

# INTERNATIONAL FEDERATION OF ACCOUNTANTS

2 0 0 7   A N N U A L   R E P O R T



BUILDING TRANSPARENCY AND TRUST



## **International Federation of Accountants**

### **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

## 2007 ANNUAL REPORT

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# WORKING FOR A BETTER WORLD

## A MESSAGE FROM IFAC PRESIDENT FERMÍN DEL VALLE

**THIS ANNUAL REPORT HIGHLIGHTS IFAC'S ACCOMPLISHMENTS OVER THE PAST YEAR,** accomplishments that have been made possible as a result of the vision IFAC shares with its members, associates, and others to strengthen the accountancy profession so it can effectively serve the public interest and contribute to the growth of economies and to development worldwide. Through collaboration and an alignment of strategies, we have encouraged quality performance by all sectors of the accountancy profession around the globe and promoted adherence to the values that underpin IFAC — integrity, transparency, and expertise. Numerous IFAC initiatives have supported professional accountants in meeting their responsibilities over the past year and will continue supporting them in the coming years.

### Key Strategic Initiatives

During 2007, IFAC successfully implemented the final elements of the reform program initiated in 2003, which included achieving a balance of 50 percent practitioners and 50 percent non-practitioners on all our standard-setting Public Interest Activity Committees (PIACs)\*. The arrangements put in place with respect to international standards for auditing and assurance, ethics and accounting education reflect a combination of public and private sector roles, providing an optimal solution in a context in which there are needs for legitimacy, independence, technical competence, responsiveness, efficiency and accountability in the standard-setting process. The good governance and the talent and hard work of the members of these boards are reflected in the high quality results of the standard-setting activities.

The past year has also seen significant progress in IFAC's Member Body Compliance Program. The Compliance Program is the most ambitious project undertaken by an international

organization to improve the quality of the financial information systems around the world.

These two key strategic initiatives are reinforced through the work of the Developing Nations Committee and the Small and Medium Practices Committee. These two committees contribute to the standard-setting and compliance processes by presenting the perspectives of their respective constituencies and by developing their own specific projects with the public interest always as a primary objective.

### The People as the Foundation

IFAC's effectiveness depends in large part on its leadership and volunteers. Through our nominations process, we seek the best professionals to serve on IFAC's boards and committees. This past year, we enhanced our nominations process by providing more information about the responsibilities of IFAC volunteers and offering more guidance for those making nominations. In addition to ensuring a balance of practitioners and non-practitioners on the standard-setting PIACs, we focused on ensuring that there was a regional balance on all committees and boards. We also facilitated the participation of developing nations by making subsidies available.

### Promoting Convergence

A common goal for each of IFAC's four independent standard-setting boards is promoting and facilitating convergence, and they have each made significant progress.



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*\*The standard-setting Public Interest Activity Committees are the International Auditing and Assurance Standards Board, the International Accounting Education Standards Board, and the International Ethics Standards Board for Accountants.*

The convergence momentum is best exemplified by the increasing international recognition IFAC standards are receiving from members, national standard setters, financial institutions, governments, and international organizations. For example, in November 2007 the International Organization of Securities Commissions issued a statement indicating its support for the work of the International Auditing and Assurance Standards Board in developing and improving the International Standards on Auditing, and nearly all IFAC member bodies have a code of ethics based on the IFAC *Code of Ethics for Professional Accountants*. The work of the Public Interest Oversight Board (see page 9), which oversees IFAC's PIACs, has contributed significantly to the enhanced credibility of IFAC standards and further fueled convergence.

### Sustaining the Profession

Another area in which we have made progress is the sustainability of the profession. Both our Member Body Compliance Program and our Developing Nations Committee have contributed substantially to the development of the profession.

With participation by our full membership, the Compliance Program ensures that accountancy bodies are using their best efforts to promote the use of international standards issued by IFAC and the International Accounting Standards Board, and to implement effective quality assurance programs and good disciplinary systems for professional accountants.

During 2007, IFAC, together with the World Bank and the Inter-American Development Bank, organized a conference in Mexico City titled "Accounting and Accountability for Regional Economic Growth." Never before have public and private sector representatives from the accounting and auditing profession come together to discuss the issues facing the region. In addition, the Developing Nations Committee, together with other IFAC groups, works to build sustainable institutional capacity for professional accountants by providing practical resources. In 2007, its toolkit, *Establishing and Developing a Professional Accountancy Body*, was translated into French, Spanish, and Russian.

Two other groups that are instrumental in fostering the sustainability of the profession are the Professional Accountants in Business (PAIB)

### IFAC 2007 Board Members



*Standing (left to right): Sylvie Voghel, Kamlesh Vikamsey, David Leonard, Norbert Pfitzer, Bernadette McGrory-Farrell, Warren Allen, Robert Bunting (Deputy President), Kevin Dancey, Fermín del Valle (President), Göran Tidström, Ian Ball (Chief Executive Officer), Charles Tilley, Joycelyn Morton, William Nabum, Ingrid Doerga, Roberto Resa, and Roberto D'Imperio. Seated (left to right): Abdul Samad, Yuguí Chen, Gen Ikegami, Chuck Horstmann, Ofer Minirav, and Ndung'u Gathinji.*

Committee and the International Accounting Education Standards Board (IAESB). The PAIB Committee supports PAIBs in providing high quality work by offering numerous resources, including new good practice guidance. The IAESB, which developed a new strategy in 2007, sustains the profession by providing prequalification and continuing education standards to help ensure that accountancy professionals have the knowledge, skills and attitudes to deliver quality and to serve the public interest.

### Serving as a Global Voice

Over the past year, IFAC spoke out on a wide range of topics, including convergence, the needs of small and medium practices, government accountability, and the value of professional accountants in business. We also released our first policy position, *Regulation of the Accountancy Profession*.

The paper explains IFAC's view that accountancy bodies and governments share a common objective of ensuring that professional accountants serve the public interest and that both professional accountancy organizations and governments need to work together to ensure an effective and efficient regulatory mix.

To ensure that IFAC's voice is heard by a broader audience and its messages about quality reach accounting professionals worldwide, last year IFAC translated core sections of its website into Arabic, Chinese, French, Russian and Spanish. This is the beginning of an increased focus on translations.

### The Future

As IFAC looks ahead, we need to be inclusive, to encourage collaboration and to communicate clearly. This involves overcoming language barriers by investigating how to efficiently translate our standards, by providing and facilitating the sharing of resources and expertise, and by engaging in regular dialogue with our many stakeholders. We

should work steadfastly to encourage public confidence in our profession, speak out in areas where our expertise lends value, and encourage the innovation necessary for us to respond to the future demands that society will place on us.

In addition, we must focus on ensuring our relevancy. We must continue to design more efficient ways to deliver our services and to develop new services that better respond to the changing

demands of the market. As a profession, we must also continue to collaborate to foster the skills, attitudes, values and expertise that enable us to meet not only current challenges, but future ones, and to maintain public confidence in our work.

IFAC, the regional organizations, other acknowledged accountancy groupings and IFAC's member bodies and associates must continue to address the

challenges of globalization at each of their respective levels by focusing on aligning their strategies and collaborating. In this way, we can efficiently and effectively make steady progress, promoting the development of all sectors and specializations of the accountancy profession.

IFAC is an organization that is standing strong, thanks to the work of the IFAC Board, independent standard-setting boards and their consultative advisory groups, committees, and the IFAC staff. I am personally and professionally indebted to them for their commitment and assistance. I would especially like to thank my Deputy President Robert Bunting and Chief Executive Officer Ian Ball for their commitment and insight. I thank also the members and associates who have demonstrated that they are committed to IFAC's vision for creating a better world.

*Over the past year, IFAC spoke out on a wide range of topics, including convergence, the needs of small and medium practices, government accountability, and the value of professional accountants in business.*



# BUILDING TRANSPARENCY AND TRUST

## A MESSAGE FROM IFAC CEO IAN BALL

**FEW THINGS IN LIFE AFFECT OUR CHOICES, OUR GOALS, AND OUR FUTURE AS MUCH AS OUR PROFESSION DOES.** The international accountancy profession offers unique opportunities for us to make a difference in the world — to create paths to prosperity for individuals, organizations, and economies. IFAC has a significant role to play in this process.

IFAC's goal is to support the profession in delivering quality, to encourage and, in many instances, to require transparency, and to develop the standards and guidance that contribute to accountants' technical competence and ethical values, and thus help to build the public's trust. These themes were echoed throughout 2007 during events organized as part of IFAC's 30th anniversary celebrations by IFAC, its members, associates, and regional organizations.

My report summarizes IFAC activities over the past year, describing actions we have taken to enhance and build confidence in the work of the more than 2.5 million professional accountants worldwide. It is organized around IFAC's five main service areas: standards and guidance, promoting quality, international collaboration activities, representation of the accountancy profession in the public interest, and information services. Detailed activities in each of these areas appears in the Service Delivery section of this report on page 16. For the first time, the Service Delivery section, like our financial statements, has been reviewed by IFAC's independent auditor. It received an unqualified assurance engagement opinion (see page 39). IFAC adds value through the services it provides; this assurance statement reflects both our focus on services and our accountability to those who provide us with resources.

### Standards and Guidance

During 2007, there was an unprecedented level of output from IFAC's boards and committees (see pages 16 – 21 of the Service Delivery section) due in large part to the progress made on the

International Auditing and Assurance Standards Board's (IAASB) Clarity Project, the issuance of new guidance to support small and medium practices (SMPs), and the production of additional resources for developing

nations. In addition, new and proposed public sector accounting and education pronouncements were released, and the independence project of the International Ethics Standards Board for Accountants (IESBA) was significantly advanced.

The IAASB maintained a strong pace in order to complete, by the end of 2008, the redrafting of all 35 International Standards on Auditing (ISAs) as final standards in the new Clarity style. In 2007, it approved seven final ISAs redrafted under the Clarity conventions and released for public comment 21 exposure drafts of proposed redrafted ISAs. In October, the IAASB announced that its set of clarified ISAs will be effective for audits of financial statements for periods beginning on or after December 15, 2009. This effective date is intended to allow standard setters, regulators and auditors time to plan for the adoption and implementation of the standards, while obtaining the benefits of adoption as soon as practicable. Further information about IAASB initiatives is in its annual report at <http://www.iaasb.org>.

To support the use of ISAs in the audit of small- and medium-sized entities (SMEs), in December IFAC's SMP Committee released the *Guide to Using ISAs in the Audit of Small- and Medium-sized Entities*. The guide, developed in collaboration with the Canadian Institute of Chartered Accountants, supports SMPs and other practitioners in consistently applying ISAs and in conducting high quality and cost-effective SME



audits. It provides an analysis of all ISAs issued by the IAASB as of December 31, 2006 and their requirements in the context of an SME audit.

Addressing ethical issues also remains at the forefront of IFAC's work. Last year, the IESBA made progress in revising and updating the independence requirements in IFAC's *Code of Ethics for Professional Accountants*, addressing the meaning of "public interest entities" and partner rotation issues and strengthening guidance on additional services provided by auditors. These changes were approved by the IESBA in January 2008.

Ethics was also the focus of the Professional Accountants in Business (PAIB) Committee's first good practice guidance. In June 2007, the committee released *Defining and Developing an Effective Code of Conduct for Organizations* to assist professional accountants in business in carrying out their leadership roles in this area.

To assist professional accountancy organizations and educators in developing high quality ethics education, the International Accounting Education Standards Board (IAESB) released two significant pieces of guidance: International Education Practice Statement (IEPS) 1, *Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes*, and the Ethics Education Toolkit, which features case studies and supporting notes, presentations, video clips, and other teaching materials. In addition, the IAESB released two IEPSs in 2007 addressing information technology and practical experience requirements.

Achieving convergence remained a priority for IFAC in 2007 and will continue to be a priority over the next few years.

The IPSASB continued to work to converge its standards with those of the International Accounting Standards Board (IASB), approving new standards on employee benefits and impairment of cash-generating assets. The IPSASB also conducted a survey to determine the level of implementation of

International Public Sector Accounting Standards (IPSASs) by national governments worldwide. Initial results from the survey showed that of the 209 World Bank economies, approximately one-third are either adopting or making plans to adopt IPSASs or have standards in place that are broadly consistent with IPSASs. There is a trend toward governments adopting accrual accounting as well as toward the convergence of standards in the public sector. The survey of IPSAS adoption is an ongoing project intended to monitor adoption and implementation of IPSASs worldwide.

The IAASB and IESBA also promoted convergence to their international standards. More than 100 countries are using ISAs or are adopting ISAs as national standards or are converging by comparing national standards with ISAs to eliminate differences. A similar number of countries use or rely on the IFAC Code of Ethics.

### Promoting Quality

The IFAC Member Body Compliance Program is one of the most important drivers of quality in the profession. In the past year, over 150 responses to Part 2 of the program, the self-assessment of members' and associates' compliance with IFAC's membership obligations, were published on the IFAC website, and Part 3 of the program — the development of member body actions plans — was launched. IFAC staff issued policy recommendations to 65 organizations, all of which are now in the process of preparing actions plans based on these recommendations. All members and associates, regardless of their state of development, are expected to develop and follow action plans designed to support quality practice by their members and to contribute to high quality financial information.

Other initiatives on quality were undertaken by the Forum of Firms and IFAC's Transnational Auditors Committee (TAC). The Forum released

### 2007 Pronouncements

*During 2007, IFAC standard-setting boards set a record pace, approving 12 final standards, four guidance documents, and 26 exposure drafts for public comment.*



two good practice guidance documents on practices that the networks are implementing to support consistent application of International Financial Reporting Standards across their networks, and on how setting the right “tone at the top” can positively influence audit quality. In addition, during 2007 provisional members of the Forum focused on meeting the obligations of full membership in the Forum, including, among other things, conducting regular globally coordinated internal quality assurance reviews and having policies and methodologies for the conduct of transnational audits that are based, to the extent practicable, on ISAs and IFAC’s Code of Ethics.

The issue of quality also remained at the forefront of PAIB Committee activities. For example, recognizing that one of the best defenses against business failure is strong internal control, the PAIB Committee released an information paper entitled *Internal Control from a Risk-Based Perspective*.

### **Collaboration**

Whether working to promote quality, develop the profession, or achieve convergence, IFAC partners with its members and associates, regulators, standard setters, development agencies, and a wide range of international organizations concerned about financial stability and economic growth.

IFAC’s Developing Nations Committee spearheads many cooperative initiatives. It has encouraged member and regional bodies to assist less developed organizations in meeting the requirements of the IFAC Member Body Compliance Program, and it has fostered increased dialogue both regionally and internationally to determine how best to assist developing nations.

There is also extensive collaboration in our standard-setting activities, both to facilitate convergence and to ensure that we are addressing those issues of greatest global concern. Both the IPSASB and the IAASB participated in numerous meetings with national standard setters, and the IAASB hosted a productive meeting with national auditing standard setters in New York.

The SMP Committee also engaged in extensive outreach and collaboration. In 2007, it

participated in international, regional and national forums and continued to monitor and provide input to relevant standard-setting boards.

### **Representation of the Accountancy Profession in the Public Interest**

IFAC’s leadership also devoted significant time to representation activities. In 2007, IFAC’s officers, directors, and board and committee chairs met with or spoke before the following:

- 47 member bodies and associates;
- Seven regional accountancy organizations and groupings;
- 41 regulators and financial institutions;
- Six accounting firm events; and
- Eight events sponsored by academic groups and universities.

IFAC also continued to develop and maintain relationships with over 20 key regulatory organizations, development agencies and financial institutions.

IFAC increased dialogue with its member bodies; in addition to holding its annual meeting with chief executives of member bodies in New York, it organized separate regional meetings with member body leadership in Warsaw, Poland in May and in Mexico City, Mexico in June.

A significant event during 2007 was the release of a policy position on professional regulation of the accountancy profession, which asserts that professional accountancy bodies, acting in the public interest, must play an active role in the regulation of the profession. The paper also emphasizes the need for shared regulation, that is, the need for professional accountancy bodies and governments to work together to ensure that regulation is both effective and efficient.

### **Information Services**

Over the past year, IFAC expanded the content of its website to include more information about its history, its standard-setting processes, and the Compliance Program results. We also added content to the IFAC KnowledgeNet, the global search engine customized for professional

accountants. This included information targeted to SMPs and accountants in the public sector.

To ensure that we are communicating to the widest possible audience, IFAC translated core sections of its website into Arabic, Chinese, French, Russian, and Spanish — the working languages of the United Nations, in addition to English, IFAC’s official language. The multilingual website provides information about IFAC’s structure and governance, membership, independent standard-setting boards, and resources for SMPs and professional accountants in business.

### Looking Ahead

As IFAC’s reputation and authority grow, we are being called upon to respond more frequently and more extensively in all our service areas; this, in turn, is creating resource challenges. One area in which we are being called upon to do more is in making our standards and guidance accessible to non-native English speakers. Our full attention is focused on developing a process to accomplish this.

We are currently developing our Strategic Plan for 2009-2012, which will describe how we see

our services changing and developing and the impact this will have on our resources. We will continue to engage the leadership of the profession — member and regional bodies, firms, our committees and boards, consultative advisory groups, the Public Interest Oversight Board, standard setters, and others — in this planning process.

I thank those who have so willingly devoted their time and talent to IFAC over the past year, especially our President Fermín del Valle and Deputy President Bob Bunting, the chairs and volunteer members of IFAC committees and boards, and our very dedicated staff. They have shown a huge commitment to delivering the services necessary to help the world’s accountants deliver quality and to continuing to earn the public’s trust.

I urge you to read the Service Delivery section of this report so that you have a greater understanding of the full scope of IFAC’s work. I also greatly welcome your comments.



**IFAC Management Team** (left to right): *Russell Guthrie, Director, Quality Assurance and Member Body Relations; Stephen Walker, Director of Operations; Ian Ball, Chief Executive Officer; James Sylph, Executive Director, Professional Standards; and Stephenie Fox, Technical Director, International Public Sector Accounting Standards Board.*

## MESSAGE FROM STAVROS B. THOMADAKIS PIOB CHAIR

LAST YEAR, IFAC CELEBRATED ITS 30TH BIRTHDAY, recalling past events and focusing on some future priorities to support the continued development of the accounting profession. The Public Interest Oversight Board (PIOB) is young by comparison, having just completed its first three-year term, but it is timely to review the extent of changes that have occurred in that very short period.

Independent oversight by the PIOB was introduced to increase investor confidence in the responsiveness of IFAC public interest activities, particularly the setting of international standards. In the PIOB's view, confidence in these activities relies on the people, plans and processes that interact in their development. The PIOB has made recommendations to IFAC in each of these areas and has found IFAC to be responsive. The actions taken have resulted in significant changes to the architecture within which standards are produced, including clear responsibilities, a common framework of strategic planning and processes that are both transparent and consultative.

In particular, IFAC embraced the proposition that the independence of the standard-setting process necessitated parity of practitioners and non-practitioners. Not only has the requisite balance now been achieved in all the standard-setting bodies, but the high-caliber individuals on these bodies are guided by a more explicit public interest agenda. IFAC has gone further by implementing a performance evaluation program for board members and chairs.

Vibrant and stable capital markets require investors that are confident in the quality and consistency of financial reporting systems. Investor confidence is supported by high quality standards produced using a credible

due process. In this regard, 2008 is significant for the number of pronouncements within the ISA Clarity Project and the Independence standard due for completion. Throughout, the PIOB will remain focused on due process assurance from a public interest perspective.

Quality international standards will only deliver tangible benefits in the international public interest if they are properly adopted and implemented. The PIOB recognizes the significant legal, regulatory, cultural and linguistic hurdles involved. It also recognizes that implementation may require support through additional guidance, training and quality control procedures. There will be both similarities and differences in the challenges encountered by developed and emerging economies to achieve effective convergence. As such, the PIOB has previously identified the need for multiple and coordinated efforts in adoption and implementation and will continue to encourage the many interested actors towards this goal.

The youth of the PIOB as an organization has been well balanced by the breadth of experience of its members and their strong commitment to the international public interest. Delivery of the international public interest requires consideration of structures and any

necessary amendments to ensure they remain balanced and continue to meet the needs of users. I look forward to the second term of the PIOB where we will further build upon the achievements of the IFAC Reform project.



*Investor confidence is supported by high quality standards produced using a credible due process.*

## BOARD AND COMMITTEE MEMBERS

### BOARD MEMBERS — NOVEMBER 2006 TO NOVEMBER 2007

Fermín del Valle, President	Ndung'u Gathinji, <i>Kenya</i>	Norbert Pfitzer, <i>Germany</i>
Robert Bunting, Deputy President, <i>United States</i>	Charles Horstmann, <i>United States</i>	Roberto Resa, <i>Mexico</i>
Warren Allen, <i>New Zealand</i>	Gen Ikegami, <i>Japan</i>	Abdul Samad Haji Alias, <i>Malaysia</i>
Yugui Chen, <i>China</i>	David Leonard, <i>United Kingdom</i>	Göran Tidström, <i>Nordic Federation</i>
Roberto D'Imperio, <i>Italy</i>	Bernadette McGrory-Farrell, <i>Ireland</i>	Charles Tilley, <i>United Kingdom</i>
Kevin Dancey, <i>Canada</i>	Ofer Minirav, <i>Israel</i>	Kamlesh Vikamsey, <i>India</i>
Ingrid Doerga, <i>Netherlands</i>	Joycelyn Morton, <i>Australia</i>	Sylvie Voghel, <i>Canada</i>
	William Nahum, <i>France</i>	

### MEMBERS OF STANDARD-SETTING BOARDS

#### International Accounting Education Standards Board

Henry Saville, Chair, *Ireland*  
Mark Spofforth, Deputy Chair,  
*United Kingdom*  
Yoseph Asmelash, *Switzerland*  
Timothy Bell, *United States*  
Jean-Francois Belorgey,  
*France*  
Paule Bouchard, *Canada*  
Alain Burlaud, *France*  
Nishan Fernando, *Sri Lanka*  
Kristrún Ingólfsdóttir, *Iceland*  
Laura Ipacs, *Hungary*  
E. Ann Kilbride,  
*United Kingdom*  
T.N. Manoharan, *India*  
Enock Fanyana Mchiza,  
*South Africa*  
Sylvia Meljem, *Mexico*  
Karen Pincus, *United States*  
Brion Smoker, *United States*  
Abdul Rahim Suriya,  
*Pakistan*  
Anne Wickham,  
*United Kingdom*

#### International Auditing and Assurance Standards Board

John Kellas, Chair,  
*United Kingdom*  
Denise Esdon, Deputy Chair,  
*United Kingdom*  
Philip Cowperthwaite, *Canada*  
Craig Crawford, *United States*  
John Fogarty, *United States*  
Jan Bo Hansen, *Denmark*  
Diana Hillier, *United Kingdom*  
Susan Jones, *United States*  
William Kinney, Jr.,  
*United States*  
Kjell Larsson, *Sweden*  
Ian McPhee, *Australia*  
Marcel Pheijffer, *Netherlands*  
Will Rainey, *United Kingdom*  
Makoto Shinohara, *Japan*  
David Swanney, *United Kingdom*  
Roberto Tizzano, *Italy*  
Gérard Trémolière, *France*  
Muhammed Abdullah Yusuf,  
*Pakistan*

#### International Ethics Standards Board for Accountants

Richard George, Chair, *Ireland*  
Frank Attwood, Deputy Chair,  
*United Kingdom*  
Margaret Butler, *United States*  
Ken Dakdduk, *United States*  
David Devlin, *Ireland*  
Akira Hattori, *Japan*  
Abdul Kariem Hoosain,  
*South Africa*  
Geoffrey Hopper, *Hong Kong*  
Lady Barbara Thomas Judge,  
*United Kingdom*  
Thierry Karcher, *France*  
Barbara Majoor,  
*Netherlands*  
Michael Niehues, *Germany*  
Carmen Rodriguez, *Spain*  
Volker Röhrich, *Germany*  
Jean Rothbarth, *United States*  
Robert Rutherford, *Canada*  
Luca Savino, *Italy*  
David Winetroub, *United States*

#### International Public Sector Accounting Standards Board

Mike Hathorn, Chair,  
*United Kingdom*  
Ron Alroy, *Israel*  
Peter Batten, *Australia*  
David Bean, *United States*  
Andreas Bergmann, *Switzerland*  
Marie-Pierre Cordier,  
*France*  
Carmen Giachino Palladino,  
*Argentina*  
Lou Hong, *China*  
Pankaj Jain, *India*  
Richard Neville, *Canada*  
Tom Henry Olsen, *Norway*  
John Peace, *United States*  
Stefano Pozzoli, *Italy*  
Alejandro Luna Rodriguez,  
*Mexico*  
Greg Schollum, *New Zealand*  
Tadashi Sekikawa, *Japan*  
Erna Swart, *South Africa*  
Frans van Schaik, *Netherlands*

## COMMITTEE MEMBERS

### Developing Nations Committee

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Ignatius Schoole, Chair, <i>South Africa</i>	Tony Hegarty, <i>World Bank</i>
Abdeljelil Bouraoui, Deputy Chair, <i>Tunisia</i>	Paul Hurks, <i>Netherlands</i>
Ahmad Almeghames, <i>Saudi Arabia</i>	Lombe Irene Ng'anwe, <i>Zambia</i>
Juan Carlos Cincotta, <i>Argentina</i>	Otunba Lateef Owoyemi, <i>Nigeria</i>
Shanti Lal Daga, <i>India</i>	Julio Cesar Porteiro, <i>Uruguay</i>
Ferenc Eperjesi, <i>Hungary</i>	Azza Raslan, <i>Saudi Arabia</i>
Asela Indrajith Fernando, <i>Sri Lanka</i>	Nail Sanli, <i>Turkey</i>
Francis Lalith Fonseka, <i>Sri Lanka</i>	Lebohlang Thotanyana, <i>Lesotho</i>
	Deborah Williams, <i>United Kingdom</i>
	Shabbar Zaidi, <i>Pakistan</i>

### Professional Accountants in Business Committee

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Edward Chow, Chair, <i>Hong Kong</i>	Bill Langdon, <i>Canada</i>
Rajkumar Adukia, <i>India</i>	Yeo Tek Ling, <i>Malaysia</i>
Zbigniew Bak, <i>Poland</i>	Keith Luck, <i>United Kingdom</i>
Lance Balcombe, <i>Australia</i>	Eileen Morrissey, <i>United States</i>
Lee-seok Hwang, <i>Korea</i>	Muhammad Nara, <i>Pakistan</i>
Christopher Jackson, <i>United Kingdom</i>	Catherine Okpareke, <i>Nigeria</i>
Bradley Kaplan, <i>United States</i>	Alfred Ramosedi, <i>South Africa</i>
Brian Kearney, <i>Ireland</i>	Patrick Rochet, <i>France</i>
	Roger Tabor, <i>United Kingdom</i>
	Henri van Horn, <i>Netherlands</i>

### Nominating Committee

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*The IFAC Nominating Committee makes recommendations regarding the composition of IFAC boards and committees. It is guided by the principle of choosing the candidate with the best qualifications to fill these volunteer roles.*

Fermín del Valle, President, <i>Argentina</i>
Robert Bunting, Deputy President, <i>United States</i>
Warren Allen, <i>New Zealand</i>
Guy Almeida Andrade, <i>Brazil</i>
Ndung'u Gathinji, <i>Kenya</i>
Hubert Graf von Treuberg, <i>Germany</i>
Shozo Yamazaki, <i>Japan</i>

### Compliance Advisory Panel

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Robert Mednick, Chair, <i>United States</i>	Norio Igarashi, <i>Japan</i>
Manuel Sanchez y Madrid, Deputy Chair, <i>Mexico</i>	Japheth Katto, <i>Uganda</i>
Bhavna Doshi, <i>India</i>	Tom Myhre, <i>Norway</i>

### Small and Medium Practices Committee

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Sylvie Voghel, Chair, <i>Canada</i>	Ibironke Mojisola Osiyemi, <i>Nigeria</i>
Lino De Vecchi, Deputy Chair, <i>Italy</i>	Harold Monk, <i>United States</i>
Hechmi Abdelwahed, <i>Tunisia</i>	Jens Poll, <i>Germany</i>
Paul Chan, <i>Hong Kong</i>	Khaliq-ur-Rahman, <i>Pakistan</i>
David Chitty, <i>United Kingdom</i>	Joakim Rehn, <i>Nordic Federation</i>
Sunil Goyal, <i>India</i>	Ricardo Rodil, <i>Brazil</i>
Alex Hilman, <i>Israel</i>	Bernard Scicluna, <i>Malta</i>
Robin Jarvis, <i>United Kingdom</i>	Masum Turker, <i>Turkey</i>
Peter Lim Thiam Kee, <i>Malaysia</i>	Ye Xin, <i>China</i>

### Transnational Auditors Committee

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Members	Alternates
Nick Fraser, Chair, <i>Deloitte Touche Tohmatsu</i>	Marc Biquard, <i>Constantin Associates</i>
John Archambault, <i>Grant Thornton International</i>	Randy Fletchall, <i>Ernst &amp; Young Global Limited</i>
Jean Luc Barlet, <i>Mazars</i>	Charles Heeter, <i>Deloitte Touche Tohmatsu</i>
Peter Chidgey, <i>BDO International</i>	Gilles Hengoat, <i>Grant Thornton International</i>
Rod Devlin, <i>KPMG International</i>	Wayne Kolins, <i>BDO International</i>
Paul Ginman, <i>Baker Tilly International</i>	David Maxwell, <i>RSM International Limited</i>
Andrew Nicholl, <i>Moore Stephens International</i>	Robert Muter, <i>PricewaterhouseCoopers International</i>
Marilyn Pendergast, <i>UHY International</i>	Edelfried Schneider, <i>HLB International</i>
Stephen Todd, <i>Ernst &amp; Young Global Limited</i>	Sylvia Smith, <i>KPMG International</i>
Wes Williams, <i>Horwath International Association</i>	Peter Stefanou, <i>Russell Bedford International</i>
Peter Wyman, <i>PricewaterhouseCoopers International</i>	Theo Vermaak, <i>PKF International</i>

# IFAC MEMBER ORGANIZATIONS

## MEMBERS

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### Argentina

- Federación Argentina de Consejos Profesionales de Ciencias Económicas

### Australia

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

### AUSTRIA

- Institut Österreichischer Wirtschaftsprüfer
- Kammer der Wirtschaftstreuhänder

### BAHAMAS

- The Bahamas Institute of Chartered Accountants

### BAHRAIN

- Bahrain Accountants Association

### BANGLADESH

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

### BARBADOS

- The Institute of Chartered Accountants of Barbados

### BELGIUM

- Institut des Experts-comptables et des Conseils fiscaux
- Institut des Réviseurs 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

- The Institute of Chartered Accountants of Cameroon

### CANADA

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

### CHILE

- Colegio de Contadores de Chile

### CHINA

- The Chinese Institute of Certified Public Accountants

### CHINESE TAIWAN

- Federation of CPA Associations of Chinese Taiwan

### COLOMBIA

- Instituto Nacional de Contadores Públicos de Colombia

### COSTA RICA

- Colegio de Contadores Públicos de Costa Rica

### CROATIA

- Croatian Association of Accountants and Financial Experts

### CYPRUS

- The Institute of Certified Public Accountants of Cyprus

### CZECH REPUBLIC

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

### DENMARK

- Foreningen af Statsautoriserede Revisorer
- Foreningen Registrerede Revisorer

### DOMINICAN REPUBLIC

- Instituto de Contadores Públicos Autorizados de la Republica Dominicana

### EGYPT

- The Egyptian Society of Accountants & Auditors

### ESTONIA

- Audiitorkogu

### Fiji

- Fiji Institute of Accountants

### FINLAND

- HTM-tilintarkastajat ry — GRM-revisorer rf
- 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

- The Institute of Chartered Accountants (Ghana)

### GREECE

- Institute of Certified Public Accountants of Greece

### GUATEMALA

- Instituto Guatemalteco de Contadores Públicos y Auditores

### GUYANA

- The Institute of Chartered Accountants of Guyana

### HAITI

- Ordre des Comptables Professionnels Agréés d'Haïti

### HONDURAS

- Colegio de Peritos Mercantiles y Contadores Públicos

### HONG KONG

- Hong Kong Institute of Certified Public Accountants



*Countries in which IFAC members and associates are located appear in blue.*

**HUNGARY**

- Chamber of Hungarian Auditors

**ICELAND**

- Félag löggiltra Endurskoðenda

**INDIA**

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

**INDONESIA**

- Indonesian Institute of Accountants

**IRAN**

- The Iranian Institute of Certified Accountants

**IRAQ**

- Iraqi Union of Accountants & Auditors

**IRELAND**

- The Institute of Certified Public Accountants in Ireland
- The 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**

- The Institute of Chartered Accountants of Jamaica

**JAPAN**

- The Japanese Institute of Certified Public Accountants

**JORDAN**

- Arab Society of Certified Accountants
- Jordanian Association of Certified Public Accountants

**KAZAKHSTAN**

- Chamber of Auditors of the Republic of Kazakhstan

**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

**LESOTHO**

- Lesotho Institute of Accountants

**LIBERIA**

- The Liberian Institute of Certified Public Accountants

**LUXEMBOURG**

- Institut des Réviseurs d'Entreprises

**MADAGASCAR**

- Ordre des Experts Comptables et Financiers de Madagascar

**MALAWI**

- The Society of Accountants in Malawi

**MALAYSIA**

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

**MALTA**

- The Malta Institute of Accountants

**MEXICO**

- Instituto Mexicano de Contadores Públicos, A.C.

**MOLDOVA (REPUBLIC OF)**

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

\* On January 1, 2008, the two Italian member bodies merged to form the Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili.

**MOROCCO**

- Ordre des Experts Comptables du Royaume du Maroc

**NAMIBIA**

- Institute of Chartered Accountants of Namibia

**NETHERLANDS**

- Koninklijk Nederlands Instituut van Registeraccountants

**NEW ZEALAND**

- New Zealand Institute of Chartered Accountants

**NICARAGUA**

- Colegio de Contadores Públicos de Nicaragua

**NIGERIA**

- The Institute of Chartered Accountants of Nigeria

**NORWAY**

- Den norske Revisorforening

**PAKISTAN**

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

**PANAMA**

- Colegio de Contadores Públicos Autorizados de Panamá

**PARAGUAY**

- Colegio de Contadores de Paraguay

**PERU**

- Junta de Decanos de Colegios de Contadores Públicos del Perú

**PHILIPPINES**

- Philippine Institute of Certified Public Accountants

**POLAND**

- Accountants Association in Poland
- National Chamber of Statutory Auditors

**PORTUGAL**

- Ordem dos Revisores Oficiais de Contas

**ROMANIA**

- Corpul Expertilor Contabili si Contabililor Autorizati din Romania

**RUSSIA**

- The Institute of Professional Accountants of Russia

**SAUDI ARABIA**

- Saudi Organization for Certified Public Accountants

**SERBIA (REPUBLIC OF)**

- Serbian Association of Accountants and Auditors

**SIERRA LEONE**

- The Institute of Chartered Accountants of Sierra Leone

**SINGAPORE**

- Institute of Certified Public Accountants of Singapore

**SLOVAKIA**

- Slovenska Komora Auditorov

**SLOVENIA**

- The Slovenian Institute of Auditors

**SOUTH AFRICA**

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

**SPAIN**

- Instituto de Censores Jurados de Cuentas de España

**SRI LANKA**

- The Institute of Chartered Accountants of Sri Lanka

**SWAZILAND**

- Swaziland Institute of Accountants

**SWEDEN**

- FAR SRS

**SWITZERLAND**

- Treuhand-Kammer

**TANZANIA**

- National Board of Accountants and Auditors

**THAILAND**

- Federation of Accounting Professions

**TRINIDAD & TOBAGO**

- The Institute of Chartered Accountants of Trinidad & Tobago

**TUNISIA**

- Ordre des Experts Comptables de Tunisie

**TURKEY**

- Expert Accountants' Association of Turkey
- Union of Chambers of Certified Public Accountants of Turkey

**UGANDA**

- Institute of Certified Public Accountants of Uganda

**UNITED KINGDOM**

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

**ZIMBABWE**

- The Institute of Chartered Accountants of Zimbabwe



## ASSOCIATES

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### ALBANIA

- Institute of Authorized Chartered Auditors of Albania

### ARMENIA (REPUBLIC OF)

- Association of Accountants and Auditors in Armenia

### AZERBAIJAN REPUBLIC

- The Chamber of Auditors of Azerbaijan Republic

### BOSNIA AND HERZEGOVINA

- Association of Accountants and Auditors of Republika Srpska

### CAYMAN ISLANDS

- Cayman Islands Society of Professional Accountants\*\*

### IRAN

- Iranian Association of Certified Public Accountants

### IRELAND

- The Institute of Accounting Technicians in Ireland

### KOSOVO (UNMIK)

- Society of Certified Accountants and Auditors of Kosovo

### KYRGYZSTAN

- Union of Accountants and Auditors of Kyrgyzstan

### LATVIA

- Latvian Association of Certified Auditors

### LITHUANIA

- Lithuanian Chamber of Auditors

### MAURITIUS

- Mauritius Institute of Professional Accountants\*\*

### MONGOLIA

- Mongolian Institute of Certified Public Accountants

### MONTENEGRO (REPUBLIC OF)

- Institute of Accountants and Auditors of Montenegro

### NEPAL

- The Institute of Chartered Accountants of Nepal

### PAKISTAN

- Pakistan Institute of Public Finance Accountants

### PAPUA NEW GUINEA

- Certified Practising Accountants Papua New Guinea

### ROMANIA

- The Chamber of Financial Auditors of Romania

### RUSSIA

- Russian Collegium of Auditors

### SENEGAL

- Ordre National des Experts Comptables et Comptables Agréés du Sénégal\*\*

### 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

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### BAHRAIN

- Accounting and Auditing Organization for Islamic Financial Institutions

### FRANCE

- Fédération Internationale des Experts-Comptables Francophones

### NETHERLANDS

- Nederlandse Orde van Register EDP-Auditors\*\*

### UNITED STATES

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

## REGIONAL ACCOUNTANCY ORGANIZATIONS

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

IFAC recognizes four Regional Organizations that contribute to the development of the international accountancy profession by supporting IFAC initiatives, promoting international convergence, and providing leadership in addressing regional accounting and auditing issues.

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

There are four Acknowledged Regional Groupings that support the objectives and pronouncements of IFAC and support the advancement of the accountancy profession in their region.

- Association of Accountancy Bodies in West Africa
- Eurasian Council of Certified Accountants and Auditors
- Institute of Chartered Accountants of the Caribbean
- South Asian Federation of Accountants

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\*\* Associates and affiliate admitted by the IFAC Council in November 2007

## SERVICE DELIVERY

This section of the Annual Report describes the services actually delivered as against those planned (as specified in IFAC's Operational Plan for 2007). The services are categorized into five main Service Areas:

- Standards and Guidance;
- Promoting Quality;
- International Collaboration Activities;
- Representation of the Accountancy Profession in the Public Interest; and
- Information Services.

The services delivered have been described from a quantitative and, where appropriate, a qualitative perspective. All items specified in the "Delivered Services" column relate to 2007 unless indicated otherwise. Services identified as "Additional Services" were not included in the Operational Plan for 2007. When a planned service was not delivered during 2007 or is different from the planned service, a comment has been provided indicating the status of the project or event or the service delivered.

For the first time, the service delivery information has been subject to assurance procedures by IFAC's external auditor to provide assurance in relation to the actual services delivered in 2007. Because of the importance of service delivery to IFAC's overall performance, it has chosen to seek assurances over this non-financial service information, in addition to the audit performed over its Financial Statements. For further information regarding the assurance engagement, please refer to the assurance report provided on page 39.

### SECTION 1 STANDARDS AND GUIDANCE

#### Description

*The standards developed cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting. Guidance is developed in these areas as well as others, 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 standards.*

*Comments indicating the status of the service when not delivered in 2007 are outside the scope of the assurance engagement and are indicated with an asterix (\*).*

#### 1. Auditing and assurance pronouncements

1.1 Auditing and assurance pronouncements to be approved by the International Auditing and Assurance Standards Board (IAASB) and the Public Interest Oversight Board (PIOB)<sup>1</sup>:

##### ***Planned Services***

- International Standard on Auditing (ISA) 230 (Redrafted), *Audit Documentation*
- ISA 250 (Redrafted), *The Auditor's Responsibilities Relating to Laws and Regulations in an Audit of Financial Statements*
- ISA 260 (Revised and Redrafted), *Communication with Those Charged with Governance*

##### ***Delivered Services***

Approved by IAASB in September  
Approved by PIOB in December

Exposure Draft (ED) approved in April  
Approval anticipated in early 2008\*

Approved by IAASB in September  
Approved by PIOB in December

<sup>1</sup> The PIOB's approval of individual pronouncements is based on its assessment of whether due process requirements have been satisfied.

### ***Planned Services***

- ISA 320 (Revised and Redrafted), *Materiality in Planning and Performing an Audit*
- ISA 450 (Revised and Redrafted), *Evaluation of Misstatements Identified during the Audit*
- ISA 540 (Revised and Redrafted), *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- ISA 545 (Revised and Redrafted), *Auditing Fair Value Measurements and Disclosures*
- ISA 560 (Redrafted), *Subsequent Events*
  
- ISA 600 (Revised and Redrafted), *The Audit of Group Financial Statements*
  
- ISA 610 (Redrafted), *The Auditor's Consideration of the Internal Audit Function*
- ISA 620 (Revised and Redrafted), *Using the Work of an Auditor's Expert*
- ISA 720 (Redrafted), *The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements*

### ***Delivered Services***

- IAASB approval anticipated in early 2008\*
- IAASB approval anticipated in early 2008\*
- Approved by IAASB in December  
Submitted to PIOB for consideration in February 2008\*
- ISA 545 was combined with ISA 540 (Revised and Redrafted)
- Approved by IAASB in December  
Submitted to PIOB for consideration in March 2008\*
- Approved as ISA 600 (Revised and Redrafted), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, by IAASB in July  
Approved by PIOB in September
- IAASB approval anticipated in early 2008\*
- ED approved in September
- Approved by IAASB in September  
Approved by PIOB in December

## 1.2 Auditing and assurance EDs to be approved by the IAASB to be issued for comment<sup>2</sup>:

### ***Planned Services***

- ED International Standard on Quality Control (ISQC) 1 (Redrafted), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*
- ED ISA 200 (Revised and Redrafted), *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing*
- ED ISA 210 (Redrafted), *Agreeing the Terms of Audit Engagements*
- ED ISA 220 (Redrafted), *Quality Control for an Audit of Financial Statements*
- ED ISA 402 (Revised and Redrafted), *Audit Considerations Relating to an Entity Using a Third Party Service Organization*

### ***Delivered Services***

- Approved in July
- Approved in April
- Approved in December
- Approve in July
- Approved in December

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2. Exposure drafts are not subject to approval by the PIOB.

### ***Planned Services***

- ED ISA 500 (Redrafted), *Considering the Relevance and Reliability of Audit Evidence*
- ED ISA 501 (Redrafted), *Audit Evidence Regarding Specific Financial Statement Account Balances and Disclosures*
- ED ISA 505 (Revised and Redrafted), *External Confirmations*
- ED ISA 510 (Redrafted), *Initial Audit Engagements — Opening Balances*
- ED ISA 520 (Redrafted), *Analytical Procedures*
- ED ISA 530 (Redrafted), *Audit Sampling*
- ED ISA 570 (Redrafted), *Going Concern*
- ED ISA 580 (Revised and Redrafted), *Written Representations*
  
- ED ISA 700 (Redrafted), *The Independent Auditor's Report on General Purpose Financial Statements*
- ED ISA 701 (Redrafted), *Reports on Other Historical Financial Information*
- ED ISA 705 (Revised and Redrafted), *Modifications to the Opinion in the Independent Auditor's Report*
- ED ISA 706 (Revised and Redrafted), *Emphasis of Matter Paragraphs and Other Matter(s) Paragraphs in the Independent Auditor's Report*
- ED ISA 710 (Redrafted), *Comparative Information — Corresponding Figures and Comparative Financial Statements*
- ED ISA 800 (Revised and Redrafted), *Special Considerations — Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ED ISA 805 (Revised and Redrafted), *Engagements to Report on Summary Financial Statements*
- ED ISA 265, *Communicating Deficiencies in Internal Control*
- ED ISA XXX, *Forming an Opinion*
- ED International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Third Party Service Organization*

### ***Delivered Services***

- Approved in April
  
- Approved in December
  
- Approved in September
- Approved in July
  
- Approved in December
- Approved in July
- Approved in February
- Final ISA approved by IAASB in December  
Submitted to PIOB for consideration in March 2008\*

Approved in July

Project was incorporated in ED ISA 800

Approved in July

Approved in July

Approved in December

Approved in July

Approved in July

Approved in December

Project was assessed and not pursued\*

Approved in December

### ***Additional Services***

ED ISA 550 (Revised and Redrafted), *Related Parties* was approved in February

### *Additional Services*

An amended International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements* was approved in December.

An amended ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* was approved in December.

## **2. Ethics pronouncements**

2.1 Ethics exposure drafts to be approved by the International Ethics Standards Board for Accountants (IESBA) to be issued for comment:

### *Planned Services*

- Proposed Revised Section 290 of the Code of Ethics for Professional Accountants, *Independence — Audit and Review Engagements*, and Proposed Section 291, *Independence — Other Assurance Engagements* (Phase 1)
- Proposed Revised Section 290 of the Code of Ethics for Professional Accountants, *Independence — Audit and Review Engagements*, and Proposed Section 291, *Independence — Other Assurance Engagements* (Phase 2)
- Whistle-blowing (ethical guidance for accountants when encountering fraud or illegal acts)
- Conflicts of Interest

### *Delivered Services*

ED approved in December 2006\*

ED approved in June

Project on hold pending IESBA strategic review\*

Project on hold pending IESBA strategic review\*

## **3. Education pronouncements**

3.1 Education pronouncements to be approved by the International Accounting Education Standards Board (IAESB) and submitted to the PIOB:

### *Planned Services*

- International Education Practice Statement (IEPS) 1, *Approaches to Developing and Maintaining Professional Values, Ethics, and Attitudes*
- IEPS 2, *Information Technology for Professional Accountants*
- IEPS 3, *Practical Experience Requirements — Initial Professional Development for Professional Accountants*

### *Delivered Services*

Approved by IAESB in June  
Approved by PIOB in September

Approved by IAESB in June  
Approved by PIOB in September

Approved by IAESB in October  
Approved by PIOB in December

3.2 Education guidance approved by the IAESB:

### *Planned Services*

- Development of information paper on output-based continuing professional development

### *Delivered Services*

Project anticipated to be completed in early 2008\*

### *Additional Services*

Ethics Education Toolkit issued in CD-ROM format in February and downloadable format in July

## **4. Public sector financial reporting pronouncements**

4.1 Public sector financial reporting pronouncements to be approved by the International Public Sector Accounting Standards Board (IPSASB):

### *Planned Services*

- International Public Sector Accounting Standard (IPSAS) 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers)*
- Social Policies of Government (Non-pensions)
- Social Policies of Government (Pensions other than Government Employees)
- Revised IPSASs based on ED 26, *Improvements to International Public Sector Accounting Standards*
- IPSAS 25, *Employee Benefits*
- IPSAS 26, *Impairment of Cash-Generating Assets*
- IPSAS based on ED 28, *Disclosure of Financial Information about the General Government Sector*
- Update to Glossary of Defined Terms

### *Delivered Services*

- Approved in November 2006\*
- ED IPSAS 34, *Social Benefits* and consultation paper approved in November
- ED IPSAS 34, *Social Benefits* and consultation paper approved in November
- Approved in November 2006\*
- Approved in November
- Approved in November
- Approved in November 2006\*
- Approved in November 2006\*

4.2 Public sector exposure drafts to be approved by the IPSASB to be issued for comment:

### *Planned Services*

- External Assistance — Cash Basis
- Heritage Assets

### *Delivered Services*

- Amendment to the Cash-Basis IPSAS approved in November
- Project deferred\*

### *Additional Services*

ED IPSAS 4, *The Effects of Changes in Foreign Exchange Rates* approved in September

## **5. Board pronouncements**

5.1 Pronouncements to be approved by the Board<sup>3</sup>:

### *Planned Services*

- Possible revisions to Membership Criteria and/or Statements of Membership Obligations (SMOs)

### *Delivered Services*

The Board approved revisions to IFAC Membership Criteria in November

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3. The term "Board" refers to the governing Board of IFAC.

## 6. Developing nations guidance

6.1 Guidance to be approved by the Developing Nations Committee:

### *Planned Services*

- Update to *Establishing and Developing a Professional Accountancy Body* (“Toolkit”) — including translation to Spanish and French

### *Delivered Services*

A 2007 version of the Toolkit was approved in October  
Translations of the 2005 version of the Toolkit were issued in Spanish (March), in French (October) and in Russian (October)

## 7. Professional accountants in business guidance

7.1 Guidance to be approved by the Professional Accountants in Business (PAIB) Committee:

### *Planned Services*

- International Good Practice Guidance (IGPG) Preface
- IGPG on *Defining and Developing an Effective Code of Conduct for Organizations*
- IGPG on Business Valuation
- Two additional IGPG exposure drafts
- Information paper on the Role of PAIBs in Ensuring Good Corporate Governance
- Information paper, *Articles of Merit 2007*

### *Delivered Services*

ED, *Preface to IFAC’s International Management Accounting Statements and IGPG* approved in March

Approved in March

The PAIB Committee will continue to monitor developments. Project developed on the use of discounted cash flow analysis at this time.\*

ED on *Project Appraisal Using Discounted Cash Flow* approved in March

Approval of a Proposed IGPG on *Improving and Evaluating Enterprise Governance* anticipated in early 2008\*

Published in October

### *Additional Services*

Information paper on *Internal Control from a Risk-Based Perspective* approved in August

## 8. Small and medium practices guidance

8.1 Guidance to be approved by the Small and Medium Practices (SMP) Committee:

### *Planned Services*

- ISA Implementation Guide
- Practice Management Guide
- Information paper on how SMPs can support the needs of small and medium entities (SMEs) and their stakeholders
- Information paper on review engagements

### *Delivered Services*

*Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities* issued in December

Project anticipated to be completed in 2009\*

Project deferred. Will be reconsidered during 2008\*

A project addressing the performance of review engagements is under consideration\*

## SECTION 2 PROMOTING QUALITY

### Description

*IFAC promotes the provision of high quality services by all members of the profession through implementation of a member body compliance program, initiatives aimed at improving audit quality and issuance of good practice guidance.*

*Through these assurance mechanisms, IFAC seeks to strengthen the global profession and enhance the competence of members of the profession. This, in turn, will contribute to improved public confidence in the profession, fair and equitable legislation and regulation of professional liability, improved corporate behavior, and more stable and robust regulatory regimes.*

*Comments indicating the status of the service when not delivered in 2007 are outside the scope of the assurance engagement and are indicated with an asterix (\*).*

### 1. Member Body Compliance Program

#### 1.1 Quality assurance activities of the Member Body Compliance Program:

##### *Planned Services*

- Continued review and publication of Part 2 results and maintenance of Part 1
- Development and approval of member body action plans
- Assessment of new member applications

##### *Delivered Services*

By December 31, 2007, 156 Part 2 responses were published on website (Note: Some of these responses were published in 2006)

Member Body Policy Recommendation process approved by the Compliance Advisory Panel in April  
65 Member Body Policy Recommendations issued by December 31, 2007

Guidance Notes for the Member Body Compliance Program Part 3, Action Plan issued in December

Summary of the Part 3 process provided in English, French, Russian and Spanish

The following associates were admitted by the IFAC Council in November:

- Cayman Islands Society of Professional Accountants
- Mauritius Institute of Professional Accountants
- Ordre National des Experts Comptables et Comptables Agréés du Sénégal

The following affiliate was admitted by the IFAC Council in November:

- Nederlandse Orde van Register EDP-Auditors

### 2. Small and Medium Practices

#### 2.1 Quality assurance activities of the Small and Medium Practices Committee:

##### *Planned Services*

- ISQC 1, Quality Control implementation guide for SMPs

##### *Delivered Services*

Project anticipated for completion in late 2008\*



### 3. Transnational Auditing

#### 3.1 Quality assurance activities of the Transnational Auditors Committee:

##### *Planned Services*

- Continued implementation of self-assessment and reporting process for Forum of Firms members

##### *Delivered Services*

The Transnational Auditors Committee approved a self-assessment guide for Forum of Firms members to use when reporting on their membership obligations. It is anticipated that several Forum members will provide assessment reports in early 2008.

##### *Additional Services*

Good Practice Guidance on *Perspectives on the Global Application of IFRS* approved in January

Good Practice Guidance on *Tone at the Top and Audit Quality* approved in December

## SECTION 3 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 other organizations. IFAC undertakes collaboration activities in an effort to encourage convergence to high quality international standards, to develop the broader profession in all economies, and to enhance and assure the quality, accuracy, and reliability of information.*

*These activities cover a wide spectrum of topics and are 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.*

*In addition to encouraging convergence through greater involvement, collaboration activities encourage greater efficiency in project implementation. Globalization has broadened the overlap of interests between member bodies and IFAC as the global organization. Through collaborative efforts, IFAC seeks a greater return on investment for the profession as a whole and enhanced benefit/scope of activities otherwise limited by resources.*

*Comments indicating the status of the service when not delivered in 2007 are outside the scope of the assurance engagement and are indicated with an asterix (\*).*

### 1. Member Body Compliance and Development

#### 1.1 Collaboration activities of the Member Body Compliance Program:

##### *Planned Services*

- Coordination of work and sharing of information with World Bank Reports on the Observance of Standards and Codes (ROSC) teams

##### *Delivered Services*

IFAC representatives presented at the following World Bank ROSC workshops and related events:

- Cambodia (May)
- El Salvador (February)
- Georgia (January)
- Kazakhstan (October)
- Thailand (January)
- Uruguay (May)

### *Planned Services*

- Biannual meetings with World Bank

### *Delivered Services*

IFAC hosted representatives from the World Bank and Inter-American Development Bank responsible for accounting projects for Latin America in New York in August. IFAC also hosted a meeting with the World Bank's staff responsible for Europe and Central Asia ROSC activities in New York in August.

## 1.2 Collaboration activities of the Developing Nations Committee:

### *Planned Services*

- 2nd Annual Developing Nations Conference

### *Delivered Services*

IFAC, together with the World Bank and the Inter-American Development Bank, hosted a three-day conference in Mexico City, Mexico in June entitled *Accounting and Accountability for Regional Economic Growth*. Various IFAC representatives presented at the conference.

### *Additional Services*

IFAC is a member of the Africa Focus Group (AFG) and plays a coordination and facilitation role. The AFG met in Nairobi, Kenya in July and in Tunis, Tunisia in October. In addition to IFAC, the membership of the AFG includes the Association of Accountancy Bodies in West Africa, the Eastern Central and Southern African Federation of Accountants and the Fédération Internationale des Experts Comptables Francophones. The principal focus is the establishment of a Pan-African accountancy grouping.

## 2. Standard Setting

### 2.1 Collaboration activities with national and international standard setters:

#### *Planned Services*

- Annual meeting of National Auditing Standard Setters
- Participation at semi-annual European National Auditing Standard Setters meetings
- Participation at quarterly Public Company Accounting Oversight Board (PCAOB) Standing Advisory Group (SAG) meetings
- Meeting of National Ethics Standards Setters

#### *Delivered Services*

The IAASB hosted its annual National Auditing Standard Setters meeting in New York, United States, in March.

IAASB representatives participated in two European Auditing Standards Setters meetings hosted by the Fédération des Experts Comptables Européens (FEE) in Brussels, Belgium in March and November.

IAASB representatives participated in all three PCAOB SAG meetings held in Washington, D.C., United States in February, June and October.

No meeting took place in 2007\*

### *Additional Services*

IPSASB representatives participated in National Standard Setters meetings in Hong Kong in March and in London, United Kingdom in September. IPSASB representatives also participated in a World Standard Setters meeting in London, United Kingdom in September.

## 2.2 Facilitation of Consultative Advisory Groups:

### *Planned Services*

- Meetings of the IAASB Consultative Advisory Group (CAG)
- Meetings of the IAESB CAG
- Meetings of the IESBA CAG

### *Delivered Services*

The IAASB CAG met in March in New York, United States; in June in Brussels, Belgium; and in September in London, United Kingdom.

The IAESB CAG met in February in New York, United States and in September in Dublin, Ireland.

The IESBA CAG met in September in London, United Kingdom and in December in Brussels, Belgium.

## 3. Other Collaborative Activities

### 3.1 Collaboration with other organizations:

#### *Planned Services*

- Liaison with the International Organization of Supreme Audit Institutions (INTOSAI)

#### *Delivered Services*

IFAC staff participated in eight meetings throughout the year of INTOSAI's Professional Standards Committee and the Financial Audit Guidelines Subcommittee. The main focus of these meetings was the development of Financial Audit Guidelines, consisting of a Practice Note for application to the public sector and an approved ISA.

IFAC staff participated in the XIX International Congress of Supreme Audit Institutions (INCOSAI) held in Mexico City, Mexico, in November. The first nine Financial Audit Guidelines were approved by the INTOSAI Governing Board and endorsed by INCOSAI during this event.

INTOSAI representatives participated on eight IAASB task forces. INTOSAI is also an official observer to the IPSASB and attended IPSASB meetings during the year.

- Liaison with the Institute of Internal Auditors (IIA) The IIA participated as a member of the IAASB CAG. A meeting is planned for early 2008 to discuss IAASB and PAIB Committee projects of interest to the IIA.\*

### ***Planned Services***

- Liaison with the United Nations Conference on Trade and Development (UNCTAD)

### ***Delivered Services***

SMP Committee representatives met with UNCTAD in Geneva, Switzerland in July to discuss the committee's micro-entity financial reporting project and IFAC's response to the International Accounting Standards Board's (IASB's) proposed International Financial Reporting Standard for Small and Medium-sized Entities.

An IFAC representative presented at the 24th Session of the UNCTAD International Standard of Accounting and Reporting in Geneva, Switzerland in October/November.

UNCTAD has representatives on the IAESB (Public member) and the Developing Nations Committee (Observer) who act as liaisons between the two organizations.

### ***Additional Services***

IAESB representatives participate in the International Association for Accounting Education and Research and the Association of Chartered Certified Accountants (ACCA) Research Program. During 2007, this involved consultation on potential research topics.

## 3.2 Collaboration activities of the SMP Committee:

### ***Planned Services***

- The SMP Committee to hold an annual consultative forum

### ***Delivered Services***

The SMP Committee held its annual SMP Forum, cohosted by the Malta Institute of Accountants, in St. Julians, Malta in October. The Forum was supported by various IFAC speakers.

## **SECTION 4 REPRESENTATION OF THE ACCOUNTANCY PROFESSION IN THE PUBLIC INTEREST**

### **Description**

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

*By undertaking these activities, IFAC contributes to increased public confidence in the profession, convergence to international standards, improved corporate behavior, strong regulatory regimes that support market efficiency, and improved regulation of the profession.*

*Comments indicating the status of the service when not delivered in 2007 are outside the scope of the assurance engagement and are indicated with an asterix (\*).*

## 1. Regulatory and Public Policy Activities

1.1 Speaking opportunities by the Officers (President, Deputy President and Chief Executive Officer) on public interest issues:

### *Planned Services*

- Participation in various conferences, seminars and roundtable discussions with various groups, including regulators, financial institutions, and development agencies

### *Delivered Services*

The Officers participated in the following conferences, seminars and roundtable discussions:

- World Bank Financial Management meeting, Washington, D.C., United States, January
- Ukrainian Ministry of Finance and UNCTAD International Conference, Kiev, Ukraine, February
- World Bank distance learning for Latin America and the Caribbean, video conference, April
- International Organization of Securities Commissions (IOSCO) Emerging Markets Committee, Working Group No. 1, Mumbai, India, April
- Mexican Federal Institute of Access to Public Information Conference, Mexico City, Mexico, June
- Latin America and Caribbean Regional Conference (Accounting and Accountability for Regional Economic Growth), Mexico City, Mexico, June
- IIA meetings, Amsterdam, the Netherlands, July
- Global Public Policy Committee Standards Working Group, New York, United States, September
- Deloitte Audit Leadership, Buenos Aires, Argentina, September
- International Financial Executives Forum, Montreal, Canada, October
- Basel Committee's Accounting Task Force Meeting, Basel, Switzerland, October
- PKF International — International Symposium in Latin America, Buenos Aires, Argentina, October
- Financial Times Inaugural Audit Committee Summit: Revolution in the Boardroom, London, United Kingdom, October

1.2 IFAC Regulatory Liaison Group

### *Planned Services*

- The IFAC Regulatory Liaison Group (IRLG) to meet with the Monitoring Group (MG) of regulators twice annually

### *Delivered Services*

The IRLG met with the MG once in February in Madrid, Spain

1.3 IASB Standards Advisory Council (SAC)

### *Planned Services*

- Attendance by the Chief Executive Officer at the three IASB SAC meetings

### *Delivered Services*

The Chief Executive Officer attended all three SAC meetings held in February, June and November, all in London, United Kingdom

## 1.4 Regulatory and Other Relationships

### *Planned Services*

- Develop and maintain relationships with key regulatory organizations, development agencies and financial institutions

### *Delivered Services*

During 2007, IFAC continued its relationships with the following international and regional organizations:

- African Development Bank
- Asian Development Bank
- Basel Committee on Banking Supervision
- European Commission
- Financial Stability Forum
- Inter-American Development Bank
- IASB
- International Accounting Standards Committee (IASC) Foundation
- International Forum of Independent Audit Regulators
- International Monetary Fund (IMF)
- IOSCO
- INTOSAI
- Organisation for Economic Co-operation and Development (OECD)
- United Nations
- UNCTAD
- World Bank
- World Federation of Exchanges

### **Public Interest Oversight Board**

In addition to these relationships, IFAC continued to work closely with the PIOB. Various IFAC representatives attended parts of all four PIOB meetings during 2007, which were held in Madrid, Spain in March; in Amsterdam, the Netherlands in June; in Madrid, Spain in September; and in New York, United States in December.

The PIOB considered and approved the due process applied to seven proposed standards and statements as indicated under the “Standards and Guidance” services delivered.

## 2. Public Policy Positions and External Submissions

### 2.1 Develop public policy positions on:

#### *Planned Services*

- Regulation of the accountancy profession
- Industry concentration of professional accounting firms
- The status of professional liability
- General Agreement on Trade in Services (GATS)

#### *Delivered Services*

The Board approved IFAC’s position on professional regulation in November

IFAC monitored developments in various national jurisdictions on the issue of concentration of audit firms and will reconsider the need for a policy position during 2008.\*

A case study is under development and is expected to be approved in 2008.\*

Project on hold pending further developments by the World Trade Organization in relation to GATS.\*

## 2.2 Submissions to external organizations:

### *Planned Services*

- Provide timely and high quality submissions to external parties who seek input into issues that affect the international accountancy profession

### *Delivered Services*

IFAC made submissions to the following organizations during 2007:

- The IASB, on the exposure draft of International Financial Reporting Standard for Small and Medium-sized Entities
- The IASC Foundation, on *Enlarging the IFRIC: Proposed Amendments to the IASC Foundation Constitution and the Preface to International Financial Reporting Standards*

## 3. Promotion of IFAC's Public Interest Activities

### 3.1 Speaking opportunities by the Officers:

#### *Planned Services*

- Participation in conferences and seminars of IFAC member bodies and regional organizations

#### *Delivered Services*

The Officers participated in the following conferences and seminars of IFAC member bodies and regional organizations:

- Institute of Chartered Accountants of India, Chennai, India, January
- South Asian Federation of Accountants Technical Workshop and related meetings, Colombo, Sri Lanka, January
- Conselho Federal de Contabilidade (one of IFAC's Brazilian member bodies) Conference and related meetings, Brasilia, Brazil, March
- Junta de Decanos de Colegios de Contadores Públicos del Perú (IFAC's Peruvian member body), Lima, Peru, April
- The Institute of Professional Accountants of Russia, by video message, April
- Colegio de Contadores Públicos Autorizados de Panamá (IFAC's Panamanian member body), Panama City, Panama, May
- Colegio de Contadores Públicos de Costa Rica (IFAC's Costa Rican member body), San José, Costa Rica, May
- Consejo Profesional de Ciencias Económicas de la Ciudad de Buenos Aires, Buenos Aires, Argentina, May
- Accountants Association in Poland 100th anniversary conference, Warsaw, Poland, May
- FEE Leaders Dinner, London, United Kingdom, May
- Felag loggiltra endurskooenda (IFAC's Icelandic member body) seminar, Reykjavik, Iceland, June
- ACCA Council meeting, Chewton Glen, United Kingdom, July
- Instituto Nacional de Contadores Públicos de Colombia (IFAC's Columbian member body), Bogotá, Colombia, July
- National Congress of the Colegio de Contadores del Paraguay (IFAC's Paraguay member body), by video message, September
- 17th Conference of the Confederation of Asian and Pacific Accountants (CAPA), Osaka, Japan, October
- Interamerican Accounting Association XXVII Interamerican Accounting Conference, Santa Cruz de la Sierra, Bolivia, October

### *Planned Services*

### *Delivered Services*

- Chamber of Hungarian Auditors 75th Anniversary — International Conference, Budapest, Hungary, October
- Slovenska Komora Auditorov 15th Anniversary, Bratislava, Slovakia, October
- National Association of State Boards of Accountancy 100th Annual Meeting, Hawaii, United States, October
- ACCA International Assembly, London, United Kingdom, November
- Instituto de Censores Jurados de Cuentas de España National Congress on Auditing, by video message, November
- FAR SRS Seminar (IFAC's Swedish member body), Stockholm, Sweden, November
- Ukrainian Federation of Professional Accountants Forum of Ukrainian Accountants and Auditors, by video message, December

## 3.2 Member Body Compliance Program and Developing Nations Committee

### *Planned Services*

- Meetings with development agencies, regulatory agencies and regional groups

### *Delivered Services*

Compliance and Developing Nations representatives participated in the following events:

- World Bank's Global Distance Learning network (GDLN) for the Latin America and Caribbean region, presenting on six of the 10 modules of this electronic learning network, which were held from January to May
- ASEAN Federation of Accountants 89th Council Meeting, Bangkok, Thailand, January
- IOSCO Emerging Markets Committee, Working Group No. 1, Dubai, United Arab Emirates, December

Refer also to services delivered under "International Collaboration Activities"

- Meetings with IFAC member bodies and regional organizations

Compliance and Developing Nations representatives met with the following organizations:

- Consultative Committee of Accountancy Bodies, London, United Kingdom, January
- Vietnamese Association of Accountants, and a newly formed related organization, Vietnamese Association of Certified Public Accountants, Hanoi, Vietnam, January
- CPA Australia, Hanoi, Vietnam, January
- Federation of Accounting Professions, Bangkok, Thailand, January
- Indonesian Institute of Accountants, Bangkok, Thailand, January
- Botswana Institute of Accountants annual conference, Botswana, March
- South African Institute of Chartered Accountants and the South African Institute of Professional Accountants, Johannesburg, South Africa, March



### *Planned Services*

### *Delivered Services*

- Corpul Expertilor Contabili si Contabililor Autorizati din Romania and the Chamber of Financial Auditors of Romania, Bucharest, Romania, April
- Latvian Association of Certified Auditors, Riga, Latvia, April
- Lithuanian Chamber of Auditors, Vilnius, Lithuania, April
- South Eastern Europe Partnership for Accountancy Development's Conference on Public Oversight, Chisinau, Moldova, April
- Institute of Chartered Accountants of Nigeria, Lagos, Nigeria, May
- CAPA Meeting, Karachi, Pakistan, May
- Institute of Chartered Accountants of Pakistan International Conference, Karachi, Pakistan, May
- Representatives from various key stakeholders to discuss and support Russia's commitment to the development of the profession, including senior representatives from the Ministry of Finance, both IFAC's member and associate organizations, and transnational audit firms, Moscow, Russia, July
- CGA Canada, Vancouver, Canada, July
- Ordre National des Experts Comptables, des Commissaires aux Comptes et des Comptables Agréés (Algeria), New York, United States, August
- Chamber of Auditors of the Republic of Kazakhstan, Almaty, Kazakhstan, October
- ACCA Assembly, London, United Kingdom, November

### 3.3 IAASB

#### *Planned Services*

- Meetings with regulators, including IOSCO, European Commission, and PCAOB SAG
- Meetings with INTOSAI
- Participation at various other international, regional and national forums

#### *Delivered Services*

- IAASB representatives met with the following organizations:
- Canadian Public Accountability Board Meeting, Toronto, Canada, January
  - PCAOB SAG meetings, Washington, D.C., United States, February, June and October
  - Basel Committee's Accounting Task Force Meeting, Sydney, Australia, April
- Refer to "International Collaboration Activities" services delivered
- IAASB representatives participated in events of the following organizations:
- American Accounting Association Auditing Section meeting, Charleston, United States, January
  - World Bank distance learning for Latin America and the Caribbean by video conference, January and March
  - Pace University Lubin School of Business Conference, New York, United States, April
  - Indian Auditing and Assurance Standards Board, New Delhi, India, May
  - Danish National Audit Office, Copenhagen, Denmark, June

### *Planned Services*

- Liaison with the European Commission, European Group of Auditors' Oversight Bodies, IOSCO and others
- Liaison with the XBRL Assurance Working Group

#### 3.4 IAESB

### *Planned Services*

- Participation in meetings and events of UNCTAD
- Liaison with regulators, development agencies and regional groups

### *Delivered Services*

- Norwegian Institute of Public Accountants seminar, Oslo, Norway, June
  - Costa Rica VII Public Accounting Congress, San José, Costa Rica, June
  - American Accounting Association Annual Meeting, Chicago, United States, August
  - FEE Third European Congress for SME and SMP Accountants, Scheveningen, the Netherlands, September
  - Russia Five Year Anniversary of the Audit Council of Russia and 20th Anniversary of the First Russian Audit Firm, Moscow, Russia, September
  - Philippine Institute of Certified Public Accountants and PIPCA International 2nd Global Convention, New York, United States, September
  - Central American Joint Celebration of IFAC's 30th Anniversary, San Salvador, El Salvador, October
  - CPA Associates International 50th Annual Meeting, New York, United States, October
  - New York State Society of CPAs Annual Auditing Conference, New York, United States, October
  - Fourth European Audit Research Network (EARNet) Symposium, Aarhus, Denmark, October
  - 24th Session of Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, Geneva, Switzerland, October
  - Universidad Externado de Colombia Faculty Event, Bogotá, Colombia, November
  - Fédération des Experts Comptables Méditerranéens Annual Conference, Athens, Greece, November
- IAASB representatives liaised with the following organizations:
- Audit Regulatory Committee of the European Commission, Brussels, Belgium, January
  - European Group of Audit Oversight Bodies Meeting, Brussels, Belgium, October

There were no liaison activities during 2007\*

### *Delivered Services*

- IAESB representatives participated in the following events:
- 24th Session of Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting, Geneva, Switzerland, October
- IAESB representatives liaised with the following organizations:
- World Bank distance learning for Latin America and the Caribbean, by video conference, May

### *Planned Services*

- Participation in various academic conferences, including conferences of the European Accounting Association and American Accounting Association
- Participation at various other international, regional and national forums

### *Delivered Services*

IAESB representatives participated in events of the following organizations:

- Japanese Association of Graduate Schools of Accountancy, Tokyo, Japan, March
- British Accounting Association Scottish Conference, Aberdeen, United Kingdom, September
- Mexican Association of Business and Accounting Faculty/ International Association for Accounting Education and Research Annual Meeting, Mexico City, Mexico, September

IAESB representatives participated in events of the following organizations:

- National Association of State Boards of Accountancy Joint Panel on Education, Dallas, United States, April
- IASC Foundation, Conference, Zurich, Switzerland, May
- Education Seminar with the Czech Union of Accountants and the Czech Chamber of Auditors, Prague, Czech Republic, June
- South Asian Federation of Accountants Conference, Colombo, Sri Lanka, September
- IAESB/Chinese Institute of CPAs Education Seminar, Beijing, China, October
- Fourth EARNet Symposium, Aarhus, Denmark, October
- 17th Conference of the CAPA, Osaka, Japan, October
- The Institute of State Authorized Public Accountants in Iceland Conference, Reykjavík, Iceland, November

## 3.5 IESBA

### *Planned Services*

- Participation in meetings and events of regulators, development agencies and regional groups

### *Delivered Services*

IESBA representatives participated in events of the following organizations:

- World Bank distance learning for Latin America and the Caribbean by video conference, April
- Ethics Committee of FAR SRS, Stockholm, Sweden, June
- Intercollege Public Lecture on Ethics and the Accountancy Profession, Nicosia, Cyprus, December
- World Bank event, Lagos, Nigeria, December

## 3.6 IPSASB

### *Planned Services*

- Participation at various other international, regional and national forums

### *Delivered Services*

IPSASB representatives participated in events of the following organizations:

- New Zealand Treasury, Wellington, New Zealand, January
- East and Southern Africa Association of Auditors General, Johannesburg, South Africa, February
- Research Institute, Tokyo, Japan, February
- SSPA Conference, Rome, Italy, February
- Netherlands Court of Audit, The Hague, the Netherlands, February and September

## *Planned Services*

## *Delivered Services*

- Canadian Conference of Legislative Auditors and Comptrollers, Victoria, Canada, February and September
- OECD Financial Management Accruals Symposium, Paris, France, March
- IMF Strengthening Public Investment and Managing Fiscal Risks from Public Private Partnerships, Budapest, Hungary, March
- Association of Accountancy Bodies in West Africa, Forum of Accountants and Auditors General of West Africa and the Institute of Chartered Accountants in Ghana, Accra, Ghana, March
- Ernst & Young Symposium, Zurich, Switzerland, March
- Emerging Accounting and Auditing Issues Discussion Group, Melbourne, Australia, March and October
- Royal NIVRA Public Sector Committee, The Hague, the Netherlands, March, June and November
- Canadian Institute of Chartered Accountants Public Sector Accounting Board, various cities, Canada, March, June, July and September
- Vietnamese Ministry of Finance, Hanoi, Vietnam, April
- Swiss Federal Parliament hearings, Berne, Switzerland, April
- Local Government Conference on Accrual Accounting, Siena, Italy, May
- Ministry of Finance of Cyprus, Nicosia, Cyprus, May
- World Accounting Summit, Dubai, United Arab Emirates, May
- Australian Accounting Standards Board Consultative Group, Melbourne, Australia, May
- Comparative International Governmental Accounting Research 11th Biennial Conference, Coimbra, Portugal, June
- Institute of Certified Public Accountants of Cyprus, Nicosia, Cyprus, June
- Regional Audit Offices, Paris, France, June
- World Bank Workshop on Enhancement of Public Sector Financial Reporting, Washington, D.C., United States, June
- XBRL International, New York, United States, June
- Netherlands Accounting Standards Board for Municipalities and Provinces, Amsterdam, the Netherlands, September
- Australian CPA Public Sector Committee and related meetings, Melbourne, Australia, September
- Federal Accounting Standards Advisory Board meeting, Washington, D.C., United States, September
- International Colloquium on Financial Management for National Governments, Montreal, Canada, October
- Infonex Public Sector Conference, Ottawa, Canada, October
- 17th Conference of the CAPA, Osaka, Japan, October
- Joint meeting of the Australian Accounting Standards Board and New Zealand Financial Reporting Standards Board, Sydney, Australia, October

### *Planned Services*

- Attendance by the IPSASB Chair at three IASB SAC meetings

### 3.7 SMP Committee

#### *Planned Services*

- Participation at various other international, regional and national forums

### *Delivered Services*

- Australian Government Public Sector Forum, Canberra, Australia, October
- OECD Symposium, Madrid, Spain, October
- Seminar of the Foundation for Business and Government, Rotterdam, the Netherlands, November
- State Parliament hearing, Zurich, Switzerland, November
- Chinese Ministry of Finance, Beijing, China, November
- Inter-American Development Bank International Seminar on Accounting in the Public Sector, Brasilia, Brazil, November
- Conference of ASEAN Federation of Accountants, Public Sector Accounting Discussion hosted by the Government Accounting Standards Committee, Jakarta, Indonesia, December
- Central State Financial Statements and Accounting Standards on Financial Instruments, Paris, France, December
- FEE Public Sector Committee, Brussels, Belgium, December
- United Kingdom Accounting Standards Board's Committee on Accounting for Public Benefit Entities, various

The IPSASB Chair is no longer an Official Observer on the IASB SAC and so does not attend these meeting.\*

While IPSASB no longer is a SAC Observers, it has an ongoing liaison with IASB representatives on various projects, including the development of a Conceptual Framework. IPSASB representatives participated in meetings in Hong Kong in March and London, United Kingdom in June.

#### *Delivered Services*

IFAC representatives participated in events of the following organizations:

- Institute of Chartered Accountants of India International Conference, Chennai, India, January
- Botswana Institute of Accountants' International Conference, Gaborone, Botswana, March
- Institute of Chartered Accountants in Nigeria Conference, Lagos, Nigeria, May
- CAPA International Standards Conference, Kuala Lumpur, Malaysia, June
- Institute of Chartered Accountants of the Caribbean Annual Conference, St. Kitts, June
- FEE Third European Congress for SME and SMP accountants, Scheveningen, the Netherlands, September
- 17th Conference of the CAPA, Osaka, Japan, October
- Câmara dos Técnicos Oficiais de Contas International Conference on SME, Lisbon, Portugal, December

## 3.8 Other Events

### Additional Services

IFAC held two 30th Anniversary events during 2007. The first event was an Anniversary Seminar held as part of the IFAC Council meeting in Mexico City, Mexico in November entitled *The Financial Reporting Environment in the 21st Century*.

The second event was a World Accountancy Forum held during World Accountancy Week (December 2-8) in New York, United States entitled *Government, the Accountancy Profession and the Public Trust: Current Initiatives and Future Challenges*.

## SECTION 5 INFORMATION SERVICES

### Description

*IFAC's information services are designed to support its overall strategy and are targeted to IFAC member bodies, regional organizations and various external audiences, including media, regulators, standard setters, international financial institutions, members of member bodies and others. IFAC achieves this through print and electronic communications, the IFAC website and intranets, and media relations.*

*The provision of these services contributes directly to supporting IFAC's commitment to serving the public interest, as well as increasing awareness of IFAC's public interest initiatives, including the role of IFAC and the profession in contributing to high quality financial information through convergence to IFAC and International Accounting Standards Board standards.*

*Comments indicating the status of the service when not delivered in 2007 are outside the scope of the assurance engagement and are indicated with an asterix (\*).*

### 1. Website

#### 1.1 IFAC websites and intranets

##### *Planned Services*

- Continued enhancement of the IFAC website to demonstrate commitment to transparency and increase accessibility of guidance
- Increase access to key information on the IFAC website and continually update content to reflect developments and initiatives

##### *Delivered Services*

The following enhancements were made to the website:

- New international centers were launched for Professional Accountants in Business and Small and Medium Practices
- All board and committee home pages were updated
- New web pages were developed about IFAC membership, IFAC's history and the 30th anniversary

In December, a new database of third-party translations of IFAC publications was launched.

### ***Planned Services***

- Continued maintenance of the Leadership and MemberNet to ensure the efficient and timely delivery of relevant information to member bodies, boards and committees

### ***Delivered Services***

New “Groups” were created in the MemberNet for the IFAC 30th Anniversary, the IFAC KnowledgeNet and Communications.

Additional Communications resources were added to the “IFAC Resources” section of the Leadership Intranet throughout the year.

### ***Additional Services***

On August 1, IFAC launched a multilingual website with core web pages translated into Arabic, Chinese, French, Russian and Spanish.

Throughout 2007, IFAC continued to expand and enhance the IFAC KnowledgeNet search engine (IFACnet), including adding content for accountants in small and medium practices and those in the public sector and expanding the multilingual content to include more languages. In 2007, 11 organizations joined IFACnet.

IFAC surveyed users of its website on how IFAC can further enhance the usability and relevancy of the site. Nearly 1,600 responses were received.

## **2. Media Relations**

### **2.1 Media enquiries and briefings, and press releases**

#### ***Planned Services***

- Generate and respond to media inquiries on matters relating to the international accountancy profession
- Schedule media briefings and seminars as news warrants and to provide background information to media
- Issue press releases on IFAC initiatives and positions, including development of new standards and guidance, outreach to developing nations, compliance program results, and other events and developments

#### ***Delivered Services***

Responded to more than 80 media inquiries and arranged for nearly 50 interviews with IFAC’s leadership, board and committee chairs, and others.

A letter to the editor of the *Financial Times* was published in July.

IFAC’s President and Chief Executive Officer participated in media conferences in Chennai, India in January and in Warsaw, Poland in May. The Executive Director, Professional Standards participated in a media conference in New Delhi, India in May.

IFAC issued 44 press releases on various activities.

### **2.2 Media survey**

#### ***Planned Services***

- Survey media contacts on issues of relevance to the profession and the role of IFAC

#### ***Delivered Services***

The media survey was completed in 2006, and the results were used in implementing the 2007 media strategy.\*

### 3. Communications Materials

#### 3.1 Issue the following IFAC Communications materials:

##### *Planned Services*

- IFAC Newsletter
- IFAC Annual Report
- IAASB Annual Report
- Various IFAC eNews
- Monthly Global Digest
- IFAC Capabilities Brochure
- Updated IFAC fact sheets

##### *Delivered Services*

Four issues of the newsletter were published: February, May, October, and December

Issued in April

Issued in March

Ten eNews electronic updates were issued, including a general IFAC eNews, three IPSASB eNews, two IAASB eNews, two SMP eNews, an Ethics eNews, and a Professional Accountants in Business eNews.

11 issues of the IFAC Global Digest were issued, including a combined November/December edition.

In lieu of a capabilities brochure, a brief IFAC history was written and distributed to member bodies and external stakeholders in December.

Fact sheets about IFAC and its boards and committees were updated frequently throughout the year as needed.

##### *Additional Services*

IFAC organized a number of activities throughout 2007 to celebrate its 30th anniversary. These included the development of a range of historical resources, such as a history page on the IFAC website and various articles for use by member bodies.

As part of the anniversary, IFAC conducted its first annual Global Leadership Survey of the Presidents and Chief Executives of member and regional bodies. The results were announced on December 3, during World Accountancy Week.

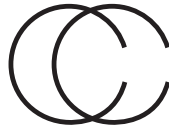
The new monthly IFAC Update was launched. The Update is a monthly electronic communication to member bodies and boards and committees that summarizes recent IFAC developments. Eleven issues of the IFAC Update were distributed in 2007. (No Update was issued in August.)

Beginning in September, the IFAC Update was translated into Arabic, Chinese, French, Russian, and Spanish and was posted on the multilingual IFAC website, as well as distributed to member bodies in countries that speak these languages.

In June, a mid-year report from IFAC's President and Chief Executive Officer was sent to the Presidents of all member bodies and associates.

In July, a mid-year report was sent to the large accounting firms represented in the Forum of Firms.





# Citrin Cooperman & Company, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT ASSURANCE REPORT ON SERVICE DELIVERY

To the Board of Directors of  
International Federation of Accountants

### REPORT ON SERVICE DELIVERY

We have performed certain assurance procedures on the accompanying description of services delivered by the International Federation of Accountants ("IFAC"), as described on pages 16 to 38 for the year ended December 31, 2007 ("Service Delivery"). The Service Delivery is a list of specific services delivered by IFAC during 2007. The objective of the assurance procedures was to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2007. The services are categorized into five service areas and have been described from a quantitative and qualitative perspective. Our procedures were not designed to assess the services delivered from a qualitative perspective, therefore comments or discussions in these terms was not considered in our work.

#### *Managements' Responsibility for the Service Delivery*

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

#### *Auditors' Responsibility*

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

The assurance procedures involve performing procedures to obtain evidence to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2007. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Service Delivery, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the Service Delivery in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Our procedures performed included, but were not limited to:

- 1) Examination of pronouncements, exposure documents, guidance and consultation papers issued and/or approved during 2007.
- 2) Examination of board, committee and group minutes approving pronouncements, exposure documents, guidance and consultation papers issued during 2007.
- 3) Confirmations from certain outside organizations, IFAC board and committee members and other IFAC representatives.
- 4) Examination of expense reports and underlying supporting documents.
- 5) Interviews with board and committee members, IFAC employees, consultants and representatives.

- 6) Examination of IFAC website content.
- 7) Examination of website content of third party organizations.

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

*Opinion*

In our opinion, the Service Delivery presents fairly, in all material respects, the services delivered by IFAC during 2007.

*Citrin Cooperman & Company, LLP*  

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CERTIFIED PUBLIC ACCOUNTANTS

March 31, 2008

## IFAC 2007 FINANCIAL HIGHLIGHTS

IFAC's role as the international organization for the accountancy profession and the level of services it delivers continues to grow, as highlighted in several places within this report. Growing global operating costs, combined with this growth in activity, continue to present challenges for how IFAC manages its financial resources. IFAC is thankful for the strong support it continues to receive from its member organizations, the transnational accountancy firms and other funding providers.

Below are the financial highlights for 2007. For further information on IFAC's financial performance, financial position and cash flows for 2007, please refer to the financial statements provided on pages 42 to 59.

### Continued Growth

- Total revenues and expenses continued to grow in 2007. Total revenues grew by 11 percent to \$17.0 million and total expenses grew by 10 percent to \$17.0 million. This growth reflects in part an increased level of activity, which is detailed in the Service Delivery section of this report, as well as the increased cost of operating.
- Price increases combined with the declining value of the US dollar relative to other major currencies had some impact during 2007, and it is anticipated that general price increases and US dollar weakness will be more significant factors in 2008.
- It is pleasing to note that in spite of factors noted above IFAC managed to achieve a small surplus for the year of \$29,000.

### Financial Position

- IFAC's financial position as at December 31, 2007 reflects increased total asset and liability positions from the prior year. These increases are primarily attributable to stronger receivables and property assets, and higher current liabilities, which are largely a result of the greater level of activity and the higher operating costs.
- The build-out of additional meeting space in its New York Offices in the first half of 2007 has contributed to a higher property asset position. The lease for this space is coterminous with its existing office space in the same building.
- The equity position remained relatively unchanged as at December 31, 2007 and provides coverage for slightly more than one month of activity. The IFAC Board and Council have noted that the operating revenue position will need to be considered in the near term to ensure that IFAC has a sufficient level of coverage for unanticipated expenses.

### Cash Flow

- While the statement of cash flows presents a decrease in IFAC's cash position, the payment by the Forum of Firms' in early January 2008 of its full receivable has meant that IFAC is in a relatively strong liquidity position.

### Public Interest Oversight Board

- IFAC continued to provide financial support to the Public Interest Oversight Board during 2007. The direct financial support provided by IFAC of \$1.56 million includes \$90,000 in funding from the World Bank and the United States Federal Reserve Board.

### Auditor

- IFAC received an unqualified auditor's opinion from Citrin Cooperman & Company, LLP, which is provided on page 60.

# FINANCIAL STATEMENTS

## Statement of Financial Performance

For the year ended December 31, 2007

Amounts in U.S. Dollars

	Note	2007	2006
<b>Operating revenue</b>			
Membership dues, net		\$9,443,130	\$8,439,060
Forum of Firms — IFAC activities	19	5,826,697	4,761,933
External funding for the IPSASB	13	820,217	516,394
Forum of Firms — Transnational Auditors Committee	19	386,698	485,023
Publications		254,863	246,286
Interest income		169,792	155,909
External funding for the Public Interest Oversight Board	3	90,000	140,000
External funding for the Developing Nations Committee		40,000	261,819
World Congress of Accountants revenue		—	256,580
IFAC KnowledgeNet		—	45,000
External funding for the IAESB		—	35,045
Other operating revenue		13,368	15,879
<b>Total operating revenue</b>		<b>\$17,044,765</b>	<b>\$15,358,928</b>
<b>Operating expenses</b>			
Employee costs	4, 14	\$9,486,301	\$7,768,446
Travel and meeting costs		3,301,216	3,716,144
Funding provided to the Public Interest Oversight Board	2, 3	1,562,243	1,047,363
Occupancy		591,570	483,133
Printing and distribution		373,517	300,633
Communications and publicity		357,065	720,260
Depreciation and amortization	8, 9	287,412	189,964
Telephone		151,957	155,692
IT support		126,933	224,122
Recruitment and relocation costs		113,520	233,641
Auditor remuneration			
Auditing financial statements		44,784	41,382
Tax and other services		13,425	4,737
Bad debt expense		39,456	(97,502)
Legal and other professional fees		30,237	141,901
Loss on disposal of property and equipment		2,167	3,375
Other operating expenses		533,849	496,625
<b>Total operating expenses</b>	2	<b>\$17,015,652</b>	<b>\$15,429,916</b>
<b>Surplus/(deficit) for the year</b>		<b>\$29,113</b>	<b>\$(70,988)</b>

*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, 2007  
Amounts in U.S. Dollars

	Note	2007	2006
Equity at beginning of year		\$2,144,493	\$2,215,481
Surplus/(deficit) for the year		29,111	(70,988)
Equity at end of year		<u>\$2,173,604</u>	<u>\$2,144,493</u>

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

# FINANCIAL STATEMENTS

## Statement of Financial Position

As at December 31, 2007

Amounts in U.S. Dollars

	Note	2007	2006
<b>Current assets</b>			
Cash and cash equivalents	5	\$787,790	\$1,011,947
Dues receivable, net	6	140,277	139,602
Receivable from the Forum of Firms	7	1,569,855	548,829
Other receivables		352,624	513,135
Other current assets		241,392	312,708
<b>Total current assets</b>		<b>\$3,091,938</b>	<b>\$2,526,221</b>
<b>Non-current assets</b>			
Property and equipment, net	8	\$731,427	\$666,417
Intangible assets, net	9	318,292	311,901
Non-current receivables	12, 18	218,655	222,781
<b>Total non-current assets</b>		<b>\$1,268,374</b>	<b>\$1,201,099</b>
<b>TOTAL ASSETS</b>		<b>\$4,360,312</b>	<b>\$3,727,320</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses		\$991,148	\$712,601
Employee entitlements	10	647,853	525,747
Revenue received in advance	11	221,921	65,286
<b>Total current liabilities</b>		<b>\$1,860,922</b>	<b>\$1,303,634</b>
<b>Non-current liabilities</b>			
Accrued pension costs	14, 4	\$157,921	\$138,341
Deferred rent		167,865	140,852
<b>Total non-current liabilities</b>		<b>\$325,786</b>	<b>\$279,193</b>
<b>TOTAL LIABILITIES</b>		<b>\$2,186,708</b>	<b>\$1,582,827</b>
<b>Equity</b>			
IFAC members		\$2,173,604	\$2,144,493
<b>Total equity</b>		<b>\$2,173,604</b>	<b>\$2,144,493</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$4,360,312</b>	<b>\$3,727,320</b>



Fermín del Valle – President



Ian Ball – Chief Executive Officer

*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, 2007

Amounts in U.S. Dollars

	Note	2007	2006
<b>Cash flows from operating activities</b>			
<i>Cash was provided from:</i>			
Membership dues		\$9,594,130	\$8,357,054
Forum of Firms		5,192,369	5,816,327
External funding for the IPSASB		718,186	347,436
Publications		254,863	246,286
World Congress of Accountants Revenue		221,150	–
Interest received		169,792	155,909
External funding for the Public Interest Oversight Board		130,000	100,000
External funding for the Developing Nations Committee		60,000	241,819
IFAC KnowledgeNet		–	45,000
External funding for the IAESB		–	35,045
Other receipts		–	21,500
		<u>\$16,340,490</u>	<u>\$15,366,376</u>
<i>Cash was applied to:</i>			
Employee costs		\$(9,344,615)	\$(7,932,402)
Other payments		(6,858,771)	(7,756,271)
		<u>\$(16,203,386)</u>	<u>\$(15,688,673)</u>
<b>Net cash inflow/(outflow) from operating activities</b>	15	<b><u>\$137,104</u></b>	<b><u>\$(322,297)</u></b>
<b>Cash flows from investing activities</b>			
<i>Cash was applied to:</i>			
Purchase of property and equipment		\$(285,540)	\$(209,647)
Purchase of intangible assets		(75,440)	(175,050)
<b>Net cash outflow from investing activities</b>		<b><u>\$(360,980)</u></b>	<b><u>\$(384,697)</u></b>
<b>Cash flows from financing activities</b>			
		<u>–</u>	<u>–</u>
<b>Net decrease in cash and cash equivalents</b>		<b><u>\$(223,876)</u></b>	<b><u>\$(706,994)</u></b>
Cash and cash equivalents at beginning of year		\$1,011,947	\$1,717,261
Effect of exchange rate change on foreign currency balances		(281)	1,680
<b>Balance of cash and cash equivalents at end of year</b>	5	<b><u><u>\$787,790</u></u></b>	<b><u><u>\$1,011,947</u></u></b>

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

# FINANCIAL STATEMENTS

## Statement of Accounting Policies

For the year ended December 31, 2007

Amounts in U.S. 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 year basis. Dues are payable by the member body on receipt of an invoice in January for that year. Membership dues revenue is reported net of any approved discounts.

##### *Forum of Firms revenue*

Revenue from the Forum of Firms (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.

##### *External funding*

Revenue from funding grants is recognized when earned or received (subject to restrictions imposed by the grantor).

##### *Publications revenue*

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 due to difficulties in determining reliable estimates.

#### **(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 vacation, pension costs, and other benefits are recognized when they are accrued to employees. Annual vacation and other leave has been calculated on an actual entitlement basis at current rates of pay.

The defined benefit pension plan liability 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 United States 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 contributes to an employee defined contribution retirement benefit plan. Payments to the defined contribution retirement benefit plan are recognized as expenses as they become due.

**(iv) Property and Equipment**

*Property and equipment*

Property and equipment are recorded at cost and are depreciated (as outlined below) at rates estimated to recognize the consumption of economic benefits of the property 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 or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus/(deficit). 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 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

## FINANCIAL STATEMENTS

### (v) Intangible Assets

#### *Intangible assets*

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

Where the carrying amount of an intangible 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 or its value in use. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus/(deficit).

#### *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 & development	3 to 5 years
Intellectual property	5 to 10 years

### (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, accounts receivable and accounts payable.

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 cash equivalents 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 are classified as operating leases when a significant portion of the risks and rewards of ownership are retained by the lessor. 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 also exempt from Swiss income taxes.

(x) **Foreign Currencies**

Transactions in foreign currencies are translated to United States dollars 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) **Changes in Accounting Policies**

There were no changes in accounting policies in the current year.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the year ended December 31, 2007

Amounts in U.S. Dollars

### 1. International Federation of Accountants

The mission statement 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 of America.

### 2. IFAC Expenses by Activity

	2007	2006
International Auditing and Assurance Standards Board	\$3,569,808	\$3,450,672
International Public Sector Accounting Standards Board (refer to Note 13)	1,560,180	931,055
Communications	1,154,213	–
Compliance Program	891,364	742,980
Board and Council	636,357	668,893
International Ethics Standards Board for Accountants	502,690	539,752
Professional Accountants in Business Committee	486,363	624,936
Developing Nations Committee	456,490	853,108
International Accounting Education Standards Board	453,984	402,167
Transnational Auditors Committee	386,698	485,023
Small and Medium Practices Committee	386,221	288,712
Representation of the Accountancy Profession in the Public Interest	323,245	309,033
Nominating Committee	176,210	145,569
Other	–	2,219
<b>Total IFAC activities</b>	<b>\$10,983,823</b>	<b>\$9,444,119</b>
Funding provided to the Public Interest Oversight Board (refer to Note 3)	\$1,562,243	\$1,047,363
<b>Total activities expenses</b>	<b>\$12,546,066</b>	<b>\$10,491,482</b>
<b>Total general expenses</b>	<b>\$4,469,586</b>	<b>\$4,938,434</b>
<b>Total operating expenses</b>	<b>\$17,015,652</b>	<b>\$15,429,916</b>

For both internal and external reporting purposes, 2007 is the first year that the Communications activity has been separately disclosed. In 2006 and prior, communications related costs were included in several general expense lines and so there is no direct comparative amount disclosed for 2006.

### 3. Public Interest Oversight Board

The Public Interest Oversight Board (PIOB) for accountancy was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, working with IFAC, to ensure that the standards developed by IFAC's boards in the areas of auditing and assurance, education and ethics, and IFAC's Member Body Compliance Program are operated in a transparent manner that reflects the public interest.

In support of its oversight role, the PIOB receives monetary funding and in-kind support from several organizations, including IFAC, the World Bank, the United States Federal Reserve Board (FRB), La Comisión Nacional del Mercado de Valores (CNMV), and De Nederlandsche Bank NV in the Netherlands. During 2007, the funding support provided by the World Bank and the FRB of \$90,000 (2006: \$140,000) was provided to IFAC expressly for the operation of the PIOB.

During 2007, the funding of \$1,562,243 (2006: \$1,047,363) provided to the PIOB reflects the funding support provided by IFAC, the World Bank and the FRB.

In addition, the in-kind support provided to the PIOB from CNMV, the World Bank and De Nederlandsche Bank NV in the Netherlands is related to occupancy and other office costs, travel costs, and stipend payments for two PIOB members.

### 4. Employee Costs

	2007	2006
Employee costs	\$9,243,985	\$7,560,798
Retirement benefit plans (refer to Note 14)	242,316	207,648
<b>Total employee costs</b>	<b>\$9,486,301</b>	<b>\$7,768,446</b>

For 2007, the retirement benefit amount of \$242,316 (2006: \$207,648) comprises the net periodic pension expense of \$128,813 (2006: \$117,454) associated with the defined benefit plan and an employer contribution of \$113,503 (2006: \$90,194) associated with the defined contribution plan.

### 5. Cash and Cash Equivalents

	2007	2006
Cash on hand and at bank	\$787,790	\$1,011,947
Short-term deposits	-	-
<b>Total cash and cash equivalents</b>	<b>\$787,790</b>	<b>\$1,011,947</b>

Of the cash and cash equivalents, there are restrictions on the use of \$36,317 (2006: \$78,414). For 2007, these restrictions relate to three cash reserves. The first reserve of \$14,805 (2006: \$14,586) is for specific use in relation to the Sempier Award, which is awarded in association with the World Congress of Accountants. The second cash reserve of \$6,542 (2006: \$63,828) is designated for the use of the International Public Sector Accounting Standards Board in accordance with the funding agreements associated with its programs. The third cash reserve of \$14,970 (2006: \$nil) represents funds committed to projects relating to the Developing Nations Committee.

## FINANCIAL STATEMENTS

### 6. Dues Receivable

	2007	2006
Dues receivable	\$219,625	\$200,369
Provision for uncollectible dues	(79,348)	(60,767)
<b>Net dues receivable</b>	<b>\$140,277</b>	<b>\$139,602</b>

### 7. Receivable from the Forum of Firms

As at December 31, 2007, \$1,569,855 (2006: \$548,829) represents the remaining amount to be received from the Forum for contributions invoiced relating to 2007.

### 8. Property and Equipment

	Office Equipment		Furniture & Fittings		Leasehold Alterations		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Opening net book amount	\$153,246	\$143,673	\$215,767	\$200,396	\$297,404	\$279,521	\$666,417	\$623,590
Additions	65,294	78,845	25,756	58,387	194,490	72,415	285,540	209,647
Disposals	2,167	2,594	-	781	-	-	2,167	3,375
Impairment losses	-	-	-	-	-	-	-	-
Depreciation	89,783	66,678	53,402	42,235	75,178	54,532	218,363	163,445
Closing net book amount	\$126,590	\$153,246	\$188,121	\$215,767	\$416,716	\$297,404	\$731,427	\$666,417
Cost	\$426,363	\$363,236	\$374,591	\$348,835	\$625,355	\$430,865	\$1,426,309	1,142,936
Accumulated depreciation	299,773	209,990	186,470	133,068	208,639	133,461	694,882	476,519
Net book amount	\$126,590	\$153,246	\$188,121	\$215,767	\$416,716	\$297,404	\$731,427	\$666,417

## 9. Intangible Assets

	Software Licenses & Development		Intellectual Property		Total	
	2007	2006	2007	2006	2007	2006
Opening net book amount	\$271,901	\$163,370	\$40,000	–	\$311,901	\$163,370
Additions	15,440	135,050	60,000	\$40,000	75,440	175,050
Disposals	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Amortization	69,049	26,519	–	–	69,049	26,519
Closing net book amount	\$218,292	\$271,901	\$100,000	\$40,000	\$318,292	\$311,901
Cost	\$287,341	\$311,307	\$100,000	\$40,000	\$387,341	\$351,307
Accumulated amortization	69,049	39,406	–	–	69,049	39,406
Net book amount	\$218,292	\$271,901	\$100,000	\$40,000	\$318,292	\$311,901

IFAC has three intangible assets at different stages of application. During 2007 IFAC's Member Body Compliance Program continued to use a database software program in relation to its Part 2 Compliance Questionnaire. The intangible asset is the license fee associated with this database software program and was amortized for the full year.

On October 2, 2006, IFAC launched the IFAC KnowledgeNet (refer to [www.IFACnet.com](http://www.IFACnet.com)). This is a specialized web search engine that is initially targeted at professional accountants in business. The costs incurred as part of the ongoing software development have been capitalized. Any further development costs associated with the IFAC KnowledgeNet that are incurred in 2007 will also be capitalized. Amortization commenced on October 1, 2006. IFAC incurs ongoing monthly maintenance and hosting costs; remaining costs of \$15,440 have been capitalized in 2007 towards this asset. The IFAC KnowledgeNet has continued to grow during 2007, and while its target audience was initially expanded to cover small- and medium-sized practitioners in addition to professional accountants operating in business, it is a useful resource for all professional accountants.

In addition, IFAC contracted with an external provider to develop intellectual property designed to assist in the implementation of the International Standards on Auditing on audits performed by small- and medium-sized practitioners. The initial development phase of the implementation guidance was completed at the end of 2007 with the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities* published in late December. The intention is to maintain this Guide through subsequent revisions over the coming years, particularly to reflect the changes to the International Standards on Auditing resulting from the completion of the International Auditing and Assurance Standards Board's "Clarity" project.

## 10. Employee Entitlements

	2007	2006
Payroll accrual	\$438,000	\$375,237
Annual vacation and other leave provision	209,853	150,510
<b>Total employee entitlements</b>	<b>\$647,853</b>	<b>\$525,747</b>

## FINANCIAL STATEMENTS

### 11. Revenue Received in Advance

Revenue received in advance at December 31, 2007 of \$221,921 (2006: \$65,286) represents membership dues received in advance of \$215,379 (2006: \$1,459) and external funding for the International Public Sector Accounting Standards Board paid in advance of \$6,542 (2006: \$63,827).

### 12. Operating Lease Obligations

IFAC entered into a 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 outstanding letters of credit. As at December 31, 2007, the total outstanding letter of credit was \$152,238 (2006: \$152,238). This amount is included in non-current receivables in the statement of financial position. On February 1, 2007, the lease addendum for additional office and meeting space at 545 Fifth Avenue took effect. The lease term for the additional office space is set to coincide with the original lease.

As at December 31, 2007, IFAC has an operating lease outstanding for one copier machine. There are four and one half years outstanding on this operating lease.

Operating lease payments for the year ended December 31, 2007 were \$562,424 (2006: \$467,999). Future operating lease payments of \$4,279,607 at December 31, 2007 (2006: \$4,858,635) are payable as follows:

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

	2007	2006
Not later than one year	\$716,944	\$624,070
Later than one year and not later than five years	3,098,375	2,982,081
Later than five years	464,288	1,252,484
<b>Total operating lease obligations</b>	<b>\$4,279,607</b>	<b>\$4,858,635</b>

### 13. International Public Sector Accounting Standards Board

During 2007, 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. Multilateral development banks have provided a substantial amount of funding for this program since its inception, on the basis that the funding be applied to the development of IPSASs.

During 2007, new sources of revenue for the development of IPSASs have included funding from national and regional government entities, which is generally being provided as general funding or specific project funding. In addition, the Canadian Institute of Chartered Accountants continues to support the IPSASB activity in the form of funding for one professional staff member and the provision of office space in its Toronto office.

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, 2007, the IPSASB had received revenues from external sources and incurred expenses as follows, which are included in IFAC's financial statements:

	<b>2007</b>	<b>2006</b>
IPSASB Standards Program (external funding)	\$820,217	\$516,394
Other operating revenue	1,237	5,601
<b>Total operating revenue</b>	<b>\$821,454</b>	<b>\$521,995</b>
Employee costs	\$804,322	\$469,595
Travel and meeting costs	425,756	190,426
Consultants	217,792	196,035
Printing and distribution	51,808	30,170
Other operating expenses	60,502	44,829
<b>Total operating expenses</b>	<b>\$1,560,180</b>	<b>\$931,055</b>
<b>Deficit for the year (funded by IFAC)</b>	<b>\$(738,726)</b>	<b>\$(409,060)</b>

#### 14. 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. Since 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 the past few years an estimate has been made to reflect the change in accrued pension costs between July 31 (the plan year end) and December 31, and the pension costs incurred up to December 31.

During 2007, the AICPA made a decision to freeze the accrued benefits of the pension plan effective April 30, 2017. After that date, participants' accrued benefits will not increase and no new participants will be permitted to enter the plan. It is anticipated that this will reduce the plan's obligations over the coming years as well as reduce the annual service costs.

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

	<b>2007</b>	<b>2006</b>
Present value of funded obligation at July 31	\$1,772,580	\$1,439,219
Fair value of plan assets at July 31	1,526,032	1,122,340
Funded status	\$(246,548)	\$(316,879)
Unrecognized net actuarial (gain)/loss	-	(5,593)
Unrecognized prior service cost	133,726	(24,894)
Accrued pension costs at July 31 (the plan year end)	\$112,822	\$347,366
Adjustment to reflect change in periodic pension expense to December 31	45,099	52,845
Employer contribution	-	(261,870)
<b>Accrued pension costs</b>	<b>\$157,921</b>	<b>\$138,341</b>

## FINANCIAL STATEMENTS

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

	<b>2007</b>	<b>2006</b>
Service cost — Benefits earned during the period	\$127,387	\$117,062
Interest cost	101,266	90,662
Expected return on plan assets	(104,031)	(91,949)
Amortization of prior service costs	4,191	(2,223)
Amortization of (gain)/loss	—	3,902
<b>Net periodic pension expense (refer to Note 4)</b>	<b>\$128,813</b>	<b>\$117,454</b>

The principal actuarial assumptions used were as follows:

	<b>2007</b>	<b>2006</b>
Discount rate	6.55%	6.65%
Expected long-term rate of return on plan assets	8.50%	8.50%
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 choose 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 2007, the level of IFAC contributions that have been recognized as an expense are \$113,503 (2006: \$90,194). These expenses are included within employee costs in the statement of financial performance (refer also to Note 4).

## 15. Reconciliation of Net Deficit with Net Cash Inflow/(Outflow) from Operating Activities

	2007	2006
Net surplus/(deficit) for the period	\$29,111	\$(70,988)
<i>Add/(less) non-cash items:</i>		
Depreciation and amortization	287,412	189,964
Provision for doubtful accounts	18,581	–
Deferred rent	32,991	3,440
Net (gain)/loss on disposal of property and equipment	2,167	3,375
<i>Add/(less) movements in working capital:</i>		
Dues receivable	(19,256)	(37,203)
Receivable from Forum of Firms	(1,021,026)	569,371
Other receivables	160,511	(479,917)
Other current assets	71,316	(267,278)
Non-current receivables	4,126	(13,186)
Accounts payable and accrued expenses	272,850	(11,116)
Employee entitlements	122,106	(19,540)
Revenue received in advance	156,635	(44,803)
Accrued pension costs	19,580	(144,416)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>\$137,104</b>	<b>\$(322,297)</b>

## 16. Employee Disclosure

As at December 31, 2007, IFAC had 40 full-time employees (2006: 39 full-time employees) and 1 part-time employee (2006: 1 part-time employee). In addition to these employees, IFAC has 3 contracted personnel (2006: 3 contracted personnel), 1 secondee (2006: 2 secondees) and 1 intern (2006: 1 intern).

## 17. 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, 2007, a total of \$686,225 was held with JP Morgan Chase Bank (2006: \$974,319). This represented 22 percent of the total amount of bank balances, short-term deposits and receivables (2006: 39 percent). The maximum exposure as at December 31, 2007 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.

For the year ended December 31, 2007 one member body accounted for 12 percent of total revenue (2006: 11 percent). There were no amounts due from this member as at December 31, 2007 (2006: \$nil).

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.

## FINANCIAL STATEMENTS

### **Currency risk**

IFAC operates separate bank accounts in Australian and Canadian currencies. 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, 2007, the carrying amounts approximate the fair values for all financial instruments held by IFAC (2006: carrying amounts approximate the fair values).

## **18. Related Parties**

### **Council**

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

### **Board**

The IFAC Board is comprised of members from around the globe who, as representatives of the worldwide accountancy profession, have taken an oath of office to act with integrity and in the public interest. The Board is comprised of the President, Deputy President, and twenty other individuals nominated by various member organizations. Board members are elected for up to three-year terms and are responsible for setting policy and overseeing IFAC operations, the implementation of initiatives, and the allocation of resources to and overseeing the activities of the various IFAC boards and committees. During 2007, the Board met four times in person and once by teleconference (2006: The Board met 5 times in person). Positions on the Board are voluntary and there is no honorarium paid for any position held.

### **Senior Executive Management**

The Senior Executive Management (key management personnel) includes the Chief Executive Officer and four Directors who are responsible for operating the various activities of the organization. They are remunerated by the organization. The aggregate remuneration of key management personnel was \$2,476,969 for 2007 (2006: \$2,286,477).

There were no loans to key management personnel and their close family members which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel and their close family members.

### **IFAC representatives**

On occasion, IFAC Officers, Board members, and other volunteers are 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 are not remuneration payments and occur in the normal course of business.

**IFAC member organizations**

The transactions between IFAC and its member organizations occur in the normal course of business. Member organizations provide annual financial contributions (dues) to IFAC as determined by the basis of assessment approved by the IFAC Council.

**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 19.

**IFAC employees**

As part of employee relocation packages included in individual employment contracts, IFAC offers to provide employees a guarantee or deposit to secure rented residence in New York. As at December 31, 2007, the balance outstanding of employee receivables relating to residential security deposits was \$66,417 (2006: \$70,543). This amount is included in non-current receivables in the statement of financial position.

**19. 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 arm of the Forum is the TAC, which by way of the 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 two part-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 2007, the IFAC financial statements reflect revenues from the Forum for amounts invoiced to the Forum for the agreed IFAC contributions totaling \$5,826,697 (2006: \$4,761,933) and for the full contribution for TAC related expenses totaling \$386,698 (2006: \$485,023). These amounts are paid to IFAC on a quarterly in arrears basis. Refer to Note 7 for the information relating to the receivable from the Forum.

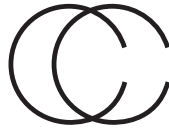
**20. Commitments and Contingencies**

As at December 31, 2007, IFAC had no outstanding commitments other than those lease obligations identified in Note 12 (2006: \$nil).

IFAC has no contingencies outstanding as at December 31, 2007 (2006: \$nil).

**21. Line of Credit**

As at December 31, 2007, IFAC did not hold an available credit with its bank, JP Morgan Chase (2006: \$1,000,000). It is currently reviewing its future needs in relation to holding a line of credit. IFAC did not access its line of credit, when available, during 2007 and 2006. Any line of credit amount held during 2007 was collateralized by substantially all of IFAC's assets.



# Citrin Cooperman & Company, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
International Federation of Accountants

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of International Federation of Accountants ("IFAC"), which comprise the statement of financial position as at December 31, 2007 and 2006, and the statements of financial performance, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Managements' Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of IFAC as of December 31, 2007 and 2006, and of its financial performance, changes in its equity, and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards.

*Citrin Cooperman & Company, LLP*

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CERTIFIED PUBLIC ACCOUNTANTS

February 22, 2008



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