will continue and may, sooner or later, fatally undermine the company, causing harm to numerous victims: remember Enron.

Termination of the client engagement would of course give a strong signal to the market, but it may go unnoticed, especially with unlisted entities. The second approach is of course much more difficult: in terms of standard setting, structuring balanced solutions will demand able craftsmanship. First, a suspected illegal act has to be established and external advice will often be necessary. Elevating the issue to the entity’s management, audit committee, and/or the board in plenum will usually lead to resolution, but if this is not the case, it should be disclosed to some external authority. This may be a professional organization, but at the end of the day, the public authorities, e.g., the banking supervisors or securities supervisors will have to be informed. This practice exists already in several jurisdictions, whether for all violations of the law as in France, where the public prosecutor has to be informed, or only for specific ones, such as money laundering.

Objections will be raised in some jurisdictions where protections for whistleblowers are deficient, absent, or even worse.

These three initiatives converge into one single idea, i.e., the increasingly significant role professional accountants play in serving the wider public interest, beyond the individual interests of the entities they serve. As gatekeepers in defending public confidence, they are increasingly seen as a key channel between individual entities and the wider public interest and will be crucial to increasing public confidence.

From that perspective, the PIOB welcomes this evolution, which is in line with its own objectives and contributes to the realization of its statutory purpose.

Eddy Wymeersch
It was a great honor for me to take over as chair of the Consultative Advisory Group (CAG) of the International Accounting Education Standards Board (IAESB) effective January 1, 2012.

**Objective and Scope of Activities**

I am pleased to report that the work of the IAESB CAG during 2012 has continued to focus on the IAESB’s initiative to revise and redraft its suite of eight International Education Standards (IESs). In providing directional advice on the board’s current work plan, technical advice on the revision of its standards, and strategic advice on the development of the 2014–2016 IAESB Strategy and Work Plan, the CAG continues to meet its objective of providing advice to the IAESB as it advances its agenda.

**Meetings and Membership**

The 2012 CAG meetings were held in Dublin in February and New York in September and via teleconference in April. As chair I also attended all IAESB meetings and three IAESB Steering Committee teleconferences during the year to observe how the CAG’s advice was considered by the board.

The CAG’s membership remained at 16 organizations during 2012.

**KEY HIGHLIGHTS FOR 2012**

**ADVICE ON PROJECTS**

The CAG has continued to contribute advice on issues relating to revising and redrafting all eight IESs. At the request of the CAG, all IESs are: (1) principles-based; (2) clarified, based on the IAESB drafting conventions on clarity; and (3) consistent with concepts of the Framework for International Education Standards for Professional Accountants (2009). Specifically, the CAG’s advice has led to improvements in developing the following:

- Final versions of IESs 1, 5, and 6 (June–October);
- Exposure Drafts for IESs 2, 3, 4, and 8 (June); and
- Guidance on the implementation of IES 8 and on the implementation of a learning outcomes approach to professional accounting education.

**ADVICE ON THE IAESB’S 2014–2016 STRATEGY AND WORK PLAN**

CAG members provided input into the development of the 2014–2016 IAESB Strategy and Work Plan. More specifically, the CAG contributed to identifying emerging educational issues and trends, defining strategic priorities, and articulating the IAESB’s value proposition. This enabled the IAESB to develop a preliminary view on its strategic priorities and, in particular, which projects and activities it should consider for the 2014–2016 period.

**Communications**

The CAG also provided advice on the 2012 IAESB Communications Plan. This advice has led to improvements in clarifying the communications messages and identifying target audiences. The CAG also provided advice on the Monitoring Group’s review and IFAC’s review of the Statements of Membership Obligations.

In the period covered by this report, I and CAG members have increased awareness of the IAESB’s activities by making presentations at international events (e.g., 35th Annual European Accounting Association Congress, 19th Brazilian Congress of Accounting, and Finance Association of Australia and New Zealand 2012 Conference) and by being present at additional events (e.g., opening ceremonies of National Association of Accounting and Business Administration School’s Annual Congress; Fédération des Experts Comptables Européens’ 25th Anniversary; and the Institute of Chartered Accountants in England and Wales’ hosted dinner).

**Conclusion**

I would like to thank the members of the CAG for their commitment and contribution to the IAESB agenda. I would also like to thank the members of
the IAESB and, in particular, the chairs of the IAESB task forces for the efficient way in which the various issues and draft documents are presented to the CAG. Finally, I would like to express my thanks to the staff of IFAC for their excellent support of the CAG.

**Member Organizations**

Accounting and Finance Association of Australia and New Zealand
American Accounting Association
Association to Advance Collegiate Schools of Business
Confederation of Asian and Pacific Accountants
European Accounting Association
European Federation of Accountants and Auditors for SMEs
Fédération des Experts Comptables Européens
Financial Reporting Council, United Kingdom
International Accounting Standards Committee Foundation
National Association of State Boards of Accountancy
Professor from Fucape Business School, Brazil
Public Accountants Council, Ontario, Canada
Public Company Accounting Oversight Board, United States
South African Independent Regulatory Board for Auditors
South Asian Federation of Accountants
US Agency for International Development
The Path Behind Us

In 2011 I reported on change and how, mostly as a result of the financial crisis, the ground is moving under the feet of the auditing profession. I noted that the introspection into our own role and processes in 2010 and 2011 was followed by a deepened determination to embrace and drive change in the public interest. Therefore, in 2012 the Consultative Advisory Group (CAG) aimed to continue focusing strongly on the changes and enhancements required.

Role of the CAG

The CAG was established in 1999 as a body of independent organizations who are important stakeholders of the auditing profession. The CAG is not a decision-making body, neither is it a governance oversight structure. It has a leadership role to play in consulting and advising the International Auditing and Assurance Standards Board (IAASB) on what and where changes are required insofar as the agenda and the direction of projects of the IAASB are concerned.

Leadership

Leadership is needed to identify and execute whatever changes are required. The IAASB, with the CAG as its advisory structure, are continuously displaying such leadership in the identification and execution of projects in serving the public interest. 

Quoting the words of my internationally recognized countryman, Nelson Mandela, on leadership: It is no use to surround yourself with yes-men. It is important to surround yourself with strong and independent personalities.

I believe that the chair of the IAASB, Prof. Arnold Schilder, lives this at every CAG and IAASB meeting. The individual members of the CAG and IAASB are not always in agreement with one another, nor can they be described as “yes-men.” However, there is a strong sense of urgency to act. For us, knowing that change is required is not enough; neither is just a willingness only to address the need for change—we all know that we must take action.

Leadership in Action—The Auditor Reporting Project

Never was this more evident than in the Auditor Reporting Project. This is a challenging topic with very diverse views. On one hand, a big portion of the analyst, investor, and regulatory communities are calling for enhanced reporting by auditors and more communication on auditors’ insights. On the other hand, some preparers, audit committees, and auditors are concerned about the risks, possible liabilities, and blurring of roles in doing so.

Despite this, and thanks to the leadership displayed, the project made significant progress in 2012 through ongoing discussion and consultation and a strong motivation to improve the current auditor reporting regime.

The CAG Agenda in 2012: Focusing on Our Interconnected World

We had two meetings in 2012—in March in Brussels and in September in New York. The September meeting was preceded by a North American roundtable on auditor reporting, which was attended by many of the CAG members.

In addition to focusing on auditor reporting, CAG agenda time was also, inter alia, allocated to the proposed Framework for Audit Quality, disclosures, and more overarching projects on general and limited assurance. All of these are important in paving the way for auditors to provide assurance in the future on both financial and non-financial information and to enhance the interconnectedness between auditors and other players in the reporting supply chain, such as preparers, audit committees, regulators, and investors.
In Conclusion

Sincere thanks to the members of the CAG and their organizations who are committed to giving high-quality input, often beyond the normal call of duty, to the international audit standard-setting process. A word of thanks also goes to the IAASB and its technical staff for the manner in which they consider, debate, and report back on their action and decisions for every CAG comment raised.

There is a saying: *Lead, follow, or get out of the way!* Now, more than ever, will the CAG and the IAASB have to take the lead in acting in the best interest of the public when setting international standards for auditors.

Member Organizations

Asian Financial Executives Institutes
Associação Brasileira de Instituições Financeiras de Desenvolvimento
Basel Committee on Banking Supervision
BUSINESSEUROPE
CFA Institute
European Commission
European Federation of Accountants and Auditors for SMEs
European Financial Executives Institutes
Fédération des Experts Comptables Européens
Gulf States Regulatory Authorities
Information Systems Audit and Control Association
Institute of Internal Auditors
International Accounting Standards Board
International Actuarial Association
International Association of Insurance Supervisors
International Bar Association
International Corporate Governance Network
International Organization of Securities Commissions
International Organization of Supreme Audit Institutions
International Valuation Standards Council
Islamic Financial Services Board
Japan Securities Dealers Association
National Association of State Boards of Accountancy
North American Financial Executives Institutes
Organisation for Economic Cooperation and Development
Sri Lanka Accounting and Auditing Standards Monitoring Board
United Nations Conference on Trade & Development
World Bank
World Federation of Exchanges

Observers

Financial Services Agency, Japan
International Monetary Fund
Public Company Accounting Oversight Board, United States
Objective and Scope of Activities

The Consultative Advisory Group (CAG) of the International Ethics Standards Board for Accountants (IESBA) provides technical advice on projects of the IESBA and advice on its agenda and priorities.

Meetings and Membership

In 2012, the IESBA CAG met twice—in Brussels in March and in New York in September. In order to represent the views of CAG members, I attended the three IESBA meetings and two conference calls, and five IESBA Planning Committee meetings during the year.

Key Highlights for 2012

During 2012, the CAG provided advice to the IESBA in relation to its key initiatives:

- Breach of a Provision of the Code—This project was the subject of a public consultation that closed in January, following which the IESBA refined its proposals. The proposals were the subject of in depth dialogue between the IESBA and the CAG, which resulted in the IESBA’s approval of final amendments to the Code of Ethics for Professional Accountants (the Code) at its meeting in December. In my view, this particular project has demonstrated the benefits that can flow from healthy debate between a standard setter and an advisory body such as the CAG.

- Conflicts of Interest—This project progressed in 2012 following the release of the Exposure Draft in December 2011. The CAG had the opportunity to provide input to the approach to be adopted and the changes to the Code. The IESBA approved final amendments at its December meeting.

- Responding to a Suspected Illegal Act—At each of its meetings, the CAG received a report on this difficult and complex project, which addresses the circumstances in which a professional accountant would be required or permitted to override the fundamental principle of confidentiality and report an illegal act to an appropriate authority. This project is particularly challenging because expectations of professional accountants vary from jurisdiction to jurisdiction, as do the consequences of making such reports given the differing legal environments.

- Definition of Engagement Team—Arising out of a project being undertaken by the International Auditing and Assurance Standards Board (IAASB), the IESBA was asked to reconsider the definition of the term “engagement team” in the Code. Following a public consultation on a revised definition and appropriate meetings of the board and CAG, the IESBA approved amendments to the definition in January 2013.

- At a time when financial reporting and the role of the accountancy profession are subject to considerable governmental and public scrutiny, these projects are of particular importance to maintaining confidence in financial reporting and auditing, and to the reputation and standing of accountants—whether in practice or in business.

Conclusion

The CAG has been very fortunate to have had the benefit of the experience and advice of a number of individuals since its inception, and I would like to record my personal appreciation of their contribution and support.

In that context, I would like to extend my personal thanks to Ken Dakdduk, whose term as IESBA chair ended in September, for his immense contribution to the board. I look forward to working with Jörgen Holmquist, who took the helm as IESBA chair, to strengthen and enhance the work of the IESBA.

The delivery of the IESBA’s remit depends upon a constructive engagement between the IESBA, its task forces, and the CAG and upon the support provided by the IESBA staff, to all of whom I am very grateful. I also want to record my gratitude for the invaluable support that Jan Munro provided in her ten years of service with the IESBA.
Member Organizations
Asian Financial Executives Institutes
Basel Committee on Banking Supervision
BUSINESSEUROPE
CFA Institute
European Commission
European Federation of Accountants and Auditors for SMEs
European Federation of Financial Executives Institutes
Financial Reporting Council, United Kingdom
Fédération des Experts Comptables Européens
Gulf States Regulatory Authorities
Institute of Internal Auditors
International Association of Insurance Supervisors
International Organization of Securities Commissions
International Organization of Supreme Audit Institutions
National Association of State Boards of Accountancy
North American Financial Executives Institutes
Organisation for Economic Cooperation and Development
Sri Lanka Accounting and Auditing Standards Monitoring Board
World Bank
World Federation of Exchanges

Observers
IFAC Small and Medium Practices Committee
Public Company Accounting Oversight Board, United States
Independent Standard-Setting Boards
(January 1, 2012 to December 31, 2012)

International Accounting Education Standards Board

PUBLIC MEMBERS
Chris Austin, United Kingdom
Kazuo Hiramatsu, Japan
Edward Kieswetter, South Africa

NON-PRACTITIONERS
Peter Wolnizer, Chair, Australia
Mohammed Saleem Kharwa, Deputy Chair, South Africa
Kim Langfield-Smith, Australia
Sylvia Meljem, Mexico
Dennis Reigle, United States
Clare Minchington, United Kingdom

PRACTITIONERS
Jean-François Bélorgey, France
Marcelo Canetti, Argentina
Ann Kilbride, United Kingdom
Hans Christian Krogh, Denmark*
Anne-Marie Vitale, United States*
Eileen Walsh, United States
Kristrún Ingolfsdóttir, Iceland
Nambayo Kalaluka, Zambia
Thomas Orth, Germany
Jaydeep Narendra Shah, India

OBSERVERS
Aileen Pierce, IAESB Consultative Advisory Group Chair, Ireland
Anne Loft, International Association of Accounting Education and Research, United States
Yoseph Asmelash, United Nations Conference on Trade and Development, Switzerland

International Auditing and Assurance Standards Board

PUBLIC MEMBERS
Gert Jönsson, Sweden
Tomokazu Sekiguchi, Japan
Marc Pickeur, Belgium

NON-PRACTITIONERS
Prof. Arnold Schilder, Chairman, the Netherlands
Jon Grant, United Kingdom
Merran Kelsall, Australia
Prof. William R. Kinney, Jr., United States
Prof. Annette Köhler, Germany
Abdullah Yusuf, Pakistan

PRACTITIONERS
Dan Montgomery, Deputy Chair, United States
John (Arch) Archambault, United States
Jean Blascos, France
Jianshen (Jason) Chen, China
Valdir Renato Coscodai, Brazil
Cédric Géard, France
Caithlin McCabe, Australia
Brendan Murtagh, Ireland
Bruce Winter, Canada

OBSERVERS
Juan Maria Arteagoitia, European Commission, Belgium
Linda de Beer, IAASB Consultative Advisory Group Chair, South Africa
Nori Igarashi, Japanese Financial Services Agency, Japan

Volunteers serve on the independent standard-setting boards
**International Ethics Standards Board for Accountants**

**PUBLIC MEMBERS**
Jörgen Holmquist, Chair, Sweden*
James Gaa, Canada
Kate Spargo, Australia

**NON-PRACTITIONERS**
Brian Walsh, Deputy Chair, United Kingdom
Helene Agélii, Sweden
Caroline Gardner, United Kingdom
Gary Hannaford, Canada
Chishala Kateka, Zambia
Alice McCleary, Australia

**PRACTITIONERS**
Brian Caswell, United States*
Ken Dakdduk, Chair, United States*
Robert Franchini, Italy
Peter Hughes, United Kingdom
Felicitas Therero Irungu, Kenya
Wui San Kwok, Singapore
Stefano Marchese, Italy
Marisa Orbea, Australia
Isabelle Sapet, France
Donald Thomson, Canada

**OBSERVERS**
Juan Maria Arteagoitia, European Commission, Belgium
Richard Fleck, IESBA Consultative Advisory Group Chair, United Kingdom
Seiya Fukushima, Japanese Financial Services Agency, Japan*
Koichi Uzuka, Japanese Financial Services Agency, Japan*

*partial year

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**International Public Sector Accounting Standards Board**

**PUBLIC MEMBERS**
Dr. Andreas Bergmann, Chair, Switzerland
Mariano D’Amore, Italy
Sheila Fraser, Canada

**NON-PRACTITIONERS**
David R. Bean, Deputy Chair, United States
Ian Carruthers, United Kingdom
Marie-Pierre Cordier, France
Rachid El Beijet, Morocco
Hong Lou, China
Masud Muzaffar, Pakistan
Anne Owuor, Kenya
Jeanine Poggiolini, South Africa
Ron Salole, Canada
Adriana Tiron Tudor, Romania
Isaac Umansky, Uruguay
Ken Warren, New Zealand
Tim Youngberry, Australia

**PRACTITIONERS**
Kenji Izawa, Japan
Thomas Müller-Marquês Berger, Germany

**OBSERVERS**
Dinara Alieva, United Nations Development Program, United States
Jón Blöndal, Organisation for Economic Co-operation and Development, France
Simon Bradbury, Asian Development Bank, Philippines
Robert Dacey, International Organization of Supreme Audit Institutions, United States
Abdul Khan, International Monetary Fund, United States
Martin Koehler, European Commission, Belgium
Ian Mackintosh, International Accounting Standards Board, United Kingdom
Brian Quinn, World Bank, United States
Chandramouli Ramanathan, United Nations, United States
Henricus Seerden, European Investment Bank, Luxembourg
Darshak Shah, United Nations Development Program, United States
John Verrinder, Eurostat, Luxembourg

15 Meetings held in person by the independent standard-setting boards
SERVICE DELIVERY AND FINANCIAL STATEMENTS
Service Delivery Statement

To achieve its mission, IFAC seeks to influence various economic and social outcomes through the delivery of services to external parties, including member organizations, governments, professional accountants, academia, and others. This Service Delivery Statement describes the external services delivered through IFAC’s four service areas (sections 1-4), as well as through Communications (section 5). The four service areas are as follows:

1. Standards and Guidance—Contributing to the development of high-quality standards and guidance
2. Support for Adoption and Implementation—Facilitating the adoption and implementation of high-quality standards and guidance
3. Quality and Development—Contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide
4. Representation—Speaking out on public interest issues

The annual Operational Plan details the services that were planned for 2012. This statement describes the services delivered during 2012 against the planned services; it does not report internal services that support the delivery of services to external parties.

The auditors have issued an assurance report on the service delivery information. Comments that indicate the status of a service not delivered in 2012 or that cannot be measured are outside the scope of the assurance engagement and are indicated with an asterisk (*).

BASIS FOR PRESENTING THE SERVICE DELIVERY INFORMATION

All substantial services delivered during 2012 that directly affect parties external to IFAC are included under the appropriate service area.

Planned services specified in the Operational Plan for 2012 that were not delivered during 2012 are noted in the report.

Activities are appropriately described from a quantitative and, where appropriate, qualitative perspective.
Section 1

Standards and Guidance

The standards of the independent standard-setting boards cover the areas of accounting education; auditing, assurance, and related services; ethics for professional accountants; and public sector financial reporting. IFAC develops guidance in these areas, as well as others, such as the development of the profession, the provision of services by small and medium practices, and the role of professional accountants operating in business.

Due Process

To ensure consistent high quality in the standards issued, the International Accounting Education Standards Board (IAESB), International Auditing and Assurance Standards Board (IAASB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB) follow a clearly defined rigorous due process. The Public Interest Oversight Board (PIOB), which has the mandate to oversee the IAASB, IAESB, and IESBA, has approved this due process and monitors compliance with it.

At a Glance

During 2012, some of the independent standard-setting boards have developed “At a Glance” summaries of exposure drafts and final standards. The “At a Glance” documents are available on the IFAC website to provide a quick snapshot of key provisions of the documents.

Accounting Education

The IAESB continued work on the project to redraft and revise the International Education Standards (IESs) to improve their clarity, and approved the following:

Standards
- IES 1, Entry Requirements to Professional Accounting Education Programs (Revised) (June)
- IES 6, Initial Professional Development—Assessment of Professional Competence (Revised) (June)
- IES 5, Initial Professional Development—Practical Experience (Revised) (October)

The issuance of IES 5 is subject to the PIOB’s confirmation of due process.

Exposure Drafts
- Proposed IES 2, Initial Professional Development—Technical Competence (Revised) (June)
- Proposed IES 3, Initial Professional Development—Professional Skills (Revised) (June)
- Proposed IES 8, Professional Development for Engagement Partners Responsible for Audits of Financial Statements (Revised) (June)

Modification

The IAESB deferred finalization of IES 4, Initial Professional Development—Professional Values, Ethics and Attitudes. Based on the substantial changes made as a result of the Exposure Draft, the IAESB re-exposed IES 4 in July 2012 for a 75-day period. It is expected that the document will be approved in the second quarter of 2013.*

Auditing, Assurance, and Related Services

The IAASB approved the following:

Standards
- International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements (June)

Exposure Drafts
- Proposed International Standard on Auditing (ISA) 720 (Revised), The Auditor’s Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor’s Report Thereon (September)

Consultation Paper
- A Framework for Audit Quality (December)

Auditor Reporting

The IAASB’s Invitation to Comment (ITC), Improving the Auditor’s Report, issued in June, sets out the board’s indicative direction proposed for the future auditor’s report. To solicit additional feedback, the IAASB held three roundtables in North America and Europe (September) and Asia
Pacific (October) which brought together a diverse range of stakeholders.

Other
The following final reports from research commissioned with the International Association for Accounting Education and Research (IAAER), with funding from the Association of Chartered Certified Accountants (ACCA), on topics of interest to the IAASB are available at www.iaaer.org:
- International Consistency in Audit Reporting Behavior: Evidence from Going Concern Modifications (January)
- The Implications of XBRL for the Financial Statement Audit (July)
- Use of Business Risk Audit Perspectives by Non-Big 4 Audit Firms (July)

Annual Report
The 2011 IAASB Annual Report (print and electronic versions) was published in April.

Handbook
The Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements was published in July.

Modifications
The IAASB agreed final changes to the text on direct assistance in ISA 610 (Revised 2013), Using the Work of Internal Auditors. Final approval, however, was deferred to February 2013, pending the IESBA’s approval of the definition of “engagement team.”

ETHICS
The IESBA approved the following:

Standards
- Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code (December)
- Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interests (December)

Exposure Drafts
- Change to Definition of “Engagement Team” (February)
- Change to Definition of “Those Charged with Governance” (June)
- Responding to a Suspected Illegal Act (June)

Annual Report
The 2011 IESBA Annual Report (electronic version) was published in June.

Handbook
The Handbook of the Code of Ethics for Professional Accountants was published in July.

Modifications
The approval of the change to the definition of “engagement team” was delayed until 2013 to allow for consultation with the IESBA Consultative Advisory Group.*

PUBLIC SECTOR FINANCIAL REPORTING
The IPSASB approved the following:

Public Sector Conceptual Framework
- The first phase of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities, comprising Chapters 1-4 (December):
  - Chapter 1: Role and Authority of the Conceptual Framework
  - Chapter 2: Objectives and Users of General Purpose Financial Reporting
  - Chapter 3: Qualitative Characteristics
  - Chapter 4: Reporting Entity

- Exposure Drafts for the following parts of the Conceptual Framework:
  - Phase 2—Elements and Recognition in Financial Statements (September)
  - Phase 3—Measurement of Assets and Liabilities in Financial Statements (September)

Other Exposure Drafts
- Exposure Draft 47, Financial Statement Discussion and Analysis (March)

Consultation Papers
- Public Sector Combinations (June)
- IPSASs and Government Finance Statistics Reporting Guidelines (September)
Handbook of IPSASB Pronouncements

The Handbook of International Public Sector Accounting Pronouncements was published in April.

Modifications

The IPSASB deferred the following to 2013:

- The Exposure Draft of proposed First-Time Adoption of IPSASs, to allow time to analyze the transitional provisions*
- The Exposure Draft of Revision of IPSASs 6-8 (originally titled Consolidations and Joint Arrangements), due to expansion of the scope of the project and resource constraints*
- The Exposure Draft of Public Sector Combinations, due to a decision to issue a Consultation Paper before issuing an Exposure Draft*
- The completion of the Conceptual Framework: Key Characteristics, to allow time to develop the preface to the Conceptual Framework*
- The final standard, IPSAS 33, Financial Statement Discussion and Analysis, to allow time to review respondents’ comments (The IPSASB is also reconsidering the type of pronouncement to be issued.)*

Small and Medium Practices

The Small and Medium Practices (SMP) Committee provided input to the following:

- The IAASB via 17 comment letters on current IAASB projects, including the ITC, Improving the Auditor’s Report
- IAASB staff during the development of the Staff Q&A Publication on International Standard on Quality Control (ISQC) 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements
- The IESBA via two comment letters, one on the IESBA’s pre-exposure draft proposals on the response to illegal acts and one on the Exposure Draft, Responding to a Suspected Illegal Act
- The IAESB via a comment letter on IES 8
- The Compliance Advisory Panel (CAP) via a comment letter on the proposed Statements of Membership Obligations (SMOs) 1-7 (Revised)

Professional Accountants in Business

The Professional Accountants in Business (PAIB) Committee provided input to the IESBA via comment letters on the Exposure Drafts, Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest (March) and Responding to a Suspected Illegal Act (December). The PAIB Committee also provided input to the IAASB via a comment letter on the ITC, Improving the Auditor’s Report (October).

Compliance Advisory Panel

The SMOs 1-7 (Revised) were issued in November. A Comparison Guide to the 2012 SMO Revisions explaining the revisions and assisting member organizations to identify, understand, and address the changes was also released in November.
Support for Adoption and Implementation

IFAC supports the adoption and implementation of international standards by major capital markets, emerging markets, and relevant organizations.

IFAC’s adoption support involves two main elements: the facilitation of the translation of standards and pronouncements through a process that emphasizes 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 is to support this through provision of advice, facilitation, the sharing of knowledge and best practices and, where necessary, the development of guidance.

Implementation support—provided at an institutional level—includes a process to build awareness of the adopted standards, provide relevant education and training, develop or disseminate implementation guidance, and any other activities that promote proper understanding and use of the standards in practice. IFAC recognizes that the central responsibility for implementation, similar to adoption, rests at a national or regional level and that its role is to provide support as appropriate through the development of high-level guidance, provision of advice, facilitation, and the sharing of knowledge and best practices.

Many of the activities presented in the Representation section directly or indirectly promote the adoption and implementation of the international standards.

TRANSLATIONS AND PERMISSIONS

During 2012, IFAC:

- Signed a Memorandum of Understanding (MoU) with its member bodies—Instituto de Censores Jurados de Cuentas de España (ICJCE), Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE), and Instituto Mexicano de Contadores Públicos (IMCP)—to establish an Ibero-American framework to achieve sustainable Spanish language translations of IFAC publications
- Signed 214 agreements for reproduction or translation of its standards and other publications
- Responded to 435 inquiries, including routinely providing policy statements, templates for permission requests, translation agreements, original files for translation, publication covers, and copyright statements, as well as handling inquiries related to translation of technical terminology
- Made 303 updates to the Translations Database
- Revised the following IFAC policy statements:
  - Policy for Reproducing, or Translating and Reproducing, Publications Issued by the International Federation of Accountants (December)
  - Policy for Translating and Reproducing Standards Issued by the International Federation of Accountants (December)
- Published new Guidelines for Translated Handbooks/Publications and revised Frequently Asked Questions for Translations and Permissions on the IFAC website (September)
- Presented on or represented translations and permissions at 10 events

ACCOUNTING EDUCATION

Implementation Support

In March, the IAESB participated with IMCP and the National Association of Accounting and Business Administration Schools (ANFECA) in an Education Forum in Merida, Mexico, to share information on good practices for professional accounting education and discuss issues on the revision of IES 6, Initial Professional Development—Assessment of Professional Competence (Revised).

In addition, the chairs of the IAESB and IAESB Consultative Advisory Group attended opening ceremonies of ANFECA's Annual Congress to witness IMCP’s recognition of ANFECA for its contribution to the development of professional accountants in Mexico.
Articles

During 2012 IAESB members and staff wrote or contributed to the following articles:

- “Accounting Education for the Implementation of IFRS in Indonesia,” Masako Saito, Kazuo Hiramatsu and Sekar Mayangsari, *International Review of Business* (School of Business Administration, Kwansei Gakuin University), No. 12 (March)

Other Support

Staff distributed an updated directory of available National Standard Setters (NSS) implementation guidance, as well as current, new, or planned NSS initiatives on implementation and thought leadership, to the NSS liaison group (December). Staff added to this distribution a further publication highlighting initiatives of NSS on proportionality of the ISAs and ISQC 1 (December).

Articles and Interviews

Contributions were made to the development of the following articles and interviews:

- “Changing Crisis to Opportunity,” *Audit and Beyond* (Institute of Chartered Accountants in England and Wales Audit and Assurance Faculty magazine) (March)
- “International Auditing Board Seeks Facelift for Auditors’ Boiler-Plate,” *Wall Street Journal CFO Report* (June)
- “IAASB Calls for Commentary in Audit Report,” *Compliance Week* (June)
- “IAASB Satisfied with Review, Auditor Reporting Progress,” *Institute of Chartered Accountants of Scotland* website (June)
- “Audit Reporting Rules Could See Duel Accounting,” *Accountancy Age* (August)
- “Scope of Appropriate Content, Structure in Auditor’s Report Under Debate,” *Journal of Accountancy* (September)
- “Questions Surround Overhaul of Auditors Boilerplate,” *Wall Street Journal* online publication (September)
- “Filling in the Blanks,” *Reporting* (Ernst & Young magazine) (November)
Other
Podcasts highlighting some of the key discussions at the June, September, and December 2012 IAASB meetings were recorded and posted on the website.

Modification
The timing of a proposed staff communication comparing and contrasting audit, review, and compilation services has been deferred to 2013 in light of other priorities and resource constraints.*

ETHICS
Implementation Support
Staff released Staff Questions and Answers—Implementing the Code of Ethics – Part II (November).

Articles and Interviews
Contributions were made to the following articles and interviews:
- “When Should Accountants Spill the Beans,” CFO.com (September)
- “IESBA Plans Guidance on Suspected Illegal Acts,” Compliance Week (August)
- “Standards Group Proposes Requiring Accountants to Disclose Certain Illegal Acts by Clients, Employers,” Thompson Reuters Report (August)

Modification
The publication of the Overview of Application of Section 290 in an SME/SMP Environment and Ethics Staff Alert—Fees has been deferred to 2013 in light of other priorities and resource constraints.*

PUBLIC SECTOR FINANCIAL REPORTING
Articles and Books
IPSASB members wrote or contributed to the following articles:
- “IPSAS Presentation,” (in French) Gestion et Finances Publiques (March)
- “IPSAS and Long Term Fiscal Sustainability,” (in French) Gestion et Finances Publiques (March)
- “Ghana Appointed External Auditor for IMO,” David Adadevoh, Ghanaian Times (July)
- “Ernst & Young Trains Public Sector Auditors,” Konrad Kodjo Djaisi, Ghanaian Times (July)
- “IPSAS Combinations,” (in German) Thomas Müller-Marqués Berger, WPg Die Wirtschaftsprüfung (August)
- “International Public Sector Accounting Standards Board Aims to Enhance International Accountability through Reporting Service Performance Information,” Lisa R. Parker and David R. Bean, International Journal of Public Sector Performance Management (August)
- “Public Sector Combinations Consultation Paper,” (in German) Thomas Müller-Marqués Berger, WPg Die Wirtschaftsprüfung (October)
- “Development in IPSASs,” (in German) Thomas Müller-Marqués Berger, WPK Magazine (December)

In addition, IPSASB members contributed to IPSASs Explained (2nd Edition published by Wiley & Sons), which was published in May.

Modifications
The IPSASB deferred completion of course material for the project, Train the Trainers for Implementing IPSASs, to 2013 due to a delay in the availability of the consultant working on the project.*

COMPLIANCE ADVISORY PANEL
Staff continues to update the Basis of ISA Adoption Chart that was originally launched in 2009, which communicates the approach to adoption of ISAs in jurisdictions around the world.

SMALL AND MEDIUM PRACTICES
Implementation Support
The SMP Committee issued:
- Quality Control Guide Orientation Slides: An Introduction to the Guide to Quality Control for Small- and Medium-Sized Practices (April), and
the ISA Guide Orientation Slides: An Introduction to the Guide to Using ISAs in the Audits of Small- and Medium-Sized Entities (May)

Articles
The SMP Committee developed the following articles for member body use in the first instance and then for public dissemination:

• “Implementing the Clarified ISAs: IFAC Member Body Initiatives to Support SMPs” (February)
• “ISRS 4410: The Standard for Today’s Compilation Engagements” (July)
• “The Standard for Limited Assurance Review Engagements” (December)

Modifications
The update of the Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Size Entities (ISA Guide) and Guide to Quality Control for Small- and Medium-Sized Practices (QC Guide) has been deferred to 2013 because the current (third) edition did not require updating in 2012.*

Deliverables resulting from the collaboration with the IESBA SME/SMP Working Group have been deferred to 2013, pending further consideration by the IESBA of the recommendations of the working group.*

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* International Standard on Related Services (ISRS) 4410 (Revised), Compilation Engagements
Quality and Development

IFAC promotes the provision of high-quality services by all members of the profession through the implementation of the Member Body Compliance Program, member body development initiatives, initiatives aimed at improving audit quality, and issuance of good practice guidance.

MEMBER BODY DEVELOPMENT

Member Body Compliance Program

The Member Body Compliance Program requires members and associates to develop Statements of Membership Obligations (SMO) Action Plans to address requirements set out in the SMOs. These SMO Action Plans, published on the IFAC website, demonstrate members’ and associates’ commitment to international standards and best practice. The SMO Action Plans are now recognized as the mechanism for developing bodies to use as a roadmap to development and for developed organizations as an opportunity to highlight new initiatives and good practice. Ninety-eight SMO Action Plans were updated and thirty-four members and associates were approved for the biennial update cycle. Five SMO Action Plans of new and deferred bodies were published. (Deferred bodies are those excused from participating due to political or humanitarian unrest in the jurisdiction.)

Outreach Activities

As part of the ongoing work on SMO Action Plans, staff members provide policy advice and guidance to assist members and associates in their activities toward adopting international standards. Outreach activities with respect to SMO Action Plans are included in the Representation section.

Membership in IFAC

Assessments of membership applications, including expanded on-site due diligence, gave rise to the Council approving the admission of the following organizations in November:

Admission of two members:
- Association of Accounting Technicians (United Kingdom)
- Mongolian Institute of Certified Public Accountants (Mongolia)

Admission of six associates:
- Albanian Institute of Certified Accountants (Albania)
- Association of National Accountants of Nigeria (Nigeria)
- Institute of Professional Auditors (Russia)
- Institute of Certified Public Accountants of Rwanda (Rwanda)
- Ordre National des Experts Comptables et des Comptables Agréés du Togo (Togo)
- Ordem Dos Tecnicos Oficiais dos Contas (Portugal)

Recognized Regional Organizations and Acknowledged Accountancy Groupings

Staff received and reviewed quarterly reports from four recognized regional organizations, and annual reports from six acknowledged accountancy groupings regarding their compliance with IFAC Regional Organizations and Accountancy Groupings Policy Statements.

In 2012, the Eastern, Central and Southern African Federation of Accountants (ECSAFA) ceased to be recognized as a regional organization and the Pan African Federation of Accountants (PAFA) was recognized as a new regional organization.

Input to the World Bank Reports on Observance of Standards and Codes

Staff provided input to the World Bank Reports on Observance of Standards and Codes (ROSC) for the following countries:
- Brazil
- Cape Verde
- Guinea
Mauritania
South Africa
Swaziland
Trinidad & Tobago

PROFESSIONAL ACCOUNTANCY ORGANIZATION DEVELOPMENT

MOSAIC: Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration
The MOSAIC Steering Committee met in February and October. Two new donor signatory organizations were welcomed during the October meeting: the Australian Agency for International Development (AusAID) and the Global Fund for AIDS, Tuberculosis and Malaria.

Staff used the information gathered through the Member Body Compliance Program to assist with drafting the four regional components of the Global Development Report (GDR)—a status report to inform the donor community and the MOSAIC Steering Committee of the global state of development of PAOs. The draft report was issued for comment in November.

PAO Development Committee Perspectives
The Professional Accountancy Organization (PAO) Development Committee issued PAO Development Committee Perspectives for the Africa region in May and the Middle East region in July. These documents summarize discussions held during PAO Development Committee meetings around the success factors, opportunities, and challenges relevant to the accountancy profession in that region and are aimed at those individuals and organizations that are working to establish, strengthen, and/or further develop PAOs in the region.

PROFESSIONAL ACCOUNTANTS IN BUSINESS Governance, Ethics, and Corporate Responsibility
The PAIB Committee issued:

- Investor Demand for Environmental, Social, and Governance (ESG) Disclosures: Implications for Professional Accountants in Business (full length report and summary) (February)
- Integrating Governance for Sustainable Success (October)
- A proposed International Good Practice Guidance (IGPG), Project and Investment Appraisal for Sustainable Value Creation (November)

Risk and Internal Control
The PAIB Committee:

- Submitted responses to the Committee of Sponsoring Organizations of the Treadway Commission (COSO) on Proposed Changes to COSO Internal Control—Integrated Framework (March) and COSO Guidance on Internal Control over External Financial Reporting (November)
- Issued the IGPG, Evaluating and Improving Internal Control in Organizations (June)

Business Reporting
In May, the PAIB Committee issued a proposed IGPG, Eleven Principles for Effective Business Reporting Processes.

International Integrated Reporting Council
As a co-founder of the International Integrated Reporting Council (IIRC), IFAC continued to proactively support the IIRC’s development, with various levels of involvement:

- IFAC President Göran Tidström represented IFAC as a member of the IIRC.
- Ian Ball served as a board member and chair of the IIRC Working Group, in which capacities he also attended IIRC meetings.
- An IFAC staff member is seconded to the IIRC and works on both developing the Integrated Reporting Framework and designing future governance arrangements, with further input from the IFAC staff who support the PAIB Committee.
- Also, in October, IFAC signed an MoU with the IIRC to promote cooperation, coordination, and alignment. Attendance at meetings of the IIRC is included in the Representation section.

Modifications
The revision of the IFAC Sustainability Framework, originally scheduled for late 2012,
was deferred to 2013 to allow additional time for the project to be evaluated in the context of impending developments such as the development of the proposed Integrated Reporting Framework and the update of the Global Reporting Initiative’s Sustainability Reporting Guidelines in 2013.*

A briefing, which will highlight key activities of the global accountancy profession to support integrated thinking, governance, and reporting, originally scheduled for late 2012, was deferred to 2013 to allow for terminology issues to be resolved.*

SMALL AND MEDIUM PRACTICES

Practice Management Guidance

The SMP Committee issued:

- Good Practice Checklist for Small Business (April)
  - Conforming changes were made to the Companion Manual
- A business advisory video series, featuring ten video interviews with two committee members

Articles for Member Body Support

The SMP Committee completed the following articles for use by members and associates:

- “The Role of SMPs in Greening Small Business” (January)
- “Helping Small- and Medium-Sized Practices Meet the Challenges and Seize the Opportunities of Tomorrow” (May)
- “How to Cope with Pressure to Lower Fees—Practice Management Tips for SMPs” (September)

SMP Quick Polls

The SMP Committee conducted semi-annual SMP Quick Polls (May-June and November-December), which were promoted by a number of members, associates, regional organizations and accountancy groupings. Poll results and analysis were published on the IFAC website.

SMP Committee Website

Enhancements were made to the International Center for SMPs (now the SMP Committee website), including expansion of the resources and tools page with relevant links for Implementation, Business Advisory, and Practice Management hosted on Delicious. (Delicious is a social bookmarking web service for storing, sharing, and discovering web bookmarks.)

TRANSNATIONAL AUDITING

Affiliates

The Transnational Auditors Committee admitted two Affiliates into the Forum of Firms (Forum) in 2012. Affiliates are able to participate in Forum meetings but are not able to publicize their relationship with the Forum. Affiliates are expected to use their Forum involvement to help move toward meeting the Forum’s membership obligations so as to prepare for full membership and are only admitted as Affiliates if they evidence a high chance of being able to do this within three years.

Symposiums and Workshops

Staff assisted the Forum in hosting the following symposiums and workshops:

- Joint conference call with the International Monetary Fund (IMF) focusing on mutual topics of interest related to the audit of Central Banks (July)
- Four in-country roundtable meetings of local practitioners (of Forum members) in Mumbai and Delhi, India in February; Jakarta, Indonesia in April; and a further meeting in Mumbai in September. The roundtables and Audit Quality-themed agendas were developed in close consultation with local practitioners. Subsequent to the roundtables, staff made presentations to several local individual Forum member firms.
- Symposium on Auditor Reporting in New York, USA (October)

Information Paper

The Transnational Auditors Committee approved the Information Paper, Engagement Quality Control Reviews—Practical Considerations, in October.

Other

Staff assessed reports on compliance with the Forum’s membership obligations received from all full members of the Forum for 2012.
Section 4

Representation

IFAC develops policy positions in areas where the expertise of the profession and IFAC is most relevant; comments on material published by other international and regional organizations that directly relates to the accountancy profession and accounting or auditing matters; develops and maintains relationships with other international and regional organizations as appropriate; and participates in global, regional, and national forums.

Many of the activities presented in this section directly or indirectly promote the adoption and implementation of international standards.

REGULATORY AND PUBLIC POLICY ACTIVITIES

Public Policy Positions

The IFAC Board approved the following policy position papers:

- Policy Position Paper 2: A Single Set of Auditing Standards: Audits of Small- and Medium-Sized Entities (Revised) (March)
- Policy Position Paper 4: Public Sector Financial Management Transparency and Accountability: The Use of International Public Sector Accounting Standards (March)
- Policy Position Paper 5: A Definition of the Public Interest (June)
- Policy Position Paper 6: Global Regulatory Convergence and the Accountancy Profession (September)
- Policy Position Paper 7: Effective Governance, Risk Management, and Internal Control (December)

Submissions to the G-20

IFAC made two submissions to the G-20 in 2012. The first submission in April was addressed to the G-20 Deputies and Finance Ministers who met in April and focused on public sector financial management, transparency, and reporting. The second submission, issued in June, was addressed to the G-20 Leaders’ Summit. It focused on actions aimed at promoting global sustainability and growth, and was directed toward several of the stated priorities of the Mexican presidency of the G-20.

Other External Submissions

IFAC made formal submissions to external organizations on the following:

- Eurostat’s Public Consultation on the Suitability of IPSASs for EU Member States (April)
- Public Consultation on the Governance (with Special Focus on Organizational Aspects, Funding, Composition and the Roles) of the Monitoring Group, the PIOB, and the Standard-Setting Boards and Compliance Advisory Panel Operating Under the Aupices of the International Federation of Accountants (May)
- Accounting and Corporate Regulatory Authority (ACRA) (Singapore) public consultation on Accountants Act Review (July)
- International Financial Reporting Standards (IFRS) Foundation’s Invitation to Comment on the International Accounting Standards Board (IASB) and IFRS Interpretations Committee Due Process Handbook (September)
- Fédération des Experts Comptables Européens (FEE) Discussion Paper, The Functioning of Audit Committees (September)
- Public consultation on the Public Expenditure and Financial Accountability (PEFA) Guidance Note on Sequencing PFM Reforms (October)
- IFRS Foundation Request for Information: Comprehensive Review of the IFRS for SMEs (November)

Professionalism and Standards Taskforce of Regulated Professions and Industries

The Professionalism and Standards Taskforce of Regulated Professions and Industries (originally called the Private Sector Taskforce of Regulated Professions and Industries) (PSTF) met twice in 2012. At its March meeting, the PSTF focused on the Update Letter for 2012 to the G-20 Deputies and Finance Ministers meeting in April. At the PSTF’s October meeting, the focus was on determining its approach for 2013 (when Russia assumes the presidency of the G-20) and 2014 (when Australia will hold the presidency).
Regulatory and Other Relationships

In October, IFAC renewed its MoU with the International Valuation Standards Council. The MoU reflects the organizations’ shared conviction that the transparency provided by high-quality international standards contributes significantly to the effective functioning of capital markets and economic growth.

In November, IFAC renewed its MoU with the International Organization of Supreme Audit Institutions (INTOSAI). The revised MoU reflects the 2010 endorsement by the INTOSAI Congress of the full suite of INTOSAI Financial Audit Guidelines, which include the IAASB’s clarified ISAs. In addition, it addresses other areas of mutual interest, including cooperation between INTOSAI and the IPSASB.

IFAC also maintained relationships with the following international and regional organizations:

• African Development Bank
• Asian Development Bank
• Association of Insolvency Professionals (INSOL) International
• Basel Committee on Banking Supervision
• Chartered Financial Analysts Institute
• European Commission
• Financial Stability Board
• Global Public Policy Committee
• IFRS Foundation
• Institute of Internal Auditors
• Institute of International Finance
• Inter-American Development Bank
• International Accounting Standards Board
• International Actuarial Association
• International Association for Accounting Education and Research
• International Association of Insurance Supervisors
• International Corporate Governance Network
• International Forum of Independent Audit Regulators
• International Insurance Society
• International Monetary Fund
• International Organization of Securities Commissions
• Monitoring Group
• Organization for Economic Co-operation and Development
• Prince of Wales Accounting for Sustainability (A4S) Project
• Transparency International
• United Nations
• United Nations Conference on Trade and Development
• World Bank
• World Federation of Exchanges
PARTICIPATION IN INTERNATIONAL, REGIONAL, AND NATIONAL EVENTS

The Officers and senior management participated in the following conferences, meetings, roundtables, and seminars:

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PROMOTION OF PUBLIC INTEREST ACTIVITIES

ACCOUNTING EDUCATION

Research Forum

The IAESB continued to collaborate on accounting education research projects with the International Association for Accounting Education and Research (IAAER), with funding from the ACCA. In October, three research teams made final presentations of their findings to IAESB members at the IAAER/ACCA Education Research Forum in London, United Kingdom.

Participation in International, Regional, and National Events

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AUDITING, ASSURANCE, AND RELATED SERVICES

External Submissions
IAASB representatives participated in meetings with IASB representatives and actively monitored the agenda of the IASB. The IAASB responded to two IASB consultations:

- Exposure Draft, Investment Entities
- Exposure Draft, Revenue from Contracts with Customers

Participation in International, Regional, and National Events

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## ETHICS

### Participation in International, Regional, and National Events

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PUBLIC SECTOR FINANCIAL REPORTING

Sovereign Debt Seminar

In March, IFAC hosted a seminar, The Sovereign Debt Crisis, a Matter of Urgency—From Lessons to Reform, in Vienna, Austria. Speakers and attendees included key decision makers, politicians, and public finance management leaders. The presentations, debates, and discussions sought a comprehensive understanding of the causes contributing to the international sovereign debt crisis and conveyed a clear and consistent message that the fiscal stress and instability associated with the crisis need to be addressed urgently, through a radical reform of public financial management systems and institutions in many countries.

Comment Letters

The International Public Sector Accounting Standards Board (IPSASB) responded to the following:

- Eurostat's Public Consultation on the Suitability of IPSASs for EU Member States (May)
- A Consultation Paper on the Monitoring Group governance review and the PIOB work program (June)

Participation in International, Regional, and National Events

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2012 Total | 146 |

2011 Total | 179 |

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2 Public Consultation on the Governance (with Special Focus on Organizational Aspects, Funding, Composition and the Roles) of the Monitoring Group, the PIOB, and the Standard-Setting Boards and Compliance Advisory Panel Operating Under the Auspices of the International Federation of Accountants

3 PIOB Work Program 2012 And Beyond - Public Consultation Paper
MEMBER BODY DEVELOPMENT

Mentoring Insights

In February 2012, the PAO Development Committee organized Mentoring Insights—The Mentor Perspective in Dubai, United Arab Emirates. The aim of the workshop was to facilitate and encourage information exchange regarding the various aspects of PAO-to-PAO mentoring through a mixture of presentations and interactive discussion sessions. The event was attended by over 40 participants representing 19 countries.

Realizing the Power of PAOs

In August, staff organized the seminar, Realizing the Power of PAOs, in Hanoi, Vietnam. The event brought together more than 50 individuals representing IFAC, the World Bank, and regional bodies and PAOs from across the East Asia Pacific region and beyond, including IFAC members and those working toward membership. An interactive workshop at the end of the day allowed representatives of national PAOs to share ideas and receive input from others.

CReCER

IFAC, in cooperation with the World Bank, the Inter-American Development Bank, the Global Public Policy Committee, and with the support of the Inter-American Accounting Association, convened the sixth annual Contabilidad y Responsabilidad para el Crecimiento Económico Regional (Conference for Accounting and Accountability for Regional Economic Growth, or CReCER) on October 29-31 in Managua, Nicaragua. The conference was hosted and organized by the Colegio de Contadores Públicos de Nicaragua (CCPN). The three-day conference featured leaders in the accountancy profession and senior global representatives with responsibilities for regulation and public financial management. The event was attended by more than 600 participants, with participation by representatives from more than 30 countries from the region and beyond.

Outreach to Member Organizations, Recognized Regional Organizations, Acknowledged Accountancy Groupings, and Other Organizations

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### PROFESSIONAL ACCOUNTANTS IN BUSINESS

#### Participation in International, Regional, and National Events

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SMALL AND MEDIUM PRACTICES

IFAC Small and Medium Practices Forum 2012

In March, over 200 delegates from 40 professional accountancy organizations in 36 countries convened in Singapore for the sixth annual IFAC SMP Forum. The event was co-hosted with the Institute of Certified Public Accountants of Singapore (ICPAS). Delegates from IFAC member bodies met with representatives from the regulatory community, leading regional business associations, and international standard setters to discuss the hot-button challenges facing the SMP sector and to collaborate on the solutions on a global level. Plenary panel session topics included shaping regulations and standards and how SMPs can capitalize on emerging opportunities in an ever-changing marketplace.

Participation in International, Regional, and National Events

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Communications

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

MEDIA RELATIONS

• Issued 67 press releases
• Maintained contact with media outlets with an interest in accountancy, business, finance, and regulation
• IFAC and the boards/committees were mentioned a total of 384 times in various media outlets across the globe
• Supported IFAC’s chief executive officer and president and the IAASB chairman on 38 letters to the editor, blog articles, and interviews throughout the year

COMMUNICATIONS MATERIALS AND REPORTS

Issued the following communication material:
• IFAC 2011 Annual Report (print and electronic versions) in March
• Updated the IFAC and board/committee fact sheets throughout the course of the year, as appropriate
• Conducted the 2012 Global Leadership Survey in October-December 2012
  In addition, supported the delivery of standards, guidance, and adoption and implementation material, as well as other reports such as the Global Development Report (MOSAIC).

NEWSLETTERS

Issued the following IFAC newsletters:
• IFAC News (print and electronic versions) in April, August, and December
• 16 eNews
• 11 editions of the Global Digest, issued monthly except November
• 12 editions of the IFAC Update, issued monthly
  The IFAC Updates were translated into the five official UN languages

WEBSITE AND OUTREACH ENHANCEMENTS

• Updated website on an ongoing basis to reflect the release of new publications and other changes
• Finalized the translation of 38 web pages in both Chinese and Russian
• Launched IFAC’s translated web pages in September, including 38 pages in Arabic, Chinese, French, Russian, and Spanish (190 total pages in all)
• Organized and executed Board webcast on the IFAC budget
• Continued with the launch of IFAC Twitter; as of the end of 2012, it had approximately 1,050 followers
• Launched IFAC’s Facebook page; as of the end of 2012, it had approximately 1,100 “likes”
• Launched IFAC’s LinkedIn page; as of the end of 2012, it had approximately 500 members
• Maintained social media presence on these three channels
• Maintained the SMP Twitter Handle (www.twitter.com/IFAC_SMP); it now has over 1,400 followers

SPEECHES AND PRESENTATIONS

• Provided support for 46+ speeches and presentations in 2012

MODIFICATIONS

• Development of a crisis plan was deferred to 2013 due to prioritization of other initiatives.*
• Exploring advertisement placement in key trade publications, websites, and directories was deferred due to resource constraints.*
INDEPENDENT ASSURANCE REPORT

ON SERVICE DELIVERY

To the Board of the International Federation of Accountants (“IFAC”)

REPORT ON SERVICE DELIVERY

We have performed certain assurance procedures on the Service Delivery for the year ended December 31, 2012 (Service Delivery). The Service Delivery is a list of specific services delivered by IFAC during 2012. The objective of the assurance procedures was to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2012 in accordance with the criteria described in the introduction to the Service Delivery. The services are categorized into four service areas and communications, and have been described from a quantitative and qualitative perspective. Our procedures were not designed to assess the services delivered from a qualitative perspective, therefore comments or discussions in these terms was not considered in our work.

Managements’ Responsibility for the Service Delivery

Management is responsible for the preparation of the Service Delivery. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Service Delivery that is free from material misstatement.

Auditors’ Responsibility

Our responsibility is to express an opinion on the Service Delivery based on our assurance procedures. We conducted our assurance procedures in accordance with International Standards on Assurance Engagements. Those standards require that we comply with ethical requirements and plan and perform the assurance procedures to obtain reasonable assurance whether the Service Delivery is free from material misstatement, whether due to fraud or error.

The assurance procedures involve performing procedures to obtain evidence to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2012. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Service Delivery, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity’s preparation and fair presentation of the Service Delivery in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls.

Our procedures performed included, but were not limited to:

1) Examination of pronouncements, exposure documents, guidance, and consultation papers issued and/or approved during 2012.
2) Examination of board, committee and group minutes approving pronouncements, exposure documents, guidance, and consultation papers issued during 2012.
3) Confirmations from certain outside organizations, IFAC board and committee members and other IFAC representatives.
4) Examination of expense reports and underlying supporting documents.
5) Interviews with board and committee members, IFAC employees, consultants and representatives.
6) Examination of IFAC website content.
7) Examination of website content of third party organizations.
We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Service Delivery presents fairly, in all material respects, the services delivered by IFAC during 2012 in accordance with the criteria described in the introduction to the Service Delivery.

CERTIFIED PUBLIC ACCOUNTANTS
March 1, 2013
Statement of Financial Performance
For the year ended December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts in U.S. Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>From exchange transactions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues, net</td>
<td>$14,472,000</td>
<td>$13,489,311</td>
</tr>
<tr>
<td>Special assessment, net</td>
<td>$10,043,645</td>
<td>$9,705,006</td>
</tr>
<tr>
<td>Forum of Firms</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sovereign Debt Crisis Seminar revenue</td>
<td>251,250</td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gain</td>
<td>228,855</td>
<td>78,597</td>
</tr>
<tr>
<td>Publications</td>
<td>176,041</td>
<td>55,611</td>
</tr>
<tr>
<td>Royalties and Licensing</td>
<td>153,186</td>
<td>21,960</td>
</tr>
<tr>
<td>Rent received</td>
<td>6,683</td>
<td>9,636</td>
</tr>
<tr>
<td>Interest income</td>
<td>28,099</td>
<td>89,513</td>
</tr>
<tr>
<td>Other revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>From non-exchange transactions:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External funding</td>
<td>984,432</td>
<td>764,136</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>$26,453,976</td>
<td>$25,917,699</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>$15,322,326</td>
<td>$14,153,473</td>
</tr>
<tr>
<td>Travel and meeting costs</td>
<td>4,063,264</td>
<td>4,825,444</td>
</tr>
<tr>
<td>Occupancy and maintenance</td>
<td>2,063,352</td>
<td>1,034,342</td>
</tr>
<tr>
<td>Funding provided to the Public Interest Oversight Board</td>
<td>1,489,443</td>
<td>1,562,267</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>437,944</td>
<td>214,728</td>
</tr>
<tr>
<td>IT support</td>
<td>388,442</td>
<td>139,360</td>
</tr>
<tr>
<td>Legal and other professional fees</td>
<td>378,705</td>
<td>357,461</td>
</tr>
<tr>
<td>Recruitment and relocation costs</td>
<td>375,274</td>
<td>331,463</td>
</tr>
<tr>
<td>Foreign exchange loss</td>
<td>313,253</td>
<td>39,200</td>
</tr>
<tr>
<td>Communications and publicity</td>
<td>267,223</td>
<td>190,226</td>
</tr>
<tr>
<td>Sovereign Debt Crisis Seminar expenses</td>
<td>248,458</td>
<td></td>
</tr>
<tr>
<td>Consultants</td>
<td>238,297</td>
<td>349,993</td>
</tr>
<tr>
<td>Telephone</td>
<td>171,403</td>
<td>154,307</td>
</tr>
<tr>
<td>Auditor remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of financial statements &amp; assurance of service delivery statement</td>
<td>171,310</td>
<td>147,699</td>
</tr>
<tr>
<td>Tax and other services</td>
<td>74,532</td>
<td>45,818</td>
</tr>
<tr>
<td>Printing, distribution and postage</td>
<td>115,236</td>
<td>141,974</td>
</tr>
<tr>
<td>Insurance</td>
<td>107,086</td>
<td>87,392</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>87,376</td>
<td>7,091</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>1,347</td>
<td>93,139</td>
</tr>
<tr>
<td>Other expenses</td>
<td>376,352</td>
<td>339,292</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$26,690,623</td>
<td>$24,214,669</td>
</tr>
<tr>
<td><strong>(Deficit)/surplus for the year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$(236,647)</td>
<td>$1,703,030</td>
</tr>
</tbody>
</table>
### Statement of Changes in Net Assets/Equity
For the year ended December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net assets/equity at beginning of year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated surpluses</td>
<td>$5,939,664</td>
<td>$4,236,634</td>
</tr>
<tr>
<td>(Deficit)/surplus for the year</td>
<td>(236,647)</td>
<td>1,703,030</td>
</tr>
<tr>
<td><strong>Net assets/equity at end of year</strong></td>
<td>$5,703,017</td>
<td>$5,939,664</td>
</tr>
</tbody>
</table>

Göran Tidström – President (Nov 2010 – Nov 2012)
Ian Ball – Chief Executive Officer (Until Jan 31, 2013)
Warren Allen – President (Nov 2012 – Nov 2014)
Fayez Choudhury – Chief Executive Officer (From Feb 1, 2013)
Statement of Financial Position
As at December 31, 2012

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts in U.S. Dollars</strong></td>
<td></td>
<td>Note</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,949,106</td>
<td>$5,451,239</td>
</tr>
<tr>
<td>Receivables from exchange transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receivable from IFAC members, net</td>
<td>- 399,576</td>
<td></td>
</tr>
<tr>
<td>Receivable from the Forum of Firms</td>
<td>239,635</td>
<td>146,740</td>
</tr>
<tr>
<td>Other receivables</td>
<td>301,792</td>
<td>1,539,258</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>$6,974,351</strong></td>
<td><strong>$7,993,608</strong></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$3,248,193</td>
<td>$2,195,248</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>123,884</td>
<td>192,397</td>
</tr>
<tr>
<td>Advances and deposits</td>
<td>751,437</td>
<td>234,586</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td><strong>$4,123,514</strong></td>
<td><strong>$2,622,231</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$11,097,865</strong></td>
<td><strong>$10,615,839</strong></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$1,260,047</td>
<td>$1,275,644</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>1,187,627</td>
<td>1,210,870</td>
</tr>
<tr>
<td>Revenue received in advance</td>
<td>170,250</td>
<td>125,735</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$2,617,924</strong></td>
<td><strong>$2,612,249</strong></td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued pension costs</td>
<td>$248,166</td>
<td>$329,664</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>2,528,758</td>
<td>1,734,262</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td><strong>$2,776,924</strong></td>
<td><strong>$2,063,926</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>$5,394,848</strong></td>
<td><strong>$4,676,175</strong></td>
</tr>
<tr>
<td><strong>Net assets/equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFAC members</td>
<td>$5,703,017</td>
<td>$5,939,664</td>
</tr>
<tr>
<td><strong>Total net assets/equity</strong></td>
<td><strong>$5,703,017</strong></td>
<td><strong>$5,939,664</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS/EQUITY</strong></td>
<td><strong>$11,097,865</strong></td>
<td><strong>$10,615,839</strong></td>
</tr>
</tbody>
</table>
# Statement of Cash Flows  
For the year ended December 31, 2012

<table>
<thead>
<tr>
<th>Amounts in U.S. Dollars</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash was provided from:</td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>$14,556,190</td>
</tr>
<tr>
<td>Forum of Firms</td>
<td>9,950,750</td>
</tr>
<tr>
<td>Special assessment</td>
<td>388,000</td>
</tr>
<tr>
<td>External funding</td>
<td>896,228</td>
</tr>
<tr>
<td>World Congress of Accountants 2010</td>
<td>-</td>
</tr>
<tr>
<td>Sovereign Debt Crisis Seminar</td>
<td>251,250</td>
</tr>
<tr>
<td>Rental income</td>
<td>102,483</td>
</tr>
<tr>
<td>Publications</td>
<td>166,338</td>
</tr>
<tr>
<td>Royalties and licensing</td>
<td>80,840</td>
</tr>
<tr>
<td>Interest received</td>
<td>6,683</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td>Cash was applied to:</td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>$(15,427,068)</td>
</tr>
<tr>
<td>Other payments</td>
<td>(8,965,705)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>12</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Cash was applied to:</td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>$(1,423,723)</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>$5,451,239</td>
</tr>
<tr>
<td>Effect of exchange rate change on foreign currency balances</td>
<td>(84,399)</td>
</tr>
<tr>
<td><strong>Balance of cash and cash equivalents at end of year</strong></td>
<td></td>
</tr>
</tbody>
</table>
Statement of Accounting Policies
For the year ended December 31, 2012

Basis of Preparation
The International Federation of Accountants’ (IFAC) financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board. Where an IPSAS does not address a particular issue, the appropriate International Financial Reporting Standard (IFRS) issued by the International Accounting Standards Board (IASB) is applied.

Recent Pronouncements
IFAC adopted IPSAS 31, Intangibles, for the year ending December 31, 2012. IPSAS 31 requires an entity to recognize an intangible asset only if specified criteria are met; provides guidance on how to measure the carrying amount of intangible assets; and requires specified disclosures about intangible assets. IPSAS 31 is effective for annual financial statements for periods beginning on or after April 1, 2011. The adoption of this standard did not affect these financial statements.

Improvements to IPSAS 2011 is effective for annual financial statements for periods beginning on or after January 1, 2013. The improvements have not been applied in the preparation of these financial statements. In addition, IFAC has not applied the following IPSASs that have been issued but are not yet effective: IPSAS 29, Financial Instruments: Recognition and Measurement and IPSAS 30, Financial Instruments: Disclosures. These standards will be effective and applied to next year’s financial statements. Management has not yet determined the effect of these standards on the financial statements in the period of initial application.

Estimates and Assumptions
The preparation of financial statements in accordance with IPSASs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions relate to the measurement of the defined benefit pension plan expense and liability, and the allocation of revenues, expenses, assets, and liabilities for the purposes of segment reporting (see Note 19). Although these estimates are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

The financial statements have been prepared on the historical cost basis, unless otherwise stated in the accounting policies.

The financial statements are presented in United States dollars.

Significant Accounting Policies

i. Revenue Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the organization and the amount of the revenue can be measured reliably.

Membership dues
Payments of annual membership dues are initially recorded as deferred revenue and recognized on a straight-line basis over the reporting period. Membership dues are reported net of any approved discounts.

Forum of Firms revenue
Revenue from the Forum of Firms (Forum) is recognized when it is receivable. Revenue from the Forum consists of a contribution (dues) of an amount agreed on an annual basis, and reimbursement of
an amount equal to the expenses incurred by the Transnational Auditors Committee activity during the reporting period.

External Funding

IFAC receives external funding from governments, donor agencies, and other institutions, as well as from alliances and other organizations. External funding is generally in the form of restricted and unrestricted grants, contributions, and expense reimbursements.

Revenue from external funding is recognized when IFAC has complied with all the stipulations or conditions (as defined in IPSAS 23, Revenue from Non-Exchange Transactions) implicit in the underlying agreements, and there is reasonable assurance that the funding will be received.

External funding is recognized in the statement of financial performance on a systematic basis over the periods in which IFAC recognizes as expenses the related costs for which the funding is intended to compensate. External funding for compensation of expenses or losses already incurred or for giving immediate financial support to IFAC with no future related costs is recognized in the statement of financial performance when it becomes receivable.

Publications revenue

Revenue from publications is recognized when the publications are shipped.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to IFAC and the amount can be reasonably measured.

Services in-kind

A variety of board and committee services is by highly qualified volunteer. IFAC does not recognize these services in the financial statements as their value cannot be reliably measured.

ii. Employee Entitlements

Employee entitlements to salaries, wages, annual vacation, retirement benefits, and other benefits are recognized when they are earned. Annual vacation and other leave are calculated on an actual entitlement basis at current rates of pay.

IFAC provides retirement benefits for employees under a defined contribution plan and a defined benefit plan. Payments to the defined contribution plan are recognized as expenses as they become due.

IFAC participates in a multiple employer defined benefit plan. IFAC is one of three sponsoring employers. The plan is wholly or partly funded. The direct and indirect obligations arise from existing pensions as well as future pension and retirement obligations. The defined benefit obligation is calculated using the projected unit credit method. The present value of the defined benefit obligation is determined annually by an independent actuary.

The amount recognized as the defined benefit liability is the net total of the present value of the defined benefit obligation, plus any unrecognized actuarial gains or less any unrecognized actuarial losses, less any unrecognized past service cost, and less the fair value of plan assets out of which the obligations are to be settled directly.

Actuarial gains and losses are recognized if they exceed the greater of 10% of the present value of the defined benefit obligation or of the fair value of plan assets. The amounts exceeding 10% are amortized
over the average remaining service lives of the employees beginning in the following year. Past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

IFAC froze participation in the defined benefit plan effective January 31, 2013. This means that employees hired after that date will not participate in the plan. Current participants’ benefits are frozen as of January 31, 2013, however, staff that are currently participating, but who have not vested, will continue to accrue service for vesting purposes only. Because of this decision, IFAC has recognized a curtailment of the plan in these financial statements.

iii. Property and Equipment

Property and equipment are carried at cost, and are depreciated on a straight-line basis over their expected useful lives. The useful lives, residual values, and depreciation methods are reviewed annually. Refer to Impairment below.

The estimated useful lives of property and equipment are as follows:

<table>
<thead>
<tr>
<th>Type of Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office equipment</td>
<td>3 to 5 years</td>
</tr>
<tr>
<td>Furniture and fittings</td>
<td>5 to 7 years</td>
</tr>
<tr>
<td>Leasehold alterations</td>
<td>Shorter of the life of the lease or useful life</td>
</tr>
</tbody>
</table>

Gains and losses on disposal are determined by comparing proceeds with carrying amounts, and are included in the statement of financial performance. Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

iv. Intangible Assets

Intangible assets consist of software licenses and website development costs.

An intangible asset is recognized when it is identifiable, the organization has control over the asset, it is probable that economic benefits will flow to the organization, and the cost of the asset can be measured reliably. Intangible assets that do not meet these criteria are recognized as an expense in the period in which the expense is incurred.

Intangible assets are carried at cost, and are amortized on a straight-line basis over the estimated useful lives of the assets, generally 3 to 5 years. Refer to Impairment below.

v. Impairment

IFAC reviews the carrying amounts of its property and equipment and intangible assets if there is indication that impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognized as an expense in the statement of financial performance in the period the impairment is incurred.

vi. Financial Instruments

Financial instruments include cash and cash equivalents, accounts receivable, and accounts payable. Financial instruments are recognized in the statement of financial position at cost, which approximates fair value due to their short-term nature.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and on deposit at a bank, and other short-term liquid investments with original maturities of three months or less.
Membership dues and other receivables

Membership dues and other receivables are carried at original invoice amount less any subsequently approved discount, and less an estimate made for doubtful receivables based on periodic reviews of all outstanding amounts at the year-end. Bad debts are written off when identified.

vii. Operating Lease

Leases are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. Lease agreements may contain provisions for future rent increases, rent-free periods, or other lease incentives. The total amount of rent due over the lease term, reduced for any lease incentives, is recognized in rent expense on a straight-line basis over the term of the respective lease. The difference between rent expense and the amount paid is recognized in deferred rent in the accompanying statement of financial position.

viii. Taxation

IFAC has received an exemption from the Internal Revenue Service (IRS) from federal income taxes under Section 501(a), as an entity described in Section 501(c)(6) of the Internal Revenue Code of 1986 (IRC), as amended. IFAC is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. IFAC is also exempt from Swiss income taxes (see Note 1).

ix. Foreign Currencies

Transactions in foreign currencies are translated to United States dollars at the rates of exchange prevailing at the date of the transactions. Assets and liabilities at the reporting date, denominated in foreign currencies, are translated at the rates of exchange prevailing at that date. The resulting gains or losses are recognized in the statement of financial performance.

x. Reclassifications

Certain reclassifications have been made to the 2011 financial statements to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.
1. International Federation of Accountants

IFAC is the global organization for the accountancy profession. Founded in 1977, it comprises of 173 accountancy organizations in 129 countries and jurisdictions as at December 31, 2012. These accountancy organizations represent approximately 2.5 million accountants in commerce and industry, education, the not-for-profit sector, public practice, and the public sector.

IFAC’s vision is that the global accountancy profession be recognized as a valued leader in the development of strong and sustainable organizations, financial markets and economies.

The mission statement of IFAC is to service the public interest by:

• Contributing to the development of high-quality standards and guidance
• Facilitating the adoption and implementation of high-quality standards and guidance
• Contributing to the development of strong professional accountancy organizations and accounting firms and to high-quality practices by professional accountants, and promoting the value of professional accountants worldwide
• Speaking out on public interest issues

IFAC is registered in Geneva, Switzerland under Articles 60 through 79 of the Swiss Civil Code. IFAC’s primary base of operation is New York, New York, United States of America, and operates as a tax-exempt organization under Section 501(c)(6) of the IRC.

2. International Standard-Setting Boards

IFAC facilitates the structures and processes that support the operations of the following independent standard-setting boards:

• International Auditing and Assurance Standards Board (IAASB)
• International Accounting Education Standards Board (IAESB)
• International Ethics Standards Board for Accountants (IESBA)
• International Public Sector Accounting Standards Board (IPSASB)

The IAASB, IAESB, and IESBA develop international standards under a shared standard-setting process involving the Public Interest Oversight Board (PIOB). The PIOB oversees the activities of these boards and their consultative advisory groups. The consultative advisory groups provide public interest input into the development of the standards. Public interest oversight arrangements for the IPSASB are currently under consideration.

Revenues and expenses, and assets and liabilities associated with the independent standard-setting boards are presented in the Information about Activities (Segments) (see Note 19).

Public Interest Oversight Board

The PIOB was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, in the form of the Monitoring Group, and IFAC. The Monitoring Group works with IFAC to ensure that the standards developed by the independent standard-setting boards in the areas of auditing and assurance, ethics for professional accountants, accounting education, and IFAC’s Member Body Compliance Program are operated in a transparent manner that reflects the public interest.

As part of IFAC’s agreement with the Monitoring Group, IFAC provides unconditional guaranteed funding for the operations of the PIOB through March 2015. The unconditional guarantee is denominated in Euros, and is the Euro equivalent of $1.5 million annually after adjustment for inflation and exchange
rate changes. IFAC accepts the currency risk associated with the guaranteed funding being denominated in Euros and understands that, on this basis, the PIOB will accept the currency risk associated with any operations or expenses of the PIOB incurred in currencies other than Euros. The guaranteed funding is paid on a quarterly basis in advance to the PIOB Foundation, whose trustees allocate the funds to the PIOB.

The 2012 budget for the PIOB approved by the Monitoring Group amounted to €1,176,681, and the PIOB received a grant of €284,000 from the European Commission. IFAC funding of the PIOB amounted to $1,489,443 (2011: $1,562,267).

3. **External Funding**

IFAC receives funding from external sources in the form of grants, voluntary contributions, and reimbursements to support several of its activities as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Public Sector</td>
<td>$874,432</td>
<td>$632,545</td>
</tr>
<tr>
<td>Accounting Standards Board</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Accountancy</td>
<td>75,000</td>
<td>101,591</td>
</tr>
<tr>
<td>Organization Development Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small and Medium Practices</td>
<td>35,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total external funding</strong></td>
<td>$984,432</td>
<td>$764,136</td>
</tr>
</tbody>
</table>

The IPSASB received external funding from the Asian Development Bank, Canadian government, Global Accounting Alliance, New Zealand government, and World Bank. In addition, the Canadian Institute of Chartered Accountants (CICA) supports the IPSASB in the form of funding for one professional staff member.

The Professional Accountancy Organization (PAO) Development Committee received external funding for the Conference on Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean (CReCER).

The Small and Medium Practices (SMP) Committee received external funding for the IFAC Small and Medium Practices Forum.

As at December 31, 2012, amounts receivable from external funding sources totaled $170,177 (2011: $81,973).

4. **Employee Costs**

Employee costs include compensation and related payroll taxes as well as other employee benefits. For 2012, employee costs included retirement benefits of $667,861 (2011: $652,836). The retirement benefit amount comprises the net periodic pension expense of $380,423 (2011: $397,730) associated with the defined benefit plan, an employer contribution of $187,803 (2011: $151,295) associated with the defined contribution plan for U.S.-based employees, and an employer contribution of $99,635 (2011: $103,811) to registered Retirement Savings Plans of Canada-based employees (see Note 11).

5. **Receivables from IFAC Members**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues receivable</td>
<td>$59,000</td>
<td>$23,152</td>
</tr>
<tr>
<td>Special assessment receivable</td>
<td>54,000</td>
<td>424,000</td>
</tr>
<tr>
<td>Provision for uncollectible dues/assessment</td>
<td>(113,000)</td>
<td>(47,576)</td>
</tr>
<tr>
<td><strong>Net dues/assessment receivable</strong></td>
<td>$-</td>
<td>$399,576</td>
</tr>
</tbody>
</table>

In November 2010, the IFAC Council resolved that the 42 highest contributing IFAC members make an additional contribution of $1,810,000 to fund the leasehold improvements and furniture associated with
the new office located at 529 Fifth Avenue, New York, New York (see Note 10). The special assessment, net of approved discounts, was recognized in the statement of financial performance for 2011. After adjustments, discounts, and voluntary contributions, the special assessment amounted to $1,703,929. IFAC members subject to the special assessment were provided the option to pay the assessment over two years. In 2012, adjustments and discounts to membership dues amounted to $93,000 (2011: $630,000); there were no adjustments or discounts to the special assessment in 2012 (2011: $95,000).

6. Property and Equipment

<table>
<thead>
<tr>
<th></th>
<th>Office Equipment</th>
<th>Furniture &amp; Fittings</th>
<th>Leasehold Alterations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Opening net carrying value</td>
<td>$159,976</td>
<td>$110,315</td>
<td>$357,400</td>
<td>$1,677,872</td>
</tr>
<tr>
<td>Additions</td>
<td>150,696</td>
<td>132,540</td>
<td>290,356</td>
<td>982,671</td>
</tr>
<tr>
<td>Loss on disposals</td>
<td>(1,347)</td>
<td>(405)</td>
<td>(92,734)</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(114,055)</td>
<td>(82,474)</td>
<td>(36,969)</td>
<td>(170,699)</td>
</tr>
<tr>
<td>Closing net carrying value</td>
<td>$195,270</td>
<td>$159,976</td>
<td>$563,079</td>
<td>$1,677,872</td>
</tr>
<tr>
<td>Cost</td>
<td>$565,345</td>
<td>$555,688</td>
<td>$663,370</td>
<td>$2,195,248</td>
</tr>
<tr>
<td>Accumulated depreciation</td>
<td>(370,075)</td>
<td>(395,712)</td>
<td>(100,291)</td>
<td>(177,996)</td>
</tr>
<tr>
<td>Net carrying value</td>
<td>$195,270</td>
<td>$159,976</td>
<td>$563,079</td>
<td>$2,195,248</td>
</tr>
</tbody>
</table>

As at December 31, 2011, property and equipment included approximately $1.8 million of additions not yet placed in service. The assets related to the new office space located at 529 Fifth Avenue (see Note 10); they were placed into service in February 2012 when the new office was occupied. In addition, depreciation of office equipment, furniture and fittings, and leasehold alterations deemed to have no future benefit upon the relocation to the new office was accelerated to reduce the net book value of those assets to $nil as at December 31, 2011.

7. Intangible Assets

<table>
<thead>
<tr>
<th></th>
<th>Software Licenses &amp; Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>Opening net carrying value</td>
<td>$192,397</td>
</tr>
<tr>
<td>Additions</td>
<td>-</td>
</tr>
<tr>
<td>Amortization</td>
<td>(68,513)</td>
</tr>
<tr>
<td>Closing net carrying value</td>
<td>$123,884</td>
</tr>
<tr>
<td>Cost</td>
<td>$291,238</td>
</tr>
<tr>
<td>Accumulated amortization</td>
<td>(167,354)</td>
</tr>
<tr>
<td>Net carrying value</td>
<td>$123,884</td>
</tr>
</tbody>
</table>
Software licenses and development include the license to operate the database software program that supports IFAC’s Member Body Compliance Program, an association database, and the IFAC website (www.ifac.org).

8. Employee Entitlements

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance based remuneration</td>
<td>$746,889</td>
<td>$713,715</td>
</tr>
<tr>
<td>Accrued Paid Time Off</td>
<td>440,738</td>
<td>497,155</td>
</tr>
<tr>
<td><strong>Total employee entitlements</strong></td>
<td><strong>$1,187,627</strong></td>
<td><strong>$1,210,870</strong></td>
</tr>
</tbody>
</table>

Retirement benefit plans are discussed in Note 11.

9. Revenue Received in Advance

Revenue received in advance at December 31, 2012 of $170,250 (2011: $125,735) represents membership dues received in advance of $98,250 (2011: $125) and membership application fees of $72,000 (2011: $26,610). The 2011 balance also included registration fees and sponsorships related to the 2012 Sovereign Debt Seminar of $89,000, and sponsorship of the 2012 IFAC Small and Medium Practices Forum of $10,000.

10. Operating Lease Obligations

IFAC leases office space in New York and Toronto under long-term non-cancelable operating lease agreements, expiring through October 2027. The lease arrangements have varying terms, which may include increases in future minimum annual rent payments based on inflation or other criteria as defined in the agreements. In addition, IFAC leases certain office equipment under contractual arrangements.

Future minimum lease obligations on non-cancelable operating leases are payable as follows:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>$1,532,888</td>
<td>$847,883</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>4,673,164</td>
<td>4,989,076</td>
</tr>
<tr>
<td>Later than five years</td>
<td>12,768,063</td>
<td>13,910,075</td>
</tr>
<tr>
<td><strong>Total operating lease obligations</strong></td>
<td><strong>$18,974,115</strong></td>
<td><strong>$19,747,034</strong></td>
</tr>
</tbody>
</table>

Operating lease expense for the year ended December 31, 2012 totaled $1,862,985 (2011: $789,632). During 2011, IFAC executed a lease for new office space located at 529 Fifth Avenue, New York, New York for a period of sixteen years commencing November 1, 2011. Lease incentives included a period of free rent as well as a tenant improvement allowance of approximately $1.5 million, which was recognized as a receivable as at December 31, 2011. The new space was occupied during February 2012. As at December 31, 2012, the balance owed to IFAC for tenant improvement allowances totaled approximately $150,000, which is expected to be collected during fiscal 2013. The lease incentives have been deferred and will be recognized over the term of the lease arrangement.

The office space located at 545 Fifth Avenue, New York, New York was vacated effective February 28, 2012. The underlying lease arrangements expire on July 31, 2013. During 2012, IFAC sub-leased the office space to two sub-tenants under short-term non-cancellable sub-leases that are co-terminus with the leases that IFAC holds over the space. The sub-leases are market-rate leases, taking into account their short-term nature, and the location and condition of the space. During 2012, IFAC received rental income of $109,785 in respect of the sub-leases. As at December 31, 2012, future minimum rental income expected to be received under the sub-lease arrangements totaled $171,925.
Upon vacating the office space located at 545 Fifth Avenue, New York, New York, the underlying lease arrangement met the definition of an onerous contract in IPSAS 19, Provisions, Contingent Liabilities and Contingent Assets. As such, IFAC recognized a provision of $152,824 as at December 31, 2012, representing future minimum lease payments of $324,749, net of future minimum sub-lease rental income of $171,925.

The lease for the office space located at 2 – 8 St Andrews Street, Brighton, Victoria, Australia was to expire on July 31, 2013. IFAC vacated the space in 2011 and found a substitute tenant in 2012; the lease was assigned to the tenant.

The security deposits for the office space at 545 Fifth Avenue and 529 Fifth Avenue, New York, New York are in the form of letters of credit. As at December 31, 2012, the total letters of credit were $667,079 (2011: $667,079). The letters of credit are collateralized by certificates of deposit. The security deposit for the office at 277 Wellington St West, Toronto is in the form of cash of $8,645 (2011: $8,645). The security deposits are included in advances and deposits in the accompanying statement of financial position.

11. Retirement Benefit Plans

Defined contribution plan

IFAC operates a defined contribution plan for all full-time employees based in the United States who choose to participate in the plan. IFAC provides an agreed level of discretionary contribution relative to the level of each individual employee’s contribution. All participating employees vest immediately in the plan. The plan is administered by Fidelity Management Trust Company. The contributions recognized as an expense for the year ending December 31, 2012 totaled $187,803 (2011: $151,295).

In the case of full-time employees based in Canada, IFAC contributes an amount equal to seven percent of their annual base salary or the maximum annual amount established under relevant Canadian legislation, whichever is less, to a registered Retirement Savings Plan in the name of each individual employee. For 2012, the contributions recognized as an expense are $99,635 (2011: $103,811).

These expenses are included in employee costs in the statement of financial performance (see Note 4).

Defined benefit plan

IFAC participates in the defined benefit pension plan (the plan) of the American Institute of Certified Public Accountants (AICPA). All full-time employees based in the United States are eligible to participate in the plan at age 21. IFAC makes periodic contributions to the plan as determined by an actuary. Pension benefits earned are generally based on years of service and compensation during active employment. The plan was amended as follows:

a. In 2007 to provide that no further benefit accruals will occur after April 30, 2017; however, see “c” below.

b. In 2010 to provide that individuals employed after October 1, 2010 accrue benefits using a half of career average earnings (rather than career average earnings). To compensate these employees, IFAC increased the level of its discretionary contribution to the defined contribution plan described above; however, see “c” below.

c. In 2012 to provide that no further benefit accruals will occur after January 31, 2013. To compensate employees, IFAC will make an employer contribution of 6% of each employee’s base salary to the defined contribution plan up to a maximum base salary amount. In addition, the level of discretionary contribution to the defined contribution plan described above and amended per “b,” will be at the same level for all employees. This amendment has resulted in the recognition of curtailments, which effectively reduced IFAC’s liability and expense in respect of the plan. Going forward, IFAC’s liability in respect of the plan is expected to stabilize and slowly reduce.
The following presents pension plan information for the twelve-month periods ending December 31, 2012 and December 31, 2011.

Change in the present value of the defined benefit obligation:

For the twelve-month periods ending

<table>
<thead>
<tr>
<th>Present value of defined benefit obligation</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>$4,510,059</td>
<td>$3,411,196</td>
</tr>
<tr>
<td>Interest cost</td>
<td>217,825</td>
<td>189,571</td>
</tr>
<tr>
<td>Current service cost</td>
<td>332,288</td>
<td>272,904</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(117,395)</td>
<td>(110,297)</td>
</tr>
<tr>
<td>Actuarial loss on obligation</td>
<td>615,686</td>
<td>746,685</td>
</tr>
<tr>
<td>Curtailment</td>
<td>(317,315)</td>
<td>-</td>
</tr>
<tr>
<td>Closing balance</td>
<td>$5,241,148</td>
<td>$4,510,059</td>
</tr>
</tbody>
</table>

Change in the fair value of the defined benefit plan assets:

For the twelve-month periods ending

<table>
<thead>
<tr>
<th>Fair value of defined benefit plan assets</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>$2,340,391</td>
<td>$1,912,473</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>165,016</td>
<td>143,901</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>461,922</td>
<td>393,968</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(117,395)</td>
<td>(110,297)</td>
</tr>
<tr>
<td>Actuarial gains on plan assets</td>
<td>96,082</td>
<td>346</td>
</tr>
<tr>
<td>Closing balance</td>
<td>$2,946,016</td>
<td>$2,340,391</td>
</tr>
</tbody>
</table>

IFAC anticipates making a contribution of approximately $463,000 to the plan during 2013. The actual rate of return for the period January 1, 2012 to December 31, 2012 was 11.3 percent (2011: 7.4 percent).

Liability recognized in the statement of financial position:

<table>
<thead>
<tr>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$5,241,148</td>
</tr>
<tr>
<td>Fair value of benefit plan assets</td>
<td>2,946,016</td>
</tr>
<tr>
<td>Funded status</td>
<td>(2,295,132)</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>-</td>
</tr>
<tr>
<td>Unrecognized net actuarial losses</td>
<td>2,046,968</td>
</tr>
<tr>
<td>Accrued pension costs</td>
<td>$248,166</td>
</tr>
</tbody>
</table>
Expense recognized in the statement of financial performance:

<table>
<thead>
<tr>
<th>For the twelve-month periods ending</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>$332,288</td>
<td>$272,904</td>
</tr>
<tr>
<td>Interest cost</td>
<td>217,825</td>
<td>189,571</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(165,016)</td>
<td>(143,901)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>113,131</td>
<td>65,984</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>13,172</td>
<td>13,172</td>
</tr>
<tr>
<td>Curtailment</td>
<td>(130,977)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net periodic pension expense</strong></td>
<td><strong>$380,423</strong></td>
<td><strong>$397,730</strong></td>
</tr>
</tbody>
</table>

Categories of plan assets:

<table>
<thead>
<tr>
<th>For the twelve-month periods ending</th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$235,681</td>
<td>$257,443</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>382,982</td>
<td>280,847</td>
</tr>
<tr>
<td>Common stocks</td>
<td>294,602</td>
<td>234,039</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>1,797,070</td>
<td>1,380,831</td>
</tr>
<tr>
<td>Foreign bonds &amp; stocks</td>
<td>88,380</td>
<td>93,616</td>
</tr>
<tr>
<td>Investment in partnership</td>
<td>147,301</td>
<td>93,615</td>
</tr>
<tr>
<td><strong>Fair value of plan assets</strong></td>
<td><strong>$2,946,016</strong></td>
<td><strong>$2,340,391</strong></td>
</tr>
</tbody>
</table>

IFAC does not issue debt securities or net assets/equity securities, nor does it occupy property, or use assets, owned by the plan.

Principal actuarial assumptions:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2012</th>
<th>December 31, 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rates</td>
<td>4.35%</td>
<td>4.90%</td>
</tr>
<tr>
<td>Expected rates of return on plan assets</td>
<td>7.25%</td>
<td>7.75%</td>
</tr>
<tr>
<td>Expected increase in social security wage base</td>
<td>3.50%</td>
<td>3.50%</td>
</tr>
<tr>
<td>Expected increase in compensation and benefit limits</td>
<td>3.25%</td>
<td>3.25%</td>
</tr>
<tr>
<td>Expected rates of salary increases</td>
<td>4.00%</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

The actuarial computation of the defined benefit obligation is based on interest rates that reflect the time value of money, as well as projected salary/wage and pension increases, and staff turnover trends. For purposes of determining the time value of money, the rate on high-quality United States corporate bonds is used. The future stream of benefit payments that corresponds to the defined benefit obligation is first determined; then the present value of this payout stream is calculated using both the Aon Hewitt AA Above Median yield curve and the Citigroup Above Median yield curve. A single rate of interest that is equivalent to each yield curve is determined, and these two rates are averaged to determine the discount rate, with the average rounded to the nearest multiple of five basis points.

The expected return on plan assets reflects the target asset allocation, and was derived from historical asset performance and projected long-term returns.
The mortality assumption is the static mortality table for annuitants and non-annuitants as prescribed by the United States Internal Revenue Service regulation 1.430(h)(3)-1(e). This table is a statutory mortality table for funding valuations under the Pension Protection Act of the United States of America. It reflects future mortality improvements as required by Actuarial Standard of Practice No. 35 for measurement dates on or after June 30, 2011.

Plan trend rates:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$5,241,148</td>
<td>$4,510,059</td>
<td>$3,411,196</td>
<td>$2,844,349</td>
<td>$2,695,646</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>2,946,016</td>
<td>2,340,391</td>
<td>1,912,473</td>
<td>1,551,029</td>
<td>1,301,419</td>
</tr>
<tr>
<td>Deficit in plan</td>
<td>$(2,295,132)</td>
<td>$(2,169,668)</td>
<td>$(1,498,723)</td>
<td>$(1,293,320)</td>
<td>$(1,394,227)</td>
</tr>
<tr>
<td>Experience adjustments arising on:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plan liabilities</td>
<td>$615,686</td>
<td>$746,685</td>
<td>$275,835</td>
<td>$422,503</td>
<td>$730,179</td>
</tr>
<tr>
<td>Plan assets</td>
<td>96,082</td>
<td>$346</td>
<td>$46,189</td>
<td>$168,511</td>
<td>$(268,384)</td>
</tr>
</tbody>
</table>

* In 2008 and earlier years, the actuary presented pension plan information for the twelve-month period ending July 31 (AICPA year-end). IFAC adjusted the July 31 information to December 31 (IFAC year-end) to reflect net periodic pension expense and any employer contribution made during the intervening period. From 2009, the actuary presented pension plan information for the twelve-month period ending December 31.

12. Reconciliation of Net Surplus with Net Cash Inflow from Activities

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net (deficit)/surplus for the period</td>
<td>$(236,647)</td>
<td>$1,703,030</td>
</tr>
<tr>
<td>Add non-cash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>437,944</td>
<td>214,728</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>794,496</td>
<td>1,668,578</td>
</tr>
<tr>
<td>Net loss on disposal of property and equipment</td>
<td>1,347</td>
<td>93,139</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>87,376</td>
<td>-</td>
</tr>
<tr>
<td>Add/(less) movements in working capital:</td>
<td></td>
<td></td>
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<tr>
<td>Membership dues receivable</td>
<td>312,200</td>
<td>(361,523)</td>
</tr>
<tr>
<td>Other receivables from non-exchange transactions</td>
<td>(88,204)</td>
<td>4,998</td>
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<tr>
<td>Receivable from Forum of Firms</td>
<td>(92,895)</td>
<td>2,106,798</td>
</tr>
<tr>
<td>Other receivables</td>
<td>1,237,467</td>
<td>(1,095,334)</td>
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<tr>
<td>Other current assets</td>
<td>61,180</td>
<td>(168,695)</td>
</tr>
<tr>
<td>Non-current receivables</td>
<td>(516,851)</td>
<td>(12,429)</td>
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<tr>
<td>Accounts payable and accrued expenses</td>
<td>68,802</td>
<td>352,341</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>(23,243)</td>
<td>(12,762)</td>
</tr>
<tr>
<td>Revenue received in advance</td>
<td>44,515</td>
<td>100,734</td>
</tr>
<tr>
<td>Accrued pension costs</td>
<td>(81,498)</td>
<td>3,762</td>
</tr>
<tr>
<td><strong>Net cash inflow from activities</strong></td>
<td><strong>$2,005,989</strong></td>
<td><strong>$4,597,365</strong></td>
</tr>
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</table>
13. Employee Disclosure

As at December 31, 2012, IFAC had 67 full-time employees (2011: 66 full-time employees), three part-time employees (2011: one part-time employee). In addition to these employees, IFAC had two contracted personnel (2011: two contracted personnel), and one secondee (2011: two secondees).

14. Financial Instruments

All financial instruments to which IFAC is a party are recognized in the financial statements.

Liquidity risk

IFAC manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities. IFAC has an available line of credit with its bank (see Note 18). IFAC has no borrowings outstanding under the line of credit or any other outstanding debt.

Credit risk

In the normal course of business, IFAC incurs credit risk from trade accounts receivable and transactions with banking institutions. IFAC manages its exposure to credit risk by:

• holding bank balances and short-term liquid investments with original maturities of three months or less with high-quality credit institutions; and
• maintaining credit control procedures over accounts receivable.

As at December 31, 2012, a total of $5,624,970 was held with JP Morgan Chase Bank (2011: $5,287,051); representing 81 percent of the total amount of cash and cash equivalents, receivables and other current assets (2011: 66 percent). The amount held by JP Morgan Chase excludes deposits of $667,079 (2011: $152,238) held as collateral for security deposits in the form of letters of credit for the offices in New York City. The deposits are included in advances and deposits in the accompanying statement of financial position.

IFAC does not require any other collateral or security to support financial instruments and other receivables it holds due to the low risk associated with the realization of these instruments.

The maximum exposure at December 31, 2012 is equal to the total amount of cash and cash equivalents, and receivables disclosed in the statement of financial position. Receivables considered uncollectible have been adequately provided for.

For the year ended December 31, 2012, one IFAC member accounted for 11 percent of total revenue (2011: 12 percent). There were no amounts due from this member as at December 31, 2012 (2011: $nil).

Currency risk

IFAC operates separate bank accounts in Australian dollars, Canadian dollars, and Euros. IFAC incurs currency risk as a result of the conversion of foreign currency balances held in these bank accounts to United States dollars at the reporting date. The currency risk associated with these balances is considered minimal and therefore IFAC does not hedge its foreign currency exposure.

Foreign currency transactions are translated to United States currency at exchange rates at the date of the transactions.

Fair values

As at December 31, 2012 (and 2011), the carrying amounts for all financial instruments held by IFAC approximate their fair values.

Restrictions on the use of cash and cash equivalents

Certificates of deposit for $667,079 collateralize the letters of credit IFAC’s landlords hold as security deposits. There are no other restrictions on the use of cash or cash equivalents.
15. Related Parties

Council

Ultimate governance of IFAC rests with the IFAC Council, which comprises one representative from each IFAC member. The Council meets once a year and is responsible for deciding constitutional and strategic matters and electing the Board. Positions on the Council are voluntary and there is no honorarium paid for any position held.

Board

The IFAC Board is comprised of members from around the globe who, as representatives of the worldwide accountancy profession, have signed a declaration to act with integrity and in the public interest. The Board is comprised of the president, deputy president, and twenty other individuals nominated by IFAC members. Board members are elected for up to two three-year terms and are responsible for setting policy and overseeing IFAC operations, the implementation of initiatives, and the allocation of resources to and overseeing the activities of the various boards and committees. During 2012, the Board met four times (2011: four times). Positions on the Board are voluntary and there is no honorarium paid for any position held.

Senior executive management

As at December 31, 2012 the senior executive management (key management personnel) includes the chief executive officer, three executive directors, and three directors (2011: chief executive officer, two executive directors and four directors) who are responsible for operating the various activities of the organization. These positions are remunerated by the organization. The aggregate remuneration of key management personnel was $3,671,852 (2011: $3,435,162).

There were no loans to key management personnel or their close family members that were not available to other categories of staff. Loans comprise guarantees or deposits to secure rented residences (refer to IFAC employees below), and are repaid upon termination of employment.

IFAC representatives

IFAC reimburses the travel and other incidental expenses incurred by the president while representing IFAC. On occasion, other volunteers are required to represent IFAC in a variety of capacities. When this is the case, IFAC may reimburse these individuals for travel and other incidental expenses on an actual basis as per IFAC policies. These payments are not remuneration payments and occur in the normal course of business.

IFAC member organizations

The transactions between IFAC and its member organizations occur in the normal course of business. Member organizations provide annual financial contributions (dues) to IFAC as determined by the basis of assessment approved by the IFAC Council. In addition, IFAC has agreements with some of its member organizations for the reproduction or translation and reproduction of the IFAC publications.

Forum of Firms

The Forum of Firms provides an annual financial contribution (dues) to IFAC for an agreed amount and full reimbursement for Transnational Auditors Committee related expenses (see Note 16).

IFAC employees

As part of employee relocation packages included in individual employment contracts, IFAC offers to provide employees guarantees or deposits to secure rented residences. As at December 31, 2012, the balance outstanding of employee receivables relating to residential security deposits was $75,712.
(2011: $73,703). This amount is included in advances and deposits in the accompanying statement of financial position.

16. Forum of Firms

The objective of the Forum of Firms and its relationship with IFAC are established by the Forum's Constitution. The Forum is legally registered in Geneva, Switzerland, under the Swiss Civil Code.

The executive committee of the Forum of Firms is the Transnational Auditors Committee, which by way of the Constitution is also a committee of IFAC. The Transnational Auditors Committee is the operational body of the Forum and has executive authority over the activities of the Forum. The Transnational Auditors Committee is currently staffed by two IFAC employees, each of whom spends part of their time on Transnational Auditors Committee business. The members of the Transnational Auditors Committee are selected by the Forum and are approved by the IFAC Nominating Committee and the IFAC Board.

For 2012, IFAC recognized revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution (dues) of $9,539,000 (2011: $9,193,501), and for expenses incurred by the Transnational Auditors Committee totaling $504,645 (2011: $511,505). These amounts are due to IFAC on a quarterly in arrears basis.

As at December 31, 2012, an amount of $239,635 is receivable from the Forum of Firms for expenses incurred by the Transnational Auditors Committee activity during the reporting period (2011: $146,740).

17. Commitments and Contingencies

In 2012, there were no commitments associated with the build out of the new office located at 529 Fifth Avenue (2011, approximately $3.1 million). The lease obligations identified in Note 10 are the only other outstanding commitments as at December 31, 2012.

18. Line of Credit

As at December 31, 2012, IFAC had an available line of credit from its bank, JP Morgan Chase of $2,250,000 (2011: $2,250,000). The line carries an interest rate of LIBOR +2.22% (2.43% at December 31, 2012) and expires on June 1, 2013. IFAC did not access its line of credit during 2012 and 2011. Borrowings under the line of credit are collateralized by substantially all of IFAC’s assets.

19. Information about Activities (Segments)

To achieve its mission, IFAC seeks to influence various economic and social outcomes through the delivery of services to external parties. IFAC delivers its services through several activity areas. Information about the activity areas is used by the IFAC Board and management as a basis for evaluating the organization’s past performance in achieving its objectives and for making decisions about the future allocation of resources. Financial information by activity areas is presented below. Services planned for 2012 for each activity area and the extent to which those services have been delivered are included in IFAC’s Service Delivery Statement.
For purposes of this note, revenues directly attributable to an activity, such as external funding, sales of publications, and membership application fees, were allocated to the related activity. Membership dues were prorated based on each activity's expenses as a percentage of the total activities' expenses. The prorated amount was reduced by any revenue directly attributable to the activity. The contribution from the Forum of Firms was prorated based on each activity's expenses, excluding the funding of the PIOB. The special assessment was allocated to general activities.

### REVENUE

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<td>632,545</td>
<td>448,893</td>
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<td>Total expenses</td>
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<td>PAO Development</td>
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For purposes of this note, assets and liabilities directly attributable to an activity were allocated to the related activity. All other assets and liabilities are presented as unallocated assets and liabilities.

### OTHER INFORMATION

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INDEPENDENT AUDITORS’ REPORT

To the Board of the International Federation of Accountants

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the International Federation of Accountants (“IFAC”), which comprise the statement of financial position as at December 31, 2012 and 2011, and the statements of financial performance, changes in net assets/equity and cash flows for the years then ended, and a statement of accounting policies and other explanatory notes. As described in the statement of accounting policies, the accompanying financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing and auditing standards generally accepted in the United States. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IFAC as of December 31, 2012 and 2011, and of its financial performance, changes in its net assets/equity, and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards.

CERTIFIED PUBLIC ACCOUNTANTS

CITRIN COOPERMAN & COMPANY, LLP
529 FIFTH AVENUE NEW YORK, NY 10017 | TEL 212.697.1000 | FAX 212.697.1004

CERTIFIED PUBLIC ACCOUNTANTS
March 1, 2013
For more information about IFAC, please contact:
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Deputy Director, Head of Communications
laurawilker@ifac.org
T +1 212 471 8707
www.ifac.org