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Message from the President and Chief Executive Officer

A Beacon for Transparency and Accountability

Over the past twelve months, the financial situation around the world continued to evolve, bringing turmoil to the global financial markets, and demonstrating the interconnectedness of the world’s economies.

At the same time, financial reporting, the role of audit, and the profession itself have all come increasingly under the microscope—in part because the crises have shown us that transparent, reliable, and relevant information is crucial for the proper functioning of the world economy, and that the accountancy profession is critical to providing, understanding, and explaining this information.

In 2010, the International Federation of Accountants (IFAC) took significant steps to position ourselves for 2011 and beyond. We invested to meet future challenges by strengthening our organizational infrastructure and building on existing relationships to ensure that, as IFAC entered 2011, it had the capacity to work effectively within the international financial system to help avert future crises.

Throughout 2011, we continued to build our infrastructure. We also began leveraging this infrastructure to illuminate key issues affecting our global economy—and shed light on some of the solutions. As the voice of the accountancy profession, IFAC has contributed in a constructive way to the debates on the financial and sovereign debt crises, as well as other significant public interest issues affecting the economy and the general public. And, we have been a beacon for global reform to enhance transparency and accountability.

Illuminating the Issues

During 2011, continuing sovereign debt issues highlighted the importance of the development, adoption, and implementation of International Public Sector Accounting Standards (IPSASs) and accrual-based budgeting and accounting by governments. IFAC continued to speak out for the adoption of IPSASs and for accrual-based budgeting and accounting in order to enhance transparency, contribute to high-quality financial management and reporting practices by public sector organizations, and enhance governmental accountability. Our seminar—The Sovereign Debt Crisis, a Matter of Urgency—from Lessons to Reform—in March 2012, is an important part of our continued effort to focus attention on the need for solutions in this area.

Also during 2011, the European Commission (EC) transitioned from its green paper on audit quality to its proposed legislation. As we said in our response to the legislation, IFAC supports the broad objectives of improving audit quality, enhancing auditor independence, and addressing audit firm market structure, and we support many of the EC’s proposals, including stronger audit committees, enhanced dialogue between auditors and regulators, greater transparency regarding auditor selection, greater cross-border mobility for auditors, and enhanced auditor reporting. However, for some of the EC’s proposals—including mandatory firm rotation and prohibition of non-audit services—we have not seen sufficient evidence that they would have a positive impact on auditor independence and audit quality. We believe that further research should be conducted, along with further debate and discussion, to ensure that the benefits of these proposals outweigh the costs and risks.

Part of shining a light on the issues includes taking a stance on matters of public interest where the profession has expertise and, during 2011, IFAC revised its Policy Position Paper 1: Regulation of the Accountancy Profession, and Policy Position Paper 3: International Standard Setting in the Public Interest. The updated papers give more prominence to the importance of global regulatory convergence, including the adoption and implementation of high-quality international standards, and articulate how current governance arrangements for the
with the goal of shedding light on potential solutions to current global concerns.

The Private Sector Taskforce (PSTF)—established in May 2011 at the request of the Presidency of the G-20—compiled a report for the G-20 on how to promote regulatory convergence in order to enhance global financial stability and economic growth. The taskforce was coordinated by IFAC, and also includes CFA Institute (CFAI); INSOL International; Institute of International Finance (IIF); International Accounting Standards Board (IASB); International Actuarial Association (IAA); International Corporate Governance Network (ICGN); International Insurance Society (IIS); and International Valuation Standards Council (IVSC).

In a separate letter submitted to the G-20 in September, IFAC made recommendations aimed at achieving solutions to global economic issues. The recommendations addressed three major areas: public sector financial reporting and management reforms; global regulatory convergence; and development of integrated reporting.

In line with these two communications calling for global regulatory convergence, we welcome the EC proposal calling for its Member States to adopt and implement the International Standards on Auditing (ISAs). We believe passage of this proposal will facilitate transparency and consistency across borders, as well as increased capital market and economic stability. Not including countries within the EC, IFAC and the IAASB are now aware of 76 jurisdictions—almost double compared to a year ago—that use, or have indicated that they will use, the clarified ISAs.

Also in line with our G-20 recommendations, we continue to focus on the future of reporting, through IFAC’s involvement in the International Integrated Reporting Council (IIRC). During 2011, the IIRC issued Towards Integrated Reporting: Communicating Value in the 21st Century, a discussion paper that offers initial proposals for the development of an International Integrated Standards Board (IPSASB) released Recommended Practice Guideline, Reporting on the Long-Term Sustainability of a Public Sector Entity’s Finances (an exposure draft), providing guidance on a topic highlighted during the sovereign debt crisis and by current concerns about whether information about governments’ condition is complete, relevant, and understandable.

• The International Ethics Standards Board for Accountants (IESBA) formed the IESBA SME / SMP Working Group to help it better understand compliance issues faced by small- and medium-sized entities (SMEs) and small and medium practices (SMPs).

Shedding Light on Solutions

In addition to illuminating the issues, during 2011, IFAC took a leadership position on many public interest issues where the accountancy profession’s skills and knowledge are most relevant, independent standard-setting boards operate in the public interest and address the need for legitimacy, transparency, and performance.

The independent standard-setting boards also contributed to the ongoing debates about the role of audit, auditor reporting, and sovereign debt during 2011. For example:

• The International Auditing and Assurance Standards Board (IAASB) published Audit Quality: An IAASB Perspective, as a means to stimulate thoughts and discussion among stakeholders in the financial reporting process. It also published Enhancing the Value of Auditor Reporting: Exploring Options for Change (a consultation paper), which describes stakeholders’ issues with current financial reporting, sets out possible options for change, and seeks input as to whether these options could be effective in enhancing auditor reporting.

• The International Public Sector Accounting Standards Board (IPSASB) released Recommended Practice Guideline, Reporting on the Long-Term Sustainability of a Public Sector Entity’s Finances (an exposure draft), providing guidance on a topic highlighted during the sovereign debt crisis and by current concerns about whether information about governments’ condition is complete, relevant, and understandable.

• The International Ethics Standards Board for Accountants (IESBA) formed the IESBA SME / SMP Working Group to help it better understand compliance issues faced by small- and medium-sized entities (SMEs) and small and medium practices (SMPs).
Reporting Framework; an exposure draft of the proposed Framework is expected in 2012. In addition, the IIRC has attracted more than 60 companies from around the world to participate in a Pilot Program that will, over the next two annual reporting cycles, test the guiding principles and content elements outlined in the Discussion Paper and support the further development of the Framework.

IFAC also continued to shine a light on solutions to support emerging economies—actively addressing another significant matter that impacts the world’s financial health. One important way we did this is through MOSAIC: Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration. This agreement between IFAC and the donor community, signed during 2011, will help build financial infrastructure in developing nations. In addition, we continued to support professional accountancy organizations in regions around the world: for example, in Latin America and the Caribbean, which resulted in a very successful CReCER conference and the acceleration of work towards adoption and implementation of international standards in the region; and in Africa, with our participation in the development and launch of the Pan-African Federation of Accountants.

During 2011, IFAC’s principal role remained that of contributing to the development of high-quality international standards for auditing, other assurance, quality control, and other related services; ethics; public sector accounting; and accounting education. In addition, an increasingly important role is that of driver and facilitator of adoption, high-quality implementation, and effective enforcement of standards. In addition to the achievements mentioned above:

- The IAASB issued a new International Auditing Practice Note to respond to the current environment and the challenges of auditing increasingly complex financial instruments, and a new standard and a new exposure draft that provide guidance for assurance engagements.
- The International Accounting Education Standards Board (IAESB) issued four exposure drafts and one final standard in its continued work to revise its suite of eight International Education Standards (IESs) to improve clarity and ensure consistent application by reducing ambiguity about requirements.
- The IESBA issued two exposure drafts, Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code and Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest, and a one-page document that summarizes the independence prohibitions that apply to the audits of public interest entities; it is also continuing its efforts to facilitate convergence of the Code of Ethics for Professional Accountants with the standards of various jurisdictions.
- The IPSASB continued its high profile project: The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities. This project seeks to establish and make explicit the concepts that are to be applied in developing IPSASs and other documents that provide guidance on information included in general purpose financial reports.

In terms of our public interest activity committees, the Monitoring Group (MG) continues to express satisfaction with the steps we have taken to address the recommendations in the Review of the IFAC Reforms—Final Report, which was issued in 2010. In addition, we have held ongoing discussions with the MG regarding its consultation on governance; our mutual aim is to ensure that the overall governance structure is as effective as possible and to create a better public understanding of the structure.

“During 2011, IFAC took a leadership position on many public interest issues where the accountancy profession’s skills and knowledge are most relevant, with the goal of shedding light on potential solutions to current global concerns.”
IFAC also continued to maintain its constituency-focused approach. Through the Professional Accountants in Business Committee, we continued to help our members support the more than one million professional accountants worldwide employed in commerce, industry, financial services, the public sector, education, and the not-for-profit sector. Its flagship publication, *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success*, supports the profession in responding to changing expectations of society, financial markets, and organizations, and promotes the value of professional accountants in business to their organizations. The SMP Committee continued to support SMPs, as they support SMEs—a critical sector for economic growth and stability. During 2011, the SMP Committee revised and updated three essential guides for SMPs: the *Quality Control Guide*, the *ISA Guide*, and the *Practice Management Guide*. In addition, we continued our successful annual SMP Forum to support SMPs and the SMEs they serve.

Part of providing solutions—particularly in today’s digital, fast-paced environment—includes providing easy access to tools and resources and information for our members and our other stakeholders. During 2011, IFAC launched a new website with streamlined architecture and navigation, a better user experience, and a cleaner and more modern design. In addition, we engaged more fully in social media, and disseminate our press releases and thought leadership via Facebook, Twitter, and LinkedIn. Finally, we updated IFAC’s logo and publication designs to modernize and enhance IFAC’s brand and image.

We would like to thank our chairs, volunteers, IFAC staff, members, associates, regional organizations and accountancy groupings, and other stakeholders for their continued commitment and dedication to our mission. As we enter 2012, we will continue to speak out about the importance of high-quality financial information for building and maintaining a sound and sustainable global financial system and the important contributions of the accountancy profession in preparing and assuring this high-quality information.

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Göran Tidström  Ian Ball
President  Chief Executive Officer
THE PUBLIC INTEREST OVERSIGHT BOARD
Like other institutions, the Public Interest Oversight Board (PIOB) is changing and adapting to the world of today.

In 2011, my first year as chairman, the PIOB began to reflect on its mission and its methods of oversight, in part as a response to the recommendations issued by the Monitoring Group (MG) of regulators and international organizations. In its 2010 Review of the IFAC Reforms, the MG acknowledged the PIOB’s contribution to IFAC reform through its oversight of the Public Interest Activity Committees (PIACs). But it urged the PIOB to adopt a risk-based approach to oversight in the new post-reform era of standard setting.

Until now, the PIOB employed the so-called direct observation method, whereby a PIOB member attended every meeting of all the PIACs and their corresponding Consultative Advisory Groups (CAGs). The objective of this method was to verify de visu that due process was followed effectively and with proper regard for the public interest during the entire standard-setting process. This required observing the role of the different member organizations, particularly non-practitioners, and ensuring that the observations and remarks made by the CAGs were heard and taken into account.

Now the PIOB is considering whether its observation method should be more selective. Depending on the subject and the sensitivity to public interest issues, a PIOB member might attend all or a part of a meeting; or staff might observe a meeting, either physically or remotely. As new standards and other pronouncements are subject to a thorough due process analysis by the PIOB secretariat, the observer, whether remote or present, has a solid body of analysis to draw upon when drafting his or her observation report.

These oversight innovations are now in the process of being tested. The coming year will clarify what further refinements will be needed.

To meet these new challenges, the PIOB is seeking to improve the geographic balance of its board, with a view to gaining new insights into public interest issues. In 2011, the PIOB welcomed the arrival of Chandrashekhar Bhaskar Bhave, previously the head of the Securities and Exchange Board of India, and Robert Ward, an experienced former auditor from Australia. This year, Jane Diplock, the former chairman of both the International Organization of Securities Commissions and the New Zealand Securities Commission, also joins the PIOB.

The PIOB attaches great importance to the work of IFAC in general and of the PIACs in particular. Achieving high-quality standards that are universally subscribed is crucial at this time of financial crisis and growing doubt about the role of the auditor. The adoption and, more importantly, the implementation of the international standards form the blocks for building market confidence in the effectiveness and integrity of the accounting and auditing professions.

To that end, the PIOB calls on all IFAC member bodies to press their respective organizations, independently of whether or not they have direct endorsing capacity, to have the standards adopted and implemented within their jurisdictions.

I firmly believe that together, with the collaboration of the IFAC member bodies, we can achieve the objective of adoption and implementation of international standards and help further the public interest.

Eddy Wymeersch
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, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession’s expertise is most relevant.

IFAC’s Values

• Integrity
• Transparency
• Expertise

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

[Diagram showing the structure of IFAC's governance and committees, including IFAC Council, IFAC Board, Nominating Committee, Governance and Audit Committee, Planning and Finance Committee, Forum of Firms, Professional Accountancy Organization Development Committee, Professional Accountants in Business Committee, Small and Medium Practices Committee, Compliance Advisory Panel, International Auditing and Assurance Standards Board, International Accounting Education Standards Board, International Ethics Standards Board for Accountants, International Public Sector Accounting Standards Board, Consultative Advisory Group, Monitoring Group, Public Interest Oversight Board, IFAC Regulatory Liaison Group, and other committees.]
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.

COUNCIL

Ultimate governance of IFAC rests with the Council, which comprises one representative from each member. The Council ordinarily meets once a year, and is responsible for deciding constitutional, strategic, and membership matters, and electing the Board.

BOARD

The Board is responsible for governing and overseeing the operations of IFAC. The Board ordinarily meets four times per year, and has the power to take the steps necessary to achieve IFAC’s mission. 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 detailed consideration of the development, implementation, and monitoring of IFAC’s strategies and the financial activities required to implement those strategies.

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

- The IFAC Regulatory Liaison Group was established to formalize the relationship between IFAC, the firms, and the international regulatory community; and to assist IFAC—and the firms’ Global Public Policy Committee, as appropriate—in developing public policy positions on regulatory issues that fall within their respective missions. It promotes a cooperative relationship between IFAC, the firms, the Monitoring Group (MG) of regulators and international organizations, and others for addressing issues that arise in connection with the regulation of the profession or with international capital market matters in which the profession has a specific interest or expertise.

In 2011, the Board commissioned consultants to assist with a self-assessment of its effectiveness. The interpretive analysis prepared by the consultants highlighted strengths and areas for development, and presented the following areas for potential action to improve the Board’s practices: (1) develop a plan for ongoing Board member development; (2) strengthen the full Board’s involvement with
IFAC’s strategic plan and direction; (3) clarify the Board’s work in program and financial oversight; (4) close information gaps related to chief executive officer performance, compensation, and succession; and (5) strengthen efforts to improve Board meetings. 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 staff’s performance objectives and reviewing their performance. The chief executive officer, supported by management, is responsible for reviewing staff’s remuneration.
The chief executive officer reports to the president, deputy president, and Governance and Audit Committee chair with regard to succession planning within the senior management team. The Nominating Committee is responsible for succession planning in the Board, and other boards and committees.

### Boards and Committees

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 international standard-setting boards) develop standards and guidance for use by professional accountants. The structures and processes that support the operations of the international standard-setting boards are facilitated by IFAC. The IAASB, IAESB, and IESBA are part of a shared standard-setting arrangement and operate under the oversight of the Public Interest Oversight Board (PIOB) (see *International Standard Setting in the Public Interest* below). The Board of IFAC is currently working to establish public interest oversight for the IPSASB.

The Compliance Advisory Panel (CAP) oversees the implementation and operation of the IFAC Member Body Compliance Program, makes recommendations to the Board about membership applications, and collaborates with regional organizations and accountancy groupings. The CAP also falls under the oversight of the PIOB.

The Professional Accountancy Organization (PAO) Development Committee focuses on addressing the challenges facing the development of strong professional accountancy organizations in emerging and developing countries. It brings together individuals from both developed and developing nations, who drive an agenda to raise awareness of the role of accountancy in economic growth and development, bring attention to the need for a formal profession, and highlight the economic and social benefits that a formal profession can bring.

The Professional Accountants in Business (PAIB) Committee serves IFAC member bodies and professional accountants worldwide who work in commerce, industry, financial services, education, and the public and not-for-profit sectors. Its objectives are to promote and contribute to the value of professional accountants in business by increasing awareness of the important roles they play in creating, enabling, preserving, and reporting value for organizations and their stakeholders; and to support IFAC member bodies in enhancing the competence of their members to fulfill those roles. These objectives are achieved by facilitating the communication and sharing of good practices and ideas.

The Small and Medium Practices (SMP) Committee represents the interests of professional accountants who work in SMPs. It does this primarily by helping IFAC member bodies support their SMP stakeholders. The SMP Committee develops guidance and tools and works to ensure the needs of the SMP and small- and medium-sized entity (SME) sectors are considered by standard setters, regulators, and policy makers. The SMP Committee also 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.

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 generally does not remunerate board and committee members, or reimburse them for expenses incurred in attending meetings. Exceptions are as follows: the IAASB chair is a remunerated position; 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 and committee members in attending external events on behalf of IFAC.

International Standard Setting in the Public Interest

The international standard-setting arrangements for auditing, 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 international standard-setting boards supported by IFAC, and through the membership on the boards; all members are expected to operate in the public interest.

Legitimacy derives from international standard-setting arrangements that give the standards the level of acceptance necessary to generate confidence in them. Legitimacy is achieved through the independence, high levels of transparency, and appropriate levels of performance of the international 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 has signaled their intention to seek additional external funding to reduce the funding provided by IFAC. 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 international 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 international 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 international 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 manages the nominations and selection process; and provides human resources, facilities management, and financing to the international standard-setting boards. The nominating
The features described—independence, 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. For example, due process is essential to legitimacy; however, it must be balanced with responsiveness, in that the process must enable the boards to take action in a timely fashion.

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. For example, while oversight might desirably be in the public sector for reasons of political legitimacy, standard setting may require the involvement of private sector practitioners for reasons of competence and responsiveness.

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 Nominating Committee recommends to the Board and then to the PIOB, and the PIOB approves, the composition of the IPSASB, IFAC committees, and Board subcommittees. The Nominating Committee recommends to the Board and then to the PIOB, and the PIOB approves, the composition of the IAASB, IAESB, IESBA, and CAP. The Nominating
Committee recommends to the Board and then to the Council, and the Council elects, the Board, president, and deputy president. The Nominating Committee recommends to the Board, the Board recommends to the Council, and the 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 and Council 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; their expenses incurred in attending meetings are also not reimbursed.
Report of Linda De Beer
Chair of the IAASB Consultative Advisory Group

Change is the Only Constant

In 2010 my report focused on the history of the Consultative Advisory Group (CAG), since 1999—how it was established and evolved to a well-rounded and broadly represented group comprising regulators, investor groups and other organizations that is consulted by and gives advice to the International Auditing and Assurance Standards Board (IAASB) on matters of strategic or technical importance to its agenda. 2010 was also a year of change and introspection for us. The realization that everything is up for reconsideration and challenge due to the economic crisis resulted in a mind-shift in reconsidering our role and focus. We were hopeful though, in 2010, that the world was moving out of economic recession.

The CAG has now embedded the proposed changes to our governance structures and processes, as recommended by the Monitoring Group and Public Interest Oversight Board. Our first round of rotations have already taken place and we are more vigilant in allocating agenda time to the most important projects, in order for the IAASB to gain best advantage of the advice by, and consultation with, the very important role-players seated around the CAG table as member organizations.

In 2011 it became evident that the early signs of improvement to the economic climate were not coming to fruition and that the world of audit standard setting and regulation in 2011 is possibly more uncertain and unpredictable than ever before. As participants in international audit and assurance standard setting, the CAG is very aware that change is inevitable and the only constant in the current climate. Furthermore, the CAG is attuned to the fact that it has an important leadership role to play in advising the IAASB on what and where changes are required, insofar as the agenda of the IAASB is concerned.

To this end, a huge portion of our agenda time was spent on the most strategic aspects on the IAASB agenda, such as auditor reporting and audit quality. The CAG also specifically and pro-actively focused the IAASB's attention on the importance of professional skepticism. As a result, this is now more actively on the agenda and work program.

The CAG’s two 2011 meetings were held in New York and Prague. Agenda time was further spent on the auditors’ role insofar as other disclosures, the use of internal audit, and pro forma financial information is concerned. The IAASB consulted the CAG on the proposed guidance on the audit of financial instruments and limited assurance, and we keenly advised on ISA implementation monitoring.

The IAASB also used 2011 to consult on and finalize its proposed strategy for 2012–2014. The CAG, and its individual member organizations, gave input on this important document, as it determines the focus areas for the next three years.

More and Rapid Change in 2012

We are certain that 2012 will bring further challenges to the auditing profession. This is evident from various international processes, including the European Commission’s proposed directive on audits, the activities of the Public Company Accounting Oversight Board in the United States, and various other jurisdictions that are involved in similar initiatives. The CAG has flagged the importance of the auditing profession being able to respond rapidly, and for the IAASB to play a leadership role in these aspects to the extent that they align with its own mandate of audit and assurance standard setting.

In Conclusion

I would like to thank the members of the CAG and their organizations for their immense effort and highly valued input, often in the midst of challenges and huge workloads within their own offices and organizations.
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
Public Company Accounting Oversight Board, United States
Report of Charles H. Calhoun
Chair of the IAESB Consultative
Advisory Group

Objective and Scope of Activities
I am pleased to report that the work of the International Accounting Education Standards Board (IAESB) Consultative Advisory Group (CAG) during 2011 has continued to focus on the board’s initiative to revise and redraft its suite of International Education Standards (IESs). In providing both directional advice on the board’s work program and agenda, as well as technical advice on the revision of the standards, the CAG continues to meet its objective of providing input and assisting the IAESB in advancing its agenda.

Meetings and Membership
The 2011 CAG meetings were held in London (February) and Jacksonville (September) and by teleconference (April). As chairman I also attended all IAESB meetings and two IAESB Steering Committee teleconferences during the year to observe how the CAG’s advice was considered by the board.

The CAG’s organizational membership remained at 16 member organizations during 2011.

Key Highlights for 2011

TECHNICAL ADVICE ON PROJECTS
The CAG has continued to provide both directional and technical advice on issues relating to revising and redrafting all eight IESs. The CAG has requested that all IESs: (1) adopt a principles-based approach; (2) clarify obligations of Professional Accountancy Organizations (PAOs) by adhering to IAESB drafting conventions on clarity; and, (3) ensure consistency with concepts of the new Framework for International Education Standards for Professional Accountants document. This advice has led to improvements in developing the following documents:

- Final version of IES 7 for publication (October);
- Exposure drafts of IESs 1, 4, 5, and 6 (April–July);
- First draft of IES 8 (October); and
- Competence frameworks for IESs 2, 3, and 8 (May and October).

ADVICE ON THE IAESB’S STRATEGY AND WORK PLAN
CAG members provided directional input on the current IAESB strategy and work plan with regard to the scope and priority of current revision projects, as well as advice on potential guidance projects to assist PAOs with IES implementation. Members’ input led to the IAESB’s decision to extend the current work plan by one year to December 2013. The extension of the current work plan will enable appropriate allocation of resources and expertise to implementation guidance projects relating to Competence Requirements for Audit Professionals (IES 8), the development and uses of competence frameworks, measurable implementation of the IESs, and the development of quality control measures for education providers.

Communications
The CAG also provided advice on the 2011-2012 IAESB Communications plan. This advice has led to improvements in organizing the content of the plan, as well as clarifying communications messages, IAESB’s target audience, and objectives of the plan. The CAG is also assisting IFAC on the following projects by providing advice when requested: the Monitoring Group Review and the review of IFAC’s Statements of Membership Obligations.

In the period covered by this report, I have supported the IAESB’s initiative to increase awareness of its activities by participating at: the United Nations Conference on Trade and Development-IAESB Education Forum (March 2011), the NASBA International Forum (July 2011), and the IAESB-SAICA / SAIPA Dinner (October 2011).

Conclusion
I also note the CAG’s contribution to IFAC’s initiative to clarify issues on the rotation of CAG member organizations and representatives. These contributions will promote stability of CAG membership with the aim of ensuring more considerate deliberation of IAESB issues over the longer term.
At the end of this year I conclude my term as CAG chair and would like to thank the members of the CAG for their commitment and contribution in moving forward the IAESB agenda. I also thank Mark Allison (IAESB Chair), IAESB members, and the chairs of the IAESB task forces for the efficient way in which the various drafts were presented to the CAG. I would like to welcome Professor Aileen Pierce of the University College Dublin (Ireland) as incoming CAG chairperson, effective January 1, 2012. Finally, I would like to express my thanks to IFAC staff for their 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 Association of Accountants and Auditors for SMEs
Fédération des Experts Comptables Européens
IFRS 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
UK Professional Oversight Board
US Agency for International Development
Report of Richard Fleck  
Chair of the IESBA Consultative Advisory Group

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  
The CAG met twice in 2011: in March, in New York, United States, and in September, in Prague, Czech Republic. As CAG chair I also attended all three IESBA meetings and four IESBA Planning Committee meetings during the year to represent the views of CAG members.

In 2011, the membership of the CAG increased to 21 members with the addition of the International Association of Insurance Supervisors. The IFAC SMP Committee also became an observer of the CAG.

In 2011 we also implemented the proposed changes to our governance structures and processes—as recommended by the Monitoring Group and Public Interest Oversight Board—which included rotation of CAG membership.

Key Highlights for 2011  
During 2011, the work of the CAG focused on providing technical advice to the IESBA in relation to its initiatives:

- **Responding to a Suspected Illegal Act**—at its March and June 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.

- **Breach of a Provision of the Code**—the CAG received a report on this project at its March meeting. Some CAG members expressed concern that the IESBA was proceeding too quickly with this project. While the IESBA did intend to approve the exposure draft at its June meeting, it deferred approval of the proposals until October, which provided CAG members with the opportunity to discuss the latest proposals at its September meeting.

- **Conflicts of Interest**—the CAG received a report on this project at both of its meetings and the IESBA approved a project proposal at its October meeting.

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 if confidence in financial reporting and auditing—and in the reputation and standing of accountants—whether in practice or in business, are to be maintained.

Conclusion  
I would like to thank all the members of the CAG for their time and continued commitment over the past year. I would also like to thank Ken Dakdduk, IESBA chair, and the chairs of the task forces for the efficient way in which the various drafts have been presented to the CAG, and to all of the IESBA for the careful consideration of CAG member comments. Finally, I would like to express my thanks to IFAC’s staff for their support of the CAG.
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
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
Organisation for economic Cooperation and Development
National Association of State Boards of Accountancy
North American Financial Executives Institutes
Public Company Accounting Oversight Board, United States
Sri Lanka Accounting and Auditing Standards Monitoring Board
World Bank
World Federation of Exchanges
Members
(As at December 31, 2011)

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 (Formerly National Institute of Accountants in Australia; name change effective May 2011)

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
• 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 (Formerly Botswana Institute of Accountants; name change effective April 2011)

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 (Merger between Foreningen af Statsautoriserede Revisor and Foreningen Registrere Revisorer; name change effective May 2011)

DOMINICAN REPUBLIC
• Instituto de Contadores Públicos Autorizados de la República Dominicana

EGYPT
• The Egyptian Society of Accountants & Auditors

ESTONIA
• Estonian Association of Auditors (Formerly Estonian Auditing Board; name change effective March 2010)

FIJI
• Fiji Institute of Accountants

FINLAND
• HTM-tilintarkastajat–GRM–revisorer ry
• KHT-yhdistys-Föreningen CGR ry

FRANCE
• Compagnie Nationale des Commissaires aux Comptes
• Conseil Supérieur de l’Ordre des Experts-Comptables

GEORGIA
• Georgian Federation of Professional Accountants and Auditors

GERMANY
• Institut der Wirtschaftsprüfer
• Wirtschaftsprüferkammer

GHANA
• The Institute of Chartered Accountants (Ghana)

GREECE
• Institute of Certified Public Accountants of Greece

GUATEMALA
• Instituto Guatemalteco de Contadores Públicos y Auditores

GUYANA
• The Institute of Chartered Accountants of Guyana

HAITI
• Ordre des Comptables Professionels Agrees d’Haiti

HONDURAS
• Colegio de Peritos Mercantiles y Contadores Públicos

HONG KONG (SPECIAL ADMINISTRATIVE REGION OF CHINA)
• Hong Kong Institute of Certified Public Accountants

HUNGARY
• Chamber of Hungarian Auditors

ICELAND
• Félag Löggiltra Endurskodenda

INDIA
• The Institute of Chartered Accountants of India
• The Institute of Cost Accountants of India (Formerly the Institute of Cost and Works Accountants of India; name change effective February 2012)

INDONESIA
• Indonesian Institute of Accountants

IRAN, ISLAMIC REPUBLIC OF
• Iranian Association of Certified Public Accountants
• The Iranian Institute of Certified Accountants

IRAQ
• Iraqi Union of Accountants and Auditors

IRELAND
• Chartered Accountants Ireland
• The Institute of Certified Public Accountants in Ireland

ISRAEL
• Institute of Certified Public Accountants in Israel

ITALY
• Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili

IVORY COAST
• Ordre des Experts Comptables et Comptables Agréés de Côte d’Ivoire
Members
(As at December 31, 2011)

JAMAICA
• The Institute of Chartered Accountants of Jamaica

JAPAN
• The Japanese Institute of Certified Public Accountants

JORDAN
• Arab Society of Certified Accountants
• Jordanian Association of Certified Public Accountants

KAZAKHSTAN
• Chamber of Auditors of the Republic of Kazakhstan

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

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
• Koninklijk Nederlands Instituut van Registeraccountants (Royal NIVRA)

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

PHILIPPINES
• Philippine Institute of Certified Public Accountants

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 *

* Member admitted by the IFAC Council in November 2011
Members
(As at December 31, 2011)

UNITED STATES
• American Institute of Certified Public Accountants

URUGUAY
• Colegio de Contadores, Economistas y Administradores del Uruguay

VIETNAM
• Vietnam Accounting Association

ZAMBIA
• Zambia Institute of Chartered Accountants

ZIMBABWE
• The Institute of Chartered Accountants of Zimbabwe

Associates
(As at December 31, 2011)

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

MONGOLIA
• Mongolian Institute of Certified Public Accountants
Affiliates
(As at December 31, 2011)

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

PAKISTAN
• Pakistan Institute of Public Finance Accountants

PAPUA NEW GUINEA
• Certified Practising Accountants Papua New Guinea

RUSSIAN FEDERATION
• Audit Chamber of Russia

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

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

UNITED KINGDOM
• Association of Accounting Technicians

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, 2011)

• Confederation of Asian and Pacific Accountants
• Eastern Central and Southern African Federation of Accountants
• Fédération des Experts Comptables Européens
• Interamerican Accounting Association

Accountancy Groupings
(As at December 31, 2011)

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

* Associate admitted by the IFAC Council in November 2011
BOARD AND COMMITTEES
**IFAC Board**  
(November 2010 to November 2011)

Göran Tidström, President, Nordic Federation  
Warren Allen, Deputy President, New Zealand  
Syed Asad Ali Shah, Pakistan  
Abdeljelil Bouraoui, Tunisia  
Ramon Casals Creus, Spain  
Kevin Dancey, Canada  
Ingrid Doerga, the Netherlands  
Ana Maria Elorrieta, Brazil  
Olivia Kirtley, United States  
Robert Harris, United States  
Robert Hodgkinson, United Kingdom  
Gen Ikegami, Japan  
Ved Kumar Jain, India  
Japheth Katto, Uganda  
Bernadette McGrory-Farrell, Ireland  
Joycelyn Morton, Australia  
Norbert Pfitzer, Germany  
Jacques Potdevin, France  
Marta Rejman, United Kingdom  
Roberto Resa, Mexico  
Steve Vieweg, Canada  
Zhiguo Yang, China  

**IFAC Committees**  
(January 1, 2011 to December 31, 2011)

**Compliance Advisory Panel**  
Manuel Sánchez y Madrid, Chair, Mexico  
James Dickson, Deputy Chair, Australia  
Kathryn Byrne, USA  
Angelo Casò, Italy  
In-Ki Joo, South Korea  
Caroline J. Kigen, Kenya  

**Nominating Committee**  
Göran Tidström, IFAC President, Nordic Federation  
Warren Allen, IFAC Deputy President, New Zealand  
Juan Carlos Cincotta, Argentina  
Gen Ikegami, Japan  
Japheth Katto, Uganda  
Margaret Parker, Australia  
Harald Ring, Germany  
David Smith, Canada  

**Professional Accountancy Organization Development Committee**  
Deborah J. Williams, Chair, United Kingdom  
Ahmad Almeghames, Deputy Chair, Saudi Arabia  
Abdeljelil Bouraoui, Tunisia  
Ardiana Bunjaku, Kosovo  
Amarjit Chopra, India  
Paul F. M. Hurks, the Netherlands  
Aldona Kamela-Sowinska, Poland  
Owen Koimburi, Kenya  
Vladimir Kralícek, Czech Republic  
Carmen Mataragiu, Romania  
Irene Lombe Ng’andwe, Zambia  
Laureana Paredes, Bolivia  
Jean Précourt, Canada  
Gary Scopes, USA  
Shabbar Zaidi, Pakistan  
Zhuoqi Zhang, China  

**Observers**  
Tatiana Krylova, UNCTAD  
Samia Msadek, World Bank  
Jennifer Thomson, World Bank
Professional Accountants in Business Committee
Roger Tabor, Chair, United Kingdom
John Cahill, Deputy Chair, Australia
Elena Andrews, United Kingdom
Fredrick M. Banda, Zambia
Karyn Brooks, Canada
Susanna Chiu, Hong Kong
Christopher Jackson, United Kingdom
Alan Johnson, United Kingdom
Hendrikje Kapteijn, the Netherlands
Bill Langdon, Canada
Keith Luck, United Kingdom
Stephen Lugalia, Kenya
Vittorio Lusvarghi, Italy
Eileen Morrissey, United States
Athalanallur Natarajan Raman, India
Alfred Ramosedi, United Kingdom
Yacoob Suttar, Pakistan

Small and Medium Practices Committee Members
Sylvie Voghel, Chair, Canada
Giancarlo Attolini, Deputy Chair, Italy
Hechmi Abdelwahed, Tunisia
Uttam Prakash Agarwal, India
Albert Au, Hong Kong (Special Administrative Region of China)
Stuart Black, Australia
Brian Bluhm, United States
David Chitty, United Kingdom
Christina Foo, Malaysia
Alex Hillman, Israel
Dorothy Ngwira, Malawi
Andreas Noodt, Germany
Ricardo Rodil, Brazil
Inge Saeya, Belgium
Bernard Scicluna, Malta
Florin Toma, Romania
Masum Turker, Turkey
Ye Xin, China

Transnational Auditors Committee

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

ALTERNATES
Marc Biquard, Constantin Associates Network
John Capper, RSM International
Graham Gilmour, PricewaterhouseCoopers International
Gilles Hengoat, Grant Thornton International
Susan Lister, BDO
Danita Ostling, Ernst & Young Global
Marilyn Pendergast, UHY International
Edelfried Schneider, HLB International
Jens Simonsen, Deloitte Touche Tohmatsu
Sylvia Smith, KPMG International Cooperative
William Stocker, JHI
INDEPENDENT STANDARD-SETTING BOARDS
International Accounting Education Standards Board  
(January 1, 2011 to December 31, 2011)

NOMINATED BY IFAC MEMBER BODIES
Mark Allison, Chair, United Kingdom  
Karen Pincus, Deputy Chair, United States  
Paule Bouchard, Canada  
Kristrún Ingolfsdóttir, Nordic Federation  
Nambayo Kalaluka, Zambia  
Mohammed Saleem Kharwa, South Africa  
Kim Langfield-Smith, Australia  
Sylvia Meljem, Mexico  
Thomas Orth, Germany  
Azza Raslan, Saudi Arabia

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

NOMINATED BY THE IFAC TRANSNATIONAL AUDITORS COMMITTEE
Jean-Francois Bélorgey, Ernst & Young Global  
Marcelo Canetti, BDO  
Ann Kilbride, Deloitte Touche Tohmatsu  
Hans Christian Krogh, PricewaterhouseCoopers International  
Eileen Walsh, KPMG International Cooperative

Observers
Charles Calhoun, IAESB Consultative Advisory Group Chair  
Anne Loft, International Association of Accounting Education and Research

International Auditing and Assurance Standards Board  
(January 1, 2011 to December 31, 2011)

NOMINATED BY IFAC MEMBER BODIES
Prof. Arnold Schilder, Chairman, the Netherlands  
Jianshen (Jason) Chen, China  
Valdir Renato Coscodai, Brazil  
Philip Cowperthwaite, Canada  
Cédric Gérard, France  
Jon Grant, United Kingdom  
Ashif Sadrudin Kassam, Kenya  
Merran Kelsall, Australia  
Prof. William R. Kinney, Jr., United States  
Abdullah Yusuf, Pakistan

PUBLIC MEMBERS
Gert Jönsson, Sweden  
Tomokazu Sekiguchi, Japan  
David Swanney, United Kingdom

NOMINATED BY THE IFAC TRANSNATIONAL AUDITORS COMMITTEE
Diana Hillier, Deputy Chair, PricewaterhouseCoopers International  
John (Arch) Archambault, Grant Thornton International  
Jean Blascos, KPMG International Cooperative  
Caitlin Mc Cabe, Deloitte Touche Tohmatsu  
Dan Montgomery, Ernst & Young Global

Observers
Juan Maria Arteagoitia, European Commission  
Linda de Beer, IAASB Consultative Advisory Group Chair  
Norio Igarashi, Japanese Financial Services Agency
International Ethics Standards Board for Accountants
(January 1, 2011 to December 31, 2011)

NOMINATED BY IFAC MEMBER BODIES
Ken Dakdduk, Chair, United States
Michael Niehues, Deputy Chair, Germany
Nina Barakzai, United Kingdom
Caroline Gardner, United Kingdom
Felicitas Therero Irungu, Kenya
Alice McCleary, Australia
Robert Rutherford, Canada
Isabelle Sapet, France
Sandrine Van Bellinghen, Belgium
Brian Walsh, United Kingdom

PUBLIC MEMBERS
James Gaa, Canada
Jörgen Holmquist, Nordic Federation
Kate Spargo, Australia

NOMINATED BY THE IFAC TRANSNATIONAL AUDITORS COMMITTEE
Robert Franchini, Ernst & Young Global
Peter Hughes, KPMG International Cooperative
Wui San Kwok, PricewaterhouseCoopers International
Marisa Orbea, Deloitte Touche Tohmatsu
Donald Thomson, Grant Thornton International

OBSERVERS
Juan Maria Arteagoitia, European Commission
Richard Fleck, IESBA Consultative Advisory Group Chair
Koichiro Kuramochi, Japanese Financial Services Agency*
Koichi Uzuka, Japanese Financial Services Agency*

International Public Sector Accounting Standards Board
(January 1, 2011 to December 31, 2011)

NOMINATED BY IFAC MEMBER BODIES
David R. Bean, Deputy Chair, United States
Ian Carruthers, United Kingdom
Marie-Pierre Cordier, France
Yossi Izkovich, Israel
Hong Lou, China
Thomas Müller-Marqués Berger, Germany
Anne Owuor, Kenya
Jeanine Poggiolini, South Africa
Bharti Prasad, India
Ron Salole, Canada
Tadashi Sekikawa, Japan
Isaac Umansky, Uruguay
Dr. Frans D. J. van Schaik, the Netherlands
Ken Warren, New Zealand
Tim Youngberry, Australia

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

* Partial year
IFAC’S Service Delivery

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—Develop high-quality professional standards and guidance, and encourage convergence
2. Support for Adoption and Implementation—Provide institutional support to those responsible for adoption and implementation of international standards at a national, regional or global level
3. Quality and Development—Promote the provision of high-quality services by all members of the accountancy profession worldwide
4. Representation—Speak out on public interest issues where the profession’s expertise is most relevant

The annual Operational Plan details the services that were planned for 2011. This statement describes the services delivered during 2011 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 2011 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

1. All substantial services delivered during 2011 that directly affect parties external to IFAC are included under the appropriate service area.
2. Planned services specified in the Operational Plan for 2011 that were not delivered during 2011 are noted in the report.
3. Activities are appropriately described from a quantitative and, where appropriate, qualitative perspective.
Section 1

Standards and Guidance

The standards cover the areas of accounting education; auditing, assurance and related services; ethics for professional accountants; and public sector financial reporting. Guidance is developed to support 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 IAESB, IAASB, and IESBA, has approved this due process and monitors compliance with it.

ACCOUNTING EDUCATION

During 2011, the IAESB continued work on the project to redraft and rewrite the International Education Standards (IESs) to improve their clarity, and approved the following:

Standards

- IES 7, Continuing Professional Development (October)

Exposure Drafts

- Proposed IES 4, Professional Values, Ethics, and Attitudes (March)
- Proposed IES 6, Assessment of Professional Competence (March)
- Proposed IES 1, Entry Requirements to Professional Accounting Education (May)
- Proposed IES 5, Practical Experience Requirements for Aspiring Professional Accountants (May)

Modification

The IAESB deferred until 2012 approval of an exposure draft of proposed IES 8, Competence Requirements for Audit Professionals, to ensure consistent use of terminology in IES 8 with the proposed exposure drafts of IES 2, Content of Professional Accounting Education Programs, and IES 3, Professional Skills and General Education.*

The IAESB also deferred until 2013 development of proposed guidance for IES 8, to address any implementation issues that may result from the analysis of comments on the exposure draft of proposed IES 8.*

AUDITING, ASSURANCE, AND RELATED SERVICES

During 2011, the IAASB approved the following:

Standards

- International Standard on Auditing (ISA) 610 (Revised), Using the Work of Internal Auditors, and related amendments to ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment (December)
- International Standard on Related Services (ISRS) 4410 (Revised), Compilation Engagements (December)

The issuance of ISA 610 (Revised) and ISRS 4410 (Revised), together with the amendments to ISA 315, are pending the PIOB’s approval of the due process followed in their development.

Practice Notes

- International Auditing Practice Note (IAPN) 1000, Special Considerations in Auditing Financial Instruments (September)
Exposure Drafts

Proposed ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (March)

Other

• Consultation Paper, Enhancing the Value of Auditor Reporting: Exploring Options for Change (May)
• Amended Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements. The amended Preface includes a statement of the status and authority of IAPNs and reflects the withdrawal of International Auditing Practice Statements as a category of IAASB pronouncements (September)

Modifications

The IAASB decided to withhold the part of ISA 610 (Revised) that deals with the use of internal auditors to provide direct assistance until the IESBA resolves in 2012 how the matter of direct assistance should be addressed from an ethics perspective.*

The IAASB deferred until 2012 approval of an exposure draft of proposed revisions of ISA 720, The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements, to deliberate further certain issues, including whether the proposals are sufficiently precise to be operational in practice.*

The IESBA deferred until 2012 the initiative to develop a communication to users about auditing, assurance, and related services standards, as the communication will be more relevant when International Standard on Review Engagements (ISRE) 2400 (Revised), Engagements to Review Historical Financial Statements, is approved and ISRS 4410 (Revised) is issued.*

ETHICS

Exposure Drafts

In October, the IESBA approved exposure drafts for Proposed Changes to the Code of Ethics for Professional Accountants Related to Provisions Addressing a Breach of a Requirement of the Code and Proposed Changes to the Code of Ethics for Professional Accountants Addressing Conflicts of Interest.

Modifications

The IESBA deferred until 2012 approval of the exposure draft on responding to suspected illegal acts, to resolve the issue of whether to require a professional accountant to report certain illegal acts to an appropriate authority when the entity has not reported the act and the consequences of the act are such that reporting would be in the public interest.*

The IESBA did not publish a Handbook of the Code of Ethics for Professional Accountants in 2011, as no new standards were issued during 2011.

PUBLIC SECTOR FINANCIAL REPORTING

During 2011, the IPSASB approved the following:

Conceptual Framework

• Consultation Paper, Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities: Presentation in General Purpose Financial Reports (December)

Standards

• International Public Sector Accounting Standard (IPSAS) 32, Service Concession Arrangements: Grantor (September)
• Improvements to IPSASs 2011 (September)

Exposure Drafts

• Exposure Draft, Key Characteristics of the Public Sector with Potential Implications for Financial Reporting (March)
• Exposure Draft 45, *Improvements to IPSASs 2011* (March)
• Exposure Draft 46, *Recommended Practice Guideline, Reporting on the Long-Term Sustainability of a Public Sector Entity’s Finances* (September)

**Consultation Paper**
• Consultation Paper, *Reporting Service Performance Information* (September)

**Handbook of IPSASB Pronouncements**

**Modifications**
The IPSASB deferred the following until 2012:
• The consultation paper on public sector combinations, to deliberate a number of public sector specific issues identified through further research.*
• The exposure draft of proposed IAS 39 Amendments, to wait for a pending resolution by the International Accounting Standards Board (IASB) to be made final.*
• The exposure draft of proposed *Financial Statement Discussion and Analysis*, to address a change in the scope of the project.*
• Parts of the Conceptual Framework project due to the volume of responses received on the exposure draft and consultation papers.*

**SMALL AND MEDIUM PRACTICES**
During 2011, the Small and Medium Practices (SMP) Committee provided input to:
• The IAASB via 22 internal comment letters (on pre-exposure agenda material) and five external comment letters (on exposure drafts and consultation papers)
• The IAESB via a comment letter (on an exposure draft)
• The IAASB Consultative Advisory Group (CAG) via committee representative participation at its March and September meetings
• The IESBA via committee representative participation at its June meeting and the IESBA CAG via committee representative participation at its September meeting
• The IASB’s Small- and Medium-Sized Entity (SME) Implementation Group, which includes an SMP Committee member


**TRANSNATIONAL AUDITING**
During 2011, the Transnational Auditors Committee (TAC) provided input to the IAASB, IAESB, and IESBA through representation on those standard-setting boards.
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 IFAC’s 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—involves the provision of implementation resources targeted to the needs of the recipient. 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 2011, IFAC:

- Facilitated multijurisdictional translations, which resulted in the publication of a single Spanish translation of the ISAs and International Standard on Quality Control (ISQC) through the cooperation of member bodies from Spain and Latin America
- Signed a Memorandum of Understanding with the World Bank, which resulted in the publication of a Spanish translation of IPSASB’s Study 14, Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities
- Signed the last agreement of the 21 European agreements for the translation of the Clarity Standards of the IAASB
- Signed 154 agreements for reproduction or translation of the standards and other publications
- Responded to 391 inquiries. This included 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 212 updates to the Translations Database, including one new language—Uzbek
- Posted updated Questions and Answers about the reproduction and translation of IFAC’s publications on the IFAC website in a more easily accessible and user-friendly format
- Created Trados translation memories and termbases and, upon request, provided these to various designated translating bodies
- Presented on translations and permissions at four events in Europe, North America, and Latin America

ACCOUNTING EDUCATION

Implementation Support

The IAESB conducted the UNCTAD-IAESB (United Nations Conference on Trade and Development) Accountancy Education Forum: Building Human Capacity and Professional Accounting Education for High-Quality Corporate Reporting in Geneva, Switzerland, in March, and used the opportunity to consult on the types of guidance needed for implementation of IESs.

Modification

The IAESB deferred until 2012 the development of adoption support for the IESs, as well as the
development of a process for assessing the effectiveness of the implementation of new IESs, to evaluate the results of similar projects by the IAASB and IPSASB.*

**AUDITING AND ASSURANCE**

**Implementation Support**

To facilitate the sharing of resources among National Standard Setters (NSS) participating in the IAASB-NSS liaison group, the IAASB staff distributed a directory publication to the liaison group highlighting available NSS guidance, as well as current, new, or planned NSS initiatives on implementation and thought leadership.

**Clarity ISA Implementation Monitoring**

In September, the IAASB approved Phase II of the Clarity ISA Implementation Monitoring Plan focusing on whether the clarified (and certain other recently revised) standards are being consistently understood and implemented in a way that achieves the IAASB’s goals in revising and redrafting them.

**Other Publications**

In 2011, contributions were made to the development of the following articles:

- “Auditing Fair Values and Impairments” in the Institute of Chartered Accountants in England and Wales (ICAEW) Financial Services Faculty’s magazine, *FS Focus* (published February)
- “A Focus on Quality” in *The Parliament Magazine* (published February)
- “Striving for Audit Quality” in the *Japanese Institute of Certified Public Accountants’ Auditing and Accounting Journal* (published March)
- “Fair Value: Risk with Little Reward?” in the ICAEW Financial Services Faculty’s magazine, *FS Focus* (published April)

Contributions were made to the development of the following interviews:

- Interview for an article “Spreading the Clarity Word” in the Association of Chartered Certified Accountants (ACCA) *Accounting and Business Magazine* (published July)
- Interview for an article on the IAASB’s Auditor Reporting Consultation Paper in Far’s journal, *Balans* (published in the August / September issue)

**ETHICS**

**Implementation Support**

In 2011, the IESBA developed the *IESBA Code of Ethics High Level Summary of Prohibitions Applicable to Audits of Public Interest Entities.*

**PUBLIC SECTOR FINANCIAL REPORTING**

**Implementation Support**

In May, IFAC and IPSASB representatives met with the public sector global leaders of the top six international accounting firms to discuss the sovereign debt crisis and how IFAC and the firms could work together to encourage adoption of IPSASs globally. The outcome is a seminar planned for March 2012: *The Sovereign Debt Crisis, a Matter of Urgency—from Lessons to Reform.*

**Articles**

During 2011, IPSASB members wrote the following:

- A lead article in *Die Wirtschaftsprüfung*, with an editorial written by the IPSASB chair (published January)
- An article written by the IPSASB chair to raise awareness of the Conceptual Framework project in *Behörden-Spiegel* (published February)
- An article written by an IPSASB member, “Are International Standards Appropriate for the South African Public Sector?” in *Accountancy SA*, the journal of the South African Institute of Chartered Accountants (SAICA) (published August)
Modifications

The IPSASB deferred until 2012 completion of material for the project, *Train the Trainers for Implementing IPSASs*, to allow a review panel to complete review of the materials and determine whether further amendments are needed.*

**COMPLIANCE ADVISORY PANEL**

In December, the Member Body Development staff prepared and submitted to the PIOB a *Report on the Status of the Adoption of International Standards Issued by the IAASB, IASB and IPSASB*. The report highlights the status of adoption of ISAs, IFRSs, and IPSASs in the G-20 countries.

**SMALL AND MEDIUM PRACTICES**

**Implementation Support**

In July, the SMP Committee approved the third edition of the *Guide to Quality Control for Small- and Medium-Sized Practices* (QC Guide) and, in October, the *Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities* (ISA Guide).

An article, “Tips for Cost Effective ISQC 1 Application,” which was commissioned by staff, was sent to members, associates, regional accountancy organizations and acknowledged accountancy groupings for use in communicating to and providing implementation support for their SMP constituencies.

**Expanded Resources for SMPs**

During 2011, the usability of the web-based International Center for SMPs and relevant links was enhanced. The IFAC SMP Forum 2011 website was enhanced to include all speeches and presentations as well as videos of plenary sessions and interviews with key speakers.

**Modifications**

The SMP Committee decided not to publish an information paper on financial reporting and assurance for SMEs and instead decided to collaborate with other groups on related initiatives to ensure that key messages are captured in future regulatory dialogue.*

The SMP Committee deferred until early 2012 development of companion manuals and accompanying orientation and training materials to support the use of the ISA and QC Guides by member bodies due to delays in publishing the revised guides.*

The SMP Committee decided not to develop an article, “Tips for Cost Effective Application of the Code of Ethics for Professional Accountants,” or to pursue a separate project to develop and facilitate access to ethics guidance targeted at SMPs. These initiatives were superseded by support for and participation in the IESBA SME / SMP Working Group.*
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 Action Plans to address requirements set out in the Statements of Membership Obligations (SMOs). These Action Plans, published on the IFAC website, demonstrate members’ and associates’ commitment to international standards and best practices. During 2011, 42 initial Action Plans were published, 67 member organizations published their second iteration of their Action Plans, and 26 member organizations published the third iteration of their Action Plans. This brings the total number of Action Plans on the IFAC website to 159.

Outreach activities with respect to 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 one member:
• Institute of Financial Accountants (United Kingdom)

Admission of four associates:
• Chamber of Professional Accountants of the Republic of Kazakhstan (Kazakhstan)
• Institute of Certified Accountants of Montenegro (Montenegro)
• Instituto Salvadoreño de Contadores Públicos (El Salvador)
• Ordre des Experts-Comptables et Comptables Agréés du Bénin (Benin)

Recognized Regional Organizations and Approved Accountancy Groupings

During 2011, IFAC assessed quarterly reports from four recognized regional organizations, and annual reports from six acknowledged accountancy groupings regarding their compliance with IFAC obligations.

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

During 2011, input was provided to the World Bank Reports on Observance of Standards and Codes (ROSC) for the following countries:
• Bolivia
• Brazil
• Cape Verde
• Central African Republic
• Costa Rica
• Mauritius
• Nigeria
• Gabon
• Suriname
• Syria
• Trinidad and Tobago

Support was provided for World Bank efforts towards the implementation of the ROSC recommendations in Central Africa, and guidance was provided on the establishment of a professional accountancy organization in Equatorial Guinea.

PROFESSIONAL ACCOUNTANCY ORGANIZATION DEVELOPMENT
Memorandum of Understanding

During 2011, MOSAIC: Memorandum of Understanding (MoU) to Strengthen Accountancy and Improve Collaboration was developed with the donor community through the Organization for Economic Cooperation and Development (OECD) Task Force on Public Financial Management. This MoU is designed to enhance the capacity of the accountancy profession and development of professional accountancy organizations (PAOs) in emerging and developing countries. It serves as a platform for future cooperation and strategic alignment between the profession and the donor
community. The signing ceremony was held in conjunction with the Fourth High Level Forum on Aid Effectiveness held in Busan, South Korea in November.

**Mentoring Guidelines**

In September, the PAO Development Committee approved an updated version of the *Mentoring Guidelines for Professional Accountancy Organizations*.

**Brochure for Professional Accountancy Organizations**

The PAO Development Committee also designed and published a brochure, *Unearthing the Power of Professional Accountancy Organizations*, to raise awareness of the potential impact of PAO development, the indirect benefit to public financial management, and the role of donor financing.

**PROFESSIONAL ACCOUNTANTS IN BUSINESS**

**Roles, Domain and Competency of PAIBs**

In May, the Professional Accountants in Business (PAIB) Committee approved *Competent and Versatile: How Professional Accountants in Business Drive Sustainable Organizational Success*, which was published in August together with an employer-focused brochure for use by IFAC member organizations.

**Governance**

A Consultation Paper, *Good Governance in the Public Sector: Developing an International Framework*, developed in collaboration with the Chartered Institute of Public Finance and Accountancy (CIPFA), was issued in August to a targeted audience of experts and international institutions.

**Risk and Internal Control**

In February, the PAIB Committee published the *Global Survey on Risk Management and Internal Control*, indicating a demand for global alignment of internal control standards and frameworks.

In addition, the committee provided input (through membership of the Committee of Sponsoring Organizations (COSO) Advisory Council) to the revision of the *COSO Internal Control—Integrated Framework*. The committee also provided input (through membership of the International Standards Organization (ISO) Project Committee 262) to the development of application guidance to the global *ISO 31000—Risk Management* standard.

The committee also approved an exposure draft of the proposed International Good Practice Guidance (IGPG), *Evaluating and Improving Internal Control in Organizations*, in October.

**Financial and Performance Management**

The committee approved the IGPG, *Predictive Business Analytics: Improving Business Performance with Forward-Looking Measures*, in October.

**Sustainability**

The PAIB Committee issued the second edition of IFAC’s *Sustainability Framework* in March with accompanying communication materials for use by IFAC member organizations.

As part of its work with His Royal Highness The Prince of Wales’ Accounting for Sustainability Project (A4S), the committee supported the collaborative research project, *The Influence and Impact of Sustainability Issues on Capital Investment Decisions*, led by CPA Australia and the University of Melbourne.

In December, the committee responded to the International Integrated Reporting Council’s Discussion Paper: *Towards Integrated Reporting: Communicating Value in the 21st Century*.

**Business Reporting**

In March, the IFAC Board approved the final report of the Business Reporting project, *Integrating the Business Reporting Supply Chain*, along with an accompanying highlights brochure.

In May, the PAIB Committee approved a paper, *Leveraging XBRL for Value in Organizations*. This paper was developed in collaboration with ISACA (previously known as the Information Systems Audit and Control Association).

**Modifications**

The PAIB Committee deferred the revision of the Enterprise Governance Framework and the review of the IGPG, *Evaluating and Improving Governance*
in Organizations. Following the IFAC / UNCTAD corporate governance conference held on October 12, 2010 in Geneva, Switzerland, the committee commenced a project to develop a case study publication, Professional Accountants Integrating Governance into their Organization’s Drivers of Sustainable Success, which will be issued in 2012. This publication will support the committee’s revision of the framework and IGPG.*

In addition, the PAIB Committee deferred until 2012:

- The revision of the IGPG, Project Appraisal Using Discounted Cash Flow, to review the research findings of CPA Australia and the University of Melbourne referred to above, and to monitor A4S’ work in this area. An issues paper has been prepared for discussion in early 2012.*
- The development of a proposed IGPG, Evaluating and Improving Business Reporting. The proposed IGPG was presented to the committee in October; however, the committee agreed that the draft required further development.*
- The publication of a revised Information Paper, Evaluating the Costing Journey: A Costing Levels Continuum Maturity Model, to allow further discussion by the committee and its Financial and Performance Management Task Force.*

SMALL AND MEDIUM PRACTICES

Practice Management Guidance

In December, the SMP Committee approved the second edition of the Guide to Practice Management for Small- and Medium-Sized Practices (PM Guide).

Articles for Member Body Support

During 2011, the SMP Committee completed the following four practice management articles for use by members and associates:

- “IFAC Increases Support for SMPs,” used by at least 12 member bodies
- “How to Make Your Small Practice a Big Success,” used by at least 12 member bodies
- “How to Build Your Business Advisory Practice,” used by at least 14 member bodies
- “The Role of SMPS in Greening Small Business,” used by at least 9 member bodies

SMP Quick Poll

The SMP Committee issued quarterly SMP Quick Polls, which were promoted by a number of members, associates, regional organizations and accountancy groupings. Results of the polls were published on the IFAC website.

Modification

The SMP Committee deferred until early 2012 development of a companion guide to support the PM Guide due to delay in publishing the revised guide.*

TRANSNATIONAL AUDITING

New Members

In April, Kreston International was admitted as a full member of the Forum of Firms. Further, in October, Nexia International and Baker Tilly International Limited were also admitted as full Forum members. In September, the TAC Chair presented at the World Conference of Kreston International.

Symposiums and Workshops

In February, the Forum of Firms hosted a joint forum with the International Monetary Fund (IMF) on the topic of the IMF’s Safeguards Assessment Program and central bank audits.

In October, the Forum of Firms hosted a symposium on the topic of audit quality.

Other

All 24 full members of the Forum of Firms reported compliance with membership obligations in December.

Modification

The TAC deferred until 2012 the development of an Information Paper on matters related to audit quality and related topics, to enable further consultation.*
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 the international standards.

REGULATORY AND PUBLIC POLICY ACTIVITIES

Public Policy Positions

In September, the IFAC Board approved revisions to Policy Position Paper 1: Regulation of the Accountancy Profession, and Policy Position Paper 3: International Standard Setting in the Public Interest.

External Submissions

IFAC made the following formal submissions to external organizations:

- A letter to the G-20, outlining recommendations for the G-20 Meeting (November)
- Responses to the first and second consultations by the International Financial Reporting Standards (IFRS) Foundation, i.e., Status of Trustees’ Strategy Review (February), and Report of the Trustees’ Strategy Review: IFRSs as the Global Standard:
- Setting a Strategy for the Foundation’s Second Decade (July)
- A response to the Financial Services Authority (FSA) of the UK regarding the Guidance Consultation: Code of Practice for the relationship between the external auditor and the supervisor (March)
- A response to the IFRS Foundation Monitoring Board’s Consultative Report on the Review of the IFRS Foundation’s Governance (April)
- A letter to the Chair of the Economic and Monetary Affairs Committee, European Parliament, on Use of International Public Sector Accounting Standards (IPSASs) by European Union (EU) Member States (June)
- A response to the consultation by the European Commission (EC) on the EU Corporate Governance Framework (July)
- A response to the consultation by the Brazilian Securities Regulator (CVM) on mandatory audit firm rotation (August)
- A response to the concept release consultation by the Public Company Accounting Oversight Board (PCAOB) Concept Release on Auditor Independence and Audit Firm Rotation (December)
Private Sector Taskforce of Regulated Professions and Industries

At the request of the Presidency of the G-20 in May, IFAC established the Private Sector Taskforce of Regulated Professions and Industries (PSTF). The PSTF is chaired by IFAC’s Chief Executive Officer. Staff provided administrative support for the PSTF, participated in the deliberations of the PSTF, and prepared the interim and final reports. Meetings were held in June (London, UK), July (New York, USA) and August (Paris, France). The interim report was delivered to the French Ministry of Finance for G-20 Deputies in June, and the Final Report to G-20 Deputies: Regulatory Convergence in Financial Professions and Industries was issued in September.

Regulatory and Other Relationships

In November, IFAC and the IASB signed an MoU to strengthen their cooperation in developing private and public sector accounting standards. The agreement represents a further commitment to strengthen the cooperation between the two boards, with a view to ensuring greater consistency in their respective standard-setting activities. The MoU also acknowledges the ongoing working relationship between the IASB and the IAASB.

During 2011, IFAC also maintained relationships with the following international and regional organizations:

- African Development Bank
- Asian Development Bank
- Basel Committee on Banking Supervision
- European Commission
- Financial Stability Board
- Global Public Policy Committee
- IFRS Foundation
- Inter-American Development Bank
- International Association for Accounting Education and Research
- International Corporate Governance Network
- International Forum of Independent Audit Regulators
- International Monetary Fund
- International Organization of Securities Commissions
- International Organization of Supreme Audit Institutions
- International Valuation Standards Council
- Monitoring Group
- Organization for Economic Co-operation and Development
- Prince of Wales Accounting for Sustainability (A4S) Project
- Public Company Accounting Oversight Board
- 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 also participated in the following national and international meetings, roundtables, seminars, and conferences:

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ACCOUNTING EDUCATION

External Submission

In March, the IAESB responded to the EC’s Consultation Paper, Professional Qualifications Directive, and in September, the IAESB responded to the EC’s Green Paper, Modernizing the Professional Qualifications Directive.

Collaborative Research Program with the International Association for Accounting Education and Research (IAAER) and the Association of Chartered Certified Accountants (ACCA)

In April, the IAESB released a paper, Informing the International Accounting Education Standards Board: A Summary of IAAER / ACCA Research Projects. The paper summarized the findings from four research projects commissioned by the IAAER, with funding from ACCA, to inform the work of the IAESB.

Participation in International, Regional, and National Events

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AUDITING AND ASSURANCE
External Submissions
IAASB representatives participated in meetings with IASB representatives; and actively monitored the agenda of the IASB. The IAASB responded to four IASB consultations:
- The IASB’s 2011 Agenda Consultation
- Exposure Draft, Hedge Accounting
- Exposure Draft, Offsetting Financial Assets and Financial Liabilities
- Supplement to Exposure Draft, Financial Instruments: Impairment

The IAASB also responded to the Financial Accounting Standards Board (FASB) on its Discussion Paper, Selected Issues about Hedge Accounting (Including IASB Exposure Draft, Hedge Accounting).

Participation in International, Regional, and National Events

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ETHICS

External Submission
In December, the IESBA responded to the PCAOB’s *Concept Release on Auditor Independence and Audit Firm Rotation*.

Participation in International, Regional, and National Events

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PUBLIC SECTOR FINANCIAL REPORTING

Participation in International, Regional, and National Events

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MEMBER BODY DEVELOPMENT

CReCER
IFAC, in cooperation with the World Bank, the Inter-American Development Bank, the Global Public Policy Committee, and the Federación Argentina de Consejos Profesionales de Ciencias Económicas (FACPCE) successfully hosted the Accounting and Accountability for Regional Economic Growth (Responsabilidad para el Crecimiento Económico Regional or CReCER) 2011, “Development of Capital Markets in Latin America and the Caribbean” conference. This event, held in Buenos Aires, Argentina from June 29 to July 1, was attended by roughly 400 participants from the public and private sector and the accountancy profession from the Latin American and Caribbean region. The event focused on the importance of accountancy and the link between accountancy development and regional economic growth. In addition to representatives of IFAC, speakers included representatives of the World Bank, Central Bank of Argentina, and the Brazilian Court of Audit.

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 2011

Over 200 delegates from more than 45 countries attended the IFAC SMP Forum 2011, held in cooperation with the Union of Chambers of Certified Public Accountants of Turkey (TÜRMOB), the Expert Accountants’ Association of Turkey (EAAT), and the Fédération des Experts Comptables Méditerranéens (FCM) in Istanbul, Turkey, in March. In addition to representatives of IFAC and the standard-setting boards, speakers also included representatives from the World Bank, and the European Association of Craft, Small- and Medium-Sized Enterprises (UEAPME).

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.

PRESS RELEASES AND MEDIA RESULTS

- 68 press releases issued
- IFAC continued contact with media outlets with an interest in accountancy, business, finance, and regulation;* IFAC and the boards / committees were mentioned a total of 321 times during 2011

LETTERS TO THE EDITOR, EDITORIALS, AND ARTICLES

- “…And they should be asking themselves two questions,” published November, Financial Times
- “Transparency and Stability,” published November, Accountancy
- “Governments guilty of deficient accounting practices,” published September, Financial Times
- “Government accounting: awash on a sea of money,” published April, Accountancy Age

COMMUNICATIONS MATERIALS AND REPORTS

- IFAC News (print and electronic versions) in April, August, and December
- IFAC 2010 Annual Report (print and electronic versions) in June
- International Auditing and Assurance Standards Board (IAASB) 2010 Annual Report (print and electronic versions) in March
- 17 eNews
- 12 editions of the Global Digest
- 12 editions of the IFAC Update
- The IFAC Updates were translated into the five official UN languages
- IFAC fact sheets were updated throughout the course of the year to reflect expanded service deliveries, changes in work plans, and changes in volunteers
• The 2011 Global Leadership Survey was conducted during December 2011

WEBSITE DEVELOPMENT AND ENHANCEMENTS
• The new IFAC website, with improved design and navigation, was launched in September
• Throughout 2011, web pages were updated on an ongoing basis to reflect the release of new publications, press releases, standards, exposure drafts, etc.

SPEECHES AND PRESENTATIONS
• Communications provided support for 35+ speeches and presentations in 2011

SOCIAL MEDIA AND OTHER TOOLS
• The Small and Medium Practices (SMP) Twitter (www.twitter.com/IFAC_SMP) now has over 849 followers, and is following 150 organizations
• A social media benchmarking / audit project was conducted in 2011 and a social media plan was developed
• After receiving Board approval, the IFAC Twitter was launched; it now has 202 followers and is following 139 organizations and individuals
• IFAC Facebook and LinkedIn pages were developed
• Digital magazine software was introduced in 2011, as well as Quick Polling for SMPs; interview videos for SMPs began development and will be released in 2012*

BRANDING
• The IFAC logo was redesigned and all materials were rebranded; the launch took place at the IFAC Council meeting in November

MODIFICATIONS
Planned advertisements in key publications, websites, and directories were 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, 2011 (Service Delivery). The Service Delivery is a list of specific services delivered by IFAC during 2011. The objective of the assurance procedures was to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2011 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 2011. 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 2011.
2) Examination of board, committee and group minutes approving pronouncements, exposure documents, guidance, and consultation papers issued during 2011.
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 2011 in accordance with the criteria described in the introduction to the Service Delivery.

Citrin Cooperman & Company, LLP
Certified Public Accountants
March 2, 2012
FINANCIAL HIGHLIGHTS AND FINANCIAL STATEMENTS
IFAC continues to maintain a control environment designed to ensure that the values of integrity, transparency, and expertise are inherent in every aspect of the organization. This environment provides for sound stewardship of the resources provided by member organizations, the transnational accountancy firms, and other funders, and for a clear decision-making and accountability framework. During 2011, management continued to manage operations and service delivery to respond to the pressures and opportunities brought about by the global financial crisis and, despite significant write downs in membership dues and the special assessment, lower publication sales, and lower external funding, was able to avoid a deficit for the year.

The Statement of Financial Performance shows a surplus of $1.7 million. This includes the special assessment of $1.7 million received or due from member bodies for the capital expenditure associated with the new offices in Toronto and New York. Excluding the special assessment, IFAC breaks even for 2011.

Below are the financial highlights for 2011. The financial statements provide further information on IFAC’s financial performance, financial position, and cash flows for 2011.

New Offices in Toronto and New York

To accommodate the growth in Toronto-based staff, IFAC leased additional office space at 277 Wellington Street West, Toronto, Ontario where its staff previously was hosted by the Canadian Institute of Chartered Accountants (CICA). The lease is for a five-year period from January 1, 2011. Lease incentives included a period of free rent as well as a tenant improvement allowance of approximately $50,000. The build out of the additional space was completed in March 2011.

Management—in consultation with the Board—considered various options to accommodate the growth in New York City-based staff. After detailed review and financial analyses, IFAC entered into a 16-year lease with Silverstein Properties, Inc. (SPI) at 529 Fifth Avenue, New York, New York. The SPI lease resulted in double rent (on 545 Fifth Avenue and 529 Fifth Avenue) for a period of twenty-one months (November 1, 2011–July 31, 2013); however, based on an analysis of the Total Rent Outlay Per Square Foot and Net Present Value of various options, the SPI offer was better than the current landlord’s offer and had less financial risk. Lease incentives included a period of free rent as well as a tenant improvement allowance of approximately $1.5 million.

In 2011, IFAC levied a special assessment of $1.7 million on the Top 42 Member Bodies to fund the capital expenditure associated with the new offices. The new leases had a significant effect on IFAC’s financial performance, position, and cash flows for 2011 as highlighted below.

Financial Performance

Total revenue and expenses continued to rise in 2011. Total revenue increased by 11 percent (2010: 10 percent) to $25.9 million and total expenses by 6 percent (2010: 17 percent) to $24.2 million. The higher percentage increase in total expenses in 2010 was due to a significant reduction in expenditure and reprioritization of services in 2009 to respond to the pressures brought about by the global financial crisis.

The increase in total revenue was mainly due to the special assessment, supplemented by a small increase in membership dues and the contribution from the Forum of Firms. Membership dues and the special assessment in the Statement of Financial Performance are shown net of write downs. In 2011, IFAC was compelled to make an unprecedented level of adjustments or discounts to membership dues (approximately $630,000) and the special assessment (approximately $95,000).

These write downs put significant pressure on IFAC’s financial resources. In addition, publication sales dropped by 83 percent as the International Auditing and Assurance Standards Board, International Accounting Education Standards Board, and International Ethics Standards Board for Accountants did not print new editions of their respective handbooks in 2011. External funding for the International Public Sector Accounting Standards Board dropped by 15 percent as potential funders are awaiting the outcome of the Board’s
The project to establish public interest oversight for this standard-setting board.

The significant increase in legal and other professional fees of 167 percent represents the expenditure incurred in evaluating the feasibility of replacing the lease for the 14th floor and part of the 12th floor at 545 Fifth Avenue with a new lease for a larger office in the same building. As noted above, after detailed analysis, IFAC entered into a new lease for a larger office on the 6th floor and part of the 5th floor at 529 Fifth Avenue.

**Financial Position**

IFAC’s financial position as at December 31, 2011 reflects an increase of 57 percent (2010: 10 percent) in total assets and an increase of 84 percent (2010: 7 percent) in total liabilities from the prior year.

The increase in total assets was due to the tenant improvement allowance for the new office located at 529 Fifth Avenue reflected in other receivables, and the increase in property and equipment associated with the new offices. Intangible assets include $137,500 (after amortization of $12,500), representing the new IFAC website, which was launched in October 2011.

At December 31, 2011, receivables from member organizations amounted to $400,000 (2010: $38,000) after a provision for uncollectible dues/assessment of $48,000 (2010: $121,000). Approximately 97 percent of this amount related to the special assessment. Member bodies subject to the special assessment were provided the option to pay the assessment over two years.

The increase in total liabilities was mainly due to accounts payable and deferred rent associated with the new office located at 529 Fifth Avenue, and the deferred rent associated with the new office located at 277 Wellington Street West. The total commitments associated with the build out of the new office located at 529 Fifth Avenue are approximately $3.1 million. Approximately $1.8 million of this amount was paid or due as at December 31, 2011.

At December 31, 2011, based on a discount rate of 4.90 percent (2010: 5.65 percent), the funded status of the defined benefit pension plan was negative $2.2 million (2010: negative $1.5 million).

Unrecognized prior service cost was $76,000 (2010: $89,000) and unrecognized net actuarial losses amounted to $1.8 million (2010: $1.1 million). The accrued pension costs liability was $330,000 (2010: $326,000). The net periodic pension expense for 2010 was $398,000 (2010: $343,000).

The surplus contributed to the increased equity position as at December 31, 2011.

**Cash Flow**

The statement of cash flows reports a 71 percent (2010: 23 percent) increase in IFAC’s cash position at December 31, 2011. The increase in cash and cash equivalents was mainly due to receiving the fourth quarter payment of the contribution of the Forum of Firms before December 31, 2011, while in 2010 – it was included in the receivable from the Forum of Firms.

**Public Interest Oversight Board**

IFAC continued to provide financial support to the Public Interest Oversight Board (PIOB). The funding for 2011 amounted to €1.402.420 less a grant of €286,000 received by the PIOB from the European Commission. This amounted to $1.6 million (2010: $1.9 million).

**Enhanced Information about Activities (Segments)**

2011 information per activity area has been enhanced to align more closely with the requirements of IPSAS 18, *Segment Reporting*. In the past, information per activity area was limited to the expenses reported in Note 3 of the financial statements. The enhanced information includes allocation of revenues, PIOB funding, and assets and liabilities to the activity areas. Management was of the view that the benefits of presenting enhanced 2010 comparative information did not outweigh the resources required to prepare the information. As a result, the enhanced information is presented for 2011 only.
Statement of Financial Performance
For the year ended December 31, 2011

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$25,917,699</td>
<td>$23,368,640</td>
</tr>
</tbody>
</table>

**Revenue**

**From exchange transactions:**

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>From exchange transactions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues, net</td>
<td>$13,489,311</td>
<td>$12,625,787</td>
</tr>
<tr>
<td>Forum of Firms</td>
<td>$9,705,006</td>
<td>$8,824,502</td>
</tr>
<tr>
<td>Special assessment</td>
<td>$1,703,929</td>
<td>-</td>
</tr>
<tr>
<td>Publications</td>
<td>$55,611</td>
<td>326,670</td>
</tr>
<tr>
<td>Interest income</td>
<td>$9,636</td>
<td>$7,809</td>
</tr>
<tr>
<td>World Congress of Accountants 2010</td>
<td>$525</td>
<td>453,202</td>
</tr>
<tr>
<td>Other revenue</td>
<td>$189,545</td>
<td>232,073</td>
</tr>
<tr>
<td>Total revenue</td>
<td>$25,917,699</td>
<td>$23,368,640</td>
</tr>
</tbody>
</table>

**Expenses**

<table>
<thead>
<tr>
<th>Note</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee costs</td>
<td>$14,153,473</td>
<td>$13,080,461</td>
</tr>
<tr>
<td>Travel and meeting costs</td>
<td>$4,825,444</td>
<td>$4,388,200</td>
</tr>
<tr>
<td>Funding provided to the Public Interest Oversight Board</td>
<td>$1,562,267</td>
<td>$1,898,382</td>
</tr>
<tr>
<td>Occupancy and maintenance</td>
<td>$1,034,342</td>
<td>$814,839</td>
</tr>
<tr>
<td>Legal and other professional fees</td>
<td>$357,461</td>
<td>$134,088</td>
</tr>
<tr>
<td>Consultants</td>
<td>$349,993</td>
<td>$349,807</td>
</tr>
<tr>
<td>Recruitment and relocation costs</td>
<td>$331,463</td>
<td>$168,253</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>$214,728</td>
<td>$376,735</td>
</tr>
<tr>
<td>Communications and publicity</td>
<td>$190,226</td>
<td>$337,611</td>
</tr>
<tr>
<td>Telephone</td>
<td>$154,307</td>
<td>$147,521</td>
</tr>
<tr>
<td>Printing, distribution and postage</td>
<td>$141,974</td>
<td>$281,540</td>
</tr>
<tr>
<td>IT support</td>
<td>$139,360</td>
<td>$95,715</td>
</tr>
<tr>
<td>Auditor remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit of financial statements and assurance of service delivery information</td>
<td>$147,699</td>
<td>$149,098</td>
</tr>
<tr>
<td>Tax and other services</td>
<td>$45,818</td>
<td>$65,726</td>
</tr>
<tr>
<td>Loss on disposal of assets</td>
<td>$93,139</td>
<td>$53,971</td>
</tr>
<tr>
<td>Insurance</td>
<td>$87,392</td>
<td>$74,383</td>
</tr>
<tr>
<td>Bad debt expense</td>
<td>$7,091</td>
<td>$48,894</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>-</td>
<td>$60,000</td>
</tr>
<tr>
<td>Other expenses</td>
<td>$378,492</td>
<td>$415,559</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$24,214,669</td>
<td>$22,940,783</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>$1,703,030</td>
<td>$427,857</td>
</tr>
</tbody>
</table>
Statement of Changes in Net Assets/Equity
For the year ended December 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts in U.S. Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets/equity at beginning of year</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated surpluses</td>
<td>$4,236,634</td>
<td>$3,808,777</td>
</tr>
<tr>
<td>Surplus for the year</td>
<td>1,703,030</td>
<td>427,857</td>
</tr>
<tr>
<td><strong>Net assets/equity at end of year</strong></td>
<td><strong>$5,939,664</strong></td>
<td><strong>$4,236,634</strong></td>
</tr>
</tbody>
</table>
Statement of Financial Position  
As at December 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>16</td>
<td>$5,451,239</td>
</tr>
<tr>
<td>Receivables from exchange transactions</td>
<td>6</td>
<td>399,576</td>
</tr>
<tr>
<td>Receivable from IFAC members, net</td>
<td>7</td>
<td>146,740</td>
</tr>
<tr>
<td>Receivable from the Forum of Firms</td>
<td>12</td>
<td>1,539,258</td>
</tr>
<tr>
<td>Other receivables</td>
<td>12</td>
<td>1,539,258</td>
</tr>
<tr>
<td>Other receivables from non-exchange transactions</td>
<td>8</td>
<td>81,973</td>
</tr>
<tr>
<td>Other current assets</td>
<td>12</td>
<td>374,822</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>$7,993,608</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>8</td>
<td>$2,195,248</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>9</td>
<td>192,397</td>
</tr>
<tr>
<td>Advances and deposits</td>
<td>12, 17</td>
<td>234,586</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>$2,622,231</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>$10,615,839</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td></td>
<td>$1,275,644</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>10</td>
<td>1,210,870</td>
</tr>
<tr>
<td>Revenue received in advance</td>
<td>11</td>
<td>125,735</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>$2,612,249</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued pension costs</td>
<td>13</td>
<td>$329,664</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>12</td>
<td>1,734,262</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>$2,063,926</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td></td>
<td>$4,676,175</td>
</tr>
<tr>
<td><strong>Net assets/equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFAC members</td>
<td>12</td>
<td>1,539,258</td>
</tr>
<tr>
<td><strong>Total net assets/equity</strong></td>
<td></td>
<td>$5,939,664</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS/EQUITY</strong></td>
<td></td>
<td>$10,615,839</td>
</tr>
</tbody>
</table>

Göran Tidström – President  
Ian Ball – Chief Executive Officer
# Statement of Cash Flows
For the year ended December 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amounts in U.S. Dollars</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash was provided from:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues</td>
<td>$13,746,872</td>
<td>$12,904,524</td>
</tr>
<tr>
<td>Forum of Firms</td>
<td>11,811,804</td>
<td>8,628,356</td>
</tr>
<tr>
<td>Special assessment</td>
<td>1,315,929</td>
<td>-</td>
</tr>
<tr>
<td>External funding</td>
<td>769,134</td>
<td>998,597</td>
</tr>
<tr>
<td>World Congress of Accountants 2010</td>
<td>420,583</td>
<td>-</td>
</tr>
<tr>
<td>Publications</td>
<td>55,611</td>
<td>326,670</td>
</tr>
<tr>
<td>Interest received</td>
<td>9,636</td>
<td>7,809</td>
</tr>
<tr>
<td><strong>Total cash provided from</strong></td>
<td>$28,129,569</td>
<td>$22,865,956</td>
</tr>
<tr>
<td>Cash was applied to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>$(14,162,473)</td>
<td>$(12,434,883)</td>
</tr>
<tr>
<td>Other payments</td>
<td>(9,369,731)</td>
<td>(9,620,359)</td>
</tr>
<tr>
<td><strong>Total cash applied to</strong></td>
<td>$(23,532,204)</td>
<td>$(22,055,242)</td>
</tr>
<tr>
<td><strong>Net cash inflow from operating activities</strong></td>
<td>$4,597,365</td>
<td>$810,714</td>
</tr>
<tr>
<td><strong>Cash flows from investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash was applied to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property and equipment</td>
<td>$(2,206,348)</td>
<td>$(149,868)</td>
</tr>
<tr>
<td>Purchase of intangible assets</td>
<td>(150,001)</td>
<td>(76,673)</td>
</tr>
<tr>
<td><strong>Net cash outflow from investing activities</strong></td>
<td>$(2,356,349)</td>
<td>$(226,541)</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>$2,241,016</td>
<td>$584,173</td>
</tr>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>$3,190,229</td>
<td>$2,590,129</td>
</tr>
<tr>
<td>Effect of exchange rate change on foreign currency balances</td>
<td>19,994</td>
<td>15,927</td>
</tr>
<tr>
<td><strong>Balance of cash and cash equivalents at end of year</strong></td>
<td>$5,451,239</td>
<td>$3,190,229</td>
</tr>
</tbody>
</table>
Statement of Accounting Policies
For the year ended December 31, 2011

Basis of Preparation
The International Federation of Accountants’ (IFAC) financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) 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.

IFAC has not applied the following new or revised IPSAS that have been issued but are not yet effective: Improvements to IPSAS—2010, IPSAS 29, Financial Instruments: Recognition and Measurement, IPSAS 30, Financial Instruments: Disclosures, and IPSAS 31, Intangibles. Management has not yet determined the effect of these standards on the financial statements in the period of initial application.

The preparation of financial statements in accordance with IPSAS 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 21). 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 of an amount agreed on an annual basis, and a contribution of an amount equal to the expenses incurred by the Transnational Auditors Committee activity during the reporting period.

Grant revenue
Revenue from grants is recognized when there is reasonable assurance that IFAC has complied with all the conditions of the grants and that the grants will be received. Grants are 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 grants are intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to IFAC with no future related costs are recognized in the statement of financial performance when they become 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.

Donated services

Donated services are not recognized in the financial statements as their value cannot be measured reliably.

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 expected benefits are spread over the entire length of service of the employees.

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 percent of the present value of the defined benefit obligation or of the fair value of plan assets. The amounts exceeding 10 percent 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.

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 (v) Impairment below.

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

- Office equipment: 3 to 5 years
- Furniture and fittings: 10 years
- Leasehold alterations: Shorter of the life of the lease or useful life

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 primarily of software licenses and development, including website development, and externally developed intellectual property.

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 to recognize the consumption of economic benefits of the assets over their useful lives. Refer to (v) Impairment below. The estimated useful lives of intangible assets are as follows:

- Software licenses and development: 3 to 5 years
- Intellectual property: 5 to 10 years

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

IFAC uses only non-derivative financial instruments. These 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 a review 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 2010 financial statements to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.
Notes to the Financial Statements
For the year ended December 31, 2011

Amounts in U.S. Dollars

1. **International Federation of Accountants**

   **Organization**

   IFAC is the global organization for the accountancy profession. Founded in 1977, it is comprised of 167 accountancy organizations in 127 countries and jurisdictions. 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, adoption and implementation of high-quality international standards and guidance
   • Contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants
   • Promoting the value of professional accountants worldwide
   • Speaking out on public interest issues where the accountancy profession’s expertise is most relevant

   IFAC’s values are integrity, expertise and transparency. These values are the guiding principles that IFAC as an organization seeks to exemplify through its Council, Board, boards and committees, volunteers, and staff.

   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.

   **Special Assessment**

   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 12). The special assessment, net of approved discounts, was recognized in the accompanying statement of financial performance at the end of the reporting period. After adjustments, discounts, and voluntarily contributions, the special assessment amounted to $1,703,929.

2. **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>Description</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Public Sector Accounting Standards Board</td>
<td>$632,545</td>
<td>$759,214</td>
</tr>
<tr>
<td>Professional Accountancy Organization Development Committee</td>
<td>101,591</td>
<td>94,250</td>
</tr>
<tr>
<td>Small and Medium Practices Committee</td>
<td>30,000</td>
<td>45,133</td>
</tr>
<tr>
<td><strong>Total external funding</strong></td>
<td><strong>$764,136</strong></td>
<td><strong>$898,597</strong></td>
</tr>
</tbody>
</table>

IFAC 2011 ANNUAL REPORT
The International Public Sector Accounting Standards Board received external funding from the Canadian government, the World Bank, and the Asian Development Bank. In addition, the Canadian Institute of Chartered Accountants supports this board in the form of funding for one professional staff member.

The Professional Accountancy Organization 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 Committee received external funding for the IFAC Small and Medium Practices Forum.

### 3. IFAC Expenses by Activity

<table>
<thead>
<tr>
<th>Activity</th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Auditing and Assurance Standards Board</td>
<td>$4,605,120</td>
<td>$4,163,655</td>
</tr>
<tr>
<td>International Public Sector Accounting Standards Board</td>
<td>2,041,452</td>
<td>1,845,757</td>
</tr>
<tr>
<td>Compliance Program</td>
<td>1,436,796</td>
<td>1,083,117</td>
</tr>
<tr>
<td>Communications</td>
<td>1,207,503</td>
<td>1,375,354</td>
</tr>
<tr>
<td>International Ethics Standards Board for Accountants</td>
<td>870,955</td>
<td>612,180</td>
</tr>
<tr>
<td>Professional Accountancy Organization Development Committee</td>
<td>860,336</td>
<td>1,004,341</td>
</tr>
<tr>
<td>Small and Medium Practices Committee</td>
<td>839,444</td>
<td>810,834</td>
</tr>
<tr>
<td>Public Policy and Regulation</td>
<td>752,080</td>
<td>443,971</td>
</tr>
<tr>
<td>Professional Accountants in Business Committee</td>
<td>603,753</td>
<td>589,631</td>
</tr>
<tr>
<td>Board and Council</td>
<td>552,448</td>
<td>591,120</td>
</tr>
<tr>
<td>Translations</td>
<td>549,922</td>
<td>495,384</td>
</tr>
<tr>
<td>International Accounting Education Standards Board</td>
<td>539,844</td>
<td>435,692</td>
</tr>
<tr>
<td>Transnational Auditors Committee</td>
<td>511,505</td>
<td>466,502</td>
</tr>
<tr>
<td>Adoption and Implementation Support</td>
<td>382,894</td>
<td>587,564</td>
</tr>
<tr>
<td>International Integrated Reporting Initiative</td>
<td>236,383</td>
<td>-</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>276,245</td>
<td>259,224</td>
</tr>
<tr>
<td>Member Relations</td>
<td>115,868</td>
<td>65,187</td>
</tr>
<tr>
<td><strong>Total IFAC activities</strong></td>
<td><strong>$16,382,548</strong></td>
<td><strong>$14,829,513</strong></td>
</tr>
<tr>
<td>Funding provided to the Public Interest Oversight Board (see Note 4)</td>
<td>1,562,267</td>
<td>1,898,382</td>
</tr>
<tr>
<td><strong>Total activities expenses</strong></td>
<td><strong>$17,944,815</strong></td>
<td><strong>$16,727,895</strong></td>
</tr>
<tr>
<td><strong>Total general expenses</strong></td>
<td>6,269,854</td>
<td>6,212,888</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$24,214,669</strong></td>
<td><strong>$22,940,783</strong></td>
</tr>
</tbody>
</table>

4. **Public Interest Oversight Board**

The Public Interest Oversight Board (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 IFAC’s 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 funding for 2011 amounted to €1,402,420 (2011 budget for the PIOB approved by the Monitoring Group) less a grant of €286,000 received by the PIOB from the European Commission. This amounted to $1,562,267 (2010: $1,898,382).

5. Employee Costs

Employee costs include compensation and related payroll taxes as well as other employee benefits. For 2011, employee costs included retirement benefits of $652,836 (2010: $576,407). The retirement benefit amount comprises the net periodic pension expense of $397,730 (2010: $342,848) associated with the defined benefit plan, an employer contribution of $151,295 (2010: $153,839) associated with the defined contribution plan for US based employees, and an employer contribution of $103,811 (2010: $79,720) to registered Retirement Savings Plans of Canada based employees.

6. Receivable from IFAC Members

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues receivable</td>
<td>$23,152</td>
<td>$159,154</td>
</tr>
<tr>
<td>Special assessment receivable</td>
<td>424,000</td>
<td>-</td>
</tr>
<tr>
<td>Provision for uncollectible dues/assessment</td>
<td>(47,576)</td>
<td>(121,101)</td>
</tr>
<tr>
<td><strong>Net dues/assessment receivable</strong></td>
<td><strong>$399,576</strong></td>
<td><strong>$38,053</strong></td>
</tr>
</tbody>
</table>

IFAC members subject to the special assessment (see Note 1) were provided the option to pay the assessment over two years.

In 2011, adjustments and discounts to membership dues amounted to approximately $630,000 (2010: $170,000), and adjustments and discounts to the special assessment amounted to approximately $95,000.

7. Receivable from the Forum of Firms

As at December 31, 2011, $146,740 represents the remaining amount to be received from the Forum of Firms for expenses incurred by the Transnational Auditors Committee activity during the reporting period. (As at December 31, 2010, $2,253,538 represented the remaining amounts to be received for contributions for the reporting period and for expenses incurred by the Transnational Auditors Committee activity during the reporting period.)
8. 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>Opening net</td>
<td>$110,315</td>
<td>$120,585</td>
<td>$106,055</td>
<td>$87,270</td>
</tr>
<tr>
<td>carrying value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions</td>
<td>132,540</td>
<td>80,448</td>
<td>381,049</td>
<td>57,956</td>
</tr>
<tr>
<td>Loss on disposals</td>
<td>(405)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(82,474)</td>
<td>(90,718)</td>
<td>(36,970)</td>
<td>(39,171)</td>
</tr>
<tr>
<td>Closing net</td>
<td>$159,976</td>
<td>$110,315</td>
<td>$357,400</td>
<td>$106,055</td>
</tr>
<tr>
<td>carrying value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>$555,688</td>
<td>$541,745</td>
<td>$373,013</td>
<td>$465,676</td>
</tr>
<tr>
<td>Accumulated</td>
<td>(395,712)</td>
<td>(431,430)</td>
<td>(15,613)</td>
<td>(359,621)</td>
</tr>
<tr>
<td>depreciation</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net carrying value</td>
<td>$159,976</td>
<td>$110,315</td>
<td>$357,400</td>
<td>$106,055</td>
</tr>
</tbody>
</table>

As at December 31, 2011, property and equipment includes approximately $1.8 million of additions not yet placed in service. The assets relate to the new office located at 529 Fifth Avenue (see Note 12); they are expected to be placed into service in February 2012 when the new office is occupied. In addition, during 2011 and 2010, depreciation on office equipment, furniture and fittings, and leasehold alterations deemed to have no future benefit upon the relocation to the new office was accelerated to effectively reduce the net book value of those assets to $nil as at December 31, 2011.

9. Intangible Assets

<table>
<thead>
<tr>
<th></th>
<th>Software Licenses &amp; Development</th>
<th>Intellectual Property</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>Opening net carrying value</td>
<td>$79,127</td>
<td>$122,172</td>
<td>$ -</td>
</tr>
<tr>
<td>Additions</td>
<td>150,001</td>
<td>76,673</td>
<td>-</td>
</tr>
<tr>
<td>Loss on disposals</td>
<td>-</td>
<td>(53,971)</td>
<td>-</td>
</tr>
<tr>
<td>Impairment loss</td>
<td>-</td>
<td>-</td>
<td>- (60,000)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(36,731)</td>
<td>(65,747)</td>
<td>-</td>
</tr>
<tr>
<td>Closing net carrying value</td>
<td>$192,397</td>
<td>$79,127</td>
<td>$ -</td>
</tr>
<tr>
<td>Cost</td>
<td>$291,238</td>
<td>$141,238</td>
<td>$ -</td>
</tr>
<tr>
<td>Accumulated</td>
<td>(98,841)</td>
<td>(62,111)</td>
<td>-</td>
</tr>
<tr>
<td>amortization</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net carrying value</td>
<td>$192,397</td>
<td>$79,127</td>
<td>$ -</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 new IFAC website (www.ifac.org) which was launched in October 2011. During 2010, IFAC discontinued the web search engine originally designed for the IFAC KnowledgeNet. IFAC now utilizes an alternative search engine for this purpose (refer to www.IFACnet.com).

Externally developed intellectual property consisted of the Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities. In 2010, management reviewed the carrying amount of the guide on the basis that the anticipated future economic benefits were unlikely to be realized. Consequently, the carrying amount of the guide was reduced to zero and an impairment loss of $60,000 recognized as an expense in the statement of financial performance.

10. Employee Entitlements

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance based remuneration</td>
<td>$713,715</td>
<td>$720,761</td>
</tr>
<tr>
<td>Accrued Paid Time Off</td>
<td>497,155</td>
<td>502,871</td>
</tr>
<tr>
<td><strong>Total employee entitlements</strong></td>
<td><strong>$1,210,870</strong></td>
<td><strong>$1,223,632</strong></td>
</tr>
</tbody>
</table>

Retirement benefit plans are discussed in Note 13.

11. Revenue Received in Advance

Revenue received in advance at December 31, 2011 of $125,735 (2010: $25,001) represents membership dues received in advance of $125 (2010: $25,001). The balance also includes registration fees and sponsorships related to the 2012 Sovereign Debt Seminar of $89,000, sponsorship of the 2012 Small and Medium-sized Practices Forum of $10,000, and 2012 membership application fees of $26,610.

12. Operating Lease Obligations

During 2011, IFAC leased offices located in New York, Toronto, and Melbourne 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.

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

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not later than one year</td>
<td>$847,883</td>
<td>$665,662</td>
</tr>
<tr>
<td>Later than one year and not later than five years</td>
<td>4,989,076</td>
<td>1,184,954</td>
</tr>
<tr>
<td>Later than five years</td>
<td>13,910,075</td>
<td>10,837</td>
</tr>
<tr>
<td><strong>Total operating lease obligations</strong></td>
<td><strong>$19,747,034</strong></td>
<td><strong>$1,861,453</strong></td>
</tr>
</tbody>
</table>

During 2011, IFAC executed a lease for an office located at 529 Fifth Avenue for a period of sixteen years commencing November 1, 2011. Lease incentives include a period of free rent as well as a tenant improvement allowance of approximately $1.5 million. As at December 31, 2011, IFAC recognized a receivable from the lessor for the tenant improvement allowance; this is reflected in other receivables in the accompanying statement of financial position. The lease incentives have been deferred and will be recognized over the term of the lease.

The lease for the existing office located at 545 Fifth Avenue, New York, New York expires on July 31, 2013. IFAC has secured a subtenant for a portion of the space, and is seeking a subtenant for the remainder of the space. Future minimum lease obligations have not been reduced by the future minimum sub-rental income of approximately $77,000 per annum.
Also during 2011, IFAC executed a lease for an office located at 277 Wellington Street West, Toronto, Ontario, expiring on March 31, 2016. Lease incentives included a period of free rent as well as a tenant improvement allowance of approximately $50,000.

The office located at 2 – 8 St Andrews Street, Brighton, Victoria, Australia, was vacated in 2011. The lease expires on July 31, 2013. IFAC is seeking a subtenant for this space. During 2011, staff was hosted in the office of CPA Australia.

Operating lease payments for the year ended December 31, 2011 were $789,632 (2010: $608,652).

The security deposits for the offices at 545 Fifth Avenue and 529 Fifth Avenue are in the form of letters of credit. As at December 31, 2011, the total letters of credit were $667,079 (2010: $152,238). The security deposit for the office at 277 Wellington Street West is in the form of cash of $8,645 (2010: $8,598), and for the office at 2 – 8 St Andrews Street in the form of cash of $7,049 (2010: $6,649). The security deposits are included in advances and deposits in the accompanying statement of financial position.

13. 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 (2010: CitiStreet Associates LLC). For 2011, the contributions that have been recognized as an expense are $151,295 (2010: $153,839).

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 2011, the contributions that have been recognized as an expense are $103,811 (2010: $79,720). These expenses are included in employee costs in the statement of financial performance (see Note 5).

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 on April 1, 2007 to provide that no further benefit accruals will occur after April 30, 2017. During 2010, IFAC amended the plan to provide that individuals employed after October 1, 2010 will 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.

The following presents pension plan information for the twelve-month periods ending December 31, 2011 and December 31, 2010.
Change in the present value of the defined benefit obligation:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>$3,411,196</td>
<td>$2,844,349</td>
</tr>
<tr>
<td>Interest cost</td>
<td>189,571</td>
<td>171,533</td>
</tr>
<tr>
<td>Current service cost</td>
<td>272,904</td>
<td>229,776</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(110,297)</td>
<td>(110,297)</td>
</tr>
<tr>
<td>Actuarial loss on obligation</td>
<td>746,685</td>
<td>275,835</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>$4,510,059</strong></td>
<td><strong>$3,411,196</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of defined benefit plan assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening balance</td>
<td>$1,912,473</td>
<td>$1,551,029</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>143,901</td>
<td>123,429</td>
</tr>
<tr>
<td>Contributions by employer</td>
<td>393,968</td>
<td>302,123</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(110,297)</td>
<td>(110,297)</td>
</tr>
<tr>
<td>Actuarial loss on plan assets</td>
<td>346</td>
<td>46,189</td>
</tr>
<tr>
<td><strong>Closing balance</strong></td>
<td><strong>$2,340,391</strong></td>
<td><strong>$1,912,473</strong></td>
</tr>
</tbody>
</table>

IFAC anticipates making a contribution of $405,000 to the plan during 2012. The actual rate of return for the period January 1, 2011 to December 31, 2011 was 7.4 percent (2010: 12.7 percent).

Liability recognized in the statement of financial position:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$4,510,059</td>
<td>$3,411,196</td>
</tr>
<tr>
<td>Fair value of benefit plan assets</td>
<td>2,340,391</td>
<td>1,912,473</td>
</tr>
<tr>
<td>Funded status</td>
<td>(2,169,668)</td>
<td>(1,498,723)</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>75,550</td>
<td>88,722</td>
</tr>
<tr>
<td>Unrecognized net actuarial losses</td>
<td>1,764,454</td>
<td>1,084,099</td>
</tr>
<tr>
<td><strong>Accrued pension costs</strong></td>
<td><strong>$329,664</strong></td>
<td><strong>$325,902</strong></td>
</tr>
</tbody>
</table>
Expense recognized in the statement of financial performance:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current service cost</td>
<td>$272,904</td>
<td>$229,776</td>
</tr>
<tr>
<td>Interest cost</td>
<td>189,571</td>
<td>171,533</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(143,901)</td>
<td>(123,429)</td>
</tr>
<tr>
<td>Amortization of actuarial loss</td>
<td>65,984</td>
<td>51,796</td>
</tr>
<tr>
<td>Amortization of prior service cost</td>
<td>13,172</td>
<td>13,172</td>
</tr>
<tr>
<td><strong>Net periodic pension expense</strong></td>
<td><strong>$397,730</strong></td>
<td><strong>$342,848</strong></td>
</tr>
</tbody>
</table>

Categories of plan assets:

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Government obligations</td>
<td>$257,443</td>
<td>$21,511</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>280,847</td>
<td>-</td>
</tr>
<tr>
<td>Common stocks</td>
<td>234,039</td>
<td>235,602</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>1,380,831</td>
<td>1,546,370</td>
</tr>
<tr>
<td>Foreign bonds &amp; stocks</td>
<td>93,616</td>
<td>20,798</td>
</tr>
<tr>
<td>Investment in partnership</td>
<td>93,615</td>
<td>88,192</td>
</tr>
<tr>
<td><strong>Fair value of plan assets</strong></td>
<td><strong>$2,340,391</strong></td>
<td><strong>$1,912,473</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, 2011</th>
<th>December 31, 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rates</td>
<td>4.90%</td>
<td>5.65%</td>
</tr>
<tr>
<td>Expected rates of return on plan assets</td>
<td>7.75%</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 the Aon Hewitt AA Above Median yield curve (for 2010, the Above Median Citigroup Yield Curve and the Aon Yield Curve were used). 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 has changed from the RP-2000 Combined Mortality Table used for 2010 to the 2011 static mortality table for annuitants and non-annuitants as prescribed by the United States Internal Revenue Service regulation 1.430(h)(3)-1(e) used for 2011. The latter 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>December 31, 2011</th>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
<th>July 31, 2009*</th>
<th>July 31, 2008*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of defined benefit obligation</td>
<td>$4,510,059</td>
<td>$3,411,196</td>
<td>$2,844,349</td>
<td>$2,695,646</td>
<td>$1,784,230</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
<td>2,340,391</td>
<td>1,912,473</td>
<td>1,551,029</td>
<td>1,301,419</td>
<td>1,393,930</td>
</tr>
<tr>
<td>Deficit in plan</td>
<td>$(2,169,668)</td>
<td>$(1,498,723)</td>
<td>$(1,293,320)</td>
<td>$(1,394,227)</td>
<td>$(390,300)</td>
</tr>
</tbody>
</table>

Experience adjustments arising on

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2011</th>
<th>December 31, 2010</th>
<th>December 31, 2009</th>
<th>July 31, 2009*</th>
<th>July 31, 2008*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan liabilities</td>
<td>$746,685</td>
<td>$275,835</td>
<td>$422,503</td>
<td>$730,179</td>
<td>$(162,136)</td>
</tr>
<tr>
<td>Plan assets</td>
<td>$346</td>
<td>$461,196</td>
<td>$168,511</td>
<td>$(268,384)</td>
<td>$162,848</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.
14. Reconciliation of Net Surplus with Net Cash Inflow from Activities

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net surplus for the period</td>
<td>$1,703,030</td>
<td>$427,857</td>
</tr>
<tr>
<td>Add/(less) non-cash items:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>214,728</td>
<td>376,735</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>1,668,578</td>
<td>(41,486)</td>
</tr>
<tr>
<td>Net loss on disposal of property and equipment</td>
<td>93,139</td>
<td>113,971</td>
</tr>
<tr>
<td>Add/(less) movements in working capital:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership dues receivable</td>
<td>(361,523)</td>
<td>7,062</td>
</tr>
<tr>
<td>Other receivables from non-exchange transactions</td>
<td>4,998</td>
<td>77,943</td>
</tr>
<tr>
<td>Receivable from Forum of Firms</td>
<td>2,106,798</td>
<td>(196,146)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(1,095,334)</td>
<td>(351,961)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(168,695)</td>
<td>187,351</td>
</tr>
<tr>
<td>Non-current receivables</td>
<td>(12,429)</td>
<td>(17,018)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>352,341</td>
<td>128,304</td>
</tr>
<tr>
<td>Employee entitlements</td>
<td>(12,762)</td>
<td>96,959</td>
</tr>
<tr>
<td>Revenue received in advance</td>
<td>100,734</td>
<td>(39,582)</td>
</tr>
<tr>
<td>Accrued pension costs</td>
<td>3,762</td>
<td>40,725</td>
</tr>
<tr>
<td><strong>Net cash inflow from activities</strong></td>
<td><strong>$4,597,365</strong></td>
<td><strong>$810,714</strong></td>
</tr>
</tbody>
</table>

15. Employee Disclosure

As at December 31, 2011, IFAC had 66 full-time employees (2010: 57 full-time employees), and one part-time employee (2010: two part-time employees). In addition to these employees, IFAC had two contracted personnel (2010: two contracted personnel), two secondees (2010: two secondees), and no interns (2010: one intern).

16. 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 20). IFAC has no borrowings.

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, 2011, a total of $5,287,051 was held with JP Morgan Chase Bank (2010: $2,930,128); representing 66 percent of the total amount of cash and cash equivalents, receivables and other current assets (2010: 47 percent). This amount includes a deposit of $152,238 (2010: $152,238) held as collateral for the security deposit in the form of a letter of credit for the office at 529 Fifth Avenue (see Note 12).

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, 2011 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, 2011 one IFAC member accounted for 12 percent of total revenue (2010: 12 percent). There were no amounts due from this member as at December 31, 2011 (2010: $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, 2011, the carrying amounts for all financial instruments held by IFAC approximate their fair values (2010: carrying amounts approximate their fair values).

**Restrictions on the use of cash and cash equivalents**

There are no restrictions on the use of the cash and cash equivalents.

17. 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 various member organizations. Board members are elected for up to 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 IFAC boards and committees. During 2011, the Board met four times (2010: 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, 2011 the senior executive management (key management personnel) includes the Chief Executive Officer, two Executive Directors, and four Directors (2010: 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 $3,435,162 (2010: $3,468,311).

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 IFAC 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 entered into contracts with three member organizations (Canadian Institute of Chartered Accountants, Certified General Accountants’ Association of Canada, and CPA Australia) for the development and three-year maintenance of three separate guides for small- and medium-sized practitioners. The contracts with Canadian Institute of Chartered Accountants and Certified General Accountants’ Association of Canada were completed during 2011. In 2009, IFAC also entered into a contract with the New Zealand Institute of Chartered Accountants for the revision of Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. This contract was completed in 2011. 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 to IFAC for an agreed amount and full contribution for Transnational Auditors Committee related expenses (see Note 18).

**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, 2011, the balance outstanding of employee receivables relating to residential security deposits was $73,703 (2010: $53,037). This amount is included in advances and deposits in the accompanying statement of financial position.

**18. 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 effectively the operational body of the Forum, as it has executive authority and is currently staffed by two IFAC employees, who each spend 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 2011, IFAC recognized revenues from the Forum of Firms for amounts invoiced for the annually agreed contribution of $9,193,501 (2010: $8,358,000), and for expenses incurred by the Transnational
Auditors Committee totaling $511,505 (2010: $466,502). These amounts are due to IFAC on a quarterly in arrears basis. Refer to Note 7 for the information relating to the receivable from the Forum.

19. Commitments and Contingencies
   The total commitments associated with the build out of the new office located at 529 Fifth Avenue are approximately $3.1 million. Approximately $1.8 million of this amount was paid or due as at December 31, 2011. The lease obligations identified in Note 12 are the only other outstanding commitments as at December 31, 2011.

20. Line of Credit
   As at December 31, 2011, IFAC had an available line of credit with its bank, JP Morgan Chase of $2,250,000 (2010: $2,000,000). The line carries an interest rate of LIBOR +2.485 percent (2.77 percent at December 31, 2011) and expires on July 20, 2012. IFAC did not access its line of credit during 2011 and 2010. Borrowings under the line of credit are collateralized by substantially all of IFAC’s assets.

21. 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 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. The disclosure of information about the activity areas is considered appropriate for external reporting, and for practical purposes, will be presented on a prospective basis. Financial information for 2011 for the activity areas is presented below. Services planned for 2011 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

<table>
<thead>
<tr>
<th>Activity</th>
<th>Membership dues / Special Assessment</th>
<th>Forum of Firms</th>
<th>External funding</th>
<th>Other revenue</th>
<th>Total revenue per activity 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Auditing and Assurance Standards Board</td>
<td>$3,333,819</td>
<td>$1,912,171</td>
<td>$ -</td>
<td>$55,611</td>
<td>$5,301,601</td>
</tr>
<tr>
<td>International Public Sector Accounting Standards Board</td>
<td>$568,682</td>
<td>$847,666</td>
<td>632,545</td>
<td>$ -</td>
<td>2,048,893</td>
</tr>
<tr>
<td>Compliance Program</td>
<td>998,963</td>
<td>596,597</td>
<td>$ -</td>
<td>59,000</td>
<td>1,654,560</td>
</tr>
<tr>
<td>Communications</td>
<td>748,518</td>
<td>501,388</td>
<td>$ -</td>
<td>$ -</td>
<td>1,249,906</td>
</tr>
<tr>
<td>International Ethics Standards Board for Accountants</td>
<td>643,796</td>
<td>361,644</td>
<td>$ -</td>
<td>$ -</td>
<td>1,005,440</td>
</tr>
<tr>
<td>Professional Accountancy Organization Development Committee</td>
<td>427,615</td>
<td>357,235</td>
<td>101,591</td>
<td>$ -</td>
<td>886,441</td>
</tr>
<tr>
<td>Small and Medium Practices Committee</td>
<td>489,180</td>
<td>348,560</td>
<td>30,000</td>
<td>$ -</td>
<td>867,740</td>
</tr>
<tr>
<td>Public Policy and Regulation</td>
<td>466,206</td>
<td>312,284</td>
<td>$ -</td>
<td>$ -</td>
<td>778,490</td>
</tr>
<tr>
<td>Professional Accountants in Business Committee (including</td>
<td>520,791</td>
<td>348,847</td>
<td>$ -</td>
<td>$ -</td>
<td>869,638</td>
</tr>
<tr>
<td>International Integrated Reporting Initiative</td>
<td>342,457</td>
<td>229,391</td>
<td>$ -</td>
<td>$ -</td>
<td>571,848</td>
</tr>
<tr>
<td>Translations</td>
<td>340,891</td>
<td>228,343</td>
<td>$ -</td>
<td>$ -</td>
<td>569,234</td>
</tr>
<tr>
<td>International Accounting Education Standards Board</td>
<td>399,044</td>
<td>224,157</td>
<td>$ -</td>
<td>$ -</td>
<td>623,201</td>
</tr>
<tr>
<td>Transnational Auditors Committee</td>
<td>$ -</td>
<td>511,505</td>
<td>$ -</td>
<td>$ -</td>
<td>511,505</td>
</tr>
<tr>
<td>Adoption and Implementation Support</td>
<td>237,352</td>
<td>158,988</td>
<td>$ -</td>
<td>$ -</td>
<td>396,340</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>171,242</td>
<td>114,705</td>
<td>$ -</td>
<td>$ -</td>
<td>285,947</td>
</tr>
<tr>
<td>Member Relations</td>
<td>71,826</td>
<td>48,112</td>
<td>$ -</td>
<td>$ -</td>
<td>119,938</td>
</tr>
<tr>
<td><strong>Total activities</strong></td>
<td><strong>$9,760,382</strong></td>
<td><strong>$7,101,593</strong></td>
<td><strong>$764,136</strong></td>
<td><strong>$114,611</strong></td>
<td><strong>$17,740,722</strong></td>
</tr>
<tr>
<td>Allocated to general activities (including special assessment)</td>
<td>5,432,858</td>
<td>2,603,413</td>
<td>$ -</td>
<td>140,706</td>
<td>8,176,977</td>
</tr>
</tbody>
</table>
| **Total revenue**                                                       | **$15,193,240**                      | **$9,705,006**| **$764,136**     | **$255,317** | **$25,917,699**}
Expenses are recorded by activity area, except for funding of the PIOB. For purposes of this note, funding of the PIOB was prorated based on each Public Interest Activity Committee’s (PIAC) expenses as a percentage of the total PIACs expenses.

### EXPENSES

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>Employee costs</th>
<th>Travel and meeting costs</th>
<th>Consultants</th>
<th>Other expenses</th>
<th>Total expenses per activity before PIOB funding</th>
<th>Funding of the PIOB</th>
<th>Total expenses per activity 2011</th>
<th>Total (deficit) / surplus per activity 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Auditing and Assurance Standards Board</td>
<td>$2,883,056</td>
<td>$1,594,973</td>
<td>-</td>
<td>$127,091</td>
<td>$4,605,120</td>
<td>$965,343</td>
<td>$5,570,463</td>
<td>$(268,862)</td>
</tr>
<tr>
<td>International Public Sector Accounting Standards Board</td>
<td>1,444,363</td>
<td>399,206</td>
<td>101,120</td>
<td>96,763</td>
<td>2,041,452</td>
<td>-</td>
<td>2,041,452</td>
<td>7,441</td>
</tr>
<tr>
<td>Compliance Program</td>
<td>1,079,133</td>
<td>315,133</td>
<td>1,000</td>
<td>41,530</td>
<td>1,436,796</td>
<td>301,187</td>
<td>1,737,983</td>
<td>(83,423)</td>
</tr>
<tr>
<td>Communications</td>
<td>879,040</td>
<td>12,700</td>
<td>74,901</td>
<td>240,862</td>
<td>1,207,503</td>
<td>-</td>
<td>1,207,503</td>
<td>42,403</td>
</tr>
<tr>
<td>International Ethics Standards Board for Accountants</td>
<td>445,535</td>
<td>385,181</td>
<td>-</td>
<td>40,239</td>
<td>870,955</td>
<td>182,573</td>
<td>1,053,528</td>
<td>(48,088)</td>
</tr>
<tr>
<td>Professional Accountancy Organization Development Committee</td>
<td>507,060</td>
<td>333,615</td>
<td>876</td>
<td>18,785</td>
<td>860,336</td>
<td>-</td>
<td>860,336</td>
<td>26,105</td>
</tr>
<tr>
<td>Small and Medium Practices Committee</td>
<td>585,057</td>
<td>187,592</td>
<td>32,636</td>
<td>34,159</td>
<td>839,444</td>
<td>-</td>
<td>839,444</td>
<td>28,296</td>
</tr>
<tr>
<td>Public Policy and Regulation</td>
<td>574,864</td>
<td>146,376</td>
<td>4,826</td>
<td>26,014</td>
<td>752,080</td>
<td>-</td>
<td>752,080</td>
<td>26,410</td>
</tr>
<tr>
<td>Professional Accountants in Business Committee (including International Integrated Reporting Initiative)</td>
<td>621,480</td>
<td>193,962</td>
<td>(37,336)</td>
<td>62,030</td>
<td>840,136</td>
<td>-</td>
<td>840,136</td>
<td>29,502</td>
</tr>
<tr>
<td>Board and Council</td>
<td>153,970</td>
<td>341,538</td>
<td>-</td>
<td>56,940</td>
<td>552,448</td>
<td>-</td>
<td>552,448</td>
<td>19,400</td>
</tr>
<tr>
<td>Translations</td>
<td>441,311</td>
<td>49,090</td>
<td>9,000</td>
<td>50,521</td>
<td>549,922</td>
<td>-</td>
<td>549,922</td>
<td>19,312</td>
</tr>
<tr>
<td>International Accounting Education Standards Board</td>
<td>281,351</td>
<td>204,879</td>
<td>48,950</td>
<td>4,664</td>
<td>539,844</td>
<td>113,164</td>
<td>653,008</td>
<td>(29,807)</td>
</tr>
<tr>
<td>Transnational Auditors Committee</td>
<td>380,306</td>
<td>114,391</td>
<td>-</td>
<td>16,808</td>
<td>511,505</td>
<td>-</td>
<td>511,505</td>
<td>-</td>
</tr>
<tr>
<td>Adoption and Implementation Support</td>
<td>218,185</td>
<td>73,230</td>
<td>65,038</td>
<td>26,441</td>
<td>382,894</td>
<td>-</td>
<td>382,894</td>
<td>13,446</td>
</tr>
<tr>
<td>Nominating Committee</td>
<td>165,718</td>
<td>89,769</td>
<td>1,170</td>
<td>19,588</td>
<td>276,245</td>
<td>-</td>
<td>276,245</td>
<td>9,702</td>
</tr>
<tr>
<td>Member Relations</td>
<td>111,547</td>
<td>2,649</td>
<td>-</td>
<td>1,672</td>
<td>115,868</td>
<td>-</td>
<td>115,868</td>
<td>4,070</td>
</tr>
<tr>
<td><strong>Total activities</strong></td>
<td><strong>$10,771,976</strong></td>
<td><strong>$4,444,284</strong></td>
<td><strong>$302,181</strong></td>
<td><strong>$864,107</strong></td>
<td><strong>$16,382,548</strong></td>
<td><strong>$1,562,267</strong></td>
<td><strong>$17,944,815</strong></td>
<td><strong>($204,093)</strong></td>
</tr>
<tr>
<td><strong>Allocated to general activities</strong></td>
<td><strong>3,381,497</strong></td>
<td><strong>381,160</strong></td>
<td><strong>47,812</strong></td>
<td><strong>2,459,385</strong></td>
<td><strong>6,269,854</strong></td>
<td>-</td>
<td><strong>6,269,854</strong></td>
<td><strong>1,907,123</strong></td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$14,153,473</strong></td>
<td><strong>$4,825,444</strong></td>
<td><strong>$349,993</strong></td>
<td><strong>$3,323,492</strong></td>
<td><strong>$22,652,402</strong></td>
<td><strong>$1,562,267</strong></td>
<td><strong>$24,214,669</strong></td>
<td><strong>$1,703,030</strong></td>
</tr>
</tbody>
</table>
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**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Total assets</th>
<th>Current liabilities</th>
<th>Non-current liabilities</th>
<th>Total liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>International Auditing and Assurance Standards Board</td>
<td>32,272</td>
<td>26,886</td>
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<td>3,096</td>
<td>17,322</td>
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<td>Unallocated assets and liabilities</td>
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<td>3,345,981</td>
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<td><strong>Total assets and liabilities</strong></td>
<td>$7,993,608</td>
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<td>$10,615,839</td>
<td>$2,612,249</td>
<td>$2,063,926</td>
<td>$4,676,175</td>
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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, 2011 and 2010, 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.

Managements’ 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, 2011 and 2010, 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.

Citrin Cooperman & Company, LLP
CERTIFIED PUBLIC ACCOUNTANTS
March 2, 2012