

A VOICE FOR GLOBAL STANDARDS AND TRANSPARENCY



INTERNATIONAL
FEDERATION OF
ACCOUNTANTS
2009 ANNUAL REPORT

OUR MISSION AND VALUES

Guided by our values of integrity, transparency, and expertise, our mission is to serve the public interest by continuing to strengthen the worldwide accountancy profession 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.

To carry out this mission, we work closely with our member bodies and regional accountancy organizations and obtain the input of regulators, standard setters, governments, and others who share our commitment to creating a sound global financial architecture.

The IFAC 2009-2012 Strategic Plan outlines how IFAC will fulfill this mission and deliver value to its various constituencies—the public, members and associates, firms, regional accountancy organizations, and professional accountants worldwide.



INTERNATIONAL FEDERATION OF ACCOUNTANTS

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MESSAGE FROM ROBERT L. BUNTING, PRESIDENT

A VOICE FOR GLOBAL STANDARDS AND TRANSPARENCY

In 2009, we saw the global economic crisis deepen, bringing with it greater instability and heightened worry about the health of the world's financial system. As the effects of this instability grew, regulators, elected officials, investors, executives, and business owners—all who participate in the global financial system—had to consider what role they would play in restoring public confidence in financial information and public institutions. We all had important roles to play. The roles for the International Federation of Accountants (IFAC) included projecting our global voice on the principles we believe are essential for protecting trust in financial information and promoting global economic growth. We also maintained our commitment to providing high-quality standards, tools, and resources to assist professional accountants in all the sectors they work in. And, through our Member Body Compliance Program, we continue to raise the bar on global convergence of standards.



ROBERT L. BUNTING, PRESIDENT

We all had important roles to play in the crisis. The roles for IFAC included projecting our global voice on the principles we believe are essential for protecting trust in financial information.

VOICING OUR VALUES AND BELIEFS IFAC has always spoken out on issues relevant to the profession. In 2009, we developed a more assertive and unified voice for the profession to engage policymakers and the public on steps to prevent another global financial crisis. We accomplished this through our own examination of what went wrong during the crisis, but more importantly, we convened over 60 representatives from our member bodies in the G-20 countries and other external groups to agree on a set of recommendations to the G-20 leaders. This convening of our members took place during the IFAC G-20 Accountancy Summit held in London in July. The Accountancy Summit addressed a key issue facing our profession: how we can best contribute to strengthening the global financial system.

We reached a consensus at the London meeting and submitted a series of recommendations to the G-20 in advance of its September Summit in Pittsburgh, PA, USA. The recommendations we submitted covered a broad range of issues. The most relevant to IFAC, as an international standard setter and representative of the global accountancy profession, included the adoption and implementation of high-quality international standards for the profession, and the need for governments to move to International Public Sector Accounting Standards (IPSASs) as a means to improve public sector financial management and financial transparency. We also emphasized the need to support the economically vital small- and medium-sized enterprise (SME) sector and to look to improved corporate governance as a pillar of the financial system.

This financial crisis also highlighted a concern that IFAC has continuously expressed for more than three decades: to ensure equal access to high-quality financial information, the world needs one set of high-quality global accounting standards. The challenges of the past year have made it clear that investors, executives, and other market players throughout

the world are still not on a level playing field. Significant progress has been made; however, more must be done. Developing global standards and ensuring their implementation at a national level takes a great deal of time, commitment, and collaboration. It depends on the support and input of all stakeholders around the world and their commitment to embrace global standards into their national frameworks. And that includes accounting standards for governments, many of which have become major investors in the private sector during the crisis.

We voiced our concern that the global debate over regulation of sectors and businesses must take into account the needs of SMEs. As we learned in a survey we conducted with *The Banker* magazine in September, SMEs will continue to face challenges in accessing financing. We must be careful not to stifle the growth of this sector, which generates the lion's share of jobs, innovative products, and output in most national economies. We must ensure that their business advisors, who often operate in small- and medium-sized accounting practices (SMPs), have access to the resources they need to remain competitive.

Another key message was the need for all national jurisdictions to strengthen corporate governance, for example, by adopting and implementing (in both letter and spirit) the Organisation for Economic Cooperation and Development's *Principles of Corporate Governance*. Corporate governance principles are a critical part of an effective financial system: they provide strength to capital markets and protect investors.

TRANSITIONING FROM PRINCIPLES TO PRACTICE

Even as we responded to the financial crisis, we remained focused on fulfilling a fundamental part of the IFAC mission: strengthening the quality of practice and the capacity of our profession globally. IFAC made significant strides in this core

area of service in 2009, achieving milestones in standard setting and delivering on resources to support adoption and implementation of international standards.

Our standard-setting milestones in 2009 had a particularly great impact in the areas of *clarity* and *relevance*. In all four areas of our standard-setting activities—auditing and assurance, education, ethics, and public sector accounting—major projects were completed that will have a long-lasting impact on the global quality of practice.

But in order for standards to have an impact, they must be adopted and implemented successfully. To support national standard setters with their adoption programs and to address the growing needs of professional accountants, IFAC boards, committees, and its staff have expanded their output and range of services. They released tools and resources to assist national standard setters, educators, and practitioners to understand the clarified International Standards on Auditing (ISAs), to implement quality initiatives that meet the needs of SMPs, and to adopt the newer and more stringent requirements of the revised *Code of Ethics for Professional Accountants*. In addition, they addressed contemporary issues being faced by chief executives and financial officers on such subjects as governance and sustainability.

EXPANDING THE DISCUSSION In this year of economic instability, accountants contributed their skills and knowledge to the economy through a range of functions: as managers, chief financial officers, and strategists, as well as auditors and accountants. To ensure the relevance and quality of our work, and that of the profession, IFAC continues to enhance its consultation and collaboration with all stakeholders. The

independent standard-setting boards continue to maintain a rigorous due process that requires consultation with the public and approval of their proposed standards by the international Public Interest Oversight Board.

The IFAC Board has also initiated a series of reviews of our committees to determine how they can best position IFAC's resources to address the needs of professional accountants in business, SMPs, and the profession in emerging economies. By finding ways to engage more quickly, and more often, with members of the financial and regulatory community, we are making sure that our initiatives remain effective and their outcomes address the needs of the public.

LEADING BEYOND THE CRISIS Times of crisis create opportunities for positive change. Our profession can help lead the financial community from the practices and the culture that were at the heart of this crisis to the development of new approaches supporting greater sustainability in economies, businesses, and governments. We will continue to engage the policy makers of the world whenever our expertise can contribute. We will continue to encourage all of our member bodies to do the same within their own jurisdictions.

As always, we are appreciative of your strong support for our mission and our vision for the profession, both now and in the future. Your support and dedication will always be essential to our efforts to make our vision a reality.



THE IFAC BOARD



TOP ROW (LEFT TO RIGHT): Asad Ali Shah, Ingrid Doerga, Warren Allen, Ved Kumar Jain, Steve Vieweg, Abdeljelil Bouraoui, Roberto Resa, Joycelyn Morton, Robert Hodgkinson, Gen Ikegami, Roberto D'Imperio, Luiz Carlos Vaini, and Norbert Pfitzer.

BOTTOM ROW (LEFT TO RIGHT): Japheth Katto, Bernadette McGrory-Farrell, Göran Tidström, Robert L. Bunting, Ian Ball, Olivia Kirtley, and Kevin Dancey.

NOT PICTURED: David Leonard, William Nahum, and Yugui Chen.

MESSAGE FROM IAN BALL, CHIEF EXECUTIVE OFFICER

BUILDING STRENGTH AND STABILITY

The year 2009 was a uniquely challenging period for the International Federation of Accountants (IFAC), in which we needed to absorb and respond to the consequences of the global financial crisis and the resulting economic downturn. IFAC prioritized its work programs and operations to adapt to the changing realities of the global financial system and spoke out more strongly and clearly on critical issues. By responding decisively to these challenges, IFAC was able not only to reach several important milestones in its core service areas, but also to more effectively take positions on public policy issues. At the same time, we were able to make significant inroads on newer service delivery activities, including adoption and implementation of international standards, and on new projects to enhance the relevance of the accountancy profession.



IAN BALL, CHIEF EXECUTIVE OFFICER

By responding decisively to these challenges, IFAC was able not only to reach several important milestones in its core service areas, but also to more effectively take positions on public policy issues.

While the crisis afforded IFAC an opportunity to establish an energized voice (as noted in the Message from the President), it also tested the resources of IFAC, its members and associates, and their own members. Consequently, during 2009, we paid close attention to the needs of our stakeholders and delivered our services in line with adjusted priorities, while striving to maintain the highest quality in those services. This message highlights some of the more notable elements of our work in 2009, while the Service Delivery section of this annual report describes comprehensively all services provided by IFAC in 2009.

OUR RESPONSE TO THE G-20 IFAC launched a number of initiatives in 2009 in response to the G-20's efforts to stabilize and reform the financial system. These initiatives had three major elements: convening our members to discuss the impact of the crisis; developing a consensus view of the profession's response; and taking action by submitting recommendations to the G-20 Working Groups.

In his message, President Robert Bunting highlights several of the recommendations that have the most direct relevance to IFAC's work. We also identified additional areas, relating to the broader financial system, upon which G-20 leaders should take action:

- Enhancing corporate governance structures
- Improving the international regulatory framework
- Strengthening the roles of the International Monetary Fund and the World Bank

Going forward, IFAC believes it to be critically important that the reforms agreed by the G-20 are acted on at the national level, so that there is a globally coordinated response to the crisis.

REACHING MILESTONES In order for the financial system to be truly global, there must be universal adoption of high-quality standards that are clear, consistent, and relevant. They must be easy to understand, apply, and translate. The

achievements of IFAC's independent standard-setting boards in 2009 went a long way to reach these goals.

Auditing and assurance practices globally will benefit from the completion of the Clarity Project by the International Auditing and Assurance Standards Board (IAASB). With 36 newly updated and clarified International Standards on Auditing (ISAs) and the International Standard on Quality Control (ISQC) 1, this suite of standards, and their associated guidance, will provide a comprehensive basis for practitioners to meet the challenges of auditing in today's environment. The successful completion of the Clarity Project in March was welcomed by many external parties, including the World Bank, the Basel Committee on Banking Supervision, the United Nations Conference on Trade and Development (UNCTAD), the International Organization of Securities Commissions, and the World Federation of Exchanges.

Recognizing the evolving needs of assurance providers, the IAASB began to shift its focus, post-Clarity Project, to contemporary assurance issues. In 2009, the IAASB released International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organization*, to address the widespread use of outsourcing. The IAASB also released two Consultation Papers: *Assurance on a Greenhouse Gas Statement*, which sought views on the development of a standard on the auditing of reports on greenhouse gas emissions, and *Auditing Complex Financial Instruments*, which sought views on developing new guidance for auditing

fair value information.

Significant steps were also taken by the International Ethics Standards Board for Accountants (IESBA), who concluded their own clarity initiative with the issuance of the revised *Code of Ethics for Professional Accountants* (the Code). The revised Code comes at a time when the public demand for trust in the work of all professionals in the financial reporting supply chain remains high. While covering a range of ethical requirements, the revised Code significantly strengthens the independence requirements of auditors. These changes will provide auditors worldwide with a common understanding of what it means to be independent when providing assurance services.

Public sector accounting standards have become increasingly important as governments and their agencies have assumed vastly expanded financial responsibilities in the process of addressing the economic downturn. Government actions have included unprecedented levels of lending and guarantees, as well as bailing out major market institutions, banks, and companies. This growing trend of government intervention, and the potential this trend could have to impact the global economy, prompted the International Public Sector Accounting Standards Board (IPSASB) to accelerate its global convergence program.

Significant progress was made in this initiative during 2009. With the approval of six standards during the year, including three on financial instruments and one each on intangible assets and agriculture, as well as a project incorporating various improvements in other standards, the IPSASB met its goal of substantial convergence with International Financial Reporting Standards issued as at December 31, 2008.

The impact of the public sector's response to the global financial crisis will take many years to unfold and to understand. Two IPSASB projects initiated in 2009 will be especially relevant to the longer-term ramifications of the crisis. In May, the IPSASB established a joint task force with the International Monetary Fund to learn how governments are intending to disclose in their financial statements the consequences of their responses to the financial crisis. Further, the IPSASB published a Consultation Paper, *Reporting on the Long-Term Fiscal Sustainability of Public Finances*. The paper seeks views on how the presentation of economic, demographic, and other information may assist users in better understanding the long-term sustainability of governments' financial and service delivery commitments.

Finally, the International Accounting Education Standards Board (IAESB) released the *Framework for International Education Standards for Professional Accountants* (the Framework), which includes the appendix, "IAESB Drafting Conventions." The Framework enhances the understanding and application of the principles and concepts that underlie the

education and development of a professional accountant. This document will also assist the IAESB in making its standard-setting process more efficient and effective, as well as better demonstrating accountability for its decisions.

SUPPORTING THE PATH TO ADOPTION AND IMPLEMENTATION

During 2009, IFAC increased its level of activity directed at its newest strategic theme: supporting the adoption and implementation of international standards. Our work in this area includes several initiatives that are for the benefit of national standard setters and other key stakeholders, who are responsible for the adoption of standards issued by the independent international standard-setting boards. In addition, the tools and resources that have been developed will support the work of IFAC member bodies, associates, and educators who play a critical role in the development and training of accountants working in different sectors of the profession.

To help with the adoption and implementation of the clarified ISAs, the IAASB developed a series of modules, consisting of short videos and slide presentations, which focus on some of the more significantly revised standards. Moreover, the IAASB staff released a number of documents to assist auditors in applying the ISAs, including a question-and-answer publication to highlight how the clarified ISAs can be applied in a manner proportionate with the size and complexity of an entity, and a practice alert dealing with going concern in the current economic environment.

IFAC also addressed the challenges faced by small- and medium-sized accountancy practices (SMPs) by providing them with resources to assist them in improving audit and assurance quality in their practices. IFAC's SMP Committee published in March the *Guide to Quality Control for Small- and Medium-sized Practices*. In October, the committee successfully co-hosted, with the Chinese Institute of Certified Public Accountants, a day-long forum for SMPs.

The challenges facing professional accountancy organizations in implementing the revised *Code of Ethics for Professional Accountants* have been made more manageable with the release of explanatory presentation slides, comparisons (both general and detailed versions) between the 2006 and 2009 Codes, and a template that can be used to compare the requirements in a specific jurisdiction to those in the Code.

High-quality translations of IFAC standards and guidance are vital for their successful adoption and implementation. To that end, IFAC in 2009 signed 64 agreements for reproduction or translation of its standards and publications. Moreover, IFAC and the IAASB continue to work with the European Commission's Directorate-General for Translations to ensure ISA translation and adoption issues are resolved in a timely manner. This effort includes developing agreements for

translations of the clarified ISAs into 16 of the 20 European Commission languages, as well as Russian and Arabic.

ENHANCING OUR RELEVANCE Professional accountants continue to operate in a wide range of capacities and are on the front line in responding to many issues arising from the financial crisis. Through our Professional Accountants in Business (PAIB) Committee, IFAC has provided guidance and insights into two topics that have current and continuing relevance: governance and sustainability. In the publication *Evaluating and Improving Governance in Organizations*, IFAC provided further guidance in the key areas of governance and risk management.

The PAIB Committee also broke new ground in February with the launch of its Sustainability Framework. This is a web-based tool that targets professional accountants who can influence the way organizations integrate sustainability into their operations. Designed from four different perspectives—business strategy, internal management, financial investors, and other stakeholders—the Framework challenges conventional ways of thinking about economic, social, and environmental achievement and illustrates how a commitment to sustainability can help further improve an organization's products or services, motivate its people, lower its costs, and build its reputation.

Our member bodies continued to advance the use of international standards and to put in place appropriate mechanisms to monitor the work of the profession. Their work in this area is captured in the action plans they prepare and submit as part of IFAC's Member Body Compliance Program. At the end of 2009, over 70 member and associate action plans had been published on the IFAC website, with another 50 under review by IFAC Compliance staff at year end. The process of continuous self-assessment by IFAC members and associates, and the transparency with which it is reported, contributes to the credibility of the global profession, as well as of individual members and associates.

To ensure support for developing professional accountancy organizations in emerging economies, the Developing Nations Committee (DNC) continued its outreach to organizations aspiring to become IFAC members. The DNC recognizes that the essentials for developing a sustainable profession are to build resources and capacity, to establish appropriate reporting and regulatory frameworks that suit an emerging economy, and to have access to development partners. For this reason, the DNC retains as a high priority its work with multilateral development agencies and with established IFAC members who have committed to act as mentors.

ENHANCING OUR REPRESENTATION ROLE In 2009, IFAC's officers, staff, board and committee chairs, and other

representatives actively reached out to our members and associates, and regional organizations and accountancy groupings. Our aim was to support their activities by providing to their governments and regulators a global perspective on the role of the profession. We supported external stakeholders through a variety of outreach initiatives, including participation in conferences, seminars, and forums. These activities encouraged global collaboration on a number of important issues. Stakeholders to whom we directed these activities included the Organisation for Economic Cooperation and Development, the International Organization of Supreme Audit Institutions, the International Forum of Independent Audit Regulators, the World Bank, and UNCTAD, among others noted in the Service Delivery section of this report.

CONCLUDING COMMENT I want to conclude by thanking our chairs and volunteers, and the IFAC staff, for their continued dedication and hard work. I want also to express my appreciation of our members, associates, regional accountancy organizations and groupings, and other stakeholders for their continued commitment to our mission. I am confident that IFAC will continue to contribute effectively to financial stability and economic growth and development.



IFAC MANAGEMENT TEAM



STANDING (LEFT TO RIGHT): James Sylph, Executive Director, Professional Standards; James Gunn, Technical Director, International Auditing and Assurance Standards Board; Russell Guthrie, Executive Director, Quality and Member Relations.

SEATED (LEFT TO RIGHT): Sylvia Tsen Barrett, Director, Quality and Member Relations; Ian Ball, Chief Executive Officer; Alta Prinsloo, Director, Governance and Operations.

NOT PICTURED: Stephenie Fox, Technical Director, International Public Sector Accounting Standards Board.



MESSAGE FROM STAVROS B. THOMADAKIS, PIOB CHAIR

THE PUBLIC INTEREST OVERSIGHT BOARD

A lot of work has been produced over 2009 by the three standard-setting boards and the Compliance Advisory Panel sponsored by the International Federation of Accountants (IFAC). The Public Interest Oversight Board (PIOB) has continued and expanded its oversight of this work, as well as the nomination process to these bodies. After the completion of the Clarity Project in 2009 and the *Code of Ethics for Professional Accountants*, including new independence requirements, in 2009, the field is now open both for new work where needs for new international standards arise and in the areas of standard adoption and implementation. The role of the PIOB as an oversight body that looks after the international public interest has proved important in two ways: in the process of standard development itself, but also in providing certification of the public interest focus of the standards to authorities responsible for adoption and implementation.

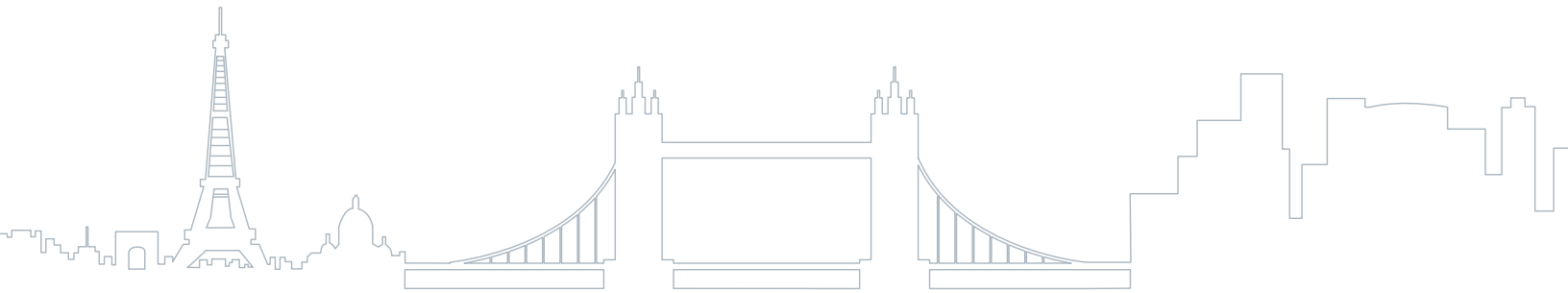


STAVROS B. THOMADAKIS, PIOB CHAIR

It is our objective to continue applying and adapting our cooperative approach to oversight and to test the outputs against ever more rigorous criteria of the public interest.

THE SUPPORT WHICH IFAC PROVIDES to standard setting is a strong demonstration of the organization's commitment to the public interest. The achievement of the tall objectives, that were set at the time the IFAC reform was agreed, testify to the organization's commitment and effectiveness in bringing about significant change and in implementing a novel architecture by which standards are developed and finalised. The critical role accorded to Consultative Advisory Groups represents a remarkable example of how an "open process" can be fashioned internationally. The Oversight exercised by the PIOB has developed and is being constantly refined on the basis of this open process respecting the roles and the independence of important actors in this architecture.

The current year is the time when the review of the IFAC reform will be completed by the Monitoring Group of regulators and international organizations. Within that review process, the PIOB has completed a self-assessment exercise, as has IFAC. We believe that the completion of the review will bring about changes and new challenges in the international work that we oversee. The PIOB is aware of the new challenges that will be upon all of us in the post-financial crisis world where regulatory, accounting, and auditing activities will play more important roles than in the past. It is our objective to continue applying and adapting our cooperative approach to oversight and to test the outputs against ever more rigorous criteria of the public interest. Our effort to maintain and expand our independence—including the diversification of our funding—is the main path of adaptation that we will follow.



CONSULTATIVE ADVISORY GROUPS

REPORTS AND MEMBERS OF THE CONSULTATIVE ADVISORY GROUPS

The Consultative Advisory Groups (CAGs) include, among others, representatives of regulators, standard-setting boards, business and international organizations, accounting academics, and users and preparers of financial statements. The members of the CAGs, through active consultation, provide valuable technical and public interest input to the boards on their agenda, project timetable, project priorities, and specific technical projects.

REPORT OF DAVID DAMANT

Chair of the International Auditing and Assurance Standards Board Consultative Advisory Group

This report is an extract from the 2009 IAASB annual report.

The Consultative Advisory Group (CAG) of the International Auditing and Assurance Standards Board (IAASB) provides the forum in which the representatives of the various organizations and professions, and the different geographical areas, can provide technical input to the drafts of International Standards on Auditing (ISAs), and other pronouncements developed by the IAASB, and to the IAASB's strategy.

The membership of the CAG, as at December 2009, is shown below. It should be noted that membership is, in the large majority of cases, by organization. Representatives of the organizations attend the meetings of the CAG, but the significance of the views of the CAG is increased by the fact that, on substantial questions, it is the opinions of the organizations which can be brought to bear on the evolution of the ISAs. In my view, the CAG membership continues to represent a very adequate coverage of those organizations internationally, or within geographical areas, which represent those interested in auditing without, in most cases, being auditors or bodies representing auditors. We shall continue to work to include others in the membership of the CAG should any gaps appear in this regard.

The CAG's Input to the IAASB

The Terms of Reference of the CAG state that the objective of the CAG is to provide input to and assist the IAASB in three areas:

- Advice on the IAASB's agenda and project timetable (work program), including project priorities;
- Technical advice on projects; and
- Advice on other matters of relevance to the activities of the IAASB.

These areas are covered in my report below.

FULFILLING THE TERMS OF REFERENCE The completion of the Clarity Project has enabled the IAASB agenda to widen its scope, and a number of the CAG's priorities can now be addressed. Of those areas already in progress as a result

of the last strategy review, I can mention that the CAG has always strongly supported the IAASB in meeting the needs of small- and medium-sized entities (SMEs), and has been closely involved in the revision of the IAASB's standards on reviews and compilations, International Standard on Review Engagements (ISRE) 2400¹ and International Standard on Related Services (ISRS) 4410,² and more recently in the reassessment of International Standard on Assurance Engagements (ISAE) 3000³ on assurance standards generally. The CAG, as well as the IAASB, has throughout been clear that "an audit is an audit," and cannot be diluted; but, where resources are constrained or legal requirements are less stringent a level of assurance less than the reasonable level which is required in an audit will be exactly relevant. The CAG took an active role in the discussion of the concept of "limited assurance." The CAG supported the conclusion that the solution lay in the adoption of negative assurance, and that this is a freestanding concept, not tied by some proportional link with reasonable assurance. Contributions from CAG members who are themselves involved in the SME area were particularly valuable. The revision of these standards is therefore directly relevant to the needs of the SMEs, and when these revisions are complete the possibility of any further pronouncement relevant to SMEs can be considered.

For some time also the CAG has been concerned with the problems which may arise in auditing financial statements recording complex financial instruments. In this case, the issuance of the October 2009 Consultation Paper, *Auditing Complex Financial Instruments*, has been a development welcome to the CAG and the subject needs to be kept under review as the usage of complex instruments continues to grow. Other matters that have particularly interested the CAG include the proposed standard dealing with assurance on greenhouse gas (GHG) statements. This may be the first of several standards developed to meet the need for audit guidance as environmental information in company reports increases. In this context, it is correct to address individual aspects of environmental reporting separately, as in the case of GHG, since very specific guidance can then be put forward within an area that is too often very wide ranging and unfocused.

¹ISRE 2400, *Engagements to Review Financial Statements*

²ISRS 4410, *Engagements to Compile Financial Statements*

³ISAE 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Statements*

The IAASB has in recent years sponsored four academic studies on the auditor's report—the report prepared by the auditor that is normally by far the most visible sign of the work of an auditor in carrying out an audit. This research, and the discussions that are now following, are therefore of central importance, whether or not ISA 700⁴ is revised, or any conclusions otherwise promulgated. I have allocated very adequate time to these discussions at CAG meetings both past and in prospect as the breadth of experience of the CAG membership can provide relevant input. This experience will also be of value in advising the IAASB on the next stage of its work, as it is in commenting on the technical aspects of the IAASB's drafts.

MEETINGS AND MEMBERSHIP The CAG meetings in 2009 were held in Dubai and Washington, D.C. In the case of Dubai, a seminar was also held, attended by invitees arranged by the Dubai International Financial Centre. Subsequently, the Dubai Financial Services Agency and the Abu Dhabi Securities and Commodities Authority joined the CAG as representatives under the title of the Gulf States Regulatory Authorities. In Washington, D.C., I arranged a session at which representatives of the U.S. Public Company Accounting Oversight Board (PCAOB) presented on the PCAOB's activities. The International Valuation Standards Council (which has a Memorandum of Understanding with IFAC) has also joined the CAG, a particularly important development in view of the rise in the use of fair values in financial statements. We will continue, as opportunities arise, to arrange contacts and discussions with other relevant organizations, whether they are candidates for CAG membership or alternatively valuable partners in an exchange of views or in joint activities.

The IAASB has strengthened how it liaises with the International Accounting Standards Board (IASB), as described in the Report of the Chair of the IAASB. The relationship en-

ables representatives of the IAASB to scrutinize drafts of financial reporting standards as they emerge, to judge the implications for auditing. Similarly, the IASB has for many years been represented on the CAG. The new constitution of the International Accounting Standards Committee Foundation encourages the development of ties of this kind, especially with other standard-setting bodies. This remains an important area for cooperation.

CONCLUSION This is my last report as the first independent Chair of the CAG, having served since 2004. I take the opportunity of saying that the integrity and expertise of those involved in the work of the IAASB are of a commendable level. As someone coming from outside the auditing profession, I can observe that if there should be a subsequent scandal in the area of auditing, it will be extremely unlikely to be the result of any lack of quality in the standards on auditing and assurance, or the result of a lack of due process, or of a lack of attention paid to the public interest, in the setting of those standards. The Public Interest Oversight Board has, of course, played an important role in these last areas. No doubt, even so, improvements can always be made to the IAASB's output, especially as circumstances evolve, and the CAG is well placed to contribute to those improvements.

After September 2010, this will be done under the leadership of my successor, elected by the CAG membership as Chair of the CAG, Ms. Linda de Beer, who currently represents the World Federation of Exchanges on the CAG, as a representative of the Johannesburg Stock Exchange. It is fortunate that a South African will accede to the Chair since that country bridges many differences, not least as between the developed and the developing world. Apart from the CAG, Ms. de Beer will inherit a truly professional and dedicated staff. I certainly have had tremendous support, especially from James Gunn and Kathy Healy, and from Jim Sylph over my term of office.

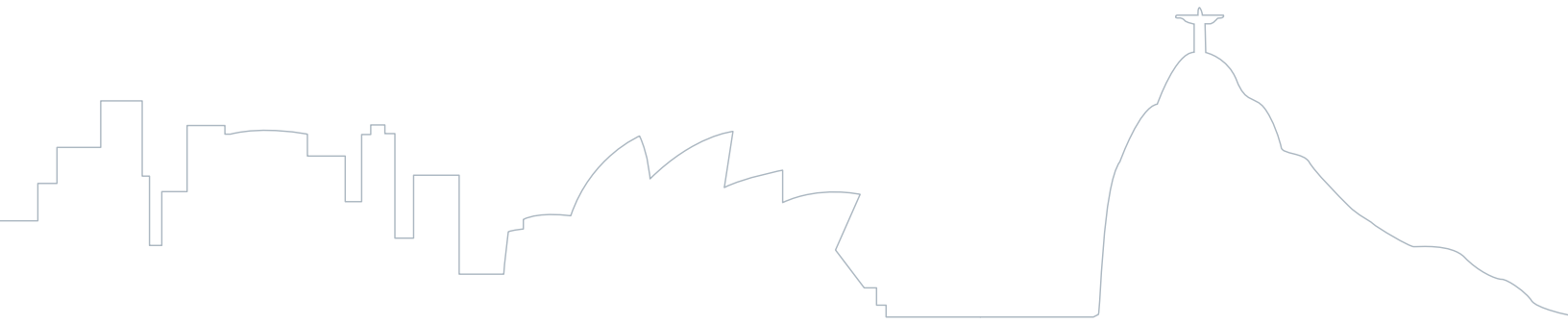
⁴ISA 700, *Forming an Opinion and Reporting on Financial Statements*

IAASB CAG Member Organizations

ASIAN FINANCIAL EXECUTIVES INSTITUTES	INTERNATIONAL ACCOUNTING STANDARDS BOARD
BASEL COMMITTEE ON BANKING SUPERVISION	INTERNATIONAL ACTUARIAL ASSOCIATION
BUSINESSEUROPE	INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS
CFA INSTITUTE	INTERNATIONAL BAR ASSOCIATION
DEAN OF THE GRADUATE SCHOOL OF FINANCIAL MANAGEMENT, MOSCOW	INTERNATIONAL CORPORATE GOVERNANCE NETWORK
EUROPEAN COMMISSION	INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS
EUROPEAN FEDERATION OF ACCOUNTANTS AND AUDITORS FOR SMES	INTERNATIONAL ORGANIZATION OF SUPREME AUDIT INSTITUTIONS
EUROPEAN FINANCIAL EXECUTIVES INSTITUTES	INTERNATIONAL VALUATION STANDARDS COUNCIL
FÉDÉRATION DES EXPERTS COMPTABLES EUROPÉENS	ISLAMIC FINANCIAL SERVICES BOARD
FORMER CHAIR OF THE STANDARDS ADVISORY COUNCIL OF THE INTERNATIONAL ACCOUNTING STANDARDS BOARD	JAPAN SECURITIES DEALERS ASSOCIATION
GULF STATES REGULATORY AUTHORITIES	NORTH AMERICAN FINANCIAL EXECUTIVES INSTITUTES
INFORMATION SYSTEMS AUDIT AND CONTROL ASSOCIATION	SRI LANKA ACCOUNTING AND AUDITING STANDARDS MONITORING BOARD
INSTITUTE OF INTERNAL AUDITORS	UNITED NATIONS CONFERENCE ON TRADE & DEVELOPMENT
INSTITUTE OF INTERNATIONAL FINANCE	WORLD BANK
INSTITUTO BRASILEIRO DE GOVERNANÇA CORPORATIVA	WORLD FEDERATION OF EXCHANGES

IAASB CAG Observers

FINANCIAL SERVICES AGENCY, JAPAN
U.S. PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD



REPORT OF CHARLES H. CALHOUN

Chair of the International Accounting Education Standards Board Consultative Advisory Group

OBJECTIVE AND SCOPE OF ACTIVITIES In 2009, the work of the International Accounting Education Standards Board (IAESB) Consultative Advisory Group (CAG) has focused on advising the IAESB in setting the direction of projects and activities for the next three years. I believe the CAG's advice has assisted in (1) developing the *IAESB 2010–2012 Strategy and Work Plan*, (2) launching new projects to revise the International Education Standards (IESs), and (3) supporting the research activities into the agenda and conduct of the IAESB.

MEMBERSHIP The CAG increased its membership in 2009 to 15 member organizations by adding a new member from the South American region. The Fucape Business School in Brazil was approved by the Public Interest Oversight Board (PIOB) for a three-year term starting in 2009.

KEY HIGHLIGHTS FOR 2009

Advice on the IAESB's Strategy and Work Plan

The CAG provided input on the development of the *2010–2012 Strategy and Work Plan* in the areas of the strategic objective—including the direction and priorities of the IAESB—adoption and implementation guidance, and communications. I note that the CAG's comments have led the IAESB to amend its strategy to include its initiatives in the area of adoption and implementation guidance, as well as to identify opportunities to increase awareness of the IAESB's activities and pronouncements in Asia and Africa.

Technical Advice on Projects

The CAG provided advice on the development of education pronouncements including the new *Framework for International Education Standards for Professional Accountants* and the "IAESB Drafting Conventions." The CAG supported the IAESB Steering Committee's project proposal on the revision of the IESs and advised the IAESB to focus on the need for education standards that (1) are principle-based, (2) clearly identify requirements, and (3) consider issues of mobility, core competence, and competence for specializations. In addition, the CAG provided technical advice on projects to develop implementation guidance in the areas of assessment and professional skills. This advice has led to:

- Improvements in organizing the content of the new *Framework for International Education Standards for Pro-*

fessional Accountants and "IAESB Drafting Conventions;"

- Amendments to the explanation of concepts used in the "IAESB Drafting Conventions;" and
- Improvements to the information papers on assessment and professional skills by increasing the coverage of topics and identifying recent developments in the areas of assessment and skills development.

Advice on Other Matters of Relevance

The CAG provided advice on the project proposals of four research projects funded by the Association of Chartered Certified Accountants and the International Association for Accounting Education and Research. This advice has led to refinements in the scope and coverage of topics being examined by the research teams. In addition, the CAG responded to proposals on (1) a rapid response mechanism for projects that are required to address an emerging and urgent issue in a timely manner, and (2) a process to include information obtained from impact analyses when developing new standards.

COMMUNICATIONS In the period covered by this report, I have supported the IAESB's initiative to increase awareness of its activities by moderating concurrent sessions at the American Accounting Association's 2009 Annual Meeting in New York, and presenting at the 2009 National Association of State Boards of Accountancy's Forum of International Accountancy Regulators in San Francisco, California.

CONCLUSION I would like to thank the members of the CAG for their commitment and contribution in moving forward the IAESB agenda. I would also like to thank the members of the IAESB and, in particular, the chairs of the IAESB task forces for the efficient way in which the various drafts are presented to the CAG. I look forward to liaising with the chair of the IAESB and developing our cooperation to implement the *2010–2012 Strategy and Work Plan*. Finally, I would like to express my thanks to staff of IFAC for their support of the CAG.

IAESB CAG Member Organizations

ACCOUNTING AND FINANCE ASSOCIATION OF
AUSTRALIA AND NEW ZEALAND

AMERICAN ACCOUNTING ASSOCIATION

ASSOCIATION TO ADVANCE COLLEGIATE SCHOOLS OF
BUSINESS

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS

EUROPEAN ACCOUNTING ASSOCIATION

EUROPEAN ASSOCIATION OF ACCOUNTANTS AND
AUDITORS FOR SMES

FÉDÉRATION DES EXPERTS COMPTABLES EUROPÉENS

INTERNATIONAL ACCOUNTING STANDARDS COMMITTEE
FOUNDATION

PROFESSOR FROM FUCAPE BUSINESS SCHOOL – BRAZIL

SOUTH AFRICAN INDEPENDENT REGULATORY BOARD FOR
AUDITORS

SOUTH ASIAN FEDERATION OF ACCOUNTANTS

U.K. PROFESSIONAL OVERSIGHT BOARD

U.S. NATIONAL ASSOCIATION OF STATE BOARDS OF
ACCOUNTANCY

U.S. PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

REPORT OF RICHARD FLECK

Chair of the International Ethics Standards Board for Accountants Consultative Advisory Group

OBJECTIVE AND SCOPE OF ACTIVITIES In 2009, the work of the International Ethics Standards Board for Accountants (IESBA) Consultative Advisory Group (CAG) has focused on advising the IESBA in finalizing the revisions to the *Code of Ethics for Professional Accountants* (the Code) and providing input on new projects to be undertaken by the IESBA.

MEMBERSHIP In 2009, the CAG membership was increased to 18 members with the addition of the Asian Financial Executives Institutes, the Gulf States Regulatory Authorities, the Sri Lanka Accounting and Auditing Standards Monitoring Board, and the World Federation of Exchanges.

KEY HIGHLIGHTS FOR 2009

Revised Code of Ethics for Professional Accountants

The CAG provided input on the revisions to the Code, which was issued by the IESBA in July 2009, after Public Interest Oversight Board approval of due process. The revisions to the Code reflect the output of four years of work for the IESBA. The CAG provided input and comment throughout the development of the Code. This advice led to the IESBA:

- Amending proposals that would have permitted a temporary departure from a requirement in the Code, provided certain, specific conditions had been met, and replacing these proposals with specific guidance on independence issues resulting from client mergers and acquisitions;
- Strengthening auditor documentation requirements related to conclusions on independence; and
- Amending proposals with respect to the provision of non-assurance services, in particular, the provision of internal audit services to an audit client that is a public interest entity.

Strategy and Work Plan 2010-2012

The CAG discussed the results of a survey of stakeholders conducted by the IESBA over the summer of 2009. The survey sought confirmation of the priority of identified projects and views on other activities that should be undertaken by the IESBA over the next three years. CAG members agreed with the priority of projects addressing conflicts of interest and responding to suspected fraud and illegal acts.

Technical Advice on New Projects

The CAG provided advice on the scope of two projects that the IESBA will commence in 2010:

- *Conflicts of Interest*—the IESBA will commence a project to expand the guidance in the Code on identifying and addressing conflicts of interest; and
- *Responding to Suspected Fraud and Illegal Acts*—the IESBA will commence a project to provide additional guidance in the Code on how a professional accountant responds to suspected fraud and illegal acts.

CONCLUSION I would like to take this opportunity to thank all the members of the CAG for their time and commitment over the past year. I would also like to thank the members of the IESBA and the chairs of the task forces for the efficient way in which the various drafts are presented to the CAG. I would also like to pay particular tribute to Richard George, who completed five years of chairing the IESBA. I look forward to working with Ken Dakdduk, the new chair of the IESBA, and cooperating on the IESBA's strategy for the next three years, as it increases its focus on fostering adoption and implementation of the Code. Finally, I would like to express my thanks to IFAC's staff for their support of the CAG.

IESBA CAG Member Organizations

ASIAN FINANCIAL EXECUTIVES INSTITUTES

AUDITING PRACTICES BOARD (UNITED KINGDOM)

BASEL COMMITTEE ON BANKING SUPERVISION

BUSINESSEUROPE

CFA INSTITUTE

DEAN OF THE GRADUATE SCHOOL OF FINANCIAL
MANAGEMENT, MOSCOW

EUROPEAN COMMISSION

EUROPEAN FEDERATION OF ACCOUNTANTS AND
AUDITORS FOR SMES

EUROPEAN FINANCIAL EXECUTIVES INSTITUTES

FÉDÉRATION DES EXPERTS COMPTABLES EUROPÉENS

GULF STATES REGULATORY AUTHORITIES

INSTITUTE OF INTERNAL AUDITORS

INTERNATIONAL ORGANIZATION OF SECURITIES
COMMISSIONS

INTERNATIONAL ORGANIZATION OF SUPREME AUDIT
INSTITUTIONS

NORTH AMERICAN FINANCIAL EXECUTIVES INSTITUTES

SRI LANKA ACCOUNTING AND AUDITING STANDARDS
MONITORING BOARD

WORLD BANK

WORLD FEDERATION OF EXCHANGES

IESBA CAG Observers

U.S. PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD

MEMBERS AND ASSOCIATES

IFAC IS COMPRISED OF 159 MEMBERS AND ASSOCIATES

in 124 countries and jurisdictions, representing 2.5 million accountants in public practice, industry and commerce, the public sector, and education. IFAC members are professional accountancy organizations recognized by law or general consensus within their countries as substantial national organizations.

MEMBERS As at December 31, 2009

ALBANIA INSTITUTE OF AUTHORIZED CHARTERED AUDITORS OF ALBANIA (IEKA)

ARGENTINA FEDERACIÓN ARGENTINA DE CONSEJOS PROFESIONALES DE CIENCIAS ECONÓMICAS

AUSTRALIA CPA AUSTRALIA

AUSTRALIA THE INSTITUTE OF CHARTERED ACCOUNTANTS IN AUSTRALIA

AUSTRALIA NATIONAL INSTITUTE OF ACCOUNTANTS IN AUSTRALIA

AUSTRIA INSTITUT ÖSTERREICHISCHER WIRTSCHAFTSPRÜFER

AUSTRIA KAMMER DER WIRTSCHAFTSTREUHÄNDER

AZERBAIJAN THE CHAMBER OF AUDITORS OF AZERBAIJAN REPUBLIC

BAHAMAS THE BAHAMAS INSTITUTE OF CHARTERED ACCOUNTANTS

BAHRAIN BAHRAIN ACCOUNTANTS ASSOCIATION

BANGLADESH THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

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

BELGIUM INSTITUT DES RÉVISEURS D'ENTREPRISES

BOLIVIA COLEGIO DE AUDITORES DE BOLIVIA

BOTSWANA BOTSWANA INSTITUTE OF ACCOUNTANTS

BRAZIL CONSELHO FEDERAL DE CONTABILIDADE

BRAZIL INSTITUTO DOS AUDITORES INDEPENDENTES DO BRASIL (IBRACON)

BULGARIA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF BULGARIA

CAMEROON THE INSTITUTE OF CHARTERED ACCOUNTANTS OF CAMEROON

CANADA THE CANADIAN INSTITUTE OF CHARTERED ACCOUNTANTS

CANADA CERTIFIED GENERAL ACCOUNTANTS ASSOCIATION OF CANADA

CANADA CMA CANADA

CHILE COLEGIO DE CONTADORES DE CHILE

CHINA, THE PEOPLE'S REPUBLIC OF THE CHINESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

CHINESE TAIWAN FEDERATION OF CPA ASSOCIATIONS OF THE REPUBLIC OF CHINA

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

CZECH REPUBLIC UNION OF ACCOUNTANTS OF THE CZECH REPUBLIC

DENMARK FORENINGEN AF STATS-AUTORISERED E REVISORER

DENMARK FORENINGEN REGISTRERED E REVISORER

DOMINICAN REPUBLIC INSTITUTO DE CONTADORES PÚBLICOS AUTORIZADOS DE LA REPÚBLICA DOMINICANA

EGYPT THE EGYPTIAN SOCIETY OF ACCOUNTANTS & AUDITORS

ESTONIA ESTONIAN AUDITING BOARD

FIJI FIJI INSTITUTE OF ACCOUNTANTS

FINLAND HTM-TILINTARKASTAJAT - GRM - REVISORER RY

FINLAND KHT-YHDISTYS-FÖRENINGEN CGR RY

MEMBERS As at December 31, 2009

FRANCE COMPAGNIE NATIONALE DES COMMISSAIRES AUX COMPTES

FRANCE CONSEIL SUPÉRIEUR DE L'ORDRE DES EXPERTS-COMPTABLES

GEORGIA GEORGIAN FEDERATION OF PROFESSIONAL ACCOUNTANTS AND AUDITORS

GERMANY INSTITUT DER WIRTSCHAFTSPRÜFER

GERMANY WIRTSCHAFTSPRÜFERKAMMER (WPK)

GHANA THE INSTITUTE OF CHARTERED ACCOUNTANTS (GHANA)

GREECE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF GREECE (SOEL)

GUATEMALA INSTITUTO GUATEMALTECO DE CONTADORES PÚBLICOS Y AUDITORES

GUYANA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF GUYANA

HAITI ORDRE DES COMPTABLES PROFESSIONELS AGREES D'HAITI

HONDURAS COLEGIO DE PERITOS MERCANTILES Y CONTADORES PÚBLICOS

HONG KONG (SPECIAL ADMINISTRATIVE REGION OF THE PEOPLE'S REPUBLIC OF CHINA) HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

HUNGARY CHAMBER OF HUNGARIAN AUDITORS

ICELAND FÉLAG LÖGGILTRA ENDURSKODENDA

INDIA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

INDIA THE INSTITUTE OF COST AND WORKS ACCOUNTANTS OF INDIA

INDONESIA INDONESIAN INSTITUTE OF ACCOUNTANTS

IRAN, ISLAMIC REPUBLIC OF IRANIAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS*

IRAN, ISLAMIC REPUBLIC OF THE IRANIAN INSTITUTE OF CERTIFIED ACCOUNTANTS

IRAQ IRAQI UNION OF ACCOUNTANTS AND AUDITORS

IRELAND CHARTERED ACCOUNTANTS IRELAND

IRELAND THE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN IRELAND

ISRAEL INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS IN ISRAEL

ITALY CONSIGLIO NAZIONALE DEI DOTTORI COMMERCIALISTI E DEGLI ESPERTI CONTABILI

IVORY COAST ORDRE DES EXPERTS COMPTABLES ET COMPTABLES AGRÉÉS DE CÔTE D'IVOIRE

JAMAICA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF JAMAICA

JAPAN THE JAPANESE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

JORDAN ARAB SOCIETY OF CERTIFIED ACCOUNTANTS

JORDAN JORDANIAN ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

KAZAKHSTAN CHAMBER OF AUDITORS OF THE REPUBLIC OF KAZAKHSTAN

KOSOVO SOCIETY OF CERTIFIED ACCOUNTANTS AND AUDITORS OF KOSOVO*

KENYA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

KOREA, REPUBLIC OF KOREAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

KUWAIT KUWAIT ASSOCIATION OF ACCOUNTANTS AND AUDITORS

LATVIA LATVIAN ASSOCIATION OF CERTIFIED AUDITORS*

LEBANON LEBANESE ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

* Members admitted by the IFAC Council in November 2009

MEMBERS As at December 31, 2009

LESOTHO LESOTHO INSTITUTE OF ACCOUNTANTS	PAKISTAN INSTITUTE OF COST AND MANAGEMENT ACCOUNTANTS OF PAKISTAN
LIBERIA THE LIBERIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	PANAMA COLEGIO DE CONTADORES PÚBLICOS AUTORIZADOS DE PANAMÁ
LITHUANIA LITHUANIAN CHAMBER OF AUDITORS	PARAGUAY COLEGIO DE CONTADORES DE PARAGUAY
LUXEMBOURG INSTITUT DES RÉVISEURS D'ENTREPRISES	PERU JUNTA DE DECANOS DE COLEGIOS DE CONTADORES PÚBLICOS DEL PERU
MADAGASCAR ORDRE DES EXPERTS COMPTABLES ET FINANCIERS DE MADAGASCAR	PHILIPPINES PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MALAWI THE SOCIETY OF ACCOUNTANTS IN MALAWI	POLAND ACCOUNTANTS ASSOCIATION IN POLAND
MALAYSIA MALAYSIAN INSTITUTE OF ACCOUNTANTS	POLAND NATIONAL CHAMBER OF STATUTORY AUDITORS
MALAYSIA THE MALAYSIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS	PORTUGAL ORDEM DOS REVISORES OFICIAIS DE CONTAS
MALTA THE MALTA INSTITUTE OF ACCOUNTANTS	ROMANIA THE CHAMBER OF FINANCIAL AUDITORS OF ROMANIA
MEXICO INSTITUTO MEXICANO DE CONTADORES PÚBLICOS, A.C.	ROMANIA CORPUL EXPERTILOR CONTABILI SI CONTABILILOR AUTORIZATI DIN ROMANIA
MOLDOVA, REPUBLIC OF ASSOCIATION OF PROFESSIONAL ACCOUNTANTS & AUDITORS OF THE REPUBLIC OF MOLDOVA	RUSSIAN FEDERATION THE INSTITUTE OF PROFESSIONAL ACCOUNTANTS OF RUSSIA
MOROCCO ORDRE DES EXPERTS COMPTABLES DU ROYAUME DU MAROC	RUSSIAN FEDERATION RUSSIAN COLLEGIUM OF AUDITORS
NAMIBIA INSTITUTE OF CHARTERED ACCOUNTANTS OF NAMIBIA	SAUDI ARABIA SAUDI ORGANIZATION FOR CERTIFIED PUBLIC ACCOUNTANTS
NEPAL THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NEPAL	SERBIA, REPUBLIC OF SERBIAN ASSOCIATION OF ACCOUNTANTS AND AUDITORS
NETHERLANDS KONINKLIJK NEDERLANDS INSTITUUT VAN REGISTERACCOUNTANTS (ROYAL NIVRA)	SIERRA LEONE THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SIERRA LEONE
NEW ZEALAND NEW ZEALAND INSTITUTE OF CHARTERED ACCOUNTANTS	SINGAPORE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF SINGAPORE
NICARAGUA COLEGIO DE CONTADORES PÚBLICOS DE NICARAGUA	SLOVAKIA SLOVENSKA KOMORA AUDITOROV
NIGERIA THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA	SLOVENIA THE SLOVENIAN INSTITUTE OF AUDITORS
NORWAY DEN NORSKE REVISORFORENING	SOUTH AFRICA THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS
PAKISTAN THE INSTITUTE OF CHARTERED ACCOUNTANTS OF PAKISTAN	SOUTH AFRICA THE SOUTH AFRICAN INSTITUTE OF PROFESSIONAL ACCOUNTANTS

MEMBERS As at December 31, 2009

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 - SWISS INSTITUTE OF CERTIFIED ACCOUNTANTS AND TAX CONSULTANTS

TANZANIA, UNITED REPUBLIC OF NATIONAL BOARD OF ACCOUNTANTS AND AUDITORS

THAILAND FEDERATION OF ACCOUNTING PROFESSIONS

TRINIDAD AND TOBAGO THE INSTITUTE OF CHARTERED ACCOUNTANTS OF TRINIDAD & TOBAGO

TUNISIA ORDRE DES EXPERTS COMPTABLES DE TUNISIE

TURKEY EXPERT ACCOUNTANTS' ASSOCIATION OF TURKEY

TURKEY UNION OF CHAMBERS OF CERTIFIED PUBLIC ACCOUNTANTS OF TURKEY (TÜRMOB)

UGANDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS OF UGANDA

UKRAINE UKRAINIAN FEDERATION OF PROFESSIONAL ACCOUNTANTS AND AUDITORS

UNITED KINGDOM THE ASSOCIATION OF CHARTERED CERTIFIED ACCOUNTANTS

UNITED KINGDOM THE CHARTERED INSTITUTE OF MANAGEMENT ACCOUNTANTS

UNITED KINGDOM THE CHARTERED INSTITUTE OF PUBLIC FINANCE AND ACCOUNTANCY

UNITED KINGDOM THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND & WALES

UNITED KINGDOM THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

UNITED STATES AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

URUGUAY COLEGIO DE CONTADORES, ECONOMISTAS Y ADMINISTRADORES DEL URUGUAY

VIETNAM VIETNAM ACCOUNTING ASSOCIATION

ZAMBIA ZAMBIA INSTITUTE OF CHARTERED ACCOUNTANTS

ZIMBABWE THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ZIMBABWE

ASSOCIATES As at December 31, 2009

ARMENIA ASSOCIATION OF ACCOUNTANTS AND AUDITORS OF ARMENIA

BOSNIA AND HERZEGOVINA ASSOCIATION OF ACCOUNTANTS AND AUDITORS OF REPUBLIC SRPSKA

BRUNEI DARUSSALAM BRUNEI DARUSSALAM INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS†

CAMBODIA KAMPUCHEA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND AUDITORS

CAYMAN ISLANDS CAYMAN ISLANDS SOCIETY OF PROFESSIONAL ACCOUNTANTS

IRELAND THE INSTITUTE OF ACCOUNTING TECHNICIANS IN IRELAND

KYRGYZSTAN UNION OF ACCOUNTANTS AND AUDITORS

LUXEMBOURG ORDRE DES EXPERTS-COMPTABLES DU LUXEMBOURG‡

MAURITIUS MAURITIUS INSTITUTE OF PROFESSIONAL ACCOUNTANTS

MONGOLIA MONGOLIAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

MONTENEGRO, REPUBLIC OF INSTITUTE OF ACCOUNTANTS AND AUDITORS OF MONTENEGRO

PAKISTAN PAKISTAN INSTITUTE OF PUBLIC FINANCE ACCOUNTANTS

PAPUA NEW GUINEA CERTIFIED PRACTISING ACCOUNTANTS PAPUA NEW GUINEA

SENEGAL ORDRE NATIONAL DES EXPERTS COMPTABLES ET COMPTABLES AGRÉÉS DU SÉNÉGAL

SRI LANKA ASSOCIATION OF ACCOUNTING TECHNICIANS OF SRI LANKA

UKRAINE UKRAINIAN ASSOCIATION OF CERTIFIED ACCOUNTANTS AND AUDITORS

UNITED KINGDOM ASSOCIATION OF ACCOUNTING TECHNICIANS

UNITED KINGDOM INSTITUTE OF FINANCIAL ACCOUNTANTS

UZBEKISTAN NATIONAL ASSOCIATION OF ACCOUNTANTS AND AUDITORS OF UZBEKISTAN

AFFILIATES As at December 31, 2009

NETHERLANDS NEDERLANDSE ORDE VAN REGISTER EDP-AUDITORS

UNITED STATES INFORMATION SYSTEMS AUDIT AND CONTROL ASSOCIATION

UNITED STATES NATIONAL ASSOCIATION OF STATE BOARDS OF ACCOUNTANCY‡

UNITED STATES THE INSTITUTE OF INTERNAL AUDITORS

† Associates admitted by the IFAC Council in November 2009

‡ Affiliate admitted by the IFAC Council in November 2009

REGIONAL ORGANIZATIONS AND ACCOUNTANCY GROUPINGS

Recognized Regional Organizations (ROs) and Acknowledged Accountancy Groupings (AGs) are independent bodies which, in many cases, share IFAC's membership and have objectives similar to those of IFAC. ROs and AGs play a valuable role by supporting the development of the international accountancy profession, facilitating convergence to international standards, and providing leadership in addressing issues affecting the accountancy profession in their region and/or constituencies.

Recognized Regional Organizations

CONFEDERATION OF ASIAN AND PACIFIC ACCOUNTANTS

EASTERN CENTRAL AND SOUTHERN AFRICAN FEDERATION
OF ACCOUNTANTS

FÉDÉRATION DES EXPERTS COMPTABLES EUROPÉENS

INTERAMERICAN ACCOUNTING ASSOCIATION

Acknowledged Accountancy Groupings

ASSOCIATION OF ACCOUNTANCY BODIES IN WEST
AFRICA

EURASIAN COUNCIL OF CERTIFIED ACCOUNTANTS AND
AUDITORS

FÉDÉRATION DES EXPERTS COMPTABLES
MEDITERANÉENS

FÉDÉRATION INTERNATIONALE DES EXPERTS
COMPTABLES FRANCOPHONES

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF THE
CARIBBEAN

SOUTH ASIAN FEDERATION OF ACCOUNTANTS

BOARD AND COMMITTEE MEMBERS

2009 BOARD AND COMMITTEE MEMBERS

IFAC's constitution and bylaws detail the responsibilities of IFAC's Council and Board. In addition, they detail the responsibilities of IFAC groups. An IFAC group, as defined in the Constitution, refers to boards, committees, advisory panels, or other similar groups within IFAC, other than the IFAC Board.

Governance of IFAC rests with the IFAC Council, which comprises one representative from each member body, and the IFAC Board. The IFAC Board is responsible for setting policy and overseeing IFAC's operations, including the implementation of programs and the work of IFAC groups.

IFAC BOARD November 2008 to November 2009

ROBERT L. BUNTING, PRESIDENT, UNITED STATES

GÖRAN TIDSTRÖM, DEPUTY PRESIDENT, NORDIC
FEDERATION

WARREN ALLEN, NEW ZEALAND

ABDELJELIL BOURAOUI, TUNISIA

YUGUI CHEN, CHINA

KEVIN DANCEY, CANADA

ROBERTO D'IMPERIO, ITALY

INGRID DOERGA, THE NETHERLANDS

ROBERT HODGKINSON, UNITED KINGDOM

GEN IKEGAMI, JAPAN

VED KUMAR JAIN, INDIA

JAPHETH KATTO, UGANDA

OLIVIA F. KIRTLEY, UNITED STATES

DAVID LEONARD, UNITED KINGDOM

BERNADETTE McGRORY-FARRELL, IRELAND

JOYCELYN MORTON, AUSTRALIA

WILLIAM NAHUM, FRANCE

NORBERT PFITZER, GERMANY

ROBERTO RESA, MEXICO

ASAD ALI SHAH, PAKISTAN

LUIZ CARLOS VAINI, BRAZIL

STEVE VIEWEG, CANADA

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

PROFESSOR ARNOLD SCHILDER, CHAIR,
THE NETHERLANDS

JOHN A. FOGARTY, DEPUTY CHAIR, UNITED STATES

PHIL COWPERTHWAITTE, CANADA

CÉDRIC GÉLARD, FRANCE

JOSEF FERLINGS, GERMANY

JON GRANT, UNITED KINGDOM

ASHIF SADRUDIN KASSAM, KENYA

PROFESSOR WILLIAM R. KINNEY, JR., UNITED STATES

JIANHUA TANG, CHINA

ABDULLAH YUSUF, PAKISTAN

DAVID SWANNEY, UNITED KINGDOM

STEEN BERNT JENSEN, DENMARK

TOMOKAZU SEKIGUCHI, JAPAN

CRAIG W. CRAWFORD, UNITED STATES

DIANA HILLIER, UNITED KINGDOM

SUSAN JONES, UNITED STATES

CAITHLIN Mc CABE, AUSTRALIA

DAN MONTGOMERY, UNITED STATES

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

PROFESSOR MARK ALLISON, CHAIR, UNITED KINGDOM

MARK SPOFFORTH, DEPUTY CHAIR, UNITED KINGDOM

YOSEPH ASMELASH, SWITZERLAND

JEAN-FRANÇOIS BÉLORGEY, FRANCE

PAULE BOUCHARD, CANADA

DR. MARCELO CANETTI, ARGENTINA

NISHAN FERNANDO, SRI LANKA

KRISTRÚN HELGA INGÓLFSÐÓTTIR, ICELAND

SALEEM KHARWA, SOUTH AFRICA

E. ANN KILBRIDE, UNITED KINGDOM

HANS CHRISTIAN KROGH, DENMARK

PROFESSOR KIM LANGFIELD-SMITH, AUSTRALIA

PROFESSOR SYLVIA MELJEM, MEXICO

KAREN PINCUS, UNITED STATES

AZZA RASLAN, SAUDI ARABIA

CONCEPCIÓN VILABOA, SPAIN

EILEEN WALSH, UNITED STATES

PROFESSOR ALISON WOLF, UNITED KINGDOM

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

RICHARD GEORGE, CHAIR, IRELAND

FRANK ATTWOOD, DEPUTY CHAIR, UNITED KINGDOM

NINA BARAKZAI, UNITED KINGDOM

KEN DAKDDUK, UNITED STATES

DAVID DEVLIN, IRELAND

ROBERT FRANCHINI, ITALY

ABDUL KARIEM HOOSAIN, SOUTH AFRICA (TO APRIL 2009)

ALICE McCLEARY, AUSTRALIA

MICHAEL NIEHUES, GERMANY

CARMEN RODRÍGUEZ, SPAIN

DR. VOLKER RÖHRICHT, GERMANY

JEAN L. ROTHBARTH, UNITED STATES

BOB RUTHERFORD, CANADA

ISABELLE SAPET, FRANCE

AIKO SEKINE, JAPAN

LADY BARBARA THOMAS JUDGE, UNITED KINGDOM

SANDRINE VAN BELLINGHEN, BELGIUM

DAVID WINETROUB, UNITED STATES

INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD

MICHAEL HATHORN, CHAIR, UNITED KINGDOM

ERNA SWART, DEPUTY CHAIR, SOUTH AFRICA

PETER BATTEN, AUSTRALIA

DAVID BEAN, UNITED STATES

ANDREAS BERGMANN, SWITZERLAND

MARIE-PIERRE CORDIER, FRANCE

SHEILA FRASER, CANADA

YOSSI IZKOVICH, ISRAEL

HONG LOU, CHINA

THOMAS MÜLLER-MARQUÉS BERGER, GERMANY

ANNE OWUOR, KENYA

STEFANO POZZOLI, ITALY

BHARTI PRASAD, INDIA

RON SALOLE, CANADA

TADASHI SEKIKAWA, JAPAN

FRANS VAN SCHAİK, THE NETHERLANDS

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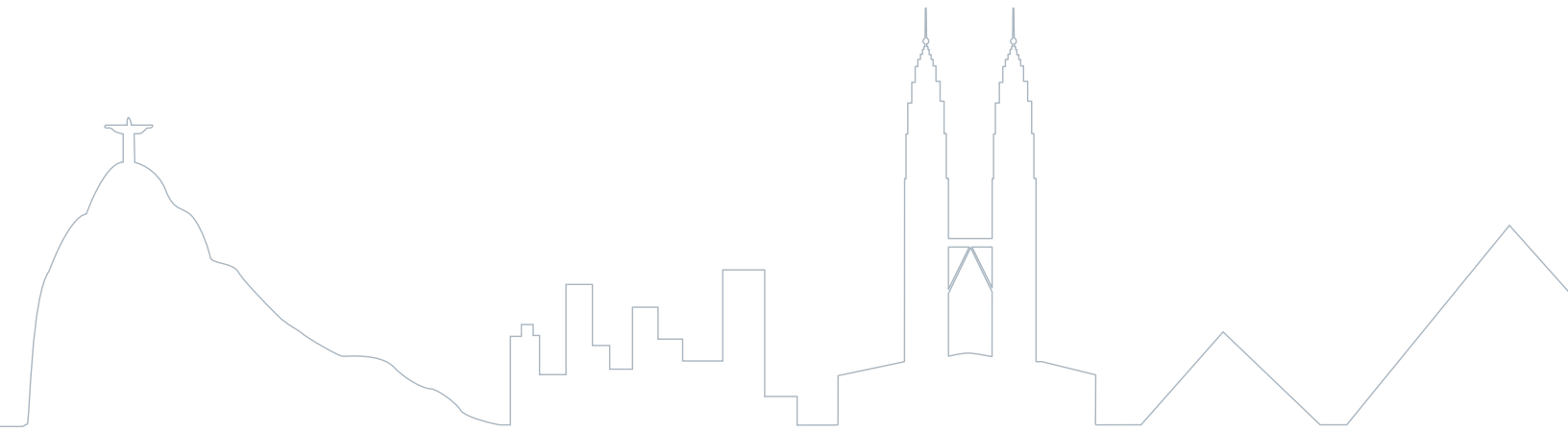
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SERVICE DELIVERY

THIS SECTION OF THE ANNUAL REPORT

describes the services delivered during 2009 against the planned services; it does not report internal services that support the delivery of services to external parties. The planned services were specified in the Operational Plan for 2009.

IFAC'S Service Delivery

To achieve its mission, IFAC seeks to influence various economic and social outcomes through the delivery of services to external parties, including member organizations, governments, professional accountants, academia and others. The service delivery portion of the annual report describes the services delivered during 2009 against the planned services; it does not report internal services that support the delivery of services to external parties. The planned services were specified in the Operational Plan for 2009.

The financial crisis provided opportunities for new initiatives that contributed to IFAC being a more influential voice for the global accountancy profession, including the submissions to the Group of Twenty (G-20) Finance Ministers and Central Bank Governors and the establishment of partnerships with other key international organizations. The financial crisis, however, also strained the financial resources of IFAC, its member organizations, and their members. Since early 2009, management—in consultation with the Board—modified the priorities of its planned services to respond to these financial constraints, while seizing the opportunities provided by the crisis. These modifications are reflected in the service delivery information presented in this report.

The auditors have issued an assurance report on the service delivery information. Comments that indicate the status of a service not delivered in 2009 or that cannot be measured are outside the scope of the assurance engagement and are indicated with an asterisk (*).

THE FIVE SERVICE AREAS

1. Standards and Guidance—*Develop high-quality professional standards and guidance, and encourage convergence*
2. Promoting Quality—*Promote the provision of high-quality services by all members of the accountancy profession worldwide*
3. Support for Adoption and Implementation—*Provide institutional support to those responsible for adoption and implementation of international standards at a national, regional or global level*
4. Representation of the Accountancy Profession in the Public Interest—*Speak out on public interest issues where the profession's expertise is most relevant*
5. Communications—*Provide services that communicate with IFAC stakeholders on matters related to the achievement of the IFAC mission*

BASIS FOR PRESENTING THE SERVICE DELIVERY INFORMATION

1. All substantial services delivered during 2009 that directly affect parties external to IFAC are included under the appropriate service area.
2. Planned services specified in the 2009 Operational Plan that were not delivered during 2009 are noted in the report.
3. Activities are appropriately described from a quantitative and, where appropriate, qualitative perspective.

SECTION 1 Standards and Guidance

The standards cover the areas of auditing and assurance, educational, and ethical requirements for professional accountants, and public sector 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 practices, and the role of professional accountants operating in business.

DUE PROCESS To ensure consistent high quality in the standards issued, a clearly defined rigorous due process is followed by the International Auditing and Assurance Standards Board (IAASB), International Accounting Education Standards Board (IAESB), International Ethics Standards Board for Accountants (IESBA), and International Public Sector Accounting Standards Board (IPSASB). The Public Interest Oversight Board (PIOB), which has the mandate to oversee the IAASB, IAESB, and IESBA, has approved this due process and monitors compliance with it. The PIOB has confirmed compliance with due process for all the standards issued by the IAASB, IAESB, and IESBA during 2009.

ACCOUNTING EDUCATION PRONOUNCEMENTS

Framework for International Education Standards for Professional Accountants

In December, the IAESB approved the *Framework for International Education Standards for Professional Accountants* (the Framework). The Framework includes an appendix, "IAESB Drafting Conventions," which will be used to increase the clarity of its standards. The PIOB confirmed compliance with due process in the development of the Framework and IAESB Drafting Conventions in December.

IAESB 2010-2012 Strategy and Work Plan

The IAESB issued a proposed *IAESB 2010-2012 Strategy and Work Plan* in July for public comment.

2009 Handbook of Education Pronouncements

IFAC published the 2009 *Handbook of International Education Pronouncements* in March.

AUDITING AND ASSURANCE PRONOUNCEMENTS

Clarity Project

In March, the IAASB completed the Clarity Project with the release of the final seven clarified International Standards on Auditing (ISAs). The titles of the seven ISAs are as follows:

- ISA 210, *Agreeing the Terms of Audit Engagements*
- ISA 265, *Communicating Deficiencies in Internal Control to*

Those Charged with Governance and Management

- ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*
- ISA 700, *Forming an Opinion and Reporting on Financial Statements*
- ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*
- ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- ISA 810, *Engagements to Report on Summary Financial Statements*

The PIOB confirmed that due process was followed in the development of ISAs 210, 265, and 402 in February. Confirmations for the other four ISAs were issued in 2008.

As indicated in the Operational Plan for 2009, the IAASB is also undertaking an ISA Implementation Monitoring Project to gather information about experiences in implementing the clarified ISAs. The IAASB will continue to gather information through June 2011 to assist it in determining whether there is any need for further refinement in the clarified ISAs in order to achieve their intended objectives.*

ISAE 3402, Assurance Reports on Controls at a Service Organization

The IAASB approved a new International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organization* in September. The PIOB confirmed compliance with due process in the development of this standard in December.

Consultation Papers

In response to the current environment, the IAASB approved the following Consultation Papers in September for public comment:

- *Assurance on a Greenhouse Gas Statement*
- *Auditing Complex Financial Instruments*

IAASB Staff Publications

IAASB staff issued the following non-authoritative publications:

- Staff Audit Practice Alert, *Audit Considerations in Respect of Going Concern in the Current Economic Environment* (January)
- Staff Questions and Answers, *Applying ISAs Proportionately with the Size and Complexity of an Entity* (August)
- Staff Audit Practice Alert, *Emerging Practice Issues Regarding the Use of External Confirmations in an Audit of Financial Statements* (November)

2009 Handbook of International Standards on Auditing and Quality Control

In April, IFAC published the 2009 *Handbook of International Standards on Auditing and Quality Control*, which brings together the clarified ISAs and the International Standard on Quality Control. It also includes a Glossary of Terms and the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*.

Modifications

The academic research on auditor's report communications was not completed in 2009 as originally planned. In December, the IAASB considered key messages in relation to auditor reporting and user perceptions thereof derived from four commissioned academic research studies and other relevant contemporary sources of information on auditor reporting.

To allow for detailed research, the IAASB postponed approval of the following exposure drafts until 2010 (these exposure drafts were planned for 2009):*

- New ISAE 3420, *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in Prospectuses*
- Revision of International Standard on Review Engagements (ISRE) 2400, *Engagements to Review Financial Statements*
- Revision of International Standard on Related Services (ISRS) 4410, *Engagements to Compile Financial Statements*

In addition, the IAASB postponed approval of a statement on the authority and the status of existing International Auditing Practice Statements (IAPSs) until the first quarter of 2011.*

ETHICS PRONOUNCEMENTS

Revised Code of Ethics

The IESBA approved the revised *Code of Ethics for Profes-*

sional Accountants (the Code) in April. The PIOB confirmed compliance with due process in the development of the Code in June.

IESBA 2010-2012 Strategy and Work Plan

The IESBA also issued a proposed *IESBA 2010-2012 Strategy and Work Plan* in October for public comment.

PROFESSIONAL ACCOUNTANTS IN BUSINESS GUIDANCE

International Good Practice Guidance

The Professional Accountants in Business (PAIB) Committee approved the following International Good Practice Guidance (IGPG):

- *Evaluating and Improving Governance* (February)
- *Costing to Drive Organizational Performance* (Supplemented with the information paper, *Evaluating the Costing Journey: A Costing Levels Maturity Mode*) (July)

Sustainability

In February, the PAIB Committee launched a web-based Sustainability Framework.

PAIB staff wrote a number of articles to promote the Sustainability Framework. A virtual paper, *Accountants to Take Lead Role in Sustainability Efforts*, was published in June.

Report on Developments in the Financial Reporting Supply Chain

Following the March 2008 publication of the report, *Financial Reporting Supply Chain: Current Perspectives and Directions*, the IFAC Board established a Business Reporting Project Group to study progress in the areas of governance, financial reporting, and auditing around the world. The IFAC Board published the report, *Developments in the Financial Reporting Supply Chain—Results from a Global Study among IFAC Member Bodies* in February. The report is based on a global research study in which 74 member organizations from 59 different countries and jurisdictions, including all major economies, participated.

Articles of Merit

IFAC published the *Articles of Merit* in February. The publication includes 11 previously published articles that were selected by the PAIB Committee as part of its annual *Articles of Merit Award Program for Distinguished Contribution to the Roles and Domain of Professional Accountants in Business*.

Modifications

The planned article, *Governance: Managing the Balance of Stakeholder Expectations*, was not completed in 2009.

The PAIB Committee delayed the project to update the Information Paper, *The Roles and Domain of the Professional Accountant in Business* (which was planned for 2009) in order to develop a Consultation Paper, *Strong and Adaptive—Ensuring Professional Accountants are Positioned to Support Sustainable Organizations and Markets in a Changing Business Environment*. The Consultation Paper will be issued in 2010.*

The committee also delayed the development of new IGPGs on behavioral aspects of business reporting and on internal control from a risk-based perspective until 2010;* and deferred the revision of the IGPG, *Defining and Developing a Code of Conduct for Organizations*, the development of new IGPGs on using and calculating the cost of capital and on post project completion review, and the development of a Consultation Paper on proposals for service enhancements relating to professional accountants in the public sector. These projects were planned for 2009.

PUBLIC SECTOR FINANCIAL REPORTING PRONOUNCEMENTS

Approved International Public Sector Accounting Standards

The IPSASB issued International Public Sector Accounting Standard (IPSAS) 27, *Agriculture* in December. The IPSASB also approved a series of new standards in December. Three of these new IPSASs deal with financial instruments. A fourth standard covers intangible assets, and an improvements standard makes minor changes to existing IPSASs. The titles of the five IPSASs are as follows:

- IPSAS 28, *Financial Instruments: Presentation*
- IPSAS 29, *Financial Instruments: Recognition and Measurement*
- IPSAS 30, *Financial Instruments: Disclosures*
- IPSAS 31, *Intangible Assets*
- *Improvements to IPSASs*

Exposure Drafts

The IPSASB also issued the following exposure drafts (EDs) for public comment:

- ED 36, *Agriculture* (March)
- ED 37, *Financial Instruments: Presentation* (April)
- ED 38, *Financial Instruments: Recognition and Measurement* (April)
- ED 39, *Financial Instruments: Disclosures* (April)

- ED 40, *Intangible Assets* (May)
- ED 41, *Entity Combinations from Exchange Transactions* (May)
- ED 42, *Improvements to IPSASs* (June)

The IPSASB approved ED 43, *Service Concession Arrangements* in December; it will be issued in February 2010 for public comment.*

Questionnaire on Financial Reporting under the Cash Basis of Accounting

The IPSASB did not issue an ED of the revised Cash Basis IPSAS, *Financial Reporting under the Cash Basis of Accounting* as originally planned for 2009. Instead, the IPSASB has asked those who have been involved in the adoption of the Cash Basis IPSAS in developing economies—or who have been exposed to the standard—to complete a questionnaire on their experiences, or anticipated experiences, with respect to implementation issues.

Consultation Paper on Reporting on the Long-Term Fiscal Sustainability of Public Finances

In November, the IPSASB issued a Consultation Paper, *Reporting on the Long-Term Fiscal Sustainability of Public Finances*. The Consultation Paper seeks views on how information on the long-term sustainability of government programs, increasingly available in many jurisdictions, may complement information available in traditional financial statements, thereby increasing transparency and enhancing accountability and decision making.

2009 Handbook of International Public Sector Accounting Pronouncements

IFAC published the 2009 *Handbook of International Public Sector Accounting Pronouncements* in March. In addition, it published a Spanish-language translation of the 2007 *Handbook of International Public Sector Accounting Pronouncements* in March and a French-language translation of the same handbook in May.

Modifications

The IPSASB delayed the revision of IPSAS 5, *Borrowing Costs* and the development of guidance on narrative reporting (which were planned for 2009) in order to respond to the current environment by accelerating the convergence with International Financial Reporting Standards and progressing other relevant projects. Borrowing costs will be considered within the context of the conceptual framework project.* The project on narrative reporting will commence in 2010.*

SECTION 2 Promoting Quality

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

MEMBER BODY DEVELOPMENT

Member Body Compliance Program

As at December 31, 76 action plans were published on the IFAC website (2008: 20) as part of the Member Body Compliance Program. (Part 3 requires member bodies to develop action plans, including identifying tools, resources, and regulatory changes to address areas identified through self-assessment).

Basis of ISA Adoption Chart

An online Basis of International Standards on Auditing (ISA) Adoption Chart was launched in November to communicate the status of ISA adoption in jurisdictions around the world.

Membership in IFAC

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

Admission of three members:

- Iranian Association of Certified Public Accountants
- Latvian Association of Certified Auditors
- Society of Certified Accountants and Auditors of Kosovo

Admission of two associates:

- The Brunei Darussalam Institute of Certified Public Accountants
- Ordre des Experts-Comptables du Luxembourg

Admission of one affiliate:

- National Association of State Boards of Accountancy

Recognized Regional Organizations and Approved Accountancy Groupings

The following assessment reports were received from recognized regional organizations (ROs) and acknowledged accountancy groupings (AGs) regarding their compliance with IFAC obligations:

- Quarterly reports received and assessed from four ROs
- Annual reports received and assessed from six AGs

IFAC BOARD

Modification

The project to review and revise or expand the Statements of Membership Obligations, which was planned for 2009, was delayed until 2010 due to resource constraints and prioritization of the continued implementation of Part 3 of the Member Body Compliance Program.*

DEVELOPING NATIONS COMMITTEE

Facilitation of Donor Funding

The Developing Nations Committee (DNC) carried out the following activities as part of its plans to expand its facilitation of donor funding to developing nations, including maintaining relationships with donors and supporting related events and initiatives:

- The DNC interacted with the Asian Development Bank in Jakarta, Indonesia, in March.
- The DNC also interacted with the Centre for Financial Reporting Reform of the World Bank in Zagreb, Croatia, in July.
- The DNC, in conjunction with the World Bank, Inter-American Development Bank, and the six largest accounting networks, sponsored the Accounting and Accountability for Regional Economic Growth (CReCER) Annual Conference in São Paulo, Brazil, in September.

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

The DNC provided input to the World Bank Reports on Observance of Standards and Codes (ROSCs). Comments were provided on the initiation or completion of ROSCs for the following countries:

- Benin
- China
- Congo
- Ivory Coast
- Kenya
- Sudan

- Vietnam
- West Bank & Gaza

Facilitating Mentoring Relationships

The DNC expanded its facilitation of and involvement in mentoring relationships. During 2009, the DNC continued to monitor mentoring developments, and communicated such activities in the IFAC Newsletter.

Good Practice Guidance

The DNC released a new good practice guide entitled, *The Education, Training and Development of Accounting Technicians* in March.

SMALL AND MEDIUM PRACTICES COMMITTEE

Good Practice Guidance

In March, the Small and Medium Practices Committee approved the *Guide to Quality Control for Small- and Medium-Sized Practices*.

TRANSNATIONAL AUDITING

Reporting Against FoF Membership Obligations

Two provisional members became full members in January by reporting compliance with the Forum of Firms' (FoF) full membership obligations.

All 21 full members reported compliance with membership obligations in December.

Membership

One new network was admitted as a full member in June.

Symposiums and Workshops

In April, the Transnational Auditors Committee (TAC) hosted a symposium on Going Concern and Related Audit Considerations for the FoF. The TAC also hosted a workshop on Establishing and Strengthening Global Internal Inspection Processes in October.

SECTION 3 Support for Adoption and Implementation

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

IFAC's adoption support involves two main elements: the translation of IFAC's pronouncements through a facilitated process that emphasizes the need for quality translations; and the provision of institutional adoption resources targeted to the needs of the recipient. IFAC recognizes that the central responsibility for adoption rests at a national or regional level and that its role is to support this through provision of advice, facilitation, the sharing of knowledge and best practices and, where necessary, the development of guidance.

Implementation support—provided at an institutional level—involves the provision of implementation resources targeted to the needs of the recipient. IFAC recognizes that the central responsibility for implementation, similar to adoption, rests at a national or regional level and that its role is to provide support as appropriate through the development of high-level guidance, provision of advice, facilitation, and the sharing of knowledge and best practices.

ACCOUNTING EDUCATION

Modifications

The International Accounting Education Standards Board (IAESB) delayed the information paper on International Education Standard (IES) 6, *Assessment of Professional Capabilities and Competences* in order to review and identify appropriate examples of assessment practices.*

The IAESB has also delayed the information paper on IES 3, *Professional Skills and General Education*. The IAESB conducted a survey on the needs for guidance on professional skills during 2009 in order to clarify the objectives of this information paper. Both information papers were planned for 2009 and are now scheduled for release in 2010.*

AUDITING AND ASSURANCE

IAASB Clarity Center

The International Auditing and Assurance Standards Board (IAASB) launched a web-based Clarity Center in March. The center contains information about the clarified International Standards on Auditing (ISAs) and addresses frequently asked questions.

ISA Modules

The IAASB released a series of ISA Modules in October and November. Each module combines short video presentations and accompanying slides. The titles of the modules are as follows:

- Introduction to the Clarity Project
- The Clarified ISAs, Audit Documentation, and Small- and Medium-sized Entity Audit Considerations (Including ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Stan-*

dards on Auditing, and ISA 230, *Audit Documentation*)

- ISA 260, *Communication with Those Charged with Governance*
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*
- ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- ISA 550, *Related Parties*
- ISA 600, *Special Considerations—Audits of Group Financial Statements*

Overviews of Pronouncements

The IAASB also undertook to publish an overview for each pronouncement that it approves in 2009 and beyond. The overview explains the background and scope of the pronouncement, provides a summary of the key provisions, and explains the implications for practice. In 2009, an overview was published for International Standard on Assurance Engagements (ISAE) 3402, *Assurance Reports on Controls at a Service Organization*.

DEVELOPING NATIONS

Modifications

The Developing Nations Committee (DNC) delayed the project to develop a web-based resource center (containing tools, guidance, etc.) for quality assurance and investigation and discipline until 2010.* This project was planned for 2009.

During 2009, representatives from the DNC held discussions with the International Accounting Standards Board (IASB) and a regional accountancy organization with regard to support for the rollout of a "train the trainer" program on the *International Financial Reporting Standard for Small and Medi-*

um-sized Entities. Future progress of this project is dependent on the extent of adoption of the standard.*

ETHICS

Adoption and Implementation Resources

The International Ethics Standards Board for Accountants released the following tools in September to support implementation of the new *Code of Ethics for Professional Accountants* (the Code):

- PowerPoint presentations providing an overview of the Code, independence requirements, and independence requirements for public interest entities
- An overview of the independence requirements
- A comparison between the old and new Code
- A comparison template that can be used to compare the requirements in a particular jurisdiction with the new Code

PUBLIC SECTOR FINANCIAL REPORTING

Modification

The International Public Sector Accounting Standards Board contracted the New Zealand Institute of Chartered Accountants in October to revise Study 14, *Transition to the Accrual Basis of Accounting*. The revised study will be published in 2010 (it was originally planned for 2009).*

SMALL AND MEDIUM PRACTICES

Expanded Resources in the International Center for SMPs

The Small and Medium Practices (SMP) Committee continued to enhance the web-based International Center for SMPs. This included the following:

- Integration with other IFAC resources to create a one-stop shop
- Expansion of the number of discussion strings, including topical issues around the effect of the financial crisis, practice management, etc.
- Enhancements to the Relevant Links Page

Modifications

The SMP Committee delayed updating the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities* until mid-2010.* Publication of the *Guide to Practice Management for Use by Small- and Medium-sized Practices* is also scheduled for mid-2010.* These projects were planned for 2009.

The SMP Committee also delayed the project to develop case studies of SMPs in order to complete a literature review and primary research. Initially planned for 2009, this project is expected to produce an information paper, *Role of Small and Medium Practices in Providing Business Support to Small- and Medium-sized Enterprises*, in early 2010.*

TRANSLATIONS

Coordination and Facilitation of Translations

During 2009, IFAC signed 64 agreements for reproduction or translation of its standards and publications. This includes agreements for translations of the clarified ISAs in 16 of 21 European Commission languages, as well as Russian and Arabic. In addition, IFAC routinely provided templates for permission requests and translation agreements, a question-and-answer document, and appropriate templates and artwork for publication covers, copyright statements, etc.

Translations Database

IFAC also made 100 updates to the Translations Database.

SECTION 4 Representation of the Accountancy Profession in the Public Interest

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

REGULATORY AND PUBLIC POLICY ACTIVITIES

Public Interest Oversight Board

During 2009, IFAC representatives (including the officers,¹ senior management, and the chairs of the Public Interest Activity Committees²) participated in the February, March, June, September, and December meetings of the Public Interest Oversight Board (PIOB). The PIOB considered and approved the due process applied to six standards as indicated under the Standards and Guidance services delivered (i.e., International Standards on Auditing 210, 265 and, 402; International Standard on Assurance Engagements 3402; the *Framework for International Education Standards for Professional Accountants*; and the revised *Code of Ethics for Professional Accountants*).

Standards Advisory Council of the International Accounting Standards Board

The Executive Director, Professional Standards attended the February, June, and November meetings of the Standards Advisory Council of the International Accounting Standards Board (IASB). These meetings were held in London, United Kingdom.

IFAC Regulatory Liaison Group

The IFAC Regulatory Liaison Group (IRLG) met in March (New York, New York, USA), May (Washington, D.C., USA) and August (New York, New York, USA). The IRLG met with the Monitoring Group in October (Madrid, Spain).

National and International Meetings, Roundtables, Seminars, and Conferences

The officers and senior management also participated in the following national and international meetings, roundtables, seminars, and conferences:

MEETING/EVENT	LOCATION	MONTH
American Institute of Certified Public Accountants (AICPA) Major Firms Meeting on Five Key Reasons Why You Will be International in 2009	Naples, Florida, USA	January
Organisation for Economic Co-operation and Development Consultation on Corporate Governance and the Financial Crisis	Paris, France	March
2nd Saudi International Accounting Forum	Riyadh, Saudi Arabia	March
Association of Chartered Certified Accountants (ACCA) Council Meeting	London, United Kingdom	March

¹President, Deputy President, and Chief Executive Officer

²The Public Interest Activity Committees are the International Auditing and Assurance Standards Board, the International Accounting Education Standards Board, the International Ethics Standards Board for Accountants, and the Compliance Advisory Panel

MEETING/EVENT	LOCATION	MONTH
Loyola Marymount University Center for Accounting Ethics, Governance, and the Public Interest—Distinguished Speaker Series	Los Angeles, California, USA	March
World Bank Brown Bag Lunch: Financial Crisis: Post Group of Twenty (G-20) Perspectives	Washington, D.C., USA	April
The Higher Education Accounting Forum (National Association of College and University Business Officers)	Miami, Florida, USA	April
Report to the AICPA Board	New York, New York, USA	April
Accounting Technicians Ireland Conference	Dublin, Ireland	June
Annual Israeli Accountants Congress	Eliat, Israel	June
Fédération des Experts Comptables Européens (FEE) Council Meeting	Brussels, Belgium	July and October
American Accounting Association 2009 Annual Meeting	New York, New York, USA	August
IFAC-Estonian Board of Auditors Conference	Tallinn, Estonia	September
Accounting and Accountability for Regional Economic Growth (CReCER) Annual Conference	São Paulo, Brazil	September
8th Annual Securities and Exchange Commission (SEC) Financial Reporting Conference: Meeting the Challenges in Volatile Financial Markets	Irvine, California, USA	September
Eastern Central and Southern African Federation of Accountants 20th Anniversary Conference	Johannesburg, South Africa	September
2009 IFAC Small and Medium Practices Forum	Beijing, China	October
World Bank Reports on the Observance of Standards and Codes	Beijing, China	October
Confederation of Asian and Pacific Accountants Board Meeting	Beijing, China	October

Regulatory and Other Relationships

During 2009, IFAC maintained its relationships with the following international and regional organizations:

- African Development Bank
- Asian Development Bank
- Basel Committee on Banking Supervision
- European Commission
- Financial Stability Board
- Inter-American Development Bank
- International Accounting Standards Board
- International Accounting Standards Committee Foundation

- International Forum of Independent Audit Regulators
- International Monetary Fund
- International Organization of Securities Commissions
- International Organization of Supreme Audit Institutions
- Organisation for Economic Co-operation and Development
- Public Company Accounting Oversight Board
- United Nations
- United Nations Conference on Trade and Development
- World Bank
- World Federation of Exchanges

Memorandum of Understanding

IFAC and the International Valuation Standards Council signed a Memorandum of Understanding in September.

PUBLIC POLICY POSITIONS AND EXTERNAL SUBMISSIONS

External Submissions

In March, the Chief Executive Officer wrote to the chairs of three of the Working Groups of the G-20 Finance Ministers and Central Bank Governors in response to their Declaration from the Summit on Financial Markets and the World Economy. In July, IFAC held a G-20 Accountancy Summit in London, United Kingdom. Following this meeting, the Chief Executive Officer sent a further letter to the G-20 leaders.

IFAC made formal submissions on the Constitution Review of the International Accounting Standards Committee Foundation in January and September.

The International Auditing and Assurance Standards Board made formal submissions to the following organizations:

- Public Company Accounting Oversight Board (PCAOB)—PCAOB Rulemaking Docket Matter No. 2008-02, *Proposed Auditing Standards Related to the Auditor's Assessment of and Response to Risk* (February)
- International Association of Insurance Supervisors—Issues Paper, *The Roles of and Relationship between the Actuary and the External Auditor in the Preparation and Audit of Financial Reports* (June)
- IASB-Financial Accounting Standards Board (FASB)—Discussion Paper, *Preliminary Views on Revenue Recognition in Contracts with Customers* (June)
- IASB—Exposure Draft, *Fair Value Measurement* and Exposure Draft, *Financial Instruments: Classification and Measurement* (September)

Modifications

During 2009, staff progressed the development of a case study on auditor liability, while the projects on regulation of the accountancy profession, financial management policies, concentration of the profession, corporate social responsibility, and corporate governance—planned for 2009—were deferred or cancelled.*

PROMOTION OF IFAC'S PUBLIC INTEREST ACTIVITIES

International Auditing and Assurance Standards Board (IAASB):

IAASB Consultative Advisory Group

During 2009, the IAASB Consultative Advisory Group met in Dubai, United Arab Emirates, in March, and Washington, D.C., USA, in September.

National Auditing Standard Setters

The annual meeting of National Auditing Standard Setters was held in Vancouver, Canada, in April.

European Audit Standard Setters

IAASB representatives participated in a meeting of the European Audit Standard Setters held in Brussels, Belgium, in May.

Standing Advisory Group of the Public Company Accounting Oversight Board

IAASB representatives also participated in meetings of the Standing Advisory Group of the PCAOB held in Washington, D.C., USA, in April and October.

Meetings with Regulators and Other Stakeholders and International, Regional, and National Forums

IAASB representatives participated in the following meetings with regulators and other stakeholders and international, regional, and national forums:

MEETING/EVENT	LOCATION	MONTH
IFAC-Fédération des Experts Comptables Européens (FEE) Practitioners' Symposium	Berlin, Germany	January
Meeting of the International Organization of Securities Commissions (IOSCO) Technical Committee	Madrid, Spain Basel, Switzerland	January October
DeBrauw Blackstone Westbroek, Presentation on Fair Value and Going Concern Issues: Recent IAASB Staff Alerts with Relevance for Auditors, Management and Lawyers	Amsterdam, the Netherlands	February
Financial Stability Institute Seminar for Banking Supervisors	Basel, Switzerland	February
American Accounting Association 15th Annual Mid-year 2009 Conference	St. Petersburg's Beach, Florida, USA	February
Meeting of the Institute of Internal Auditors—Internal Audit Governance Standards Board	Washington, D.C., USA	March
Seminar of the Consultative Advisory Groups of the IAASB and International Ethics Standards Board for Accountants	Dubai, United Arab Emirates	March
British Academic Association National Auditing Conference	Exeter, United Kingdom	March
Meeting of the Organisation for Economic Co-operation and Development Working Group on Bribery	London, United Kingdom	March
Forum of Firms Symposium on Going Concern and Related Audit Considerations	London, United Kingdom	April
Meetings of the Forum of Firms	London, United Kingdom New York, New York, USA	April October
University of Texas Symposium	Austin, Texas, USA	April
Academic Club of University of Amsterdam Forum on Crisis and Accountants	Amsterdam, the Netherlands	April

MEETING/EVENT	LOCATION	MONTH
Institute of Chartered Accountants in Australia Audit Conferences	Sydney and Melbourne, Australia	April
Meeting of the Financial Audit Guidelines Subcommittee of the International Organisation of Supreme Audit Institutions (INTOSAI)	Luxembourg, Grand Duchy of Luxembourg London, United Kingdom	April October
Meeting with representatives of the European Commission	Brussels, Belgium	May
Meetings of the Global Reporting Initiative Technical Advisory Committee	Amsterdam, the Netherlands	May
Meeting of the Institut der Wirtschaftsprüfer on the Adoption of International Standards on Auditing (ISAs) in the European Union	Amsterdam, the Netherlands	May
Meeting with representatives from the International Accounting Standards Board	London, United Kingdom	May
Meeting of the European Group of Audit Oversight Bodies	Brussels, Belgium	June
Meeting of the Steering Committee of the Professional Standards Committee of INTOSAI	Brasilia, Brazil	June
Meeting of the Dutch Association of General Audit Offices	Amsterdam, the Netherlands	June
International Symposium on Audit Research Conference Plenary Session	Maastricht, the Netherlands	June
Accounting Technicians Ireland Conference	Dublin, Ireland	June
Current Events Day 2009 hosted by Koninklijk Nederlands Instituut van Registeraccountants (NIVRA), Nyenrode Business University and De Nederlandse Bank	Breukelen, the Netherlands	June
Institute of Chartered Accountants of India Diamond Jubilee Agra Conference	Delhi, India	July
HLB Audit and Financial Reporting Conference	Dublin, Ireland	July
Meeting of the IOSCO Standing Committee 1	Zürich, Switzerland	July
American Accounting Association 2009 Annual Meeting	New York, New York, USA	August
Meeting of the International Forum of Independent Audit Regulators	Singapore	September
Polaris International Annual Conference	Monaco	September
Chinese Institute of Certified Public Accountants lecture	Beijing, China	September
Accounting and Accountability for Regional Economic Growth (CReCER) Annual Conference	São Paulo, Brazil	September

MEETING/EVENT	LOCATION	MONTH
Meeting of the Korean Auditing and Assurance Standards Board	Seoul, South Korea	September
HTM-tilintarkastajat ry-GRM-revisorer rf ICongress	Pori, Finland	September
Audit Quality Forum	London, United Kingdom	October
2009 IFAC Small and Medium Practices Forum	Beijing, China	October
Institut des Réviseurs d'Enterprises training	Luxembourg, Grand Duchy of Luxembourg	October
Inter-American Accounting Association Conference	Cancún, Mexico	October
Turkish Accounting and Auditing Symposium	Istanbul, Turkey	October
University of Maryland Accounting Students	New York, New York, USA	October
European Union Parliament Symposium	Brussels, Belgium	November
Consultative Committee of Accountancy Bodies Training Providers Forum 2009 on Clarified ISAs for Providers of Audit Software, Training & Methodologies	London, United Kingdom	November
Meeting of the Council of the Institute of Certified Public Accountants of Kenya	Nairobi, Kenya	November
National Chamber of Statutory Auditors 10th Annual Auditing Conference	Jachranka, Poland	November
University of Amsterdam, Amsterdam Business School Accountancy Department	Amsterdam, the Netherlands	November
Vrije Universiteit	Amsterdam, the Netherlands	November
Meeting of the FEE Council Meeting	Brussels, Belgium	December
Institute of Chartered Accountants in India USA Study Tour	New York, New York, USA	December

International Accounting Education Standards Board (IAESB):**Consultative Advisory Group**

During 2009, the IAESB Consultative Advisory Group met in February in New York, New York, USA, and in September in Amsterdam, the Netherlands.

Meetings with Regulators and Other Stakeholders and International, Regional, and National Forums

IAESB representatives participated in the following meetings with regulators and other stakeholders and international, regional, and national forums:

MEETING/EVENT	LOCATION	MONTH
American Accounting Association (AAA) 15th Annual Mid-year 2009 Conference	St. Petersburg's Beach, Florida, USA	February
IAESB and La Federación Argentina de Consejos Profesionales de Ciencias Económicas Joint Accounting Education Seminar	Buenos Aires, Argentina	March
International Symposium for the Accounting Accreditation Accord Initiative: Accounting Education in the Global Economy Focusing on the Pre-qualification Stage	Tokyo, Japan	March
Road to Europe: Program of Accounting Reform and Institutional Strengthening (REPARIS) Regional Exploratory Workshop on Accounting and Auditing Education in South East Europe	Vienna, Austria	April
European Accounting Association Annual Congress	Tampere, Finland	May
British Accounting Association Special Interest Group Education 2009 Conference	Essex, United Kingdom	May
AAA 2009 Annual Meeting	New York, New York, USA	August
Eastern Central and Southern African Federation of Accountants 20th Anniversary Conference	Johannesburg, South Africa	September
Accounting and Accountability for Regional Economic Growth (CReCER) Annual Conference	São Paulo, Brazil	September
Global Accounting Alliance (GAA) Education Directors Annual Meeting	Brussels, Belgium	October
5th European Auditing Research Network Symposium	Valencia, Spain	October
International Accounting Education Symposium	Tokyo, Japan	November

Collaborating on Accounting Education Research Projects

The IAESB is also collaborating on accounting education research projects with the International Association for Accounting Education and Research. During 2009, the four research teams met in February in Munich, Germany, to present their project proposals and in August in New York, New York, USA, to present their preliminary research findings. The titles of the research projects are as follow:

- *How does the Methodology of Education and Training in Ethics Affect the Ethical Awareness and Practice of the Professional Accountant?*
- *Access to CPD Opportunities and Resources to Assist Professional Accountants to Meet Their Commitment to Life Long Learning: Evidence from the Asia Pacific Region*
- *Searching for Best Practice in the Development and Assessment of Non-Technical Skills in Accountancy Trainees: A Global Study*
- *The Awareness and Impact of International Accounting Education Standards*

International Ethics Standards Board for Accountants (IESBA):

Consultative Advisory Group

During 2009, the IESBA Consultative Advisory Group met in Dubai, United Arab Emirates, in March, and Washington, D.C., USA, in September.

National Ethics Standard Setters

The first meeting of National Ethics Standard Setters was held in Vancouver, Canada, in April.

Meetings with Regulators and Other Stakeholders, and International, Regional, and National Forums

IESBA representatives participated in the following meetings with regulators and other stakeholders, and international, regional, and national forums:

MEETING/EVENT	LOCATION	MONTH
Meeting of the European Group of Audit Oversight Bodies	Brussels, Belgium	March and June
Meeting with regulators of the Dubai Financial Services Authority	Dubai, United Arab Emirates	March
HLB Audit and Financial Reporting Conference	Dublin, Ireland	July
Accounting and Accountability for Regional Economic Growth (CReCER) Annual Conference	São Paulo, Brazil	September
Japanese Institute of Certified Public Accountants lecture	Tokyo, Japan	October
Meeting of the International Organization of Securities Commissions Standing Committee 1	Mexico City, Mexico	November

International Public Sector Accounting Standards Board (IPSASB):*Meetings of National and International Standard Setters; International, Regional, and National Forums; and World Bank Forums*

During 2009, IPSASB representatives participated in the following events (including meetings of national and international standard setters; international, regional, and national forums; and World Bank forums):

MEETING/EVENT	LOCATION	MONTH
9th Organisation for Economic Co-operation and Development Public Sector Accrual Accounting Symposium	Paris, France	March
IPSASB Briefing, United Nations Inspection Unit	New York, New York, USA	April
International Monetary Fund (IMF) Seminar	Washington, D.C., USA	April
Meeting of the Fédération des Experts Comptables Européens (FEE) Public Sector Committee	Modena, Italy	May
Meeting of the World Bank Public Financial Management Group	Washington, D.C., USA	June
IMF Seminar on Global Economic Crisis	Washington, D.C., USA	July
Meeting of the Japanese Board of Audit and Ministry of Finance	Toronto, Canada	August
Accounting and Accountability for Regional Economic Growth (CRcER) Annual Conference	São Paulo, Brazil	September
United Nations Conference on Trade and Development (UNCTAD) Education Program at the 26th International Standards of Accounting and Reporting (ISAR) session	Geneva, Switzerland	October
UNCTAD IPSAS Meeting	Brussels, Belgium	October
New Zealand/Australia Joint Meeting	Auckland, New Zealand	October
International Colloquium	Vancouver, Canada	October
Meeting of the Council of the Institute of Certified Public Accountants of Kenya	Nairobi, Kenya	November

Compliance Advisory Panel (CAP):***Events of Member Organizations, Recognized Regional Organizations, Acknowledged Accountancy Groupings, and Other Relevant Organizations***

During 2009, CAP representatives met with representatives from or participated in events of the following member organizations, recognized regional organizations, acknowledged accountancy groupings, and other relevant organizations:

MEETING/EVENT	LOCATION	MONTH
Kampuchea Institute of Certified Public Accountants and Auditors	Phnom Penn, Cambodia	January
Federation of Accounting Professions	Bangkok, Thailand	January
ASEAN Federation of Accountants	Bangkok, Thailand	January
Lebanese Association of Certified Public Accountants, 17th International Congress	Beirut, Lebanon	April
Institute of Certified Accountants of Rwanda	Kigali, Rwanda	April
Canadian Institute of Chartered Accountants	Toronto, Canada	April
Confederation of Asian and Pacific Accountants	Vancouver, Canada Beijing, China	May October
Institute of Chartered Accountants of the Caribbean	Georgetown, Guyana	June
Congress of the Ordre des Experts Comptables de Tunisia	Tunis, Tunisia	June
American Institute of Certified Public Accountants	New York, New York, USA	July
Russian Collegium of Auditors	Moscow, Russia	July
Audit Chamber of Russia	Moscow, Russia	July
Federación Argentina de Consejos Profesionales de Ciencias Económicas	Buenos Aires, Argentina	July
Conselho Federal de Contabilidade and Instituto dos Auditores Independentes do Brasil	São Paulo, Brazil	July
Eastern Central and Southern African Federation of Accountants, 20th Anniversary Conference	Johannesburg, South Africa	September
Fédération des Experts Comptables Méditerranéens	Bucharest, Romania	October
Association of Accountancy Bodies in West Africa, International Conference	Dakar, Senegal	November

Meetings with Regulators and Other Stakeholders

CAP representatives participated in the following meetings with regulators and other stakeholders:

MEETING/EVENT	LOCATION	MONTH
Regulatory Working Group	Washington, D.C., USA Beijing, China Moscow, Russia Mexico City, Mexico	March May July November
International Organization of Securities Commissions Emerging Markets Committee 2009 Annual Conference	Tel Aviv, Israel	June

World Bank and Other Funded Projects

CAP representatives also participated in the following World Bank and other funded projects to develop the accountancy profession:

- Multi-donor working group meeting of the Organisation for Economic Co-operation and Development—Development Assistance Committee, Manila, Philippines, January
- World Bank Report on Observance of Standards and Codes (ROSC) Dissemination Workshop, Vientiane, Laos, April
- World Bank ROSC Dissemination Workshop for the Organization of Eastern Caribbean States, St. Kitts, May
- World Bank ROSC Dissemination Workshop, Buenos Aires, Argentina, June

*Developing Nations Committee (DNC):**Contact with Current and Potential Member Organizations*

During 2009, DNC representatives had formal contact with the following current and potential member organizations or their key stakeholders:

- Ordre National des Experts Comptables, Algiers, Algeria, June and November
- Croatian Audit Chamber, Zagreb, Croatia, July
- Instituto Salvadoreño de Contadores Públicos, San Salvador, El Salvador, September
- Lithuanian Chamber of Auditors, Vilnius, Lithuania, November
- Latvian Association of Certified Auditors, Riga, Latvia, September
- Accountants Association in Poland and National Chamber of Statutory Auditors, Warsaw, Poland, November

Workshop on Membership Application Process and Member Body Compliance Program

The DNC also hosted the Workshop on Membership Application Process and Member Body Compliance Program in Dakar, Senegal, in November.

Modification

The DNC postponed the planned 2009 liaison with the Financial Action Task Force due to resource constraints and other priorities.

Professional Accountants in Business (PAIB) Committee:

Forum on Current Issues in Corporate Governance, Risk Management and Internal Control

PAIB Committee representatives participated in a forum, Current Issues in Corporate Governance, Risk Management and Internal Control, hosted by the Hong Kong Institute of Certified Public Accountants in Hong Kong in April.

Prince of Wales' Accounting for Sustainability Project

PAIB staff met with the Chair of the Executive Board of the Prince of Wales' Accounting for Sustainability (A4S) Project to discuss sustainability issues and the IFAC Sustainability Framework in February. In December, the Chief Executive Officer participated in an A4S roundtable to discuss the prospect of an International Connected Reporting Committee, and PAIB staff attended the A4S annual forum. These events took place in London, United Kingdom.

Small and Medium Practices (SMP) Committee:

IFAC-FEE Practitioners' Symposium

The SMP Committee, Fédération des Experts Comptables Européens (FEE), Wirtschaftsprüferkammer, and the Institut der Wirtschaftsprüfer in Deutschland co-hosted the IFAC-FEE Practitioners' Symposium in Berlin, Germany, in January.

2009 IFAC Small and Medium Practices Forum

The SMP Committee, Confederation of Asian and Pacific Accountants, and Chinese Institute of Certified Public Accountants co-hosted the 2009 IFAC Small and Medium Practices Forum in Beijing, China, in October.

Meetings of Stakeholders and National, Regional, and International Conferences

SMP Committee representatives participated in the following meetings of stakeholders and national, regional, and international conferences:

MEETING/EVENT	LOCATION	MONTH
First Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili Annual Conference	Turin, Italy	March
Institute of Certified Public Accountants of Singapore Practitioners' Forum	Singapore	April
Congress of the Chamber of Financial Auditors of Romania	Cluj-Napoca, Romania	June
Meeting of the European Group of International Accounting Networks and Associations	Paris, France	July
IFAC-Estonian Board of Auditors Conference	Tallinn, Estonia	September
Eastern Central and Southern African Federation of Accountants 20th Anniversary Conference	Johannesburg, South Africa	September
Federation of Accounting Professions ISQC 1-ISA 200 Seminar	Bangkok, Thailand	September
United Nations Conference on Trade and Development (UNCTAD), 26th International Standards of Accounting and Reporting (ISAR) session	Geneva, Switzerland	October
AGN International Conference	Chicago, Illinois, USA	October

MEETING/EVENT	LOCATION	MONTH
Praxity Annual World Conference	Chicago, Illinois, USA	October
Association of Chartered Certified Accountants (ACCA)/Association for Accounting Education and Research Private Entity Reporting Roundtable	New York, New York, USA	October
Interamerican Press Association International Conference	Madrid, Spain	October
Institute of Chartered Accountants of the Caribbean/Institute of Chartered Accountants of Trinidad and Tobago International Financial Reporting Standards for Small- and Medium-sized Entities Forum	Port of Spain, Trinidad and Tobago	November

Translations:

Meetings on Translation-Related Matters

IFAC staff participated in or organized meetings on translation-related matters with the following member organizations and other stakeholders:

MEETING/EVENT	LOCATION	MONTH
European Commission Directorate General—Translations and Directorate General Internal Markets and relevant European Translating Bodies	Brussels, Belgium	January and October
International Accounting Standards Committee Foundation	London, United Kingdom	January
Instituto Mexicano de Contadores Públicos	New York, New York, USA	April
Audit Oversight Body of Greece	New York, New York, USA	June
Federación Argentina de Consejos Profesionales de Ciencias Económicas	Buenos Aires, Argentina	July
Conselho Federal de Contabilidade and Instituto dos Auditores Independentes do Brasil	São Paulo, Brazil	July
Foreningen af Statsautoriserede Revisorer	Copenhagen, Denmark	September
Latvian Association of Certified Auditors	Riga, Latvia	September
Slovenska Komora Auditorov	Bratislava, Slovakia	September
The Slovenian Institute of Auditors	Ljubljana, Slovenia	September

SECTION 5 Communications

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

MEDIA RELATIONS

Interviews, Press Conferences, and Press Releases Issued

- Sixty-three press releases issued
- Press conferences held with the Estonian Auditing Board in Tallinn, Estonia, in September
- Joint press conference held with the World Bank and the Inter-American Development Bank at the Accounting and Accountability for Regional Economic Growth (CRcER) Annual Conference in São Paulo, Brazil, in September
- Twenty-three interviews given by IFAC representatives
- IFAC expanded contact with media outlets with an interest in accountancy, business, finance, and regulation
- Global Seminar held during November 2009 Council Meeting in Washington, D.C., USA, and included international experts and IFAC representatives who spoke on topics of avoiding the next financial crisis and convergence of standards in a global economy
- Press briefing held in conjunction with the Global Seminar at the National Press Club, in Washington, D.C. and three press releases issued

Letters to the Editor, Editorials, and Articles

The Chief Executive Officer wrote the following two letters to the editor:

- *Risk-Free World That Never Was* (published in *Financial Times*)
- *Governments Ought to Produce Sensible Financial Statements* (published in *Financial Times*)

Global Voice Initiatives

The Communications Department has implemented initiatives to exert IFAC's voice and raise awareness about its deliverables and policy positions. These include the following:

- A Global Financial Crisis website to provide information about IFAC's activities with respect to the crisis and eco-

conomic recovery, as well as links to materials prepared by member organizations and relevant international organizations

- A Global Financial Crisis section within the Global Digest, a monthly electronic newsletter to cover international developments
- Issued a joint survey on small- and medium-sized entity lending with *The Banker* magazine, a part of the Financial Times group

2009 Global Leadership Survey

In 2009, the Communications Department conducted the Third Annual Global Leadership Survey of presidents and chief executive officers of member bodies, associates, recognized regional organizations, and acknowledged accountancy groupings on key global issues for release to the media. The questionnaire for the 2009 Third Annual Global Leadership Survey was issued in October and the report is scheduled for release in early 2010.*

PROMOTION AND MARKETING

- Developed an online International Center for Small and Medium Practices (SMPs)
- Produced an SMP Forum brochure and an accompanying SMP Forum web page
- Provided production and marketing support for the implementation resources developed by the International Auditing and Assurance Standards Board (IAASB) and International Ethics Standards Board for Accountants (IESBA) (as indicated under the Support for Adoption and Implementation services delivered)

COMMUNICATIONS MATERIALS AND REPORTS

The following IFAC communications materials were issued:

- The IFAC Newsletter (available in print, as well as electronic) was issued in February, July, September, and December.
- The IFAC Annual Report (available in print, as well as electronic) was issued in June.
- The IAASB Annual Report (available in print, as well as electronic) was issued in March.
- Twenty-one eNews were issued.
- Twelve editions of the Global Digest were issued.
- Twelve editions of the IFAC Update were issued.
- President's Board Briefings to the IFAC Board were issued in January and August.
- IFAC fact sheets were updated throughout the course of the year to reflect expanded service deliveries, changes in work plans, and changes in volunteers.

WEBSITE DEVELOPMENT AND ENHANCEMENTS

General Website Enhancements

The Communications Department continued to enhance the IFAC website to demonstrate commitment to transparency of IFAC activities, enhance the accessibility of standards and guidance, and engage more users. The following additions and enhancements were made to the website:

- All pages were updated on an ongoing basis to reflect the release of new publications and other changes.
- The web pages of the IAASB and the IESBA were expanded to reflect the new implementation resources (as indicated under Support for Adoption and Implementation services delivered).
- An electronic exposure draft comment submission system was launched in May. Accompanying guidance notes on using the system were also developed.
- A Global Seminar and Council web page was launched in November.
- The online bookstore was transformed into a new publications and resources center in December.
- The resources available through and the reach of the IFAC KnowledgeNet (www.ifacnet.com) was expanded. The eStandards Forum was incorporated into IFACnet during 2009.
- IFAC translated updates to core sections of the IFAC website, into Arabic, Chinese, French, Russian, and Spanish on a monthly basis.

**INDEPENDENT ASSURANCE REPORT
ON SERVICE DELIVERY**

To the Board of the International Federation of Accountants

REPORT ON SERVICE DELIVERY

We have performed certain assurance procedures on the Service Delivery for the year ended December 31, 2009 (Service Delivery). The Service Delivery is a list of specific services delivered by IFAC during 2009. The objective of the assurance procedures was to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2009 in accordance with the criteria described in the introduction to the Service Delivery. 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 controls relevant to the preparation and fair presentation of the Service Delivery that is free from material misstatement.

Auditors' Responsibility

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

The assurance procedures involve performing procedures to obtain evidence to determine if the Service Delivery is a reasonable description of the services delivered by IFAC during 2009. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Service Delivery, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the Service Delivery in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls.

Our procedures performed included, but were not limited to:

- 1) Examination of pronouncements, exposure documents, guidance, and consultation papers issued and/ or approved during 2009.
- 2) Examination of board, committee and group minutes approving pronouncements, exposure documents, guidance, and consultation papers issued during 2009.
- 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 2009 in accordance with the criteria described in the introduction to the Service Delivery.

/s/Citrin Cooperman & Company, LLP
Certified Public Accountants
New York, NY
February 26, 2010

FINANCIAL HIGHLIGHTS

RESPONDING TO PRESSURES AND OPPORTUNITIES

IFAC continues to operate a control environment designed to ensure that the values of integrity, transparency and expertise are inherent in every aspect of the organization. This environment provides for sound stewardship of the resources provided by member organizations, the transnational accountancy firms, and other funders, and a clear decision-making and accountability framework.

From early 2009, management reduced the planned cost of operations and changed the priorities of services to respond to the pressures and opportunities brought about by the global financial crisis. In anticipation of a lower budget increase in 2010, management also modified the operational plan and budget for 2009 to minimize commitments that carry forward into 2010. These actions gave rise to significant cost savings in 2009, resulting in a surplus for the year of \$1.5 million against an originally budgeted surplus for the year of \$350,000.

The surplus strengthened the operating reserve position, which now provides coverage for approximately one and a half months of activity. Management and the Board recognize that fiscal responsibility requires the organization to maintain an adequate equity position, and to ensure that both short-term unrestricted reserves and long-term reserves are appropriate for the size and nature of the organization. The Strategic Plan for 2009-2012, therefore, provides for the build-up of the short-term unrestricted reserves as at year-end to a target of two months of budgeted operating expense.

Below are the financial highlights for 2009. The financial statements provide further information on IFAC's financial performance, financial position, and cash flows for 2009.

CONTINUED GROWTH Total revenue and expenses continued to rise in 2009. Total revenue increased by 14 percent (2008: 9 percent) to \$21.2 million and total expenses by 6 percent (2008: 9 percent) to \$19.6 million.

Reductions in the cost of operations and changes in the priorities of services gave rise to a surplus for the year of \$1.5 million. The Service Delivery section of this report shows the effects of the changes in priorities.

FINANCIAL POSITION IFAC's financial position as at December 31, 2009 reflects an increase in total assets (39 percent) and total liabilities (8 percent) from the prior year. The increase in total assets is primarily reflected in the higher cash and cash equivalents and receivables from the Forum of Firms. The increase in total liabilities is primarily reflected in the increase in the accrued pension cost liability.

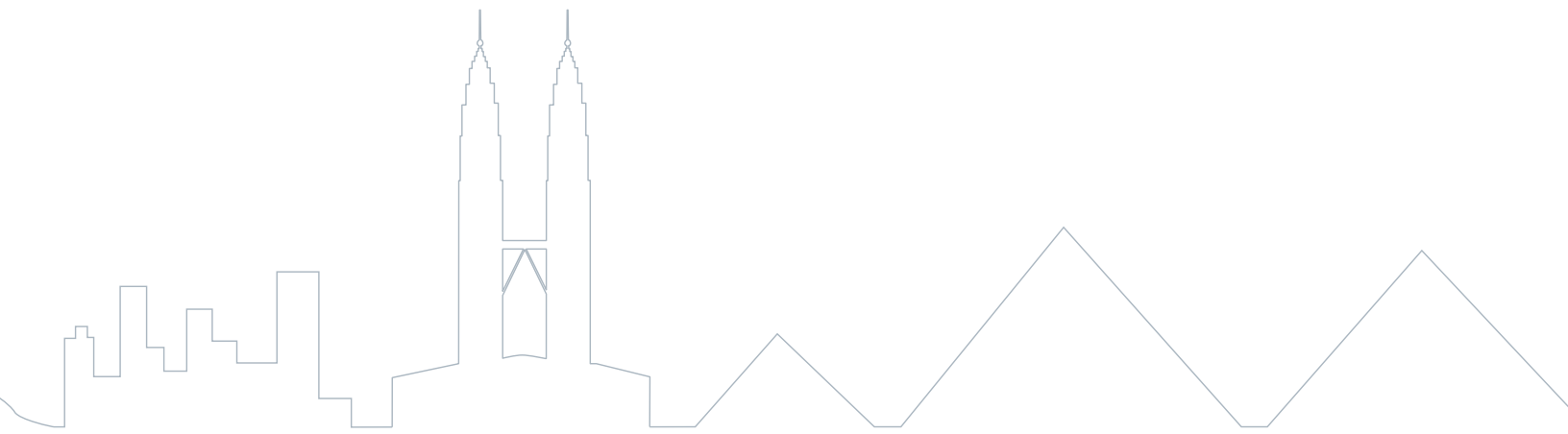
At December 31, 2009, based on a discount rate of 6.15 percent, the funded status of the defined benefit pension plan was negative \$1.3 million. Unrecognized prior service cost was \$102,000 and unrecognized net actuarial losses amounted to \$906,000. The accrued pension costs liability was \$285,000. The net periodic pension expense for 2009 was \$275,000.

The surplus contributed significantly to the increased equity position as at December 31, 2009.

CASH FLOW The statement of cash flows reports a 19 percent (2008: 176 percent) increase in IFAC's cash position at December 31, 2009. In 2008, cash and cash equivalents included the payment by the Forum of Firms in December of its full receivable. In 2009, payment from the Forum of Firms was not yet received at year-end.

PUBLIC INTEREST OVERSIGHT BOARD IFAC continued to provide financial support to the Public Interest Oversight Board (PIOB). In 2009, the financial support amounted to \$1.8 million (2008: \$1.8 million). The PIOB has indicated that—after meeting its own operating reserve requirements—it may be in a position to refund a small portion of the 2009 support during 2010.

AUDITOR IFAC received an unqualified auditor's opinion from Citrin Cooperman & Company, LLP, which is provided on page 93.



FINANCIAL STATEMENTS

**IFAC 2009
FINANCIAL
STATEMENTS**

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended December 31, 2009

Amounts in U.S. Dollars	NOTE	2009	2008
OPERATING REVENUE			
Membership dues, net		\$11,735,795	\$10,160,386
Forum of Firms – IFAC activities	19	7,864,000	6,663,699
External funding for the International Public Sector Accounting Standards Board	2, 13	833,925	744,375
Forum of Firms – Transnational Auditors Committee	19	342,153	410,968
Publications		152,959	232,697
External funding for the Developing Nations Committee	2	70,000	225,000
External funding for the Small and Medium Practices Committee	2	47,000	–
Interest income		11,737	61,145
Gain on disposal of equipment		1,700	–
Other operating revenue		129,358	58,725
TOTAL OPERATING REVENUE		\$21,188,627	\$18,556,995
OPERATING EXPENSES			
Employee costs	5, 14	\$10,945,129	\$9,338,336
Travel and meeting costs		3,526,962	3,579,438
Funding provided to the Public Interest Oversight Board	3, 4	1,784,870	1,778,191
Occupancy and maintenance		734,286	733,720
Consultants		426,670	621,015
Communications and publicity		385,142	332,171
Depreciation and amortization	8, 9	358,873	364,265
Printing, distribution and postage		282,405	396,277
Recruitment and relocation costs		187,320	316,130
Telephone		174,280	165,218
IT support		171,582	190,081
Legal and other professional fees		148,926	78,716
Auditor remuneration			
Audit of financial statements and assurance of service delivery information		93,052	149,388
Tax and other services		23,373	6,615
Bad debt expense		94,643	79,968
Insurance		65,085	61,673
Loss on disposal of equipment		–	313
Other operating expenses		232,176	284,160
TOTAL OPERATING EXPENSES	3	\$19,634,774	\$18,475,675
SURPLUS FOR THE YEAR		\$1,553,853	\$81,320

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, 2009

Amounts in U.S. Dollars	2009	2008
EQUITY AT BEGINNING OF YEAR	\$2,254,924	\$2,173,604
Surplus for the year	1,553,853	81,320
EQUITY AT END OF YEAR	\$3,808,777	\$2,254,924

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

STATEMENT OF FINANCIAL POSITION

As at December 31, 2009

Amounts in U.S. Dollars	NOTE	2009	2008
CURRENT ASSETS			
Cash and cash equivalents	17	\$2,590,129	\$2,178,078
Dues receivable, net	6	45,115	354,962
Receivable from the Forum of Firms	7	2,057,392	87,441
Other receivables		286,877	467,746
Other current assets		393,478	315,692
TOTAL CURRENT ASSETS		\$5,372,991	\$3,403,919
NON-CURRENT ASSETS			
Property and equipment, net	8	\$421,156	\$605,842
Intangible assets, net	9	182,172	239,601
Non-current receivables	12, 18	205,139	209,674
TOTAL NON-CURRENT ASSETS		\$808,467	\$1,055,117
TOTAL ASSETS		\$6,181,458	\$4,459,036
CURRENT LIABILITIES			
Accounts payable and accrued expenses		\$828,456	\$1,105,361
Employee entitlements	10	1,057,295	713,519
Revenue received in advance	11	94,583	64,373
TOTAL CURRENT LIABILITIES		\$1,980,334	\$1,883,253
NON-CURRENT LIABILITIES			
Accrued pension costs	5, 14	\$285,177	\$172,913
Deferred rent		107,170	147,946
TOTAL NON-CURRENT LIABILITIES		\$392,347	\$320,859
TOTAL LIABILITIES		\$2,372,681	\$2,204,112
EQUITY			
IFAC members		\$3,808,777	\$2,254,924
TOTAL EQUITY		\$3,808,777	\$2,254,924
TOTAL LIABILITIES AND EQUITY		\$6,181,458	\$4,459,036


Robert L. Bunting, 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, 2009

Amounts in U.S. Dollars	NOTE	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Membership dues		\$12,206,193	\$9,743,040
Forum of Firms		6,236,202	8,557,081
External funding for the International Public Sector Accounting Standards Board		1,018,856	733,090
Publications		152,959	232,697
External funding for the Developing Nations Committee		70,000	225,000
External funding for the Small and Medium Practices Committee		47,000	–
Interest received		11,737	61,145
		\$19,742,947	\$19,552,053
<i>Cash was applied to:</i>			
Employee costs		\$ (10,489,089)	\$ (9,745,712)
Other payments		(8,835,206)	(8,240,007)
		\$ (19,324,295)	\$ (17,985,719)
NET CASH INFLOW FROM OPERATING ACTIVITIES	15	\$418,652	\$1,566,334
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was applied to:</i>			
Purchase of property and equipment		\$ (90,852)	\$ (161,801)
Proceeds from disposal of property and equipment		1,700	1,500
Purchase of intangible assets		(25,906)	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		\$ (115,058)	\$ (160,301)
CASH FLOWS FROM FINANCING ACTIVITIES			
		–	–
NET INCREASE IN CASH AND CASH EQUIVALENTS		\$303,594	\$1,406,033
Cash and cash equivalents at beginning of year		\$2,178,078	\$787,790
Effect of exchange rate change on foreign currency balances		108,457	(15,745)
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF YEAR		\$2,590,129	\$2,178,078

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

STATEMENT OF ACCOUNTING POLICIES

For the year ended December 31, 2009

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

The preparation of financial statements in accordance with IPSAS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates and assumptions relate to the measurement of the defined benefit pension plan expense and liability. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

The financial statements are presented in United States dollars.

SIGNIFICANT ACCOUNTING POLICIES

(I) Revenue Recognition

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

Membership dues revenue

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

Forum of Firms revenue

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

External funding

Revenue from grants is recognized when received or earned, and subject to restrictions imposed by the grantor.

Publications revenue

Revenue for publications is recognized when the publications are shipped.

Donated services

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

(II) Employee Entitlements

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

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

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

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

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

(III) Property and Equipment

Property and equipment are carried at cost and reduced by straight-line depreciation over their expected useful lives. The useful lives, residual values, and depreciation methods are reviewed annually.

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

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

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

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

(IV) Intangible Assets

Intangible assets consist primarily of software licenses and development, and externally developed intellectual property.

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

Intangible assets are recorded at cost, and are amortized on a straight-line basis to recognize the consumption of economic benefits of the assets over their useful lives.

The estimated useful lives of intangible assets are as follows:

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

(V) Impairment

IFAC reviews the carrying amounts of its property and equipment and intangible assets if there is indication that impairment exists. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognized as an expense in the statement of financial performance in the period the impairment is incurred. During 2009 and 2008, there were no indications of such impairment.

(VI) Financial Instruments

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

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are carried at original invoice amount less any subsequent approved discount, and less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off when identified.

(VII) Operating Lease 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.

(VIII) Taxation

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

(IX) Foreign Currencies

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

(X) Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the current period presentation. The reclassifications had no effect on the previously reported surplus.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2009

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. EXTERNAL FUNDING In 2009, IFAC received \$833,925 (2008: \$744,375) in external funding for the activities of the International Public Sector Accounting Standards Board. (Refer to Note 13.) The Developing Nations Committee received \$70,000 from the six largest accounting networks for the Conference on Accounting and Accountability for Regional Economic Growth in Latin America and the Caribbean (CReCER). The Small and Medium Practices Committee received \$32,000 from the six largest accounting networks and \$15,000 from three member organizations for the IFAC Small and Medium Practices Forum. (In 2008, the Developing Nations Committee received \$150,000 from a member organization for the Africa Focus Group initiative; and \$50,000 from the six largest accounting networks and \$25,000 from a company in Brazil for CReCER. The Small and Medium Practices Committee did not receive external funding during 2008.)

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

3. IFAC EXPENSES BY ACTIVITY

	2009	2008
International Auditing and Assurance Standards Board	\$3,617,593	\$3,414,973
International Public Sector Accounting Standards Board (refer to Note 13)	1,750,999	1,514,015
Communications	1,468,642	1,180,595
Compliance Program	985,774	885,202
Developing Nations Committee	787,132	845,246
Professional Accountants in Business Committee	558,172	498,338
Translations	548,810	158,804
International Ethics Standards Board for Accountants	547,619	636,493
Small and Medium Practices Committee	466,356	417,706
Board and Council	431,007	625,679
Representation of the Accountancy Profession in the Public Interest	426,975	185,502
International Accounting Education Standards Board	415,919	459,675
Transnational Auditors Committee	342,153	410,968
Nominating Committee	200,641	317,863
Adoption and Implementation Support	193,879	–
Other	–	39,934
TOTAL IFAC ACTIVITIES	\$12,741,671	\$11,590,993
Funding provided to the Public Interest Oversight Board (refer to Note 4)	\$1,784,870	\$1,778,191
TOTAL ACTIVITIES EXPENSES	\$14,526,541	\$13,369,184
TOTAL GENERAL EXPENSES	\$5,108,233	\$5,106,491
	\$19,634,774	\$18,475,675

4. PUBLIC INTEREST OVERSIGHT BOARD The Public Interest Oversight Board (PIOB) was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, in the form of the Monitoring Group, 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.

As part of IFAC's agreement with the Monitoring Group, IFAC provides unconditional guaranteed funding for the operation of the PIOB. Initially, IFAC agreed to guarantee funding for a five-year period, starting with the establishment of the PIOB in February 2005 (first guarantee period). During 2007, IFAC agreed with the Monitoring Group to guarantee funding for a further five-year period, starting March 2010 (second guarantee period). The initial guaranteed funding was an amount up to 1.5 million United States dollars plus annual inflation and foreign exchange adjustments, unless the Monitoring Group advises IFAC that such funding is no longer necessary because of other arrangements.

From January 2007, the denomination of the IFAC guaranteed funding was converted to Euros. The amount of guaranteed funding for 2007 was determined as the Euro equivalent of 1.5 million United States dollars after adjustment for inflation and exchange rate changes since January 2004. For the remainder of the first guarantee period, and for the second guarantee period, the funding is the 2007 amount adjusted annually for the inflation rate in the eurozone. IFAC accepts the currency risk associated with the guaranteed funding being denominated in Euros, and understands that, on this basis, the PIOB will accept the currency risk associated with any operations or expenses of the PIOB incurred in currencies other than Euros.

The guaranteed funding is delivered on a quarterly basis in advance to the PIOB Foundation, whose independent trustees allocate the funds to the PIOB. The funding for 2009 amounted to \$1,784,870 (2008: \$1,778,191).

5. EMPLOYEE COSTS

	2009	2008
Employee costs	\$10,496,112	\$8,997,254
Retirement benefit plans (refer to Note 14)	449,017	341,082
TOTAL EMPLOYEE COSTS	\$10,945,129	\$9,338,336

For 2009, the retirement benefit amount of \$449,017 (2008: \$341,082) comprises the net periodic pension expense of \$274,582 (2008: \$158,774) associated with the defined benefit plan, an employer contribution of \$142,447 (2008: \$144,576) associated with the defined contribution plan for U.S. based employees, and an employer contribution of \$31,988 (2008: \$37,732) to registered Retirement Savings Plans of Canada-based employees.

6. DUES RECEIVABLE

	2009	2008
Dues receivable	\$169,320	\$395,732
Provision for uncollectible dues	(124,206)	(40,770)
NET DUES RECEIVABLE	\$45,115	\$354,962

7. RECEIVABLE FROM THE FORUM OF FIRMS As at December 31, 2009, \$2,057,392 (2008: \$87,441) represents the remaining amount to be received from the Forum for contributions invoiced relating to 2009.

8. PROPERTY AND EQUIPMENT

	OFFICE EQUIPMENT		FURNITURE & FITTINGS		LEASEHOLD ALTERATIONS		TOTAL	
	2009	2008	2009	2008	2009	2008	2009	2008
Opening net book amount	\$163,354	\$126,590	\$123,638	\$188,121	\$318,850	\$416,716	\$605,842	\$731,427
Additions	55,539	144,983	29,132	3,997	6,181	12,821	90,852	161,801
Disposals	–	(1,813)	–	–	–	–	–	(1,813)
Impairment losses	–	–	–	–	–	–	–	–
Depreciation	(98,308)	(106,406)	(65,500)	(68,480)	(111,730)	(110,687)	(275,538)	(285,573)
Closing net book amount	\$120,585	\$163,354	\$87,270	\$123,638	\$213,301	\$318,850	\$421,156	\$605,842
Cost	\$536,079	\$522,742	\$407,720	\$378,588	\$644,357	\$638,176	\$1,588,156	\$1,539,506
Accumulated depreciation	(415,494)	(359,388)	(320,450)	(254,950)	(431,056)	(319,326)	(1,167,000)	(933,664)
Net book amount	\$120,585	\$163,354	\$87,270	\$123,638	\$213,301	\$318,850	\$421,156	\$605,842

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

9. INTANGIBLE ASSETS

	SOFTWARE LICENSES & DEVELOPMENT		INTELLECTUAL PROPERTY		TOTAL	
	2009	2008	2009	2008	2009	2008
Opening net book amount	\$159,601	\$218,292	\$80,000	\$100,000	\$239,601	\$318,292
Additions	25,906	–	–	–	25,906	–
Disposals	–	–	–	–	–	–
Impairment losses	–	–	–	–	–	–
Amortization	(63,335)	(58,691)	(20,000)	(20,000)	(83,335)	(78,691)
Closing net book amount	\$122,172	\$159,601	\$60,000	\$80,000	\$182,172	\$239,601
Cost	\$352,652	\$326,747	\$100,000	\$100,000	\$452,652	\$426,747
Accumulated amortization	(230,480)	(167,146)	(40,000)	(20,000)	(270,480)	(187,146)
Net book amount	\$122,172	\$159,601	\$60,000	\$80,000	\$182,172	\$239,601

IFAC has two categories of intangible assets—software licenses and development, and externally developed intellectual property.

Software licenses and development include the license to operate the database software program that supports IFAC's Member Body Compliance Program and the IFAC KnowledgeNet (refer to www.IFACnet.com), which is a specialized web search engine for professional accountants.

Externally developed intellectual property consists of the *Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities*. This guide assists in the implementation of the International Standards on Auditing on audits performed by small- and medium-sized practitioners. In 2010, the guide will be updated to reflect the changes to the International Standards on Auditing resulting from the completion of the Clarity Project of the International Auditing and Assurance Standards Board.

10. EMPLOYEE ENTITLEMENTS

	2009	2008
Accrual for performance-based remuneration	\$641,637	\$469,933
Annual vacation and other leave provision	415,658	243,586
TOTAL EMPLOYEE ENTITLEMENTS	\$1,057,295	\$713,519

The accrual for performance-based remuneration is for the chief executive officer, executive director, four directors and one deputy director (2008: chief executive officer, executive director, and three directors).

Retirement benefit plans are discussed in Note 14.

11. REVENUE RECEIVED IN ADVANCE Revenue received in advance at December 31, 2009, of \$94,583 (2008: \$64,373) represents application fees to host the World Congress of Accountants in 2014 of \$45,000 (2008: nil), funding received from member organizations for the development of the *Guide to Practice Management for Use by Small- and Medium-sized Practices* of \$45,133 (2008: \$38,685), and membership dues received in advance of \$4,450 (2008: \$25,688).

12. OPERATING LEASE OBLIGATIONS As at December 31, 2009, IFAC has an operating lease for the office space at 545 Fifth Avenue, New York, New York, and for one copier. The lease for the office space expires on July 31, 2013. The lease for the copier expires on May 31, 2012.

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

	2009	2008
Not later than one year	\$608,652	\$587,788
Later than one year and not later than five years	1,561,160	2,169,812
TOTAL OPERATING LEASE OBLIGATIONS	\$2,169,812	\$2,757,600

Operating lease payments for the year ended December 31, 2009, were \$587,788 (2008: \$572,567).

IFAC has a security deposit related to the office space in the form of outstanding letters of credit. As at December 31, 2009, the total outstanding letters of credit were \$152,238 (2008: \$152,238). This amount is included in non-current receivables in the statement of financial position.

13. INTERNATIONAL PUBLIC SECTOR ACCOUNTING STANDARDS BOARD In 2009, the focus of the International Public Sector Accounting Standards Board (IPSASB) was to complete the project to converge the IPSAS with IFRS. The IPSASB also continued to develop standards and guidance on matters not addressed by the IASB. Multilateral development banks and, more recently, regional and national government entities have provided general or project-specific funding for the IPSASB. In addition, the Canadian Institute of Chartered Accountants supports the IPSASB in the form of funding for one professional staff member.

The IFAC Board expects that the activities of the IPSASB will continue, and that the funds provided by the external funding agencies will be used on the activities for which they were intended.

For the year ended December 31, 2009, the IPSASB had received revenues from external sources and incurred expenses as follows, which are included in IFAC's financial statements:

	2009	2008
External funding	\$833,925	\$744,375
Other operating revenue	4,748	1,165
TOTAL OPERATING REVENUE	\$838,673	\$745,540
Employee costs	\$1,002,558	\$860,391
Travel and meeting costs	326,373	359,903
Consultants	195,972	174,490
Printing and distribution	33,722	42,708
Other operating expenses	192,374	76,523
TOTAL DIRECT OPERATING EXPENSES	\$1,750,999	\$1,514,015
DEFICIT FOR THE YEAR (FUNDED BY IFAC)	\$(912,326)	\$(768,475)

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

14. RETIREMENT BENEFIT PLANS*Defined contribution plan*

IFAC operates a defined contribution plan for all full-time employees based in the United States who choose to participate in the plan. IFAC provides an agreed level of contribution relative to the level of each individual employee's contribution. All participating employees vest immediately in the plan. The plan is administered by CitiStreet Associates LLC. For 2009, the contributions that have been recognized as an expense are \$142,447 (2008: \$144,576).

In the case of full-time employees based in Canada, IFAC contributes an amount equal to 7 percent of their annual base salary or the maximum annual amount established under relevant Canadian legislation, whichever is less, to a registered Retirement Savings Plan in the name of each individual employee. For 2009, the contributions that have been recognized as an expense are \$31,988 (2008: \$37,732).

These expenses are included in employee costs in the statement of financial performance. (Refer also to Note 5.)

Defined benefit plan

IFAC participates in the defined benefit pension plan (the plan) of the American Institute of Certified Public Accountants (AICPA). All full-time employees based in the United States are eligible to participate in the plan at age 21. Participation in the plan is subject to a five-year cliff-vesting period. Pension benefits earned are based on years of service and compensation during active employment. The plan was amended on April 1, 2007 to provide that no further benefit accruals will occur after April 30, 2017. IFAC did not make any amendments to the plan during 2008 or 2009. IFAC makes periodic contributions to the plan as determined by an actuary. All administrative costs are incurred by the AICPA.

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

The following presents pension plan information for the twelve-month periods ending December 31, 2009, July 31, 2009, and July 31, 2008.

Change in the present value of the defined benefit obligation:

FOR THE TWELVE-MONTH PERIODS ENDING	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008
Present value of defined benefit obligation			
Opening balance	\$2,205,272	\$1,784,230	\$1,772,580
Interest cost	132,938	128,731	113,179
Current service cost	183,200	141,336	149,437
Benefits paid	(99,564)	(88,830)	(88,830)
Actuarial (gain) loss on obligation	422,503	730,179	(162,136)
CLOSING BALANCE	\$2,844,349	\$2,695,646	\$1,784,230

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

Change in fair value of defined benefit plan assets:

FOR THE TWELVE-MONTH PERIODS ENDING	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008
Fair value of defined benefit plan assets			
Opening balance	\$1,222,510	\$1,393,930	\$1,526,062
Expected return on plan assets	97,254	120,921	(43,302)
Contributions by employer	162,318	143,782	-
Benefits paid	(99,564)	(88,830)	(88,830)
Actuarial gain (loss) on plan assets	168,511	(268,384)	-
CLOSING BALANCE	\$1,551,029	\$1,301,419	\$1,393,930

IFAC anticipates making a contribution of \$302,123 to the plan during 2010. The actual rate of return for the last plan year (May 1, 2008, to April 30, 2009) was -22.7 percent. The annualized rate of return for the period May 1, 2009, to December 31, 2009 was 33.9 percent.

Liability recognized in statement of financial position:

FOR THE TWELVE-MONTH PERIODS ENDING	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008
Present value of defined benefit obligation	\$2,844,349	\$2,695,646	\$1,784,230
Fair value of plan assets	1,551,029	1,301,419	1,393,930
Funded status	(1,293,320)	(1,394,227)	(390,300)
Unrecognized prior service cost	101,894	107,382	120,554
Unrecognized net actuarial (gains) losses	906,249	999,275	712
ACCRUED PENSION COSTS	\$285,177	\$287,570	\$269,034

The liability recognized in the statement of financial position as at December 31, 2008 was \$172,913. That is \$269,034 as at July 31, 2008, plus an adjustment of \$47,661 to reflect the change in net periodic pension expense to December 31, 2008, and less an employer contribution of \$143,782 made subsequent to July 31, 2008.

Expense recognized in statement of financial performance:

FOR THE TWELVE-MONTH PERIODS ENDING	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008
Current service cost	\$183,200	\$141,336	\$149,437
Interest cost	132,938	128,731	113,179
Expected return on plan assets	(97,254)	(120,921)	(119,546)
Amortization of actuarial (gain) loss	42,526	-	-
Amortization of prior service cost	13,172	13,172	13,172
NET PERIODIC PENSION EXPENSE	\$274,582	\$162,318	\$156,242

The expense recognized in the statement of financial performance for the twelve-month period ending December 31, 2008 was \$158,774. This amount represented seven months of the net periodic pension expense for the twelve-month period ending July 31, 2008 and five months of the net periodic pension expense for the twelve-month period ending July 31, 2009.

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

Categories of plan assets:

FOR THE TWELVE-MONTH PERIODS ENDING	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008
U.S. Government obligations	\$16,335	\$26,960	–
Common stocks	283,797	276,054	–
Mutual funds	1,104,064	882,508	–
Foreign stocks	25,749	23,730	–
Investment in partnership	121,084	92,167	–
Pooled temporary investments	–	–	38,056
Fixed income fund	–	–	391,088
Domestic equities	–	–	796,791
International investments	–	–	167,995
FAIR VALUE OF PLAN ASSETS	\$1,551,029	\$1,301,419	1,393,930

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

Principal actuarial assumptions:

	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008
Discount rates	6.15%	7.8%	6.55%
Expected rates of return on plan assets	8.25%	8.25%	8.25%
Expected rates of salary increases	4.00%	4.00%	4.00%
Projected staff turnover	.14% -.10%	.14% -.10%	.14%-.10%

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

The expected return on plan assets reflects the target asset allocation and was derived from historical asset performance and projected long-term returns.

The calculations are based on the 1994 Group Annuity Mortality Table.

Plan trend rates:

	DECEMBER 31, 2009	JULY 31, 2009	JULY 31, 2008	JULY 31, 2007
Present value of defined benefit obligation	2,844,349	2,695,646	1,784,230	1,772,580
Fair value of plan assets	1,551,029	1,301,419	1,393,930	1,526,062
Surplus (deficit) in plan	(1,293,320)	(1,394,227)	(390,300)	(246,518)
Experience adjustments arising on				
The plan liabilities	422,503	730,179	(162,136)	25,499
Plan assets	168,511	(268,384)	162,848	(27,472)

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

15. RECONCILIATION OF NET SURPLUS WITH NET CASH INFLOW FROM OPERATING ACTIVITIES

	2009	2008
Net surplus for the period	\$1,553,853	\$81,320
<i>Add/(less) non-cash items:</i>		
Depreciation and amortization	358,873	364,265
Provision for doubtful accounts	83,436	79,967
Deferred rent	(40,778)	(19,919)
Net (gain)/loss on disposal of equipment	(1,700)	313
<i>Add/(less) movements in working capital:</i>		
Dues receivable	226,412	(294,653)
Receivable from Forum of Firms	(1,969,951)	1,482,414
Other receivables	180,869	(115,123)
Other current assets	(77,786)	(74,300)
Non-current receivables	4,536	8,981
Accounts payable and accrued expenses	(385,362)	129,959
Employee entitlements	343,776	65,666
Revenue received in advance	30,210	(157,548)
Accrued pension costs	112,264	14,992
NET CASH INFLOW FROM OPERATING ACTIVITIES	\$418,652	\$1,566,334

16. EMPLOYEE DISCLOSURE As at December 31, 2009, IFAC had 48 full-time employees (2008: 42 full-time employees) and two part-time employees (2008: two part-time employees). In addition to these employees, IFAC had three contracted personnel (2008: six contracted personnel), and two secondees (2008: two secondees).

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

As at December 31, 2009, a total of \$1,855,081 was held with JP Morgan Chase Bank (2008: \$2,062,551). This represented 35 percent of the total amount of bank balances, short-term liquid investments, receivables, and other current assets (2008: 60 percent). The maximum exposure at December 31, 2009, is equal to the total amount of bank balances, short-term liquid investments, and receivables disclosed in the statement of financial position. Receivables considered uncollectible have been adequately provided for.

For the year ended December 31, 2009, one member body accounted for 13 percent of total revenue (2008: 12 percent). There were no amounts due from this member body as at December 31, 2009 (2008: \$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.

Currency risk

IFAC operates separate bank accounts in Australian dollars, Canadian dollars, and Euros. IFAC incurs currency risk as a result

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

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, 2009, the carrying amounts for all financial instruments held by IFAC approximate the fair values (2008: carrying amounts approximate the fair values).

Restrictions on the use of cash and cash equivalents

There are restrictions on the use of \$60,133 (2008: \$150,878) of the cash and cash equivalents of \$2,590,129 (2008: \$2,178,078). For 2009, these restrictions relate to two cash reserves (2008: three cash reserves). The first cash reserve of \$15,000 (2008: \$15,000) relates to the Sempier Award, which is awarded in association with the World Congress of Accountants. The second cash reserve of \$45,133 (2008: \$38,685) relates to funding received from member organizations for the development of the *Guide to Practice Management for Use by Small- and Medium-sized Practices*. (In 2008, the third cash reserve of \$97,193 represented funds committed to projects relating to the Developing Nations Committee.)

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 signed a declaration to act with integrity and in the public interest. The Board is comprised of the president, deputy president, and twenty other individuals nominated by various member organizations. Board members are elected for up to two three-year terms and are responsible for setting policy and overseeing IFAC operations, the implementation of initiatives, and the allocation of resources to and overseeing the activities of the various IFAC boards and committees. During 2009, the Board met four times (2008: four times). 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, executive director, and five directors, one of which was appointed on March 1, 2009 (2008: chief executive officer, executive director, and three 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 \$3,225,731 for 2009 (2008: \$2,661,931).

There were no loans to key management personnel or their close family members, which were not available to other categories of staff. There was no other remuneration or compensation to key management personnel. During 2009, a close family member of a director was employed temporarily as an intern and received total remuneration of \$4,559.

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 may reimburse these individuals for travel and other incidental expenses on an actual basis as per IFAC policies. These payments are not remuneration payments and occur in the normal course of business.

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

IFAC member organizations

The transactions between IFAC and its member organizations occur in the normal course of business. Member organizations provide annual financial contributions (dues) to IFAC as determined by the basis of assessment approved by the IFAC Council. In addition, IFAC has entered into contracts with three member organizations (Canadian Institute of Chartered Accountants, Certified General Accountants' Association of Canada, and CPA Australia) for the development and three-year maintenance of three separate guides for small- and medium-sized practitioners. In 2009, IFAC also entered into a contract with the New Zealand Institute of Chartered Accountants for the revision of Study 14, *Transition to the Accrual Basis of Accounting: Guidance for Governments and Government Entities*. In addition, IFAC has agreements with some of its member organizations for the reproduction or translation and reproduction of IFAC publications.

Forum of Firms

The Forum of Firms 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. As at December 31, 2009, the balance outstanding of employee receivables relating to residential security deposits was \$52,901 (2008: \$57,436). This amount is included in non-current receivables in the statement of financial position.

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

The executive committee of the Forum is the Transnational Auditors Committee (TAC), which by way of the Forum's Constitution is also a committee of IFAC. The TAC is the operational arm of the Forum, as it has executive authority. The TAC is currently staffed by two IFAC employees, who each spend part of their time on TAC business. The members of the TAC are selected by the Forum and are approved by the IFAC Nominating Committee and the IFAC Board.

For 2009, the IFAC financial statements reflect revenues from the Forum for amounts invoiced for the annually agreed contribution of \$7,864,000 (2008: \$6,663,699), and for expenses incurred by the TAC totaling \$342,153 (2008: \$410,968). 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, 2009, IFAC had no outstanding commitments other than those lease obligations identified in Note 12 (2008: \$nil).

As at December 31, 2009, IFAC had been assessed interest and penalties of approximately \$54,000 by the United States Internal Revenue Service (IRS) related to payroll tax filings. IFAC is seeking to have the IRS abate the assessed interest and penalties on the basis that they relate to an incorrect allocation between 2006 and 2007 payroll taxes by the IRS. IFAC currently has no outstanding payroll taxes. In January 2010, the IRS agent handling this case recommended abatement and has forwarded the case to the IRS office in Cincinnati, Ohio, for final determination. Management does not believe that IFAC will need to pay the assessed interest and penalties. As a result, no contingency or provision has been made in relation to this penalty. IFAC has no other contingencies outstanding as at December 31, 2009 (2008: \$nil).

IFAC is currently engaged in a lawsuit which involves a former employee. Management is currently unable to determine when the matter will be resolved, or the ultimate outcome. In the opinion of management, settlement of this matter is not expected to have a material adverse effect on the organization's statements of financial performance, cash flows, or financial position.

21. LINE OF CREDIT As at December 31, 2009, IFAC had an available line of credit with its bank, JP Morgan Chase of \$1,750,000 (2008: \$1,500,000). IFAC did not access its line of credit during 2009 and 2008. Borrowings under the line of credit are collateralized by substantially all of IFAC's assets.

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

INDEPENDENT AUDITORS' REPORT

To the Board of the International Federation of Accountants

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the International Federation of Accountants ("IFAC"), which comprise the statement of financial position as at December 31, 2009 and 2008, 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. As described in the statement of accounting policies, the accompanying financial statements have been prepared in accordance with International Public Sector Accounting Standards.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls 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 and auditing standards generally accepted in the United States. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IFAC as of December 31, 2009 and 2008, 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.

/s/Citrin Cooperman & Company, LLP
Certified Public Accountants
New York, NY
February 26, 2010



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