

International Federation of Accountants
2004 Annual Report

DEVELOPING THE GLOBAL PROFESSION



Our Mission

To serve the public interest, IFAC will continue to strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant.



**International Federation
of Accountants**



International Federation of Accountants 2004 Annual Report

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Building a Foundation of Trust

As I look back over the past two years, it is clear to me that IFAC's efforts to develop the profession, to promote quality work by accountants worldwide, and to do so in the most transparent way possible, is essentially about one thing: building a foundation of trust.

Trust is the essential ingredient in building public confidence in the accountancy profession and investor confidence in capital markets. We build trust by demonstrating our commitment to do the right thing. Over the last year, IFAC has demonstrated this commitment in several key ways:

- We worked to strengthen our international standard-setting processes;
- We provided for increased involvement of small and medium practices and developing nations in IFAC activities;
- We focused on how best to support professional accountants in business, particularly in strengthening corporate governance; and
- We initiated a Member Body Compliance Program.

In the current environment, trust goes hand in hand with standards. The more relevant and responsive our standards are to the public interest and the more transparent the process is for setting those standards, the greater the confidence not only in the

standards, but in the work that is performed based on them. During 2004, each of IFAC's standard-setting groups — our Ethics Committee, Education Committee, International Auditing and Assurance Standards Board, and International Public Sector Accounting Standards Board — increased the transparency of its operations and public input into its standard-setting processes. We are already seeing results from those efforts in the increasing use of IFAC standards around the world. Additionally, these efforts have been recognized by international regulators.

The creation of the international Public Interest Oversight Board, recommended by IFAC to oversee its public interest activities, will help further to build trust in the profession.

To encourage quality performance, IFAC undertook a number of initiatives in 2004. We initiated a major study on the challenges to achieving convergence to international standards; we released a publication on enterprise governance to assist professional accountants in business; we issued Statements of Membership Obligations, establishing clear membership criteria; and we put in place the Member Body Compliance Program to monitor members' performance in meeting those criteria. Member bodies and regional accountancy organizations have actively

supported all of these efforts and for this I am greatly appreciative.

We also took steps to ensure that IFAC standards are relevant to all of those parties to whom they properly apply. To achieve this objective, IFAC provided for more formal input by two significant groups: small and medium practices and developing nations. Recognizing the integral role these constituencies play in the wider international economy, IFAC's Board established the Small and Medium Practices Permanent Task Force and the Developing Nations Permanent Task Force. Both groups held their first meetings in 2004.

The Developing Nations Permanent Task Force is also supporting the work of IFAC's compliance team in reaching out to countries in transition or those where the accountancy profession is in an early stage of development. Our goal is to expand IFAC's 2004 membership of 163 member bodies in 119 countries to include a member body in every country.

IFAC is committed to demonstrating through its behavior the values it advocates. Integrity, transparency and expertise — the three core IFAC values — guide IFAC's leadership and staff in all their decision-making. In fact, these values were at the core of every initiative that was undertaken in 2004.

I personally want to thank the IFAC Board members and the IFAC Chief Executive for their wisdom and friendship, every member of every committee and task force for their hard work, the chairs of those committees and task forces for their leadership, and member body leaders for their trust in the Board and in IFAC. It is because of these individuals and a very loyal and hardworking staff that the progress of the last year has been made possible.



IFAC 2004 Board Members

Back row (from left to right): David Smith, Ndung'u Gathinji, David Leonard, Pat Barrett, Yugui Chen, Guy Almeida Andrade, André Bindenga, Rolf Nonnenmacher, William Nabum, Ernest Kan, N.D. Gupta.
Front row (from left to right): Fermín del Valle, Kesree Narongdej, Ian Ball (Chief Executive), Chuck Horstmann, René Ricol (President), Graham Ward (Deputy President), Göran Tidström, Sylvie Vogbel, Shozo Yamazaki, Ignatius Seboole. Not pictured: Angelo Casò, Jean-François Cats.



Developing the Global Profession: Highlights of IFAC Initiatives

The sweeping changes that have taken place over the past decade as a result of countries opening their borders politically, socially, and economically have challenged the international accountancy profession and all those involved in supporting the development of sound and stable economies. IFAC has addressed these challenges by strengthening its activities in three key areas: standard setting, quality assurance, and international leadership. My report highlights some of IFAC's most significant initiatives over the past year. The details are provided in the Service Delivery section of this report, beginning on page 18.

Last year's annual report highlighted IFAC's reform proposals — a series of regulatory and standard-setting changes developed by IFAC in cooperation with international regulators to increase confidence in the international profession and in the quality of auditors' work. These proposals have been acted upon. Pages 10-11 provide a status report on the progress that has been made.

Strengthening Standard Setting

A central element of the reforms and of IFAC's mission is its standard-setting role. High quality international standards provide the foundation for the development of a proficient, high quality accountancy

profession. For this reason, substantial IFAC resources are devoted to the development of standards in the areas of ethics, education, auditing and assurance, and public sector accounting. Over the past year, each of IFAC's independent standard-setting groups — the Ethics Committee, Education Committee, International Auditing and Assurance Standards Board (IAASB), and International Public Sector Accounting Standards Board (IPSASB) — took actions to strengthen its standard-setting processes and to enhance the transparency of those processes. The end result, we believe, is increasingly relevant standards that are sharply focused on addressing the public interest.

During 2004, IFAC's Ethics Committee devoted its efforts to updating the *Code of Ethics for Professional Accountants* in several significant ways. It developed revisions to the Code's fundamental principles of professional ethics — integrity, objectivity, professional competence and due care, confidentiality and professional behavior — and provided a framework for applying those principles. Under the framework, all professional accountants will be required to identify threats to these fundamental principles and, if threats are identified, to apply safeguards to ensure that the principles are not compromised. Additionally, the Code will be

More and more countries are using IFAC's Code of Ethics as the basis for their national codes.

elevated from a “model code” on which to base national requirements to a “standard” requiring IFAC member body and firm compliance. The Ethics Committee plans to issue the revised Code in final form in mid-2005.

In the area of education, promotion of International Education Standards, first established in 2003, was a priority. The standards provide an important framework for achieving quality and consistency in accounting education worldwide and lay the foundation for achieving convergence to international audit, ethics, and public sector accounting standards. In 2004, the Education Committee released a new standard on continuing professional development calling on every professional accountant to develop and maintain competence relevant and appropriate to their work and professional responsibilities. The committee also initiated projects on ethics education and to establish the education requirements for audit professionals.

During 2004, the International Auditing and Assurance Standards Board advanced numerous projects, focusing primarily on those issues where the public interest is most significant, and initiated changes to strengthen its operations. The appointment of its first full-time chairperson, John Kellas, greater involvement by its Consultative Advisory Group and increased collaboration with both member bodies and outside stakeholders, including national regulators and standard setters, provided the IAASB with added impetus and direction. The result was the release of five international standards on auditing and quality control and five exposure drafts of new or revised pronouncements. The topics covered were of critical importance to the international audit profession.

Recognizing that the profession's strength rests on the quality of work performed, the IAASB released two new quality control standards. One establishes a firm's responsibility to set up and maintain a system of quality control for all audits and assurance engagements. The second establishes standards for specific responsibilities of firms in respect of an individual audit engagement. In addition, it issued standards on consideration of fraud in audits of financial statements, audit planning, and the independent auditor's report. It also released exposure drafts of proposed standards on materiality, accounting estimates, audit documentation, the IAASB's due process and the clarity of IAASB standards. See page 18 for more details.

In addition to substantially increasing the development and release of new guidance, the IAASB strengthened relationships with its stakeholders. In reaching out to global regulators, international and regional organizations, IFAC member bodies, and national standards setters, the IAASB sought to:

- Build greater understanding between the auditing profession and the international community of users of the profession's services, regulators and other interested parties;
- Promote the use of high quality international standards throughout the world, thus raising the quality of the profession's services and public confidence in financial reporting; and
- Develop greater collaboration and cooperation within the profession, thus strengthening the profession worldwide.

During 2004, the IAASB worked with two national standard setters on three joint projects and strengthened its cooperative efforts with the International Organization of Supreme Audit

More than 20 International Public Sector Accounting Standards have been issued to date and they are increasingly being used by governmental entities around the world.

Institutions' Auditing Standards Committee and its Working Group on Financial Audit Guidelines. The IAASB also had offers of Observer status at its meetings taken up by national regulators from the United States and Japan. Closer liaison between the IAASB and the International Accounting Standards Board (IASB) was also initiated in 2004 through meetings between the chairmen of the respective boards to discuss common issues and projects of mutual relevance. The IAASB also increased the involvement of small and medium practitioners in the development of its standards to better understand their needs and those of the enterprises they serve.

Through its International Public Sector Accounting Standards Board (formerly the Public Sector Committee (PSC)), IFAC strives to enhance the accountability of governments worldwide. During the past year, IFAC sought input on how to enhance its public sector standard-setting process. The PSC External Review Panel, commissioned by IFAC and chaired by Sir Andrew Likierman, then Head of the United Kingdom Government Accountancy Service, was appointed to consider the PSC's role, governance and organization, as well as its approach to the translation of PSC pronouncements. Some of the key recommendations of the External Review Panel included the following:

- Changing the name of the Public Sector Committee to the "International Public Sector Accounting Standards Board (IPSASB);"
- Adding public members who need not be members of IFAC member bodies;
- Focusing its resources on financial reporting standard setting;
- Investigating new funding sources; and

- Subjecting public sector standard setting to oversight by the new Public Interest Oversight Board.

During 2004, the PSC changed its name to the IPSASB and amended its mandate to focus on setting International Public Sector Accounting Standards (IPSASs). The newly named IPSASB is in the process of implementing other recommendations made by the review group.

Over the past year, the IPSASB continued to focus on the development of high quality public sector accounting standards. It concentrated on projects that address public sector specific issues, including budgetary reporting, revenue from non-exchange transactions, accounting for the social policy obligations of governments, and disclosure of external assistance when the cash basis of accounting is adopted. These projects have a potentially significant impact on the reporting requirements under which public sector entities operate. Pronouncements issued in 2004 are detailed in the Service Delivery section of this report (see page 19).

During 2004, the IPSASB also pursued other priority projects dealing with convergence of IPSASs with other reporting frameworks, including the IASB's International Financial Reporting Standards (IFRSs) and statistical reporting frameworks developed by the United Nations, International Monetary Fund and Eurostat. This is reported in the Service Delivery section (see pages 20 and 22).

The IPSASB is actively encouraging national accounting standard setters to converge national public sector accounting standards with IPSASs, as is happening in Australia, New Zealand, Israel, South Africa and to a lesser extent in the United States and Canada. The IPSASB's convergence policy, and the

adoption of IPSASs by individual countries and other international organizations, supports IFAC's strategic priority of convergence to international standards.

Quality Assurance

IFAC, together with its member bodies and regional accountancy organizations, is acting to strengthen the accountability of the international profession and is seeking to create incentives that inspire accountants to continue to provide high quality work. During the past year, IFAC finalized its Statements of Membership Obligations (SMOs) which provide the foundation of the Member Body Compliance Program. SMOs set out requirements with respect to IFAC standards and those developed by the IASB, as well as quality assurance and investigation and disciplinary processes for member bodies.

One of IFAC's major accomplishments in 2004 was the successful launch of the compliance program's phase-one questionnaire: *Assessment of the Regulatory and Standard-Setting Framework*. Over 120 member bodies participated in the IFAC Member Body Compliance Program in 2004. Member bodies' commitment to the objectives of the program is reflected in the high participation rate and in the interest that other constituents have expressed in the program. The responses report the differences between countries in regulatory structures, the role that member bodies and national standard setters have with respect to developing national standards, and the changes being implemented with respect to monitoring and enforcement of compliance with these standards. Information obtained through the compliance program is published on IFAC's website as part of the program's emphasis on transparency.

Phase two of the Member Body Compliance Program will focus on the extent to which member bodies are using their best endeavors to address the requirements set out in the SMOs. This phase will be



IFAC Management Team

(Left to right) Paul Sutcliffe, IPSASB Technical Director; Russell Guthrie, Director of the Transnational Auditors Committee and Compliance; James Sylph, Technical Director; and Stephen Walker, Director of Operations.

launched in 2005. It will provide further incentive for member bodies to promote a commitment to convergence with international standards, quality assurance and quality performance by professional accountants worldwide.

During 2004, the Forum of Firms also focused on the performance of accountants worldwide by continuing its commitment to the Forum Quality Standard. The Quality Standard requires that Forum members:

- Have policies and methodologies for transnational audits that require compliance with International Standards on Auditing in addition to relevant national standards on auditing;
- Comply, at a minimum, with the applicable sections of the IFAC Code of Ethics, in addition to relevant national codes of ethics;
- Maintain training programs to keep professionals who perform transnational audits aware of international developments relevant to financial reporting, including auditing and ethics; and

Over 120 member bodies participated in the IFAC Member Body Compliance Program in 2004 — the greatest response to any single IFAC member body survey in its history.

- Maintain appropriate quality control standards in accordance with International Standards on Auditing and International Standards on Quality Control in addition to relevant national quality control standards and conduct regular globally directed internal quality assurance reviews to monitor compliance with the member firm's policies and methodologies for conducting transnational audits. (Implementation of the International Quality Assurance Review, part of the Quality Standard, has been deferred due to inspection programs established by regulators in several major jurisdictions.)

The Transnational Auditors Committee (TAC) also advanced specific quality initiatives in 2004. To support the Forum of Firms' objective to encourage and implement high quality audit standards and performance, the TAC developed two papers: one on globally directed internal inspection programs and the second on the global application of International Financial Reporting Standards. The Forum of Firms is also developing a suggested framework for disclosure at the global network level relating to audit and assurance practices.

International Leadership

In recent years IFAC has sought to speak out on behalf of the profession in those areas where there is the greatest public interest. To do so effectively has required that IFAC also be a good listener — that we remain attuned to the interests, needs and concerns of member bodies and their members, as well as those of international regulatory organizations, standard setters, international financial institutions, the investing public, the media, and other external

groups. During 2004, IFAC's leadership participated in more than 60 meetings with such groups.

The input of these groups helped IFAC advance several initiatives. Key among them were studies and programs to address convergence to international standards, the needs of developing nations, the interests of small and medium practices, the needs of professional accountants in business and the importance of strong corporate governance.

Governments and regulators increasingly understand that international standards, already established or being developed by bodies like IFAC, are the soundest method of ensuring the reliable functioning of global capital markets. To this end, IFAC works closely with international organizations and regulators to increase this understanding and to achieve convergence of the standards by which we all operate. A key project in 2004 was the study, *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs*, which was commissioned by IFAC. The study, released at a seminar hosted by the Financial Stability Forum in October 2004, alerted standard setters and others to the challenges that must be addressed by the international profession (see box on page 9). It has provided the impetus for significant initiatives by IFAC standard-setting groups as well as by other international standard setters.

To achieve convergence, it is vital to ensure that proposed standards address the needs of all constituencies. Two new IFAC permanent task forces — the Small and Medium Practices (SMP) Permanent Task Force and the Developing Nations Permanent Task Force — both of which held their first meetings in 2004, keep international standard setters aware of issues from a small and medium

practice and enterprise perspective and a developing economy perspective. During 2004, the SMP Permanent Task Force commented on 10 IAASB projects, and both the Developing Nations and SMP Permanent Task Forces played a key role in formulating IFAC's response to the IASB's discussion paper, *Preliminary Views on Accounting Standards for Small and Medium-Sized Entities*. Additionally, both the SMP and Developing Nations Permanent Task Forces provided substantial input on the IAASB project to enhance the clarity of its standards.

The Developing Nations Permanent Task Force developed its strategy in 2004, confirming IFAC's commitment to support all countries where the accountancy profession is developing or where the profession may not formally exist, particularly in developing nations and nations in transition. To accomplish this objective, the task force has concentrated on assisting with the implementation of the IFAC Member Body Compliance Program and on developing the tools that facilitate the establishment of a strong accountancy profession at the national level.

Developing a high quality accountancy profession is central to building public trust in financial and other information released by professional accountants. These efforts must be supported by stronger corporate governance initiatives, as was pointed out in the 2003 IFAC report, *Rebuilding Public Confidence in the Financial Reporting: An International Perspective*. Sound corporate governance practices are critical to worldwide efforts to stabilize and strengthen global capital markets and protect investors. A special Board working group was appointed in 2004 to address the role of professional accountants in corporate governance. IFAC's Professional Accountants in Business (PAIB) Committee has provided strategic and practical direction in this area through the publication of *Enterprise Governance — Getting the Balance Right*,

Challenges to Convergence

- The need for a global understanding of the meaning of international convergence
- Translation of international standards
- Complexity and structure of international standards
- Frequency and volume and complexity of changes to the international standards
- Potential knowledge shortfall
- Implications of endorsement of IFRSs

developed jointly by the PAIB Committee and The Chartered Institute of Management Accountants. The committee is also in the process of developing a study on corporate codes of ethics to further support professional accountants in business in advocating and leading governance initiatives.

All of IFAC's work, ultimately, is designed to contribute to the development of financial systems and economies in general, to assist nations in developing high quality accountancy practice, and to build a profession, nation by nation, accountant by accountant, that places a priority on the core values of integrity, expertise, and transparency. I thank the members of IFAC's boards, committees and task forces for their leadership and input, which I greatly value. I especially appreciate the dedication of the IFAC staff who have gone beyond the call of duty to serve our members and support the development of the international profession. Their work and the work of so many volunteers around the world really has made a difference to our ability to accomplish our mission and effectively serve the public interest.



STATUS OF IFAC PROPOSALS FOR REFORM

In November 2003, the Council of the International Federation of Accountants (IFAC) unanimously approved a series of reforms that had been developed by IFAC in collaboration with regulators to strengthen the accountability of the international profession and build investor confidence. The reforms focused on four primary areas: (1) the establishment of a Public Interest Oversight Board (PIOB)*; (2) strengthening of standard-setting processes, particularly of the Public Interest Activity Committees (PIACs) (see below); (3) creation of a more transparent nominations process and committee structure; and (4) implementation of the Member Body Compliance Program. In addition, the reforms provided for more formal ongoing dialogue between IFAC and the international regulatory community. This update focuses on actions taken by IFAC with respect to areas 2, 3, and 4 and its process for interacting with regulators.

I. Public Interest Activity Committees and Standard-Setting Processes

There are four Public Interest Activity Committees that are under the oversight of the Public Interest Oversight Board — three standard-setting committees: the International Auditing and Assurance Standards Board (IAASB), the Ethics Committee, and the Education Committee — and the Compliance Advisory Panel.

Since the approval of the reforms, IFAC's standard-setting committees have taken initiatives to increase public input to their standard-setting processes, strengthen their due process and enhance the transparency of their operations. These initiatives are detailed below.

A. Declaration

Beginning in 2004, IFAC's President and Deputy President and members of its Board and of its Public Interest Activity Committees were required to sign a declaration indicating that they will act with integrity and in the public interest in the discharge of their responsibilities. The declaration, which will be signed annually, also requires members to agree that they will not submit to improper influence from any source, whether firm, organizational, national, regional or other. In addition, firms or other organizations that employ the President and Deputy President are requested to sign a declaration indicating that they will not exert any undue influence that might impair the President's or Deputy President's ability to act with independence, integrity and in the public interest.

B. IAASB

- *Appointment of full-time Chair:* Effective October 1, 2004, the Chair of the IAASB serves in a full-time capacity.
- *Increased public interest input in standard-setting process:* Since its inception, the IAASB has had public members on its Board, held meetings open to the public and provided agenda papers on its website. Since November 2003, it has further increased public interest input in its standard-setting process by appointing an independent chair to its Consultative Advisory Group (CAG) and expanding the role of that group. The CAG Chair is also an observer at IAASB meetings and Steering Committee meetings.
- *Creation of Steering Committee:* During 2004, the IAASB reconstituted its Planning Committee as the IAASB Steering Committee. The Steering Committee advises the IAASB on matters of strategic and operational importance and acts as advisor to the IAASB Chair and Technical Director on matters relating to achievement of the objectives of the IAASB.
- *Proposed enhancements to the due process:* In July 2004, the IAASB issued an exposure draft proposing enhancements to its due process and operating procedures to reflect more fully the practices that are being followed and to increase confidence that the activities of the IAASB are properly responsive to the public interest.

C. Ethics and Education Committees

- *Increased public interest input:* During 2004, both committees increased the number of their members to 18,

*The international Public Interest Oversight Board was formally established in February 2005.

including two public members. Each committee also established a CAG. The Ethics Committee CAG held its first meeting in December 2004 and the Education Committee will hold its first meeting on March 1, 2005.

- *Increased transparency:* The Ethics and Education Committees opened their meetings to the public beginning in August 2004. Both committees post agenda papers and minutes on the IFAC website.
- *Enhanced due process:* Both committees will follow essentially the same due process as that of the IAASB and are awaiting the PIOB's approval of that process.

II. Governance Arrangements

- *Greater member body representation:* The IFAC Board, which is comprised of representatives of IFAC member bodies, was increased in size from 16 members to 21.
- *Establishment of formal liaison between IFAC and international regulators:* The IFAC Regulatory Liaison Group was created to liaise with the Monitoring Group of regulators.
- *Reformatted Council meetings to provide for greater participation by members and others:* IFAC restructured its Council meetings to provide more opportunities for individuals outside of IFAC to make presentations to stimulate discussion on public interest and other relevant issues.
- *Provide for consultation with the PIOB:* Effective from the formation of the PIOB, the PIOB Chair is invited to attend IFAC Board and Council meetings.

III. Nominations Process

- *Increased opportunity for participation on IFAC committees:* As mentioned above, public members now serve on IFAC standard-setting committees.
- *Public interest involvement in nominations process:* IFAC's Constitution was also modified to provide for PIOB approval of nominees to the PIACs.
- *Increased transparency of nominations process:* The IFAC "Call for Nominations" was posted on IFAC's website for the first time in February 2004.

IV. IFAC Member Body Compliance Program

In July 2003, the IFAC Board unanimously approved the creation and implementation of an IFAC compliance function to support the development of high quality auditing, ethical, accounting and related standards and to contribute to global convergence of such standards. The compliance program's focus is on encouragement and support.

- *Establishment of compliance function:* The Compliance Advisory Panel was established in November 2003 to oversee the IFAC Member Body Compliance Program. A Director of Compliance was named in January 2004 and a manager was hired in March 2004.
- *Establishment of Statements of Membership Obligations (SMOs):* Approved in March 2004, the SMOs outline a member body's obligations to support the work of IFAC, the work of the International Accounting Standards Board, and the obligations regarding processes for quality assurance and investigation and discipline.
- *Implementation of program:* The program was launched in March 2004 when Part 1 was sent to IFAC member bodies for completion. Regional accountancy bodies have provided assistance in the implementation of the program. To date, over 120 member bodies have submitted responses to the questionnaire. Part 2 of the program, the issuance of the member body self-assessment questionnaire, will begin in the second half of 2005.

V. Constitutional Changes

Constitutional changes, some of which are mentioned above, were made over the past two years to reflect the IFAC Proposals for Reform and, in particular, the responsibilities of IFAC to the PIOB.

IFAC Board Members — November 2003 to November 2004

René Ricol, President, *France*
 Graham Ward, Deputy President,
United Kingdom
 Guy Almeida Andrade, *Brazil*
 Patrick Barrett, *Australia*
 André Bindenga, *Netherlands*
 Angelo Casò, *Italy*
 Jean-François Cats, *Belgium*

Yugui Chen, *China*
 Juan José Fermín del Valle, *Argentina*
 Ndung'u Gathinji, *Kenya*
 N.D. Gupta, *India*
 Charles Horstmann, *United States*
 Ernest Kan Yaw Kiong, *Singapore*
 David Leonard, *United Kingdom*
 William Nahum, *France*

Kesree Narongdej, *Thailand*
 Rolf Nonnenmacher, *Germany*
 Ignatius Sehoole, *South Africa*
 David Smith, *Canada*
 Göran Tidström, *Nordic Federation*
 Sylvie Voghel, *Canada*
 Shozo Yamazaki, *Japan*

IFAC Board and Committee Members

Compliance Advisory Panel

Robert Mednick, Chair, *United States*
 Daryl Benecke, *Zimbabwe*
 Norio Igarashi, *Japan*
 Tom Myhre, *Norway*
 Manuel Sanchez y Madrid, *Mexico*

Education Committee

Warren Allen, Chair, *New Zealand*
 W. Steve Albrecht, *United States*
 Melvin Berg, *Canada*
 Ramanathan Bupathy, *India*
 Alain Burlaud, *France*
 Yoram Eden, *Israel*
 Jose Echenique, *Mexico*
 David Hunt, *United Kingdom*
 Shuang Li, *China*
 Ulrich Maas, *Germany*
 Steve McGregor, *South Africa*
 Dato' Ab. Halim bin Mohyiddin,
Malaysia
 Shirley Reilly, *Canada*
 Henry Saville, *Ireland*
 Abdul Rahim Suriya, *Pakistan*
 Hans Verkruijse, *Netherlands*
 Peter Wolnizer, *Australia*

Ethics Committee

Marilyn Pendergast, Chair,
United States
 Richard George, Deputy Chair,
Ireland
 Frank Attwood, *United Kingdom*
 Christine Catasta, *Austria*
 David Devlin, *Ireland*
 Mark Chung Fong, *Hong Kong*
 Akira Hattori, *Japan*
 Thierry Karcher, *France*
 Neil Lerner, *United Kingdom*
 Pekka Luoma, *Finland*
 Wim Moleveld, *Netherlands*
 Russell Philp, *Australia*
 Jean Rothbarth, *United States*
 Hubert Graf von Treuberg, *Germany*
 David Winetroub, *United States*
 Donald Wray, *Canada*

International Auditing and Assurance Standards Board

John Kellas, Chair, *United Kingdom*
 Denise Esdon, Deputy Chair, *Canada*
 John Archambault, *United States*
 Philip Ashton, *United Kingdom*
 Roger Dassen, *Netherlands*
 L. Denis Desautels, *Canada*
 Sukanta Dutt, *Malaysia*
 Josef Ferlings, *Germany*
 John Fogarty, *United States*
 Rogério Roberto Gollo, *Brazil*
 Jan Bo Hansen, *Denmark*
 Gen Ikegami, *Japan*
 Ian McPhee, *Australia*
 Ian Plaistowe, *United Kingdom*
 Roger Simnett, *Australia*
 Roberto Tizzano, *Italy*
 Gérard Trémolière, *France*
 Mowafak Al-Yafi, *Lebanon*

Nominating Committee

René Ricol, President, *France*
 Graham Ward, Deputy President,
United Kingdom
 Ronald Cohen, *United States*
 Wolfgang Fliess, *Germany*
 Manuel Sanchez y Madrid, *Mexico*
 Shozo Yamazaki, *Japan*

IFAC Board and Committee Members (continued)

International Public Sector Accounting Standards Board (formerly the Public Sector Committee)

Philippe Adhémar, Chair, *France*
Mike Hathorn, Deputy Chair,
United Kingdom
Peter Bartholomeus, *Netherlands*
J. Wayne Cameron, *Australia*
Zvi Chalamish, *Israel*
Mohd Salleh Bin Mahmud, *Malaysia*
Rick Neville, *Canada*
Terence Nombembe, *South Africa*
Tom Olsen, *Norway*
Carmen Giachino Palladino,
Argentina
Ronald Points, *United States*
Javier Pérez Saavedra, *Mexico*
Greg Schollum, *New Zealand*
Ryoko Shimizu, *Japan*
Norbert Vogelpoth, *Germany*

Professional Accountants in Business Committee

William Connell, Chair,
United Kingdom
Rajkumar Adukia, *India*
William Brower, Jr., *United States*
Edward Chow, *Hong Kong*
Robert Dye, *Canada*
Abolghasem Fakharian, *Iran*
Henri van Horn, *Netherlands*
Brian Kearney, *Ireland*
Yeo Tek Ling, *Malaysia*
Recep Pekdemir, *Turkey*
John Petty, *Australia*
Bashorun J.K. Randle, *Nigeria*
Patrick Rochet, *France*

Transnational Auditors Committee

Robert Garland, Chair, *Deloitte & Touche LLP*
John Archambault, *Grant Thornton, LLP*
Peter Chidgey, *BDO*
John Cox, *Moore Rowland International Ltd.*
Jean Pierre Crouzet, *RSM International*
Randy Fletchall, *Ernst & Young LLP*
Paul Ginman, *Baker Tilly International*
Julian Jacoby, *Horwath International*
Neil Lerner, *KPMG International*
David Morris, *PricewaterhouseCoopers*
Andrew Nicholl, *Moore Stephens International Ltd.*

IFAC Permanent Task Force Members

Developing Nations Permanent Task Force

Ndung'u Gathinji, Chair, *Kenya*
Abhijit Bandyopadhyay, *India*
Zein El Borai, *Sudan*
Mujahid Eshai, *Pakistan*
Laurie Gillow, *United Kingdom*
Blandina Nyoni, *Tanzania*
Kanagarayar Pushpanathan, *Malaysia*
Ignatius Sehoole, *South Africa*
Deborah Williams, *United Kingdom*

Small and Medium Practices Permanent Task Force

Angelo Casò, Chair, *Italy*
Jean-Pierre Audy, *France*
Paul Chan, *Hong Kong*
Mohamed Ali Elaouani Cherif,
Tunisia
Dale Gislason, *Canada*
Sunil Goyal, *India*
Alex Hilman, *Israel*
Robin Jarvis, *United Kingdom*
Harold Monk, *United States*
Jens Poll, *Germany*
Bernard Scicluna, *Malta*

2004 IFAC MEMBER BODIES AS AT DECEMBER 31, 2004

Members

Argentina

- Federación Argentina de Consejos Profesionales de Ciencias Económicas

Australia

- CPA Australia
- Institute of Chartered Accountants in Australia
- National Institute of Accountants in Australia

Austria

- Institut Österreichischer Wirtschaftsprüfer
- Kammer der Wirtschaftstreuhänder

Bahamas

- Bahamas Institute of Chartered Accountants

Bahrain

- Bahrain Accountants Association

Bangladesh

- Institute of Chartered Accountants of Bangladesh
- Institute of Cost and Management Accountants of Bangladesh

Barbados

- Institute of Chartered Accountants of Barbados

Belgium

- Institut des Experts-comptables et des Conseils fiscaux
- Institut des Reviseurs d'Entreprises

Bolivia

- Colegio de Auditores de Bolivia

Botswana

- Botswana Institute of Accountants

Brazil

- Conselho Federal de Contabilidade
- Instituto dos Auditores Independentes do Brasil

Bulgaria

- Institute of Certified Public Accountants of Bulgaria

Cameroon

- Institute of Chartered Accountants of Cameroon

Canada

- Canadian Institute of Chartered Accountants
- Certified General Accountants' Association of Canada
- CMA Canada

Chile

- Colegio de Contadores de Chile

China

- 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

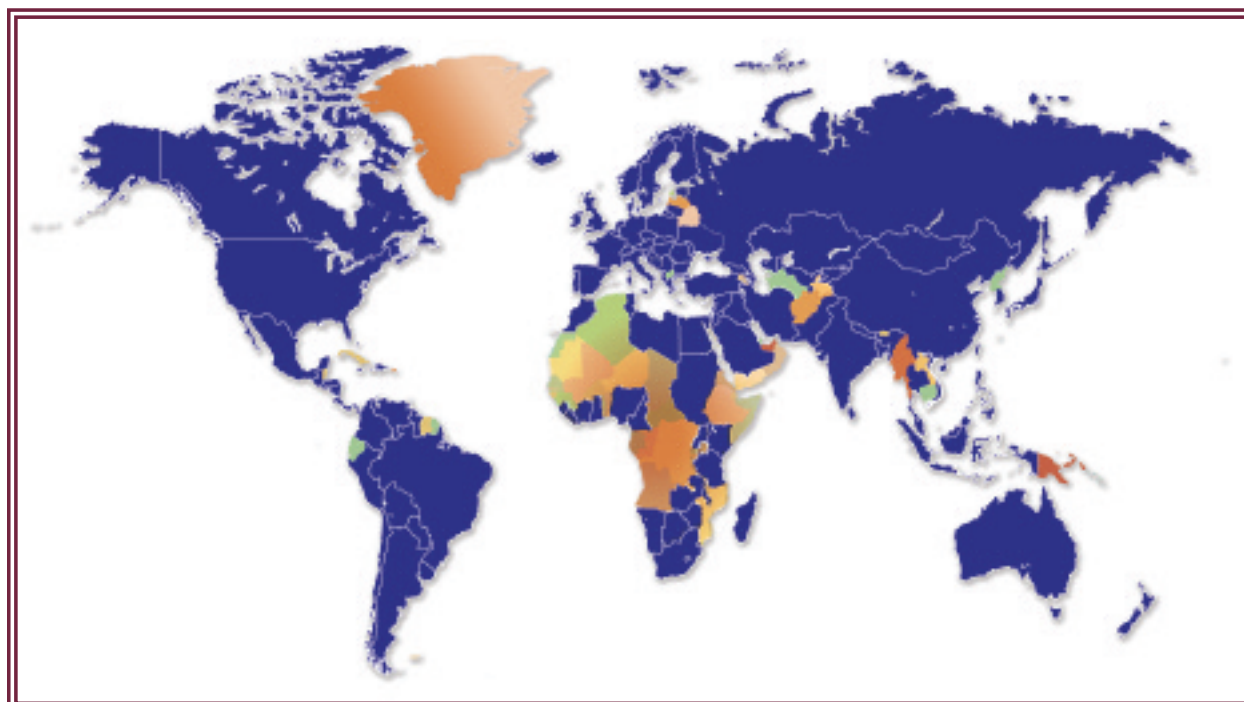
- Institute of Certified Public Accountants of Cyprus

Czech Republic

- Chamber of Auditors of the Czech Republic
- Union of Accountants of the Czech Republic

Denmark

- Foreningen af Statsautoriserede Revisorer
- Foreningen Registrerede Revisorer FRR



IFAC membership highlighted in blue.

2004 IFAC MEMBER BODIES AS AT DECEMBER 31, 2004

Dominican Republic

- Instituto de Contadores Públicos Autorizados de la República Dominicana

Egypt

- Egyptian Society of Accountants & Auditors

El Salvador

- Corporacion de Contadores de El Salvador
- Instituto Salvadoreño de Contadores Públicos

Estonia

- Audiitorkogu

Federation of Republics of Serbia and Montenegro

- Serbian Association of Accountants and Auditors

Fiji

- Fiji Institute of Accountants

Finland

- HTM-tilintarkastajat 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 in Deutschland e.V.
- Wirtschaftsprüferkammer

Ghana

- Institute of Chartered Accountants (Ghana)

Greece

- Institute of Certified Public Accountants of Greece

Guatemala

- Instituto Guatemalteco de Contadores Públicos y Auditores

Guyana

- Institute of Chartered Accountants of Guyana

Haiti

- Ordre des Comptables Professionnels Agréés d'Haiti

Honduras

- Colegio de Peritos Mercantiles y Contadores Públicos

Hong Kong

- Hong Kong Institute of Certified Public Accountants

Hungary

- Chamber of Hungarian Auditors

Iceland

- Félag löggiltra Endurskoðenda

India

- Institute of Chartered Accountants of India
- Institute of Cost and Works Accountants of India

Indonesia

- Indonesian Institute of Accountants

Iran

- Iranian Institute of Certified Accountants

Iraq

- Association of Public Accountants and Auditors (Iraq)

Ireland

- Institute of Certified Public Accountants in Ireland
- Institute of Chartered Accountants in Ireland

Israel

- Institute of Certified Public Accountants in Israel

Italy

- Consiglio Nazionale dei Dottori Commercialisti
- Consiglio Nazionale dei Ragionieri e Periti Commerciali

Ivory Coast

- Ordre des Experts Comptables et Comptables Agréés de Côte d'Ivoire

Jamaica

- Institute of Chartered Accountants of Jamaica

Japan

- 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

Kenya

- Institute of Certified Public Accountants of Kenya

Korea

- Korean Institute of Certified Public Accountants

Kuwait

- Kuwait Association of Accountants and Auditors

Lebanon

- Lebanese Association of Certified Public Accountants
- Middle East Society of Associated Accountants

Lesotho

- Lesotho Institute of Accountants

Liberia

- Liberian Institute of Certified Public Accountants

Libya

- Libyan Certified and Public Accountants Union

Luxembourg

- Institut des Réviseurs d'Entreprises

Madagascar

- Ordre des Experts Comptables et Financiers de Madagascar

Malawi

- Society of Accountants in Malawi

Malaysia

- Malaysian Institute of Accountants
- Malaysian Institute of Certified Public Accountants

Malta

- Malta Institute of Accountants

Mexico

- Instituto Mexicano de Contadores Públicos, A.C.

Moldova (Republic of)

- Association of Professional Accountants and Auditors of the Republic of Moldova

Morocco

- Ordre des Experts Comptables du Royaume du Maroc

Namibia

- Institute of Chartered Accountants of Namibia

2004 IFAC MEMBER BODIES AS AT DECEMBER 31, 2004

Netherlands

- Koninklijk Nederlands Instituut van Registeraccountants

New Zealand

- Institute of Chartered Accountants of New Zealand

Nicaragua

- Colegio de Contadores Públicos de Nicaragua

Nigeria

- Institute of Chartered Accountants of Nigeria

Norway

- Den norske Revisorforening

Pakistan

- Institute of Chartered Accountants of Pakistan
- Institute of Cost and Management Accountants of Pakistan

Panama

- Colegio de Contadores Públicos Autorizados de Panamá

Paraguay

- Colegio de Contadores de Paraguay

Peru

- Federación de Colegios de Contadores Públicos del Perú

Philippines

- Philippine Institute of Certified Public Accountants

Poland

- National Board of Chartered Accountants Association in Poland
- National Chamber of Statutory Auditors

Portugal

- Ordem dos Revisores Oficiais de Contas

Romania

- Corpul Expertilor Contabili si Contabililor Autorizati din Romania

Russia

- Institute of Professional Accountants of Russia

Saudi Arabia

- Saudi Organization for Certified Public Accountants

Sierra Leone

- Institute of Chartered Accountants of Sierra Leone

Singapore

- Institute of Certified Public Accountants of Singapore

Slovakia

- Slovenska Komora Auditorov

Slovenia

- Slovenian Institute of Auditors

South Africa

- Institute of Commercial and Financial Accountants of Southern Africa
- South African Institute of Chartered Accountants

Spain

- Instituto de Censores Jurados de Cuentas de España

Sri Lanka

- Institute of Chartered Accountants of Sri Lanka

Sudan

- Sudanese Association of Certified Accountants*

Swaziland

- Swaziland Institute of Accountants

Sweden

- Föreningen Auktoriserade Revisorer
- Svenska Revisorsamfundet SRS

Switzerland

- Treuhand-Kammer

Syria

- Association of Syrian Certified Accountants

Tanzania

- National Board of Accountants and Auditors

Thailand

- Federation of Accounting Professions

Trinidad and Tobago

- 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

United Kingdom

- Association of Chartered Certified Accountants
- Chartered Institute of Management Accountants
- Chartered Institute of Public Finance and Accountancy
- Institute of Chartered Accountants in England & Wales
- Institute of Chartered Accountants of Scotland

United States

- American Institute of Certified Public Accountants
- Institute of Management Accountants
- National Association of State Boards of Accountancy

Uruguay

- Colegio de Contadores, Economistas y Administradores del Uruguay

Venezuela

- Federación de Colegios de Contadores Públicos de Venezuela

Vietnam

- Vietnam Accounting Association

Zambia

- Zambia Institute of Chartered Public Accountants

Zimbabwe

- Institute of Chartered Accountants of Zimbabwe

* As a result of legislative changes in Sudan during 2004, the membership status of this organization is being reviewed by the Compliance Advisory Panel during 2005.

2004 IFAC MEMBER BODIES AS AT DECEMBER 31, 2004

Associates

Associates are national accountancy organizations that are at an earlier stage of development and are committed to working towards the requirements of full IFAC membership.

Albania

- Albanian Institute of Authorized Chartered Accountants

Azerbaijan Republic

- Chamber of Auditors of Azerbaijan Republic

Bosnia and Herzegovina

- Association of Accountants and Auditors of Republika Srpska

Federation of Republics of Serbia and Montenegro

- Institute of Accountants and Auditors of Montenegro
- Society of Certified Accountants and Auditors of Kosovo

Iran

- Iranian Association of Certified Public Accountants

Ireland

- Institute of Accounting Technicians in Ireland

Kyrgyzstan

- Union of Accountants and Auditors of Kyrgyzstan

Lithuania

- Lithuanian Chamber of Auditors

Mongolia

- Mongolian Institute of Certified Public Accountants

Nepal

- Institute of Chartered Accountants of Nepal

Pakistan

- Pakistan Institute of Public Finance Accountants

Romania

- Chamber of Financial Auditors of Romania

Russia

- Russian Collegium of Auditors

Sri Lanka

- Association of Accounting Technicians of Sri Lanka

Ukraine

- Ukrainian Federation of Professional Accountants and Auditors

United Kingdom

- Association of Accounting Technicians

Uzbekistan

- National Association of Professional Accountants and Auditors of Uzbekistan

Affiliates

Affiliates are organizations that have as an objective the development of the accountancy profession.

Bahrain

- Accounting and Auditing Organization for Islamic Financial Institutions

France

- Fédération Internationale des Experts-Comptables Francophones

United States

- Information Systems Audit & Control Association
- Institute of Internal Auditors

Regional Accountancy Organizations

Regional Accountancy Organizations are independent bodies which, in many cases, share IFAC's membership and have objectives similar to those of IFAC.

IFAC recognizes four Regional Organizations that contribute to the development of the global accountancy profession by supporting IFAC initiatives and by assisting national organizations in their regions to promote and incorporate international standards.

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

Two Regional Groupings are acknowledged by IFAC. These groupings support the objectives and pronouncements of IFAC and support the advancement of the accountancy profession in their region.

- Accountancy Bodies of West Africa
- South Asian Federation of Accountants

Standards and Guidance

Description

The development of high quality professional standards and the provision of guidance represent important contributions IFAC and the profession make towards greater efficiency in the global economy. The standards cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting. The guidance is developed in these areas as well as other areas such as the development of the profession, the provision of services by small- and medium-sized practices, and the role of professional accountants operating in business. The level of authority associated with the guidance and publications materials is intended to be less than that associated with IFAC standards, although these materials may provide illustrations of best or good practices.

Service Delivered

1. Standards

- 1.1. To ensure a high level of quality in the development of standards, a due process is applied by each of the IFAC standard-setting groups¹. The following due process has been applied during 2004:
 - Meetings are open to the public, with related agenda materials publicly available
 - Draft standards and statements are exposed for public review and comment
 - Consideration is given to comments received prior to finalization of the document
 - Task force and steering committee appointments include individuals who are not members of the IFAC standard-setting group
 - For the International Auditing and Assurance Standards Board (IAASB), input was received from its Consultative Advisory Group (CAG) on specific issues
 - For the IAASB, the inclusion of three Public Members
 - For the International Public Sector Accounting Standards Board (IPSASB), inclusion of observers from external organizations²
- 1.2. Pronouncements issued by the IAASB:
 - International Standard on Auditing (ISA) 220 (Revised), *Quality Control for Audits of Historical Financial Information*, February
 - ISA 240 (Revised), *The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements*, February
 - ISA 300 (Revised), *Planning an Audit of Financial Statements*, June
 - ISA 700 (Revised), *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*, December
 - International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*, February
- 1.3. Exposure drafts issued by the IAASB:
 - Proposed ISA 230 (Revised), *Audit Documentation*, September
 - Proposed ISA 320 (Revised), *Materiality in the Identification and Evaluation of Misstatements*, December
 - Proposed ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures (Other than Those Involving Fair Value Measurements and Disclosures)*, December
 - Proposed Amendments to the *Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services, IAASB Due Process and Working Procedures*, July

¹ IFAC operates four standards-setting groups — the International Auditing and Assurance Standards Board, the Education Committee, the Ethics Committee and the International Public Sector Accounting Standards Board (formerly named the Public Sector Committee).

² External organizations providing observers include the Asian Development Bank, the European Commission, the International Accounting Standards Board, the International Monetary Fund, the International Organization of Supreme Audit Institutions, the Organisation for Economic Co-operation and Development, the World Bank, the United Nations and the United Nations Development Programme.

- Proposed Policy Statement, *Clarifying Professional Requirements in International Standards Issued by the IAASB*, and Consultation Paper, *Improving the Clarity and Structure of IAASB Standards and Related Considerations for Practice Statements*, September
- 1.4. Progress has been made on the following auditing and assurance projects:
- ISA 260, *The Auditor's Communication with Those Charged with Governance* (revision)
 - ISA 550, *Related Parties* (revision)
 - ISA 580, *Management Representations* (revision)
 - ISA 600, *The Audit of Group Financial Statements* (revision)
 - ISA 620, *Using the Work of An Expert* (revision)
 - ISA 705, *Modifications to the Opinion in the Independent Auditor's Report* (revision)
 - ISA 706, *Emphasis of Matter Paragraphs and Other Matters Paragraphs in the Independent Auditor's Report* (revision)
 - ISA 800, *The Independent Auditor's Report on Other Historical Financial Information* (revision)
 - ISA 810, *The Independent Auditor's Report on Summarized Audited Historical Financial Information* (revision)
 - International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*
- 1.5. Pronouncements issued by the Education Committee:
- International Education Standard (IES) 7, *Continuing Professional Development: A Program of Lifelong Learning and Continuing Development of Professional Competence*, May
- 1.6. Progress has been made on the following education projects:
- Proposed IES 8, *Competence Requirements for Audit Professionals*
- 1.7. Exposure drafts issued by the Ethics Committee:
- Code of Ethics Part A, *Applicable to All Professional Accountants*, October
 - Code of Ethics Part B, *Applicable to Professional Accountants in Public Practice*, October
 - Code of Ethics Part C, *Applicable to Employed Professional Accountants*, October
- 1.8. Progress has been made on the following projects by the Ethics Committee:
- Section 290 [formerly Section 8] of Code of Ethics Part B, *Applicable to Professional Accountants in Public Practice*
- 1.9. Pronouncements issued by the IPSASB:
- International Public Sector Accounting Standard (IPSAS) 21, *Impairment of Non-Cash-Generating Assets*, December
- 1.10. Invitations to Comment (ITCs) issued by the IPSASB:
- ITC *Revenue from Non-Exchange Transactions (including Taxes and Grants)*, January
 - ITC *Accounting for Social Policies of Governments*, January
- 1.11. Progress has been made on the following public sector accounting projects:
- Accounting for external (development) assistance under the cash basis of accounting
 - Accounting for revenue from non-exchange transactions
 - Budget reporting
 - Improvements to 11 existing IPSASs to reflect the International Accounting Standards Board's (IASB) General Improvements Project
 - Accounting for social policies of governments
 - Convergence of IPSASs with governmental statistical bases of reporting
- 1.12. Pronouncements issued by the IFAC Board:
- Statement of Membership Obligations (SMO) 1, *Quality Assurance*

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- SMO 2, *International Education Standards for Professional Accountants and Other EDCOM Guidance*
- SMO 3, *International Standards, Related Practice Statements and Other Papers issued by the IAASB*
- SMO 4, *IFAC Code of Ethics for Professional Accountants*
- SMO 5, *International Public Sector Accounting Standards and Other PSC Guidance*
- SMO 6, *Investigation and Discipline*
- SMO 7, *International Financial Reporting Standards*

2. Translation of Pronouncements

2.1. A policy statement of the IFAC Board, *Translation of Standards and Guidance Issued by the International Federation of Accountants*, was published in September. The policy statement governs the process for the translation of IFAC pronouncements in the areas of auditing and assurance, education, ethics and public sector accounting.

2.2. As part of an agreement with the International Accounting Standards Committee Foundation (IASCF), IFAC has published Spanish translations of IPSASs 1 to 20 and the Cash Basis IPSAS. Translation of IPSAS 21 into Spanish is substantially progressed.

3. Guidance

3.1. Education guidance issued:

- International Education Paper 3, *Assessment Methods*, December

3.2. Public sector accounting guidance issued:

- Research Report, *Budget Reporting*, May
- Occasional Paper 7, *The Governmental Accounting System in Argentina*, January

3.3. Guidance issued by the Professional Accountants in Business (PAIB) Committee:

- Theme Booklet, *Enterprise Governance — Getting the Balance Right*, published jointly with The Chartered Institute of Management Accountants (CIMA), February. A separate executive summary was also published.
- *Articles of Merit — 2004 Competition*, September. The winning article was *Ensuring Ethical Effectiveness* submitted by Randy Myers (originally published in February 2003 by the American Institute of Certified Public Accountants in the *Journal of Accountancy*).
- Theme Booklet, *The Diverse Roles of Professional Accountants in Business*, November

3.4. The Transnational Auditors Committee (TAC) issued practice papers to Forum of Firms members:

- *Globally Directed Internal Inspection Programs* (revised), March
- *Global Application of International Financial Reporting Standards* (revised), March
- *Guidelines for Performing and Reporting on International Quality Assurance Reviews* (revised), April



International Collaboration Activities

Description

IFAC recognizes that in many areas related to the accountancy profession it may need to act in a collaboration or facilitation role or to share the lead with another organization. These areas may cover a wide spectrum of topics and are seen as complementary to IFAC standards and guidance services. IFAC will actively facilitate the development of appropriate topics with interested member bodies and/or other groups, enter into collaborative arrangements, and/or develop information sharing networks.

Service Delivered

National Standard Setters

- 1.1. The IAASB hosted the 4th annual meeting of the national auditing standard setters' network³ in January. Extensive discussions were held on how to improve coordination of work agendas between the IAASB and national standard setters, issues of international convergence, how the clarity of IAASB standards might be improved, the translation of ISAs, and the issue of the development of implementation guidance. Participants continued to support the achievement of closer working relationships between the IAASB and national standard setters.
- 1.2. During 2004, the IAASB worked with national standard setters on three joint projects. Two were with the United Kingdom Auditing Practices Board: ISA 320 (Revised), *Materiality in the Identification and Evaluation of Misstatements*; and ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures (Other than Those Involving Fair Value Measurements and Disclosures)*. The third was with the Australian Auditing and Assurance Standards Board: ISA 260, *The Auditor's Communication with Those Charged with Governance* (revision). In addition, IAASB staff and staff of professional accountancy bodies, national standard setters and audit firms joined efforts to develop questions and answers regarding the first time adoption of International Financial Reporting Standards.
- 1.3. The IPSASB maintains a consolidated overview of project timetables of national standard setters and similar authoritative bodies in IPSASB members' jurisdictions, for purposes of identifying common projects and opportunities for further collaboration and sharing of resources.
- 1.4. The IPSASB met with national standard setters to discuss current and future agendas for standard setting in conjunction with each IPSASB meeting during 2004.
- 1.5. The IPSASB receives input from national standard setters on all its projects. During 2004 it collaborated closely with a number of national standards setters on the development of projects on the impairment of non-cash-generating assets, impairment of cash-generating assets and heritage assets. The IPSASB has proposed that it and the IASB work jointly on key projects of particular significance to the public sector.

2. Regional and International Organizations

Regional

- 2.1. In September, IAASB representatives met representatives of 18 European national standard setters at a meeting hosted by the Fédération des Experts Comptables Européens (FEE). Discussions were held on the IAASB's projects, the translation of ISAs, and the audit implications of first time adoption of International Financial Reporting Standards. Also discussed were the various efforts being taken in the participants' respective jurisdictions towards convergence with ISAs.
- 2.2. The Small and Medium Practices (SMP) Permanent Task Force held a joint meeting with FEE's SME/SMP Working Party in Sitges (Barcelona), Spain in October.

³ Standard setters from ten countries attended, including, in the case of the United States, both the Public Company Accounting Oversight Board and the American Institute of Certified Public Accountants' Auditing Standards Board.

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2.3. The IFAC Member Body Compliance Program continues to enhance its relationship with recognized Regional Organizations and other organizations in relation to the implementation of the Compliance Program. For more information regarding these relationships, please refer to the discussion of the Compliance Program under the “Assurance Activities” section.

International

2.4. In an effort to encourage the adoption of ISAs for audits of financial statements in the public sector, the IAASB has appointed International Organization of Supreme Audit Institutions (INTOSAI) nominees to six IAASB project task forces.

2.5. The IPSASB maintains ongoing contact with the IASB. The IPSASB Chair met with the IASB Chair to discuss matters of mutual interest. IPSASB staff discussed progress on certain IASB projects that may impact public sector entities with IASB Board members and staff.

2.6. As a member of the international Task Force on Harmonization of Public Sector Accounting (TFHPSA), the IPSASB continued to participate actively in the work of the TFHPSA and its working groups with a view to converging accounting and statistical financial reporting models as appropriate

2.7. Two Memoranda of Understanding (MoU) involving IFAC were signed at the IFAC Board and Council meetings held in November. The first was between IFAC and United Nations Conference on Trade and Development (UNCTAD), with the purpose being to formalize the two organizations’ commitment to work closer together to help raise awareness and promote the importance of accountancy in developing strong economies. In addition, IFAC representatives attended various UNCTAD meetings and forums throughout the year.

2.8. The second MoU signed was between IFAC and the Institute of Internal Auditors (IIA), with the purpose of creating a project structure and cooperation process in areas of common interest that will enable IIA to benefit from the work of IFAC, and IFAC from IIA involvement in the development of IFAC publications.

3. Consultative Advisory Groups and Other Organizations

3.1. Two meetings of the IAASB CAG were held in June and November to solicit input to and feedback on IAASB project activities, priorities and work plan and to obtain views on emerging international issues. Other matters discussed included the potential implications of the European Union’s proposed 8th Directive on the IAASB’s work program, the implementation of the CAG-related IFAC reform proposals, and the draft IAASB 2005-2006 Action Plan.

3.2. During the year, the IAASB and the PAIB Committee established an advisory panel of 14 experts, chaired by Roger Simnett, a member of the IAASB, to monitor developments in the field of assurance on sustainability reports. The panel collaborates with the Global Reporting Initiative (GRI) to identify aspects of the GRI Guidelines where improvement can be made to ensure they are suitable as criteria for assurance reporting. The panel will provide an important source of input and guidance to the IAASB as it considers whether to prepare assurance standards in the field of sustainability reporting. The panel will also act as a monitoring group for developments in the area of sustainability reporting.

Representation of the Accountancy Profession in the Public Interest

Description

IFAC represents the public interest when commenting on material published by other international or regional organizations that directly relates to accounting or auditing; developing and maintaining relationships with other international or regional organizations; participating in global, regional or national forums; and when developing reports that address the role of IFAC and the accountancy profession.

Services Delivered

1. Officer and Chief Executive Representational Activities

1.1 The IFAC President, Deputy President and Chief Executive engaged in representational activities with the following organizations:

- World Bank panel, Washington, D.C., United States, February
- UNCTAD meeting, London, United Kingdom, February
- Institute of Chartered Accountants in England and Wales, London, United Kingdom, March
- Institute of Chartered Accountants of India, Jaipur, India, March
- The Association of Accountancy Bodies in West Africa, Gambia, West Africa, April
- Islamic Financial Services Board, London, United Kingdom, April
- Confederation of Asian and Pacific Accountants (CAPA), Dhaka, Bangladesh, May
- Meeting with the Vice Chairman of the Federal Reserve Board, Washington, D.C., United States, June
- UNCTAD XI Conference, São Paulo, Brazil, June
- IASB Standards Advisory Council (SAC) meeting, Oslo, Norway, June
- The Japanese Institute of Certified Public Accountants, Tokyo, Japan, July
- Vietnam Accounting Association, Hanoi, Vietnam, July
- The Chinese Institute of Certified Public Accountants, Beijing, China, July
- The Eastern Central and Southern African Federation of Accountants (ECSAFA) Congress, Gaborone, Botswana, September
- Interamerican Accounting Association meeting, Lima, Peru, September/October
- United Nations (UN)/World Bank workshop, Washington, D.C., United States, October
- Instituto Mexicano de Contadores Públicos meeting, Mexico City, Mexico, October
- IASB SAC meeting, London, United Kingdom, November
- Institute of Chartered Accountants of New Zealand, Wellington, New Zealand, November
- Korean Institute of Certified Public Accountants, Seoul, Korea, December

2. Other Regulatory and Public Policy Activities

2.1. The IFAC Regulatory Liaison Group met with the Monitoring Group of regulators in New York, United States in July and Paris, France in November.

2.2. During 2004, IFAC developed and maintained relationships with the following organizations:

- Asian Development Bank
- Basel Committee on Banking Supervision
- European Commission
- Financial Stability Forum
- International Accounting Standards Board
- International Accounting Standards Committee Foundation
- International Association of Insurance Supervisors
- International Monetary Fund (IMF)
- International Organisation of Securities Commissions (IOSCO)
- International Organization of Supreme Audit Institutions
- Organisation of Economic Co-operation and Development (OECD)
- The United Nations and United Nations Development Programme
- United States Public Company Accounting Oversight Board (PCAOB)
- World Bank

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2.3. IFAC co-sponsored a roundtable forum with the Financial Stability Forum and the IASB on the challenges associated with the implementation of international accounting and auditing standards. The forum was held in Basel, Switzerland in October.

2.4. IFAC has maintained formal dialogue with the IASB regarding IFAC's role in assisting with the development of accounting standards for small- and medium-sized entities (SMEs). This liaison has involved IFAC commenting on the IASB's Discussion Paper, *Preliminary Views on Accounting Standards for Small and Medium-sized Entities*. It has also involved attendance at IASB meetings by IFAC staff and discussions between IASB members and IFAC representatives.

3. Submissions to External Organizations

3.1. IFAC provided submissions to the following organizations on specified topics:

- IASCF's Constitution Committee on *Identifying Issues for the IASC Foundation Constitution Review — An Invitation to Comment*, February
- IASB's Discussion Paper, *Preliminary Views on Accounting Standards for Small and Medium-sized Entities*, September
- The United Kingdom Professional Oversight Board of Accountancy on the *Review of training and education in the accountancy profession*, August
- Participation by the IPSASB Chair and Technical Director in the TFHPSA, which is providing input to the United Nations' review of the 1993 System of National Accounts

4. Spokesperson Activities

4.1. IFAC engaged in the following speaking and liaison activities:

Compliance Program

- The Compliance Advisory Panel Chair and/or Compliance staff made presentations to and liaised with the following groups:
 - Inter-American Development Bank, Washington, D.C., United States, May and December
 - Instituto Nacional de Contadores Públicos de Colombia, Bogotá, Colombia, September
 - Ordre des Experts Comptables du Royaume du Maroc, Rabat, Morocco, September
 - Instituto Mexicano de Contadores Públicos A.C., Mexico City, Mexico, October
 - Georgian Federation of Professional Accountants and Auditors, New York, United States, October
 - Association of Accountants and Auditors of Armenia, Yerevan, Armenia, October
 - CAPA Executive Committee, Colombo, Sri Lanka, November



- Finnish Institute of Authorized Public Accountants, New York, United States, November
- Financial Management Specialists of the World Bank Group, Washington, D.C., United States, December

Education Committee

- The Education Committee Chair, members, technical advisors, and/or the technical manager made presentations to and liaised with the following groups:
 - Institute of Cost and Management Accountants of Pakistan Shoaib Memorial Lectures, Karachi, Lahore and Islamabad, Pakistan, January
 - Institute of Chartered Accountants of Pakistan Seminar, Karachi, Pakistan, January
 - Institute of Chartered Accountants of Sri Lanka Seminar, Colombo, Sri Lanka, January
 - Institute of Chartered Accountants of India International Conference, Hyderabad, India, January
 - European Accounting Association Annual Congress, Prague, Czech Republic, April
 - Hungarian Chamber of Auditors Conference, Budapest, Hungary, June
 - South Eastern European Partnership for Accountancy Development General Assembly, Sofia, Bulgaria, June
 - International Association of Accounting Education and Research Globalization Roundtable, Durban, South Africa, June
 - IFAC hosted an International Accounting Education Forum, Stockholm, Sweden, August
 - Forum on International Education Standards for Professional Accountants, Kuala Lumpur, Malaysia, September
 - ECSAFA Congress, Gaborone, Botswana, September
 - ECSAFA Administrators Workshop, Gaborone, Botswana, September
 - ACCA Central and Eastern Europe Centenary Conference, Prague, Czech Republic, November

Ethics Committee

- The Ethics Committee Chair made presentations to the 13th International Symposium on Ethics Business and Society, Barcelona, Spain, May
- The Ethics Committee Chair published an article about IFAC and ethical considerations in the international community in the journal of the Wirtschaftsprüferkammer

International Auditing and Assurance Standards Board

- The IAASB Chair, IAASB members and/or technical staff made presentations to and liaised with the following groups or participated in the related forums:
 - International Council of Certified Accountants and Auditors, Moscow, Russia, January
 - Asia-Pacific Economic Cooperation Meeting of Finance Ministers, Kuala Lumpur, Malaysia, February
 - Basel Committee on Banking Supervision, London, United Kingdom, March
 - Institute of Chartered Accountants of India, Jaipur, India, March
 - Brazilian Court of Auditors (Supreme Audit Institution), New York, United States, April
 - Chinese Institute of Certified Public Accountants, Beijing, China, April
 - Association of Internal Auditors of Financial Institutions in Denmark, Copenhagen, Denmark, May
 - Canadian Academic Accounting Association Annual Conference, Vancouver, Canada, May
 - Global Reporting Initiative, Brussels, Belgium, June
 - Institut des Reviseurs d'Entreprises, Brussels, Belgium, June
 - Consultative Committee of Accountancy Bodies Audit Strategy Forum, Brussels, Belgium, July
 - International Symposium on Audit Research, Maastricht, The Netherlands, July
 - Financial Stability Forum, Basel, Switzerland, October
 - Institute of Chartered Accountants of Scotland, Edinburgh, United Kingdom, October
 - National Association of State Boards of Accountancy Annual Meeting, Chicago, United States, October
 - UNCTAD, Geneva, Switzerland, October
 - AccountAbility, London, United Kingdom, November
 - American Institute of Certified Public Accountants (AICPA) Audit Issues Task Force, Washington, D.C., United States, November
 - Australian Social & Environmental Discussion Group, Melbourne, Australia, November
 - New York State Society of Certified Public Accountants, New York, United States, November
 - IOSCO Emerging Markets Committee, Cairo, Egypt, December
 - American Accounting Association Mid-Year Conference/Auditing Section

2004 IFAC SERVICE DELIVERY

- Financial Stability Institute
- FEE
- Institute of Chartered Accountants in England & Wales
- Institute of Internal Auditors
- IASB
- IOSCO Auditing Subcommittee
- Representatives of INTOSAI
- United States PCAOB

International Public Sector Accounting Standards Board

- The IPSASB was involved in discussions with key members of the financial reporting community in conjunction with each IPSASB meeting during 2004. Participants at these meetings included:
 - Individual national standard setters and/or authoritative bodies from Argentina and Latin American countries, the United States Financial Accounting Standards Advisory Board, the United States Governmental Accounting Standards Board, the Indian Government Accounting Standards Board and its subcommittees
 - International bodies such as the United Nations, the United Nations Development Programme, the World Bank, and the North Atlantic Treaty Organisation
 - Academics from Latin America, Europe and the United States
- IPSASB members, technical advisors, IPSASB observers and/or IPSASB staff have undertaken the following promotional activities:
 - European Union Standards Committee, Brussels, Belgium, January
 - XV Seminar on Budget, Accounting and Public Control, Madrid, Spain, January
 - OECD Annual Symposium on Accrual Accounting in Government, Paris, France, February
 - Global Working Group of 12 Auditors General, New Delhi, India, February
 - Symposium of State and Local Government, Hamburg, Germany, February
 - European Union Standards Committee, Brussels, Belgium, February
 - Federación Argentina de Consejos Profesionales de Ciencias Económicas Seminar, Buenos Aires, Argentina, March
 - European Accounting Association Conference, Prague, Czech Republic, April
 - Presentation to various ministries from the North-Rhine area in Germany, May
 - OECD Workshop, Paris, France, June
 - Chamber of Hungarian Auditors International Conference, Budapest, Hungary, June
 - Seminars for University CPA Program, Curacao, Caribbean, June
 - Seminar on the Public Sector Committee's achievements and future progress for the Lithuanian Ministry of Finance, Vilnius, Lithuania, July
 - International Seminar of Latin American countries, Buenos Aires, Argentina, August
 - International Colloquium on Financial Management for National Governments, Boston, United States, September
 - European Commission/FEE Public Sector Conference, Brussels, Belgium, September
 - Accountants General Conference, Abujer, Nigeria, September
 - World Standard-setters meeting, London, United Kingdom, September
 - Seminar on the IPSASB's achievements and future progress for the Latvian Ministry of Finance, Riga, Latvia, September
 - OECD Development Assistance Committee meeting, Paris, France, November
 - United Nations technical group panel of external auditors, chief accountants and finance directors, Paris, France, December
- The IPSASB members published articles on IPSASB activities including:
 - Article in *Die Wirtschaftspufung*
 - Article in the *Journal of Government Financial Management*

- The IPSASB Chair is a member of the IASB's Standing Advisory Council and attended two IASB SAC meetings during the year in Oslo, Norway, June; London, United Kingdom, November

Professional Accountants in Business Committee

- PAIB Committee members, technical advisors, and/or technical staff made presentations to the following groups:
 - AICPA Spring Business and Industry Conference, Boston, United States, April
 - CIMA Management Accounting Conference on Enterprise Governance, Kuala Lumpur, Malaysia, April
 - Corporate Governance and Today's CFO Conferences, New York and Chicago, United States, October; San Francisco, United States, November
 - Enterprise Governance: The Way Forward and Achieving Sustainability Seminar hosted by Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l'Ordre des Experts-Comptables, Paris, France, November

Small and Medium Practices Permanent Task Force

- The Chairman and two members chaired sessions or presented at the FEE European Congress for SMP/SME Accountants, Sitges (Barcelona), Spain, October
- Two members served on the IASB's SME Advisory Panel



Assurance Activities

Description

IFAC promotes the provision of high quality services by all members of the profession through implementation of a member body compliance program. In addition, IFAC undertakes initiatives aimed at improving audit quality.

Service Delivered

1. Compliance Program

1.1. During 2004, the IFAC Member Body Compliance Program issued Part 1 of the Compliance Program, the *Assessment of the Regulatory and Standard-Setting Framework* questionnaire. IFAC and its members' commitment to the objectives of the program are reflected in the high participation rate and in the interest other constituents have expressed in the program. Over 120 members have submitted their responses. The information received reflects the differences in regulatory structures, the role that member bodies and national standard setters have with respect to developing international standards, and the changes being implemented with respect to monitoring and enforcement of compliance with international standards.

1.2. The Compliance staff has established relationships with key constituents including recognized Regional Organizations (see 1.3 below) and donor institutions. While the Regional Organizations, the World Bank and regional development banks, such as Inter-American Development Bank and Asian Development Bank, have been participants in other IFAC activities, the Compliance Program provides clear opportunities to increase our common knowledge base about the worldwide profession and exchange information for the benefit of our respective activities. Specific collaboration activities have included exchanging information for validating member body responses to Compliance questionnaires and promoting each organization's respective activities.

1.3. IFAC's work is supported by the following recognized Regional Organizations:

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

2. Firms' Quality Control

2.1. During 2004, the TAC made progress on a number of quality initiatives. The TAC developed two good practice papers covering globally directed internal inspection programs and the consistent application of International Financial Reporting Standards across networks and firms. Additionally, the TAC made progress in developing a suggested framework for disclosure at the global network level relating to governance and quality control for the audit and assurance practice.



Information Activities

Description

IFAC information activities are designed to support IFAC's overall strategy and are targeted to IFAC member bodies and various external groups, including the media, regulators, standard setters, international financial institutions, and other stakeholders. IFAC achieves this through print and electronic communications, the IFAC website and intranets, and media relations.

Service Delivered

1. IFAC Communications

1.1. IFAC communications encompass print and electronic communications, media relations, and spokesperson support. The following initiatives were undertaken:

- President's Leadership Update to member bodies. Two updates issued.
- Responded to more than 100 media inquiries and arranged more than 50 interviews between the media and IFAC spokespeople, including IFAC's President and Chief Executive.
- Issued 39 press releases (including four releases also issued in Spanish) on IFAC activities and on issues of importance to the accountancy profession.
- Issued five electronic news summaries (eNews) to over 22,700 subscribers.
- Issued three IFAC newsletters (IFAC News).
- Issued three Public Sector (IPSASB) Updates in English, French and Spanish.
- Issued special publication on *Challenges and Successes in Implementing International Standards: Achieving Convergence to IFRSs and ISAs*.

2. IFAC Website

2.1. IFAC continues to enhance its public website and member and volunteer intranets:

- Expanded content on IFAC website to provide easier access to IFAC guidance and pronouncements. Approximately 525,000 visitors viewed 2.8 million pages on the site. Individuals downloaded over 200,000 electronic publications from IFAC's site and ordered 3,900 print publications.
- Developed an online Media Center featuring key speeches and press releases, biographies of IFAC's leadership, and fact sheets on IFAC, its boards and committees.
- Launched Member Body Compliance Program and, in December, began posting member body responses to Phase 1 of the program on the public website.
- Enhanced the home pages for IFAC's Public Interest Activity Committees; specifically, making publicly available project information, meeting highlights and registration for meetings.
- Expanded content and use of the Leadership Intranet to facilitate communications among committees and other users. The Leadership Intranet was accessed over 52,500 times. Close to 700 individuals now use the Intranet.

2004 IFAC FINANCIAL STATEMENTS

Statement of Financial Performance

For the year ended December 31, 2004

Amounts in US Dollars

	Note	2004	2003
Operating revenue			
Membership dues, net		\$6,826,632	\$5,831,031
Forum of Firms – IFAC Activities	18	3,995,821	1,738,041
Forum of Firms – Transnational Auditors Committee	18	458,473	882,671
International Public Sector Accounting Standards Board Standards Program		407,000	382,000
Publications		217,853	122,231
Interest income		32,914	23,404
Gain on disposal of property, plant and equipment		–	2,157
Other operating revenue		50,224	199,191
Total operating revenue		\$11,988,917	\$9,180,726
Operating expenses			
Employee costs	3, 13	\$5,655,351	\$4,707,277
Travel and meeting costs		2,565,852	2,139,699
Communications and publicity		560,885	460,297
Occupancy		482,907	402,607
Printing and distribution		346,844	327,100
Recruitment and relocation costs		224,173	10,522
IT support		170,627	131,537
Bad debt expense		157,853	166,060
Depreciation		136,400	113,941
Telephone		116,747	91,564
Legal and other professional fees		84,612	94,159
Auditor remuneration			
Auditing financial statements		22,585	28,122
Tax and other services		12,631	6,328
Loss on disposal of property, plant and equipment		4,335	–
Other operating expenses		434,214	387,768
Public Interest Oversight Board		7,277	–
Total operating expenses	2	\$10,983,293	\$9,066,981
Surplus for the year		\$1,005,624	\$113,745

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Statement of Changes in Equity

For the year ended December 31, 2004
 Amounts in US Dollars

	Note	2004	2003
Equity at beginning of year		\$1,722,150	\$1,608,405
Surplus for the year		1,005,624	113,745
Equity at end of year		\$2,727,774	\$1,722,150

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

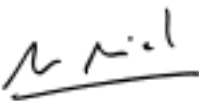
2004 IFAC FINANCIAL STATEMENTS

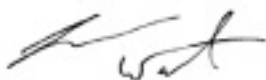
Statement of Financial Position

As at December 31, 2004

Amounts in US Dollars

	Note	2004	2003
Current assets			
Cash and short-term deposits	4	\$2,005,454	\$1,308,810
Dues receivable, net	5	308,888	175,316
Receivable from the Forum of Firms	6	1,114,207	978,717
Other receivables		39,943	116,810
Other current assets		108,517	43,792
Total current assets		\$3,577,009	\$2,623,445
Non-current assets			
Property, plant and equipment, net	7	\$563,735	\$609,200
Intangible assets, net	8	38,660	–
Non-current receivables	11, 17	198,070	250,421
Total non-current assets		\$800,465	\$859,621
TOTAL ASSETS		\$4,377,474	\$3,483,066
Current liabilities			
Accounts payable and accrued expenses		\$825,720	\$683,271
Employee entitlements	9	418,096	212,764
Revenue received in advance	10	114,264	753,798
Total current liabilities		\$1,358,080	\$1,649,833
Non-current liabilities			
Accrued pension costs	13, 3	\$181,693	\$111,083
Revenue received in advance	10	109,927	–
Total non-current liabilities		\$291,620	\$111,083
TOTAL LIABILITIES		\$1,649,700	\$1,760,916
Equity			
IFAC members		\$2,433,944	\$1,217,000
IFAC IPSASB Standards Program	12	293,830	505,150
Total equity		\$2,727,774	\$1,722,150
TOTAL LIABILITIES AND EQUITY		\$4,377,474	\$3,483,066


René Ricol — President (Nov. 2002 – Nov. 2004)


Graham Ward — President (Nov. 2004 to present)


Ian Ball — Chief Executive

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Statement of Cash Flows

For the year ended December 31, 2004

Amounts in US Dollars

	Note	2004	2003
Cash flows from operating activities			
<i>Cash was provided from:</i>			
Membership dues		\$6,163,453	\$6,456,902
Forum of Firms		4,318,804	1,804,972
International Public Sector Accounting Standards Board Standards Program		407,000	382,000
Publications		217,853	122,231
Interest received		32,914	23,404
Other receipts		37,995	179,719
		<hr/> \$11,178,019	<hr/> \$8,969,228
<i>Cash was disbursed to:</i>			
Employee costs		\$(5,379,409)	\$(4,621,769)
Other payments		(4,980,265)	(4,021,841)
		<hr/> \$(10,359,674)	<hr/> \$(8,643,610)
Net cash inflow from operating activities	15	<hr/> \$818,345	<hr/> \$325,618
Cash flows from investing activities			
<i>Cash was provided from:</i>			
Sale of property, plant and equipment		–	\$2,157
<i>Cash was applied to:</i>			
Purchase of property, plant and equipment		\$(95,270)	\$(584,016)
Purchase of intangible assets		(38,660)	–
Net cash outflow from investing activities		<hr/> \$(133,930)	<hr/> \$(581,859)
Cash flows from financing activities		<hr/> –	<hr/> –
Net increase/(decrease) in cash and short-term deposits		\$684,415	\$(256,241)
Add cash and short-term deposits at beginning of year		\$1,308,810	\$1,545,579
Add effect of exchange rate change on foreign currency balance		12,229	19,472
Balance of cash and short-term deposits at end of year	4	<hr/> \$2,005,454	<hr/> \$1,308,810

The Statement of Accounting Policies and the accompanying notes form part of the financial statements.

Statement of Accounting Policies

For the year ended December 31, 2004

Amounts in US Dollars

Basis of Preparation

The International Federation of Accountants' (IFAC) financial statements have been prepared in accordance with International Public Sector Accounting Standards. Where an International Public Sector Accounting Standard does not address a particular issue, the appropriate International Financial Reporting Standard/International Accounting Standard has been applied.

The preparation of financial statements in conformity with generally accepted accounting practices 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. 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 are prepared in United States dollars.

Measurement Base

The accounting principles recognized as appropriate for the measurement and reporting of the financial performance, cash flows, and financial position on an accrual basis using historical cost are followed in the preparation of the financial statements.

Accounting Policies

The following specific accounting policies that materially affect the measurement of financial performance and the financial position are applied:

(i) Revenue Recognition

Membership dues revenue

IFAC recognizes membership dues on a calendar basis. Dues are payable on receipt of invoice in January for each respective year.

Forum of Firms revenue

Revenue from the Forum of Firms (the Forum) is provided as an annual financial contribution to IFAC for an agreed amount and for the full contribution for the Transnational Auditors Committee (TAC) activity, and is recognized as revenue when it is receivable. Refer also to Notes 17 and 18.

International Public Sector Accounting Standards Board Standards Program revenue

Revenue from grants is recognized as revenue when received.

Publications revenue

Revenue from sales of electronic subscriptions is recognized over the life of the subscription period. Revenue for printed publications is recognized when the publications are shipped.

Donated services

The work of IFAC is dependent on the voluntary services of many individuals. Donated services are not recognized in these financial statements.

(ii) Accounts Receivable

Accounts receivable are recorded at their estimated realizable value after providing for doubtful and uncollectible debts.

(iii) Employee Entitlements

Employee entitlements to salaries, wages, annual leave, pension costs, and other benefits are recognized when they are accrued to employees. Annual leave has been calculated on an actual entitlement basis at current rates of pay.

The liability in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the balance date minus the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liabilities.

Actuarial gains and losses from experience adjustments, changes in actuarial assumptions and amendments to pension plans are recognized in the statement of financial performance over the average remaining service lives of the related employees.

IFAC provides contributions for an employee defined contribution retirement benefit plan. Payments to the defined contribution retirement benefit plan are recognized as expenses as they fall due.

(iv) Property, Plant and Equipment

Property, plant and equipment

Property, plant and equipment are recorded at cost and depreciated, as outlined below, at rates estimated to recognize the consumption of economic benefits of the property, plant and equipment over their useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus. Repairs and maintenance are charged to the statement of financial performance during the financial period in which they are incurred.

Depreciation

Depreciation is calculated on a straight-line basis to recognize the consumption of economic benefits of an asset over its useful life.

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

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

(v) Intangible Assets

Intangible assets

Intangible assets are recorded at cost and amortized, as outlined below, at rates estimated to recognize the consumption of economic benefits of the intangible asset over their useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus.

Amortization

Amortization is calculated on a straight-line basis to recognize the consumption of economic benefits of an asset over its useful life.

The estimated useful lives of intangible assets are as follows:

Software licenses	3 years
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(vi) Financial Instruments

IFAC uses only non-derivative financial instruments as part of its normal operations. These financial instruments include bank accounts, certificates of deposit and accounts receivable.

All financial instruments are recognized in the statement of financial position at their fair values.

(vii) Statement of Cash Flows

The following are definitions of the terms used in the statement of cash flows:

- (a) Cash and short-term deposits comprise cash on hand, current bank balances and short-term deposits that can be converted to cash within two working days.
- (b) Operating activities include all transactions and other events that are not investing or financing activities.
- (c) Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.
- (d) Financing activities are those activities that result in changes to the size and composition of IFAC's capital structure. This includes both equity and debt not falling within the definition of cash.

(viii) Operating Lease Assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in the statement of financial performance on a straight-line basis over the period of the lease.

(ix) Taxation

The United States Internal Revenue Service has determined that IFAC is exempt from United States federal income tax under Section 501(c) (6) of the Internal Revenue code. IFAC is exempt from Swiss income taxes.

(x) Foreign Currencies

Transactions in foreign currencies are translated to United States currency at the approximate rates of exchange prevailing at the date of the transactions. Assets and liabilities at the balance 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.

(xi) Reclassifications

In an effort to improve the level of disclosure, certain 2003 amounts have been reclassified in the statement of financial performance to conform to classifications used in 2004.

(xii) Changes in Accounting Policies

There have been no changes in accounting policies in the current year.

Notes to the Financial Statements

For the year ended December 31, 2004

Amounts in US Dollars

1. International Federation of Accountants

The mission of IFAC is:

To serve the public interest, IFAC will continue to strengthen the accountancy profession worldwide and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards, and speaking out on public interest issues where the profession's expertise is most relevant.

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, United States.

2. IFAC Expenses by Activity

	2004	2003
International Auditing and Assurance Standards Board	\$2,736,769	\$2,278,668
Board and Council	846,035	554,847
International Public Sector Accounting Standards Board		
Standards Program (external funding)	640,380	551,017
Compliance Program	631,769	57,721
Transnational Auditors Committee	458,473	782,671
International Public Sector Accounting Standards Board	369,999	266,522
Professional Accountants in Business Committee	343,364	253,563
Representation of the Accountancy Profession in the Public Interest*	321,000	–
Education Committee	256,311	262,786
Ethics Committee	239,687	151,262
Small and Medium Practices Permanent Task Force	156,846	109,069
Nominating Committee	120,198	41,494
Challenges and Successes in Implementing International Standards:		
Achieving Convergence to IFRSs and ISAs	72,538	–
Developing Nations Permanent Task Force	50,528	–
Credibility Task Force	(17,350)	393,580
Other	6,574	(4,027)
Total IFAC activities	\$7,233,121	\$5,699,173
Public Interest Oversight Board Funding	\$7,277	–
Total activities expenses	\$7,240,398	\$5,699,173
Total general expenses	\$3,742,895	\$3,367,808
Total operating expenses	\$10,983,293	\$9,066,981

* The Representation of the Accountancy Profession in the Public Interest was not a separately identified activity in 2003. The 2003 costs that would have otherwise been captured in this activity were allocated across a range of other activities.

2004 IFAC FINANCIAL STATEMENTS

3. Employee Costs

	2004	2003
Employee costs	\$5,526,891	\$4,653,856
Retirement benefit plans (refer to Note 13)	128,460	53,421
Total employee costs	\$5,655,351	\$4,707,277

4. Cash and Short-Term Deposits

	2004	2003
Cash on hand and at bank	\$662,264	\$208,051
Short-term deposits	1,343,190	1,100,759
Total cash and short-term deposits	\$2,005,454	\$1,308,810

Of the cash and short-term deposits, there are restrictions on the use of \$490,471 (\$689,912, 2003). These restrictions relate to two separate cash reserves. The first cash reserve of \$465,719 (\$665,746, 2003) is for the specific use of the IFAC International Public Sector Accounting Standards Board Standards Program in accordance with the funding agreements associated with the Standards Program. The second cash reserve of \$24,752 (\$24,166, 2003) is for specific use in relation to the Sempier Award, which is awarded in association with the World Congress of Accountants.

5. Dues Receivable

	2004	2003
Dues receivable	\$575,293	\$458,715
Provision for uncollectible dues	(266,405)	(283,399)
Total dues receivable	\$308,888	\$175,316

6. Receivable from the Forum of Firms

As at December 31, 2004, \$1,114,207 (\$978,717, 2003) represents the remaining amount to be received from the Forum for contributions invoiced relating to 2004.

7. Property, Plant and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Opening net book amount	\$115,067	\$138,095	\$254,221	\$31,556	\$239,912	\$1,896	\$609,200	\$171,547
Additions	27,209	49,392	5,170	248,506	62,891	255,223	95,270	553,121
Disposals	4,335	1,372	–	155	–	–	4,335	1,527
Impairment losses	–	–	–	–	–	–	–	–
Depreciation	74,801	71,048	31,023	25,686	30,576	17,207	136,400	113,941
Closing net book amount	\$63,140	\$115,067	\$228,368	\$254,221	\$272,227	\$239,912	\$563,735	\$609,200
Cost	\$263,122	\$245,659	\$293,789	\$288,619	\$318,114	\$255,223	\$875,025	\$789,501
Accumulated depreciation	199,982	130,592	65,421	34,398	45,887	15,311	311,290	180,301
Net Book amount	\$63,140	\$115,067	\$228,368	\$254,221	\$272,227	\$239,912	\$563,735	\$609,200

8. Intangible Assets

	Software Licenses		Total	
	2004	2003	2004	2003
Opening net book amount	–	–	–	–
Additions	\$38,660	–	\$38,660	–
Disposals	–	–	–	–
Impairment losses	–	–	–	–
Amortization	–	–	–	–
Closing net book amount	\$38,660	–	\$38,660	–
Cost	\$38,660	–	\$38,660	–
Accumulated amortization	–	–	–	–
Net book amount	\$38,660	–	\$38,660	–

This asset represents the purchase of a database software program license to be used as part of the Member Body Compliance Program. There was no amortization for the year as the software was not placed in service as at December 31, 2004.

2004 IFAC FINANCIAL STATEMENTS

9. Employee Entitlements

	2004	2003
Payroll accrual	\$241,082	\$26,572
Annual leave provision	177,014	186,192
Total employee entitlements	\$418,096	\$212,764

10. Revenue Received in Advance

Revenue received in advance at December 31, 2004 of \$224,191 (\$753,798, 2003) represents membership dues paid in advance. This amount is split between current revenue in advance of \$114,264 (\$753,798, 2003) and non-current revenue in advance of \$109,927 (\$nil, 2003).

11. Operating Lease Obligations

IFAC entered into a new 10 year operating lease for office space at 545 Fifth Avenue in December 2002, with the lease taking effect from May 1, 2003. IFAC's security deposit for its lease for office space at 545 Fifth Avenue is in the form of an outstanding letter of credit. As at December 31, 2004, the outstanding letter of credit was \$152,238 (\$152,238, 2003). This amount is included in non-current receivables in the statement of financial position.

As at December 31, 2004, IFAC has an operating lease outstanding for two copier machines. There are four years outstanding on these two operating leases.

Operating lease payments for the year ended December 31, 2004, were \$445,454 (\$367,544, 2003). Future operating lease payments of \$4,522,858 at December 31, 2004, are payable (\$4,968,311, 2003), reflecting the surrender of the previous office lease and commencement of the new office lease, as follows:

Obligations payable after balance date on non-cancelable operating leases are as follows:

	2004	2005
Not later than one year	\$468,882	\$445,454
Later than one year and not later than five years	2,036,748	1,977,441
Later than five years	2,017,228	2,545,416
Total operating lease obligations	\$4,522,858	\$4,968,311

12. International Public Sector Accounting Standards Board Standards Program

The International Public Sector Accounting Standards Board (IPSASB), formerly the Public Sector Committee (PSC), Standards Program commenced in 1996. During 2004, the IPSASB continued its development of International Public Sector Accounting Standards (IPSASs) with an increasing focus on the development of IPSASs not addressed by International Accounting Standards/International Financial Reporting Standards developed by the International Accounting Standards Board. Multi-lateral development banks and international agencies have provided substantial funding for this program, with the funding provided to achieve specified objectives.

During 2004, the External Review Panel appointed by the IFAC Board provided its report to the IFAC Board. This report included several comments and recommendations. The External Review Panel reaffirmed the importance of the activities of the IPSASB and stressed the need for greater funding to be provided to its standard-setting program. The change of name from PSC to IPSASB was one of the recommendations approved by the IFAC Board and IFAC Council. The Board approved the action plan aimed at implementing the recommendations of the External Review Panel at its meeting in November 2004. The Board also confirmed its commitment to the IPSASB Standards Program and the urgent need to find additional funding.

The IFAC Board expects that the activities of the IPSASB in relation to the Standards Program will continue and that the funds provided for this purpose by the external funding agencies will be used on those activities.

For the year ended December 31, 2004, the IPSASB Standards Program had received revenues and incurred expenses as follows, which are included in IFAC's financial statements:

	2004	2003
IPSASB Standards Program (external funding)	\$407,000	\$382,000
Other operating revenue	22,060	17,089
Total operating revenue	\$429,060	\$399,089
Employee costs	\$278,781	\$229,045
Travel and meeting costs	102,545	130,519
Consultants	109,552	73,101
Printing and distribution	53,927	54,993
Other operating expenses	95,575	63,359
Total operating expenses	\$640,380	\$551,017
Deficit for the year	\$(211,320)	\$(151,928)

As at December 31, 2004, the IPSASB Standards Program had the following equity balance:

	2004	2003
Equity at beginning of year	\$505,150	\$657,078
Deficit for the year	(211,320)	(151,928)
Equity at end of year	\$293,830	\$505,150

13. Retirement Benefit Plans

Defined Benefit Plan

IFAC participates in the employee pension plan (the plan) of the American Institute of Certified Public Accountants (the AICPA). All employees of IFAC are eligible to participate at age 21. Contributions to the plan are made by IFAC. Pension benefits earned are generally based on years of service and compensation during active employment. Beginning in 2001, separate accounting has been maintained by the AICPA on behalf of IFAC. As such, the plan is considered a multiple employer plan. All administrative costs are incurred by the AICPA. For 2004, an estimation has been made to reflect change in accrued pension costs between July 31, 2004 and December 31, 2004 and the pension costs incurred up to December 31, 2004.

The amounts recognized in the statement of financial position are determined as follows:

	2004	2003
Present value of funded obligation at July 31, 2004	\$1,282,265	\$1,152,688
Fair values of plan assets at July 31, 2004	1,066,847	995,592
Funded status	(215,418)	(157,096)
Unrecognized net actuarial loss	104,932	66,395
Unrecognized prior service cost	(29,340)	14,468
Unrecognized transition obligation/(asset)	-	(2,697)
Accrued pension costs at July 31, 2004	139,826	78,930
Adjustment to reflect change in periodic pension expense to December 31, 2004	41,867	32,153
Accrued pension costs	\$181,693	\$111,083

The amounts recognized in the statement of financial performance are as follows:

	2004	2003
Service cost – Benefits earned during the period	\$92,998	\$65,427
Interest cost	74,260	69,457
Expected return on plan assets	(97,551)	(106,526)
Amortization of initial unrecognized net obligation of (net asset) as of May 1, 1985	(1,573)	(4,642)
Amortization of prior service costs	2,476	5,832
Amortization of (gain)/loss	-	(13,665)
Net periodic pension expense	\$70,610	\$15,883

The principal actuarial assumptions used were as follows:

	2004	2003
Discount rate	6.50%	7.00%
Expected long-term rate of return on plan assets	8.50%	8.75%
Weighted average rate of future compensation increases	4.00%	4.00%

Defined Contribution Plan

IFAC operates a defined contribution retirement benefit plan for all full time employees who chose to participate in the plan. IFAC provides an agreed level of contribution relative to the level of each individual employee's contribution. All participating employees vest immediately in the plan. The plan is operated independently by CitiStreet Associates LLC. For 2004, the level of IFAC contributions that have been recognized as an expense are \$57,850 (\$37,538, 2003). These expenses are included within employee costs in the statement of financial performance (2003 expenses were included within employee costs in the statement of financial performance).

14. Employee Disclosure

As at December 31, 2004, IFAC had 30 full time employees (29 full time employees, 2003) and 1 part time employee (2 part time employees, 2003). In addition to these employees IFAC has 5 contracted personnel (4 contracted personnel, 2003) and no secondees (1 secondee, 2003).

15. Reconciliation of Net Surplus with Net Cash Inflow from Operating Activities

	2004	2003
Net surplus for the period	\$1,005,624	\$113,745
<i>Add/(less) non-cash items:</i>		
Depreciation	136,400	113,941
Net gain on foreign currency balance	(12,228)	(19,472)
Net (gain)/loss on disposal of property, plant and equipment	4,335	(2,157)
<i>Add/(less) movements in working capital:</i>		
Dues receivable	(133,572)	(3,908)
Receivable from Forum of Firms	(135,490)	(815,740)
Other receivables	76,867	224,233
Other current assets	(64,725)	21,773
Non-current receivables	52,351	(50,760)
Accounts payable and accrued expenses	142,448	28,676
Employee entitlements	205,332	69,625
Revenue received in advance	(529,607)	629,779
Accrued pension costs	70,610	15,883
Net cash inflow from operating activities	\$818,345	\$325,618

16. Financial Instruments

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

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 deposits with United States-registered banking institutions; and
- maintaining credit control procedures over trade accounts receivable.

As at December 31, 2004, a total of \$1,833,935 was held with JP Morgan Chase Bank. This represented 91 percent of the total amount of bank balances, short-term deposits and receivables. The maximum exposure as at December 31, 2004, is equal to the total amount of bank balances, short-term deposits, and receivables disclosed in the statement of financial position. Receivables considered uncollectible have been adequately provided for.

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

Currency Risk

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

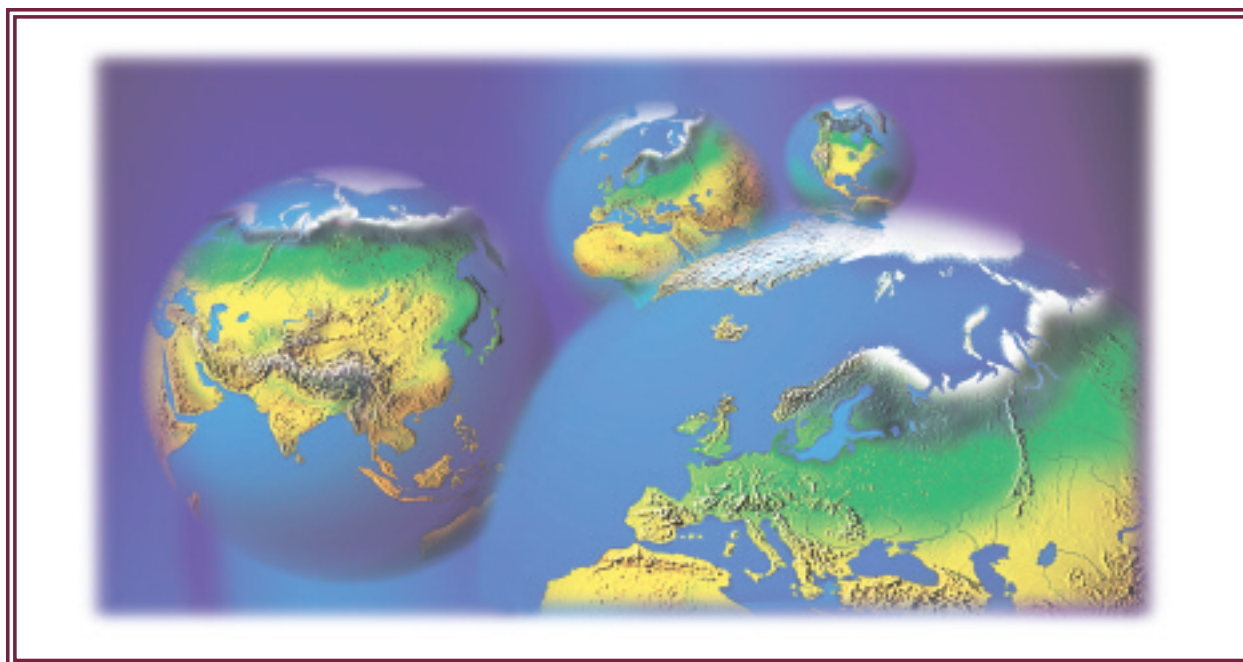
Foreign currency transactions are translated to United States currency at exchange rates at the date of the transactions.

Interest Rate Risk

The interest rate risk on funds held is managed through the use of short-term investments held until maturity. The interest rate risk associated with short-term deposits is considered minimal.

Fair Values

As at December 31, 2004, the carrying amounts approximate the fair values for all financial instruments held by IFAC (2003 carrying amounts approximate the fair values).



17. Related Parties

Board

Positions on the Board are voluntary and there is no honorarium paid for any position held. The following persons were members of the Board during the year:

Graham Ward #	President (November 2004 to present) Deputy President (April 2004 to November 2004) Board Member (prior to April 2004) Chartered Institute of Management Accountants, Institute of Chartered Accountants in England & Wales, Institute of Chartered Accountants of Ireland, Chartered Institute of Public Finance and Accountancy and Institute of Chartered Accountants of Scotland, United Kingdom
René Ricol *	President (November 2002 to November 2004)
Juan José Fermín del Valle #	Deputy President (November 2004 to present) Board Member (prior to November 2004) Federación Argentina de Consejos Profesionales de Ciencias Económicas, Argentina
Charles Horstmann	Board Member (April 2004 to present) Deputy President (November 2002 to April 2004) American Institute of Certified Public Accountants, United States
Abdul Samad Alias #	Malaysian Institute of Accountants and The Malaysian Institute of Certified Public Accountants, Malaysia
Guy Almeida Andrade **	Instituto dos Auditores Independentes do Brasil and Conselho Federal de Contabilidade, Brazil
Patrick Barrett	Institute of Chartered Accountants in Australia and CPA Australia, Australia
André J Bindenga *	Koninklijk Nederlands Instituut van Registeraccountants, Netherlands
Angelo Casò **	Consiglio Nazionale dei Dottori Commercialisti and Consiglio Nazionale dei Ragionieri e Periti Commerciali, Italy
Jean-François Cats *	Institut des Réviseurs d'Enterprises, Belgium
Yugui Chen	The Chinese Institute of Certified Public Accountants, China
Ndung'u Gathinji	Institute of Certified Public Accountants of Kenya, Kenya
Sunil Goyal #	Institute of Chartered Accountants of India, India
N.D. Gupta *	Institute of Chartered Accountants of India, India
Yaw Kiong Ernest Kan	Institute of Certified Public Accountants of Singapore, Singapore
David Leonard	The Association of Chartered Certified Accountants, United Kingdom
Eric Ka-Cheung Li #	Hong Kong Institute of Certified Public Accountants, Hong Kong
Ofer Minirav #	Institute of Certified Public Accountants in Israel, Israel
William Nahum	Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts Comptables, France
Kesree Narongdej *	Federation of Accounting Professionals (formerly The Institute of Certified Accountants and Auditors of Thailand), Thailand

* Completed their terms at the conclusion of the IFAC Council meeting, November 2004.

Commenced their terms as Board member, President or Deputy President (as appropriate) at the conclusion of the IFAC Council meeting, November 2004.

** The membership of the IFAC Audit Committee is comprised of these three Board members.

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Rolf Nonnenmacher	Institut der Wirtschaftsprüfer in Deutschland e.V. (IdW) and Wirtschaftsprüferkammer (WpK), Germany
Ignatius Sehoole **	The South African Institute of Chartered Accountants, South Africa
David Smith	The Canadian Institute of Chartered Accountants, Canada
Göran Tidström	The Nordic Federation of Public Accountants
Charles Tilley #	The Chartered Institute of Management Accountants, United Kingdom
Sylvie Voghel	Certified General Accountants' Association of Canada, Canada
Shozo Yamazaki	The Japanese Institute of Certified Public Accountants, Japan

Commenced their terms as Board member, President or Deputy President (as appropriate) at the conclusion of the IFAC Council meeting, November 2004.

** The membership of the IFAC Audit Committee is comprised of these three Board members.

IFAC Representatives

On occasion, IFAC Officers, Board members and other volunteers will be required to represent IFAC in a variety of capacities. When this is the case, IFAC reimburses these individuals for travel and other incidental expenses on an actual basis as per IFAC policies. These payments were not remuneration payments and occurred in the normal course of business.

IFAC Member Organizations

The transactions between IFAC and its member organizations occurred 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.

Forum of Firms

The Forum provides an annual financial contribution to IFAC for an agreed amount and full contribution for TAC related expenses. Refer also to Note 18.

IFAC Employees

As part of employee relocation packages included in individual employment contracts, IFAC offers to provide employees relocating from outside the United States a guarantee or deposit to secure rented residence in New York. As at December 31, 2004, the balance outstanding of employee receivables relating to residential security deposits was \$45,832 (\$43,183, 2003). This amount is included in non-current receivables in the statement of financial position.

18. Forum of Firms

The objective of the Forum 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 is the TAC which, by way of the Forum's Constitution, is also a committee of IFAC. The TAC is effectively the operational body of the Forum as it has executive authority and is currently staffed by three full time employees. The members of the TAC are selected by the Forum and are approved by the IFAC Nominating Committee and the IFAC Board.

For 2004, the IFAC financial statements reflect revenues from the Forum for amounts invoiced to the Forum for the agreed IFAC contribution of \$3,995,821 (\$1,738,041, 2003) and full contribution for TAC related expenses of \$458,473 (\$882,671, 2003). Refer to Note 6 for the information relating to the receivable from the Forum.

19. Commitments and Contingencies

As at December 31, 2004, IFAC was committed to undertaking phase one of the Professional Accountants in Business (PAIB) Resource Center project on the basis of a decision made by the IFAC Board and commitments made with the selected contractor company. The PAIB Resource Center project is aimed at developing specialized search engine technology for professional accountants operating in business. The supporting contractor company, teleIT, is a Scottish-based technology company that specializes in the development of web-based technology solutions. The estimated cost of phase one at December 31, 2004, was \$29,000, of which \$7,250 was expensed during 2004. The balance of \$21,750 is the outstanding committed balance, which will be incurred during early 2005. IFAC had no outstanding commitments as at December 31, 2003.

IFAC has no contingencies outstanding as at December 31, 2004 (\$nil, 2003).

20. Line of Credit

IFAC has an available line of credit with JP Morgan Chase Bank for \$500,000. As at December 31, 2004, IFAC had not used the line of credit. The interest rate applied is the prime rate plus 0.75% (4.75% as at December 31, 2004) and substantially all assets are collateralized by the line of credit. The line of credit expires June 30, 2005. This same line of credit was in place as at December 31, 2003.





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INDEPENDENT AUDITORS' REPORT

Audit report to the Members of
International Federation of Accountants

We have audited the accompanying statement of financial position of the International Federation of Accountants (IFAC) as at December 31, 2004, and the related statements of financial performance, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IFAC as of December 31, 2004, and its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

A handwritten signature in black ink that reads "Weiser LLP".

Weiser LLP
Certified Public Accountants

February 25, 2005
New York, N.Y.





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