INTERNATIONAL FEDERATION
OF ACCOUNTANTS

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Agenda Item
6

DATE:	December 2, 2009
MEMO TO:	IPSASB Members and Technical Advisors
FROM:	Stephenie Fox
SUBJECT:	Governance, Strategy and Work Plan

AGENDA MATERIALS:

6.1　　Governance paper
6.1.1　IFAC policy position #3 – International Standard Setting in the Public Interest
6.1.2　Consultative Advisory Group sample terms of reference and composition
6.1.3　PIOB Fourth Public Report
6.1.4　IFAC Operational Plan 2010
6.1.5　IFAC Response to Monitoring Group (confidential)
6.2　　Draft Strategy and Work Plan 2010-2012
6.3　　Project Priorities

On Thursday December 10, 2009 the IPSASB will hold a full day session to address governance and oversight issues along with a new draft strategy and work plan for 2010-2012. This will include selecting project priorities for the next three years.

The IPSASB started these discussions at its meeting in September 2009 and agreed that it would be appropriate to have further discussions, with the incoming Chair, Andreas Bergmann chairing the day's sessions.

A number of background items of note related to each of the portions of the day are highlighted below.

I　　GOVERNANCE AND OVERSIGHT

At the September meeting the IPSASB held some broad ranging discussions related to the need for oversight and the contribution this would make to the IPSASB's credibility as a standard setter in the international arena. It was agreed at that meeting that staff would develop a paper to capture the discussions and that there is a need for further consideration by the IPSASB. This is the basis on which the agenda materials in 6.1 have been prepared. Additional background materials have also been included with the goal of providing further context to the discussions. Note that included is the final version of the IFAC response to the Monitoring Group (item 6.1.5) which you will note includes an additional action and recommendation similar to that proposed by the IPSASB in September. Please note that this document is confidential and will not be posted on the internet.

II   DRAFT STRATEGY AND WORK PLAN

The IPSASB had a preliminary discussion in September of the proposed strategic themes to guide it over the next three year planning cycle. It was agreed that there would not be a dramatic shift in the approach from the past three years though there would be some change in emphasis in the types of projects the IPSASB would prioritize. As a general comment the IPSASB continues to be committed to IFRS convergence and ensuring the gap between IPSASs and IFRSs is narrowed even further. However, it is fair to say that members expressed a desire to prioritize certain public sector specific projects over the next three years. They also reiterated their commitment to developing a public sector conceptual framework.

The discussions in September were originally captured into two main strategic themes – the development of public sector specific standards and guidance and maintenance of existing IPSASs, both converged and public sector specific. While communications was preliminarily agreed to be a fundamental activity to support the strategic themes, rather than a separate strategic theme, on further consideration, a separate theme addressing communications and promoting adoption and implementation has been included in this version of the draft.

You will also note that a key item of decision is whether to increase the number of IPSASB meetings to 4 in each of 2011 and 2012. In order to demonstrate the effect of this increase, two draft work plans have been developed. It is proposed that constituents be asked for their views on this proposal. There are budget implications to adding a fourth meeting in 2011 and 2012 but this will be included in initial budget discussions commencing early in 2010. As a general comment IFAC is supportive of adding a fourth meeting and addressing the related budget implications.

Unlike previous practices, the IPSASB agreed in September that the draft strategy and work plan should be issued for public comment to ensure that the IPSASB's constituents have an opportunity to provide feedback into the process. It is anticipated that the exposure draft will be issued by mid January with responses requested by March 31, 2010. This will give the IPSASB some opportunity to hold a preliminary discussion of responses at the April 2010 meeting with approval of a final strategy and work plan in June 2010.

At this meeting the goal is to agree the strategic themes and ultimately to approve the final strategy and work plan for public consultation.

III   PROJECT PRIORITIES

The final portion of this session will be the prioritization of projects for a new work plan to guide the next 3 years. The materials in item 6.3 outline the additional capacity for projects that exists for the three year planning cycle. If three meetings are maintained the IPSASB has the capacity to initiate two projects in addition to those in-process and committed. If the number of meetings increases to four in 2011 and 2012 then the number of additional projects is four.

At this meeting the IPSASB is asked to consider the potential projects and assess priorities in order to agree on four additional projects in priority order. As a matter of process we will be holding a break out session to assist with these discussions and encourage all participants to provide feedback of their views as to the most immediate priorities.

Once the project selections are made the draft strategy and work plan will be revised to include the actual projects and it is this final draft that the IPSASB will vote on for issue as a public exposure draft early in 2010.

GOVERNANCE AND OVERSIGHT

Staff note: *At the September 2009 meeting staff was asked to prepare this paper with the help of the Chair, Deputy Chair and Incoming Chair with circulation to members by October 15.*

Due to time constraints staff was unable to meet this deadline. This paper has been developed based on an outline discussed with the Chair and Incoming Chair but it should be noted that the paper has been developed by staff and has not been reviewed by the Chair, Deputy Chair or Incoming Chair.

Background

At the September meeting of the IPSASB it was agreed that a paper be developed for the December meeting regarding the IPSASB's discussions and thoughts on governance and oversight issues.

It is important to note that governance addresses all of the processes by which the IPSASB operates. There are current governance arrangements in place, including among others, an established nominations process and well-established due process for developing standards. Public oversight is a component of governance arrangements and an additional element to be considered in order to enhance current governance structures.

As the IPSASB gains momentum in terms of adoption of its standards globally, there is an increasing sense that the credibility of public oversight is needed. In this context, further discussions of the current governance arrangements and plans for oversight of the IPSASB in the future are planned at this meeting.

Introduction to the Public Interest Oversight Board

Currently the Public Interest Oversight Board (PIOB) provides oversight of the due process of the following:

- The International Auditing and Assurance Standards Board (IAASB);
- The International Accounting Education Standards Board (IAESB);
- The International Ethics Standards Board for Accountants (IESBA);
- The Consultative Advisory Groups (CAGs) for each of the above boards; and
- The Compliance Advisory Panel (CAP).

The PIOB was formally established in February 2005, and is a result of a collaborative effort by the international financial regulatory community, working with IFAC, to ensure that auditing and assurance, ethics, and educational standards for the accounting profession are set in a transparent manner that reflects the public interest.

The objective of the PIOB is to increase investor and other stakeholder confidence that IFAC's public interest activities – including standard setting by IFAC's independent boards – are properly responsive to the public interest.

The PIOB:

- Reviews and approves Terms of Reference;
- Evaluates the boards' due process procedures;
- Oversees the work of IFAC's Nominating Committee and approves the committee's nominations to the standard-setting boards and the CAP; and
- Suggests projects to be added to the boards' work programs.

Ultimately PIOB's primary responsibility is to consider whether the due process has been applied effectively and with proper regards for the public interest. It is important to note that the PIOB provides oversight of the due process only. It does not oversee the technical content of the standard setting process. As such members of the PIOB are not technical specialists or experts in the subject matter.

How does the IPSASB fit in?

It should be noted that the IPSASB's operations from a due process perspective are virtually identical to the other standard setting boards. Although the IPSASB, like the other standard-setting boards, operates to serve the public interest, oversight of the IPSASB has not yet been put into place. In 2004 an external review (the Likierman review) was carried out to consider a number of aspects of the then PSC. One of the recommendations was that the governance arrangements be modified, including the recommendation that the PSC should be within the scope of the PIOB and that the composition of the PIOB should be modified to include members with expertise in public sector financial reporting.

Since that time, while virtually all of the recommendations of the Likierman review have been implemented, the IPSASB continues to operate without public oversight, notwithstanding the fact that both IFAC and the IPSASB support oversight being implemented.

What is public interest?

As a basis for further discussions the notion of the public interest and what this might mean for the public sector are briefly explored here. It is noted that the PIOB reports (see item 6.1.3) and the IFAC Policy Position Paper 3, International Standard Setting in the Public Interest, (see item 6.1.1) provide some context for these considerations.

The international public interest as it relates to standard-setting depends on the development of high quality international standards, developed using transparent standard-setting processes with public and regulatory input, together with public interest oversight. Thinking of the public interest in an international dimension also introduces greater complexity due to differences in language, culture, legal frameworks and level of

development. These differences make it more difficult to build unbiased structures and agree on approaches.

Although there are many definitions for public interest as it pertains to governments, one consistent component is the notion of common well being or general welfare. Uniform high standards contribute to economic efficiency, and tend to increase social welfare and add to the common good. Unless appropriate structures and processes for governance and oversight are in place, the public interest will not be protected.

The PIOB's Four Pillars of Public Interest

As noted at the September 2009 IPSASB meeting, the PIOB's Fourth Report identifies four pillars of the international public interest. These are:

- Transparency;
- Credibility;
- Expertise; and
- Independence.

Aligning the oversight process and developing high quality standards with these four pillars, will foster good financial reporting, better and more efficient outcomes, and quality public sector financial reporting. Hence, good oversight should lend efficiency, bring confidence, and enhance stability.

The IPSASB indicated in September that it wanted to better understand these four pillars and how they relate to the IPSASB, in order to identify potential shortfalls in the current processes to meeting the four pillars. Ultimately these four pillars may be considered as a framework for assessing the PIOB and the appropriateness of it taking on oversight of the IPSASB.

Transparency

Transparency is an important element of the IPSASB's due process and is critical to its functions and processes. It is accomplished by delivery of standards developed with open access to the process and public domain of the inputs. For example, all documents for publication are posted for comment and all comments and responses, with rationale, are published. Openness to the process is evident, clear and available. Inclusive to this process, is the fact that IPSASB meetings are open to the public and members, along with technical advisors and other interested parties.

Credibility

Credibility may be established by the demonstrated adoption of standards globally. The momentum in the awareness and adoption of IPSASs demonstrates the IPSASB's credibility in the current environment. Credibility also comes from the ability and willingness to lead the development of standards. This means that standard setting processes and structures give the standards a level of authority necessary, in an international environment, to generate confidence in the standards and ultimately in

financial reporting. The IPSASB's credibility has been enhanced through the development of a robust suite of IPSASs, including achieving substantial convergence with IFRSs. Threats to its credibility may occur if constrained resources prevent the IPSASB from meeting its work plans.

Expertise

The third pillar of public interest as presented by PIOB is expertise. The need for technical knowledge and direct experience is critical in ensuring appropriate expertise exists. The IPSASB's understanding that governments have unique interests is an integral cornerstone of providing this expertise. In addition, IFAC's regional classification contributes to selection of IPSASB members with appropriate expertise and ensures balance in the standard setting process is secured. The need for members of the IPSASB to have the technical expertise is important in ensuring the IPSASB is "fit for purpose".

Independence

Independence in the standard setting context refers to the freedom from any perceived or actual inappropriate pressure or influence in decision making. In the public sector exposure to the politics of national and international professional bodies, has the potential to affect the ongoing quality of standard setting in a way that is not the case for the private sector.

Threats to independence are mitigated by public interest oversight arrangements, independent and stable financing, and formal and transparent standard setting due processes. For the IPSASB, independence is demonstrated by its adherence to a formal and transparent due process that is virtually identical to the other standard setting boards. In addition the attendance of observers at IPSASB meetings ensures that key organizations and stakeholders are involved in the process and can raise issues. Also, IPSASB members are appointed by IFAC's nominations committee. Threats to the IPSASB's independence include the lack of public oversight as well as, arguably, some uncertainty in the stability of resources.

What's next?

Having assessed the IPSASB in the context of the PIOB's four pillars of the public interest, it is concluded that an appropriate oversight structure will enhance the IPSASB's approach and due process and ensure that, in line with the mission, they serve the public interest in developing high quality accounting standards for the public sector.

This is reiterated in IFAC's response to the MG/s review.

The Monitoring Group Review

With the increasing momentum of the IPSASB in terms of adoption of its standards globally, and with the current governance review by the Monitoring Group (MG) underway, IFAC has performed its own review of the effectiveness of the current oversight arrangements and hopes to make progress to introduce public oversight for the

IPSASB. The IPSASB provided their feedback on the IFAC draft report in September 2009, including the draft actions and recommendations on the need for, and movement towards, the introduction of oversight for the IPSASB.

The final response to the MG was submitted to the MG on November 25, 2009 and, it is noted, that based on the IPSASB's discussions and feedback, an action point was added and the wording of the recommendation regarding the need for oversight was amended in an attempt to address the IPSASB's concerns about the need to consult with governments.

Action 2 (previously not included)

IFAC will consult with governments and other key stakeholders to identify an acceptable model for oversight of the IPSASB.

Recommendation 2 (amended wording, slightly different from IPSASB proposal)

We recommend that the PIOB should assume responsibility for due process of the IPSASB in a manner that is determined to be most appropriate to reflect the needs of governments and other key stakeholders.

Consulting with Governments

Having identified that oversight for the IPSASB is needed, and having also considered the four pillars of public interest and how they relate to the public sector, IFAC will next consult with governments in order to consider a possible model of oversight that might be established.

In order to determine the most appropriate changes to the governance structures and oversight, it is important that IFAC engage fully with key stakeholders. One of the most important of these is governments and they need to be consulted thoroughly in order to solicit their views. As noted, this commitment to consultation is articulated in IFAC's response to the MG review.

Some preliminary discussions were held with 2 governments as a basis for starting to formulate thoughts during May and August. However, a plan is being developed to consult formally and more fully commencing in 2010, once the convergence program is complete.

It is anticipated that there might be two rounds of consultation and that the first could be commenced early in the second quarter. Initial thoughts are that IFAC should consult with 12-13 governments comprised of a broad group. IPSASB members will be asked to support this process by identifying relevant contacts in various governments as they are able.

A proposed model will be developed by IFAC as a preliminary position and views solicited on this model. Based on the feedback garnered, amendments to the preliminary position would be considered and the proposals further developed. At that stage a broader, more public consultation is envisioned to seek further views on the draft proposals.

Transforming Principles into Practice

Having an appropriate oversight structure will ensure that the IPSASB's standard setting processes are operating in the public interest. In developing potential models in consulting with governments, it is useful to think of a continuum of options, with oversight by the PIOB on one end of the continuum and a fully dedicated oversight body for the public sector on the other end. In between there are a range of options that might ultimately be developed, based on a number of relevant factors.

PIOB   IPSASB
                                                           oversight
                                                              body

There is an existing acknowledgement that, as currently constituted, the PIOB lacks the relevant experience and expertise to provide appropriate oversight to the IPSASB. While potentially the most cost-effective approach and arguably the most expeditious, it is not seen by IFAC as a viable model. In considering this question recently the PIOB indicated a willingness to take on oversight of the IPSASB but also articulated that the current structure without modification is clearly not appropriate.

On the other end of the continuum is a dedicated oversight body for the IPSASB, comparable to the PIOB but focused on the public sector. The biggest drawbacks to this model are the cost and the speed with which this could be implemented. Among the IPSASB and its stakeholders there is some sense urgency for oversight of the IPSASB. Establishing a dedicated oversight body is likely to take an extended time, perhaps as long as to the end of the current planning cycle to be fully implemented. Directly related to this is the cost of such oversight and how this would be funded. The PIOB has an annual budget of approximately $1.7 million. While the cost of a dedicated public sector oversight body might not be as high, given its responsibility for a narrower scope of activity, there is nonetheless a significant concern about where such budget would come from and how stability in funding could be achieved. While the processes to achieve this could be implemented it is likely that this would take some time to fully develop, and this detracts directly from the sense of urgency.

On the basis of considering these two alternatives on the ends of the continuum, it is likely that a model for oversight will need to be developed that lies somewhere in between. IFAC will consider such options and, in consultation with governments and

other key stakeholders, work towards developing a viable and practical alternative that will uphold the four pillars of the public interest.

As part of developing a viable model for public oversight a number of considerations will need to be factored in including nomination and composition of the oversight body, and other related amendments to existing governance structures, such as establishing a Consultative Advisory Group (CAG).

Other Governance Considerations

As noted, oversight is one aspect of the IPSASB's governance structures and processes. There are other factors that are inter-related with oversight and might be considered for amendment. Some of these are outlined briefly below. Certain of the background materials provided may provide additional context for some of these items.

Membership

Processes for appointment of members need to be considered including opening the appointments to more members from outside IFAC member bodies. Membership should ensure that the IPSASB has the relevant expertise to maintain its status as a credible standard setter in for the public sector internationally. It is acknowledged that this expertise is unlikely to come solely from IFAC member bodies.

The balance and composition of representatives on any oversight body might necessarily be a part of these considerations.

Funding Arrangements

Discussion of stable and adequate funding arrangements needs to be undertaken in order to ensure the long term independence and credibility of the IPSASB. Funding needs to be considered in the context not only of IFAC's contribution to the IPSASB, but also the contributions from external funders. Additional funds will be needed to sustain the oversight body but also to provide stability to the IPSASB's standard setting processes and program.

Full time Compensated Chair

Having a full time paid Chair is seen to be an important element to enhancing credibility of the IPSASB. The demands on the Chair are increasing as the IPSASB gains momentum in adoption of its standards internationally and these demands are not expected to decline. In order to ensure that the Chair continues to have the necessary expertise and capacity to fulfill the role it will be increasingly important to consider the need to provide compensation.

Conclusion

The IPSASB's current governance arrangements have developed over time in a manner that is broadly consistent with the other standard-setting boards. However, based on the momentum the IPSASB is garnering in terms of adoption of its standards internationally, it is at a juncture where existing structures need to be reviewed and enhanced. Primary of these, though not sufficient, is the need for public oversight.

In order to develop and adopt an appropriate oversight model and enhance governance structures it is critical that IFAC act urgently to consult with governments and other key stakeholders over the next few months. In this way, the four pillars of the public interest will be in place and the IPSASB's governance and oversight processes can be enhanced over the short to medium term in order to protect the public interest.

IFAC POLICY POSITION 3   INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

INTRODUCTION

This paper outlines the rationale for the regulatory arrangements put in place for setting international standards for auditing and assurance, ethics and accounting education; arrangements in which responsibility is shared between the public sector and the private sector.

While the previous IFAC policy position paper on regulation of the accounting profession[1] addressed regulatory issues at the national level, the focus of this paper is on standard setting arrangements at the international level.

The paper describes the manner in which the current arrangements, a combination of public and private sector roles,[2] provide a standard setting structure and process that operate and are seen to operate in the public interest, in a context in which there are needs for legitimacy, independence, transparency, performance (encompassing technical competence, responsiveness and efficiency) and accountability. It seeks to recognize and address the need for balance in these areas, given that there may be trade-offs that need to be made. It also recognizes the need for the standard setting structures and processes, and the resultant standards, to create the right incentives for effective implementation of the spirit as well as the letter of the standards.

CONTEXT

The arrangements for international standard setting described in this paper were designed and implemented in the post-Sarbanes-Oxley Act[3] environment and have been subject to subsequent enhancements. This environment was one in which there was a progressive and significant shift at a national

level from regulatory systems in which private sector professional accounting institutions played a dominant role to one in which public sector regulatory organizations played a greater role in both standard setting and oversight.

At a national level, the shift from essentially self-regulatory arrangements to arrangements with a significant public sector role was a matter of degree in that, in most jurisdictions, the public sector had played some role prior to the Sarbanes-Oxley Act. Professional institutes in many countries regulated their members under powers conferred by statute and monitored by government departments or agencies. This was the case, for example, in many European countries, in Latin America and Australasia. So even where there was (and in some countries – such as Brazil, India and New Zealand – still is) substantial self-regulation, this was normally subject to statute and to public sector monitoring. While there are differences between the nature of the regulatory systems that operate at a national level and those at an international level, the design of the current standard setting arrangements at the international level was shaped by the nature of the changes at a national level, as described above.

Further, in the post-Sarbanes-Oxley Act environment, the enhancement of the role of public sector regulatory bodies was largely, though not exclusively, directed at audit in the context of listed companies and other public interest entities, leaving professional accounting bodies with important self-regulatory authority in other areas. Using the United States as an example, the American Institute of Certified Public Accountants (AICPA) still has authority to set auditing standards for entities other than listed companies and federal agencies.

Prior to the Sarbanes-Oxley Act, there were some noteworthy changes to IFAC audit standard setting arrangements during the period 2000-2002. These involved significant enhancements to the transparency of the due process as well as the change of title from the International Auditing Practices Committee (IAPC) to the International Auditing and Assurance Standards Board (IAASB). Similar enhancements were later put in place for the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB).

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[1] *Regulation of the Accountancy Profession*, IFAC, December 2007.

[2] Defined public sector roles are the responsibility of the Monitoring Group (MG) of regulators and other international organizations through the Public Interest Oversight Board (PIOB), through the involvement of regulatory organizations on the Consultative Advisory Groups (CAGs), and through observer roles on the standard setting boards. The private sector roles are the responsibility of the independent standard setting boards operating under the auspices of the International Federation of Accountants (IFAC) and through the membership on the standard setting boards of representatives of IFAC member bodies and of the Forum of Firms (FoF).

[3] U.S. Congressional Record, Vol. 148 (2002) (herein referred to in this document as "Sarbanes-Oxley Act").

IFAC

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OBJECTIVES IN DESIGNING THE ARRANGEMENTS FOR SHARED RESPONSIBILITY FOR INTERNATIONAL STANDARD SETTING

In considering the design of the system for international standard setting it is possible to identify three critical aspects of the arrangements:

- First, the overriding objective in the design of the standard setting process was to ensure that the institutional arrangements would be, and would be seen to be, properly responsive to the public interest at a global level.

- Second, a key issue for the public interest was to strengthen the legitimacy and independence of the standard setting process, to increase public confidence in the standard setting arrangements and, ultimately, to strengthen financial reporting. Key elements of the arrangements to increase legitimacy and independence were an external process for monitoring and oversight of standard setting, and increased transparency.

- Third, it was important to maintain the technical competence of the standard setting process while ensuring that there was a sufficiently strong element of public oversight to achieve the first two objectives above.

The reforms were "also designed to contribute to the achievement of global convergence to high quality standards,"[4] recognizing the importance to the global economy of achieving convergence.

PUBLIC INTEREST

The arrangements established for standard setting were based on the premise that unless appropriate structures and processes for governance and oversight, and appropriate levels of transparency, were instituted, the public interest would not be protected.[5]

Central to these arrangements was the creation of the PIOB, with a responsibility to maintain oversight of the standard setting activities carried out by the IAASB, the IESBA and the IAESB and of the activities of the Member Body Compliance Program.[6] While this is not the only mechanism established to protect the public interest, it is a vital component without which other elements would not be perceived as sufficiently robust to protect adequately the public interest.

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[4] IFAC Reform Proposals, Page 3, IFAC 2003.

[5] See Appendix 1, "IFAC Oversight and Consultation" and "International Standard Setting Process." The chart for the International Standard Setting Process is extracted from the *Third Public Report of the PIOB* issued May 2008.

[6] IFAC's Compliance Program is a developmental program designed to achieve the long-term development of the accountancy profession through IFAC's member bodies taking action to enhance their compliance with Statements of Member Obligations (SMOs). This paper does not address the arrangements for achieving compliance with standards, instead it focuses only on standard setting.

The PIOB has oversight of critical elements of the standard setting processes, including:

- The Nominating Committee's process for selection of the members and Chairs of the standard setting boards, whose appointments must be approved by the PIOB.

- Terms of Reference for the standard setting boards, which must be approved by the PIOB.

- Due process in relation to standard setting, which must be approved by the PIOB.

- Compliance with due process having been followed for each new standard, with PIOB sign-off before the standard can be issued.

LEGITIMACY

Legitimacy is achieved when the standard setting arrangements, both in structure and process, give the standards the level of authority necessary, in an international setting, to generate confidence in the standards of auditing and assurance, ethics and accounting education, and through those, confidence in financial reporting.

Legitimacy is achieved, in part, through independence, which is critical. However, for there to be legitimacy, there must also be high levels of transparency, appropriate levels of performance from the standard setter, and accountability of the standard setter to stakeholders, especially the international regulatory community. In other words, legitimacy cannot be achieved unless all these elements are present, and unless the arrangements are seen as being legitimate, there will not be confidence that the public interest is being served.

Legitimacy is also achieved through representation in the standard setting process. A key element of representation relates to geographic or regional representation.

The system for international standard setting is designed to facilitate participation from nations at different stages of economic development and across diverse cultures.

In 2006, the IFAC Nominating Committee established a regional classification system that organizes its member bodies into six geographical areas: Africa/Middle East, Asia, Australasia/Oceania, Europe, Latin America and the Caribbean, and North America. In order to maintain geographical balance, the committee seeks to appoint individuals from each area on the standard setting boards.

IFAC has also established a program to subsidize the travel expenses from members of developing nations on all its boards and committees. This measure was implemented to improve participation in the standard setting process from countries in the developing world.

IFAC POLICY POSITION 3   INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

A second element of representation derives from the notion that those who agree to abide by a set of rules have the greatest stake in the efficacy of those rules, as well as the strongest incentive to set appropriate and proportionate rules. In this sense, standards have greater legitimacy if there is an appropriate representation on the standard setting boards of jurisdictions that do, or intend to, apply those rules.

> For the IAASB, there is a requirement, negotiated between IFAC, the European Commission (EC) and the Monitoring Group (MG),[7] that the majority of members must come from jurisdictions that apply, or intend to apply, the International Standards on Auditing (ISAs).

While legitimacy is a test that standard setting arrangements must meet if the standards are to be widely adopted, when considering the protection of the public interest in a specific national jurisdiction, there is an additional, critical point to be considered. The adoption of the standards in any jurisdiction is ultimately a matter that has to be decided by the legislative or regulatory authorities in that country. Hence, each jurisdiction has the ultimate safeguard of not adopting the standards if they were to perceive that the standards were contrary to the national interest in that country, irrespective of the extent to which the standards were adopted elsewhere and were perceived to be legitimate.

Nevertheless, to the extent that adoption or endorsement of standards signals general acceptance and is a reflection of their legitimacy, it is helpful in the context of this paper to outline the current position with respect to adoption and endorsement. This is outlined in summary form in Appendix 2 of this paper.

INDEPENDENCE

In order to be seen to be legitimate, independence in fact and in appearance is essential to a standard setter. Independence, in the standard setting context, refers to freedom from inappropriate pressure, from whatever source, in decision-making.

Just as the independence of an auditor can be threatened,[8] so can the independence of a standard setter. And just as it is possible to design safeguards against threats to audit independence, so, too,

it is possible to design safeguards to protect the independence of the standard setter.

The international standard setting arrangements have a number of elements designed to create and protect independence. The first of these is a formal, independent public interest oriented oversight arrangement that has authority over the key elements of the standard setting structure and process (such as the authority to approve appointment of individuals to the standard setting boards and to approve their terms of reference and due process). Also critical are high levels of transparency in all aspects of the standard setting process from agenda setting to development and approval of standards.

For the public interest oversight arrangements themselves to be seen to be properly independent, the composition of the oversight body must be selected and approved outside the standard setting organization itself.

> All ten members of the PIOB are appointed by the Nominating Committee of the MG with IFAC having no voice in the appointment decisions, thus ensuring political accountability for the standard setting process of the standard setting boards.
>
> The members are nominated by the International Organization of Securities Commissions (IOSCO) (4 members), the International Association of Insurance Supervisors (IAIS) (1 member), the Basel Committee (1 member), the World Bank (1 member) and the EC (2 members). The final member is selected by the MG Nominating Committee from amongst nominations from IFAC.
>
> The PIOB members all meet the requirements of the EC for membership of audit oversight bodies.[9]

Additionally, the oversight body must be free from independence threats associated with its financing, which could in some circumstances enable funders to exert undue or improper influence over the decisions and actions of the body.

> IFAC has given the MG a funding guarantee for the PIOB. The current agreement includes provisions for increases associated with inflationary changes and a process for agreeing to an increase up to the agreed funding cap, thus ensuring the ongoing operations of the PIOB until 2015. The PIOB is accountable to the MG in relation to its budget and the use of the budget, and IFAC does not participate in that process.

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[7] Established through the IFAC Reforms of 2003, the MG consists of international regulatory organizations and governmental authorities responsible for protecting and advancing the public interest and committed to supporting the development of high quality international auditing and assurance standards. The MG consists of the Basel Committee on Banking Supervision, the EC, the International Association of Insurance Supervisors (IAIS), the International Organization of Securities Commissions (IOSCO), and the World Bank, as well as two observers: the Financial Stability Forum (FSF) and the International Forum of Independent Audit Regulators (IFIAR).

[8] Threats to auditor independence include threats associated with self-interest, self-review, advocacy, familiarity, and intimidation. **http://www.ifac.org/ Members/Pubs-Details.tmpl?PubID=10456070402914590&Category=Ethics**

[9] See Chapter VIII, Article 32, *Principles of Public Oversight*, clause 3, and Chapter 1, Article 2, *Definitions*, clause 15, of the Directive 2006/43/EC of the European Parliament and the Council on Statutory Audits of Annual Accounts and Consolidated Accounts (EC Eighth Directive).

IFAC POLICY POSITION 3 INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

In addition to the oversight arrangements, threats to the independence of the standard setting boards are safeguarded by two aspects of the process. The first is a formally approved and highly transparent due process.

> *Due process of standard setting bodies*
>
> Each of the standard setting boards has a formal due process, approved by the PIOB. The due process for each board covers, inter alia, project proposals, issues papers, consultation papers (where appropriate), exposure drafts (with sufficient comment period), comment letters posted to the website, final standards being approved only after extensive consideration of comments, and a stated basis for conclusions.
>
> Before any standard is issued, the PIOB must approve that due process has been followed, based on a declaration from the Executive Director – Professional Standards and from its independent observations, dialogues, internal reviews and deliberations, etc.
>
> The PIOB has the right, which it exercises, to observe meetings of the standard setting boards.
>
> The standard setting process is highly transparent, with the meetings open to the public, the full package of agenda materials available to the public before meetings and minutes available after meetings.
>
> The meetings of the IAASB are recorded and the audio tape is published on the IFAC website.

The second safeguard is the involvement of a Consultative Advisory Group and Observers in the standard setting process.

> *Consultative Advisory Group (CAG)*
> The CAGs are a key element of the standard setting arrangements. They enable the standard setting boards to receive technical advice, as well as advice regarding agendas, from interested external public sector and private sector institutions. Features of the CAGs are the following:
> - The CAG elects its own Chair.
> - The Chair of the CAG is an Observer to the standard setting board with the right of the floor.
> - The CAG can appoint a member to sit on the Steering Committee of the standard setting board.
> - The CAG has the power to hear and to reach conclusions on matters relating to the due process of the standard setting board and can, if it thinks appropriate, refer a matter of due process to the PIOB.

> *Observers*
> In the case of the IAASB, meetings are attended by non-voting Observers, currently from the Public Company Accounting Oversight Board (PCAOB), the EC and the Japanese Financial Services Agency.
>
> These Observers have the right of the floor and provide assurance that key regulatory organizations are closely involved in the standard setting process and can raise issues and present arguments during all stages of the standard setting process.

A further element which serves to protect against threats to independence is the requirement that members of the standard setting boards sign declarations that they will act in the public interest and not be subject to any improper pressure. Members of all IFAC boards and committees are required to sign such declarations annually, as are members of the IFAC Board who appoint members of the standard setting boards after PIOB approval. Also, from November 2008, the organization nominating the member of a standard setting board must declare that they will not inappropriately influence that member.

Many of the elements described above also act to protect against any independence threat to the standard setting boards associated with their resourcing, which is provided by IFAC member bodies and the FoF plus volunteer resources from a range of sources, including member bodies, firms, regulatory organizations and others. For example, the role of the CAGs in providing technical input to the standard setting process, and the role of the PIOB in ensuring that such comments are appropriately dealt with as part of the due process, provide safeguards against decisions that might not reflect the public interest.

TRANSPARENCY

Transparency is identified above as a critical element of due process which protects independence. Transparency also contributes to legitimacy and accountability. For this reason, transparency is central to the functioning of the standard setting boards, and is reflected in many elements of the structure and process of the standard setting boards, including those in the box above headed "Due process of standard setting bodies."

PERFORMANCE

In recognizing the importance of independence, including independence from the accounting profession, it is also important that the standard setter has the capability to perform in order to ensure that the standards meet the objectives they are intended to achieve. In the context of a standard setting board this "capability to perform" might be achieved through technical knowledge and hands-on experience.

IFAC POLICY POSITION 3   INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

An effective standard setting board needs to achieve both independence and performance. While independence is essential, the performance of the standard setting board is enhanced if there is an appropriate representation of those with current or recent technical knowledge and hands-on experience in the application of the standards.

> The composition of each of the standard setting boards is eighteen members, including the Chair (who in the case of the IAASB is full-time). Ten members are nominated by member bodies of IFAC, five by the FoF, and three are public members. The public members may be nominated by any organization or individual; however, they must be individuals who are, and will be seen to be, capable of representing the broad public interest.
>
> Half of the members of the standard setting boards (including the public members) are non-practitioners, based on a definition of "non-practitioner" agreed by the MG.
>
> While individuals classified as "non-practitioners," whose independence from auditing firms satisfies a strict test, are not practicing within an audit firm, there is nevertheless an expectation that they will have the knowledge and experience to participate fully in the standard setting process.
>
> This composition achieves an appropriate combination of independence and technical competence and thereby helps the standard setting boards to set standards that are in the public interest.

Competence includes current technical knowledge and skills, and knowledge of practical issues through "hands-on" experience in the application of the standards. In the context of ISAs, this would encompass the relationship between standards and the quality of an audit, and similarly for ethical and education standards.

> The practitioner members of the standard setting boards, including those nominated by the FoF, bring to the boards expert knowledge of audit and professional practice and make the boards fully aware of the likely impact in practice of changes to the standards.
>
> This keeps the standard setting process grounded in the reality of current practice and reduces the possibility of the standard setting boards acting in an "ivory tower" manner.
>
> The involvement of practitioners in the standard setting process also contributes to the legitimacy of the standards, especially in the eyes of those who must implement them.

Performance also refers, in a standard setting context, to responsiveness and efficiency.

Responsiveness relates to the requirement that the process must enable new standards, or revised standards, to be produced in a timely fashion in the event of changed circumstances. It also refers to the need to listen and respond appropriately to concerns by stakeholders and others affected by the standard setting process.

> The standard setting boards receive technical input in relation to specific standards and in relation to its work plan from a CAG, the members and chair of which are selected independently of the standard setting boards and IFAC, and who largely represent regulatory and stakeholder organizations.
>
> This ensures that a regulatory perspective on technical issues is presented to the standard setting boards on an ongoing basis. The CAGs also provide advice on the standard setting boards work programs and priorities. There is a report-back process to the CAG on how the standard setting boards have responded to issues raised by the CAGs.

Efficiency refers both to economic efficiency in relation to standards (benefits exceed costs) and productive efficiency in the process itself.

Given their global application, it is critical that the standards generate net benefits – that is benefits from a new or enhanced standard that exceed the economic costs of developing and implementing that standard. Implicit in this is that the standards do not impose excessive costs on the parties who must comply with the standards.

> The extensive process of consultation, along with the transparency of the standard-setting processes, act to limit the risk of disproportionate action or excessive compliance costs.
>
> The standard setting boards utilize web-based procedures and protocols to disseminate exposure drafts and collect comments in order to strengthen and facilitate the consultation process.
>
> In the case of the IAASB particularly, there is a consistent stream of input from IFAC's Small and Medium Practices (SMP) Committee to ensure that an SMP perspective (where compliance costs often fall disproportionately) is considered. Similarly, the IAASB has SMP representation within the board itself.

IFAC POLICY POSITION 3 INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

Efficiency also refers to the productive efficiency of the standard setting process itself, that is the relationship between resources used in and the output of the standard setting process. In this context efficiency needs to be distinguished from effectiveness in fulfilling the function of the standard setting board. This distinction is important because in some circumstances greater productive efficiency could be achieved but at the expense of effectiveness. The standard setting process should be as efficient as possible without compromising its effectiveness.

Further, the standard setting process needs to be economical. The use of highly qualified volunteers is a means of achieving economy in the process and also ensures that standards are set by individuals with knowledge of the practical implications of the standards they set.

ACCOUNTABILITY

There must be clearly established mechanisms to hold the standard setting boards accountable, both individually as members and collectively as a board.

> The IFAC Annual Report includes a section reporting the services produced by each of the standard setting boards and describes what has been achieved during the period. The service delivery report is subject to independent review assurance from IFAC's independent external auditors.[10]
>
> The IAASB produces an annual report on its activities during the previous period. The other two standard setting boards report within the IFAC Annual Report.
>
> The individual accountability of standard setting board members is through annual performance monitoring by the IFAC Nominating Committee, subject to PIOB oversight.
>
> The PIOB has authority to request the removal of a member or Chair, if they believe there is valid cause.

There must also be appropriate accountability arrangements for other parts of the process, such as the oversight body.

> The PIOB produces an annual public report on its oversight activities.
>
> The PIOB is also accountable to the MG for its budget and spending.

A BALANCED SYSTEM

The features above should not be seen in isolation. The key underlying objective is overall system performance, which involves a trade-off amongst the features above. In fact, some

features may work in opposition to one another. For example, independence from sectional interests or inappropriate political pressure is desirable; however, independence from any concern for regulatory efficiency (such as due consideration of compliance costs) is undesirable. Similarly, due process is essential to legitimacy; however, this must be balanced with responsiveness, in that the process itself must enable a response to "events" in a timely fashion.

Further, this need for trade-offs carries implications for the allocation of functions within the overall structure. More specifically, it implies that a key design feature is the allocation of functions between public and private sectors. For example, while oversight might desirably be in the public sector for reasons of political legitimacy, standard setting may require the involvement of private sector practitioners for reasons of competence and responsiveness.

There are other aspects of balance which warrant mention. There is a need within the elements of the system for balance between technical and non-technical inputs. This balance is achieved in the elements of the standard setting structure that are external to IFAC through the non-technical role of the PIOB and the technical role of the CAGs. Internally, the same balance is demonstrated through the role of FoF members and public members and the notion of parity between practitioners and non-practitioners.

It is also desirable to achieve balance and consistency between formal structures and processes on the one hand and the manner in which they are given operational effect, on the other. The formal mechanisms include IFAC's Constitution and Bylaws, the terms of reference of the standard setting boards, and their due process. The formal elements of structure and process are reinforced through the means in which they are operationalized. The operational aspects include the fact that the PIOB has a presence at virtually every IFAC Board, Nominating Committee and standard setting board meeting. In addition, IFAC's Officers and Directors and the Chairs of the standard setting boards and the CAGs are periodically invited to parts of the PIOB meetings to report on their activities. These interactions result in an ongoing process of consultation and communication that supports, strengthens and provides inputs to the formal deliberative processes of the PIOB, the CAGs and the standard setting boards. In respect of the PIOB, these operational elements of the standard setting process have two positive results:

- Open communication reduces the risk of miscommunications and misunderstandings between IFAC and the standard setting boards on the one hand and the PIOB on the other.

- The PIOB observes all proceedings as they occur, eliminating delays in communication of actions and decisions.

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[10] The International Federation of Accountants, 2007 IFAC Annual Report, *Independence Assurance Report on Service Delivery* , p. 39.

TRANSFORMING PRINCIPLES INTO PRACTICE

An effective system of shared responsibility for standard setting must be able to bridge the divide between principles and practice. In this respect, it is necessary that there be internal policies and procedures to ensure that the principles upon which the system is designed are reflected in the way the organization actually operates and that cooperation with regulatory bodies is consistent and highly functional.

There are many means, structural and operational, through which IFAC has given effect to its role in the shared arrangements and has sought to put into practice the spirit as well as the letter of the shared system of responsibility for standard setting. The structural mechanisms include the following:

- IFAC's Constitution and Bylaws clearly delineate the powers and roles of the IFAC Council and Board with respect to the standard setting boards and also confirm IFAC's obligations to the PIOB.

- IFAC has clearly defined the types of documents that the standard setting boards issue. These document types are followed to ensure consistency and legitimacy. Examples include *Standards, Good Practice Guidance* and *Exposure Drafts*.

- The *Terms of Reference* for each of the standard setting boards provide a consistent articulation of the mission of each board, general meeting procedures, and rules.

- *Roles and Responsibilities* for Chairs of the standard setting boards are also outlined in separate documents.

- All of the above documents plus agenda and meeting minutes are publicly available on the IFAC website.

- The standard setting boards utilize the same web-based procedures (IFAC website) and protocols to disseminate exposure drafts, collect comments and publish documents.

- The annual *Call for Nominations for IFAC Boards and Committees* outlines the Nominating Committee's targets for qualifications and regional and professional representation. Publication of this document ensures transparency and consistency in the nominations process.

Operational mechanisms include, amongst others, the internal culture of the organization, which emphasizes the public interest, and the performance management system. These mechanisms link individual performance to the elements of the Strategic Plan, which itself reflects the public interest.

CONCLUSION

The combination of structural arrangements and process elements, and in particular the role of the PIOB, is designed to ensure that international standard setting operates in the public interest. This paper has explained the principles which should be considered in the design of an international standard setting structure and the accompanying processes. It has also outlined how the present system of shared responsibility for standard setting has evolved and seeks to give effect to those principles.

At the same time, it must be recognized that shared responsibility for international standard setting is at a relatively early stage of development and the current arrangements can be expected to further evolve and develop with experience in their operation. Nevertheless, it is useful to be clear as to the principles that should govern further development.

IFAC POLICY POSITION 3   INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

IFAC'S MISSION

To serve the public interest, the International Federation of Accountants (IFAC) will continue 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.

IFAC POLICY POSITION 3   INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

APPENDIX 1:

IFAC OVERSIGHT AND CONSULTATION

KEY:

ACCOUNTABILITY	▬▬▬
OVERSIGHT	▬▬▬
CONSULTATION/ADVICE	▬▬▬

Source: Adapted from IFAC Reform Proposals September 2003.

IFAC POLICY POSITION 3   INTERNATIONAL STANDARD SETTING IN THE PUBLIC INTEREST

IFAC INTERNATIONAL STANDARD SETTING PROCESS

THE PROCESS OF INTERNATIONAL STANDARD SETTING

PIAC	CAG	PIOB
DEVELOPMENT (may also include public forums, consultation papers or field tests)	CONSULTATION AND INPUT	COMPREHENSIVE MONITORING — REGULAR REPORTS — INDEPENDENT REVIEWS
EXPOSURE DRAFT		
FINALIZATION		
APPROVAL		

PIOB DUE PROCESS APPROVAL

PUBLICATION

Source: Public Interest Oversight Board, Third Public Report, May 2008.

APPENDIX 2: ADOPTION OR ENDORSEMENT OF IFAC STANDARDS OF AUDITING, ETHICS AND EDUCATION

Summary of the use of **International Standards on Auditing**:

1. The latest IFAC survey indicates that more than 100 countries use auditing standards that are ISAs, either adopted as written or locally adapted, or national standards that are compared with ISAs to eliminate differences.

2. Many of the world's major capital markets accept the use of ISAs for the audit of financial statements of foreign issuers. An IAASB survey indicates that 20 out of the 23 largest capital markets with overall market capitalization of 56% of the world total accept ISAs for this purpose.

3. In the United States, the Auditing Standards Board of the AICPA, which sets standards for unlisted companies in the United States, has resolved to bring its standards in line with ISAs.

4. The World Federation of Exchanges (WFE), representing 57 securities and derivative markets that account for more than 97% of world stock market capitalization, has endorsed the IAASB's processes for standard setting and recognizes the importance of ISAs.

5. The FSF's Compendium of Standards lists the various economic and financial standards that are internationally accepted as important for sound, stable and well functioning financial systems. The FSF has identified ISAs as one of the 12 key standards for sound financial systems and deserving of priority implementation depending on country circumstances.

6. The World Bank, which jointly with the International Monetary Fund has instituted a program of Reports on the Observance of Standards and Codes (ROSC) by countries, uses ISAs as the benchmark for assessing the quality of national auditing standards.

7. In the public sector, the International Organization of Supreme Audit Institutions (the global organization for national level government auditors) uses ISAs as the basis for its Financial Audit Guidance.

8. The members of the FoF have committed to have policies and methodologies for the conduct of transnational audits that are based, to the extent practicable, on ISAs. In addition, IOSCO has recently stated its support for the work of the IAASB and the PIOB and continues to consider endorsement of the ISAs.

The **Code of Ethics for Professional Accountants** is also adopted, endorsed or strongly supported in approximately 100 countries. The FoF membership obligations require that members have policies and methodologies that conform to the IFAC Code of Ethics. Additionally, the World Bank ROSC program uses the IFAC Code of Ethics as the benchmark for assessing a national code of ethics.

International Education Standards are used by IFAC member bodies as a basis for determining their own education requirements, and through the Compliance Program are increasingly becoming the basis for the education of accountants and auditors. The World Bank ROSC program also uses the IFAC International Education Standards as the benchmark for assessing national systems of accounting education.

The IAASB Consultative Advisory Group (CAG) is an integral and important part of the IAASB's formal process of consultation. Representatives of CAG member organizations provide advice on numerous areas, including:

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

The Consultative Advisory Group (CAG) is an integral and important part of the IAASB's formal process of consultation. As of July 1, 2009, the membership of the CAG comprised:

Member Organizations

- Asian Financial Executives' Institutes
- Basel Committee on Banking Supervision
- BUSINESSEUROPE
- CFA Institute
- Dean of the Graduate School of Financial Management, Moscow
- Eastern, Central and Southern African Federation of Accountants
- European Commission
- European Federation of Accountants and Auditors for SMEs
- European Financial Executives' Institutes
- Fédération des Experts Comptables Européens
- Former Chairman of the Standards Advisory Council of the International Accounting Standards Board
- Gulf States Regulatory Authorities
- Information Systems Audit and Control Association
- Institute of Internal Auditors
- Institute of International Finance
- Instituto Brasileiro de Governança Corporativa

- International Accounting Standards Board
- International Actuarial Association
- International Association of Insurance Supervisors
- International Bar Association
- International Corporate Governance Network
- International Organization of Securities Commissions
- International Organization of Supreme Audit Institutions
- International Valuation Standards Council
- Islamic Financial Services Board
- Japan Securities Dealers Association
- North American Financial Executives' Institutes
- Sri Lanka Accounting and Auditing Standards Monitoring Board
- United Nations Conference on Trade & Development
- World Bank
- World Federation of Exchanges

Observers

- Financial Services Agency, Japan
- U.S. Public Company Accounting Oversight Board

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Consultative Advisory Group
Terms of Reference
September 2007

OBJECTIVE AND SCOPE OF ACTIVITIES

1. The objective of the IAASB Consultative Advisory Group (the CAG) is to provide input to and assist the IAASB through consultation with the CAG member organizations (the Member Organizations) and their representatives (the Representatives) at the CAG meetings, in order to obtain:

   a. Advice on the IAASB's agenda and project timetable (work program), including project priorities;

   b. Technical advice on projects; and

   c. Advice on other matters of relevance to the activities of the IAASB.

Chair

2. The CAG Chair is an individual, elected by the CAG from amongst the Representatives, who shall perform the roles and assume the responsibilities from time to time specified by the CAG with the approval of the IAASB and the PIOB.

3. The CAG Chair is entitled to attend IAASB meetings as an observer with privilege of the floor, or may appoint a Representative to attend with the same privilege.

4. The CAG Chair is entitled to attend meetings of the IAASB Steering Committee as an observer with privilege of the floor, or may appoint a Representative to attend with the same privilege.

Public Interest Oversight

5. The terms of reference of the CAG are approved by the Public Interest Oversight Board (the PIOB). The PIOB may periodically review the terms of reference.

6. The PIOB approves the appointment of the CAG Chair.

7. The CAG Membership Panel recommends the appointment of a proposed new Member Organization, and its nominated Representative(s), (see paragraph 13) to the PIOB for approval. The recommendation outlines the reasons why the CAG Membership Panel considers the proposed new Member Organization an important addition to the membership of the CAG. It also includes information about the nominated Representative(s). The PIOB has ongoing authority to identify any emerging public interest segments not already represented on the CAG and to bring these to the attention of the CAG Membership Panel for further consideration.

8. When an existing Member Organization changes its Representative (see paragraph 18), the CAG Membership Panel notifies the PIOB of the change and provides the PIOB with information about the new Representative.

9. The PIOB has the right to meet with any or all of the Representatives to discuss matters of interest to the PIOB. The CAG may bring to the attention of the PIOB matters which may be of interest to the PIOB. The PIOB also has the right to attend all meetings of the CAG, whether open, closed or private.[1]

10. Minutes of the open and closed sessions of the CAG meetings are sent to the PIOB. Minutes, if any, of the private sessions of the CAG meetings are also sent to the PIOB.

COMPOSITION AND MEMBERSHIP

11. Apart from the Chair, the CAG comprises Member Organizations that are interested in the development and maintenance of high quality international standards on quality control, audits, reviews, other assurance engagements and related services designed to serve the public interest. The membership should provide, to the extent practicable, a balance of geographical representation and between regulators, international organizations, users and preparers. Exceptionally, with the agreement of the CAG Chair, an individual might be appointed directly as a CAG member.

12. Nominations may be submitted by individuals and organizations. The Basel Committee on Banking Supervision, the European Commission, the International Organization of Securities Commissions, the International Association of Insurance Supervisors and the World Bank are permanent Member Organizations. The Representatives nominated by Member Organizations should be knowledgeable about international standards on quality control, audits, reviews, other assurance engagements and related services, and related issues, and have a recognized interest therein.

13. A panel comprising the CAG Chair, two Representatives selected by the Chair for this purpose, the IAASB Chair and the IAASB Technical Director (the CAG Membership Panel) considers the nominations to determine whether the organizations, and their Representatives, are suitable for membership and to ensure a balanced geographical spread and functional backgrounds.

14. Each Member Organization is represented at the CAG meetings by either one or two Representatives. This limitation can be relaxed by the CAG Chair, in consultation with the CAG Membership Panel, only in exceptional circumstances.

TERM OF OFFICE

15. The Member Organizations are appointed for a renewable term of three years.[2]

16. The CAG Chair is appointed as Chair for a term of three years, renewable once.

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[1] Open sessions of the CAG meetings are attended by the CAG Chair, Representatives of the CAG Member Organizations, member(s) of the PIOB, and relevant IAASB members and staff (including the IAASB Chair), and are open to other IAASB members and the public. The public is not allowed to attend closed sessions of the CAG meetings. Private sessions of the CAG meetings are attended by the CAG Chair, Representatives of the CAG Member Organizations and member(s) of the PIOB only.

[2] The first term of membership of the re-structured IAASB CAG commenced on September 1, 2004. Member Organizations appointed after that date serve out the balance of the three years from that date, although the term is then renewable.

17. Continuity of representation on the CAG is expected; however, Member Organizations, with the prior permission of the CAG Chair, may occasionally send other Representatives to a CAG meeting to be better able to contribute to discussions of the particular issues under review.

18. Where necessary, a Member Organization may replace an existing Representative by another Representative. The suitability of the proposed new Representative is considered by the CAG Membership Panel.

19. Representatives who do not attend, and Member Organizations that do not send their Representatives to, three consecutive meetings may be asked to stand down from the CAG.

OPERATING PROCEDURES

20. To ensure that the CAG operates efficiently and effectively, the following specific operating procedures are adopted.

Meeting Details

21. The CAG Chair assumes the chairmanship of any meeting of the CAG at which he or she is present. In the absence of the CAG Chair, the CAG Chair will nominate a representative to act as chair and, if no such deputy is appointed by the CAG Chair, the Representatives will appoint a deputy from amongst themselves. Such appointment of a deputy chair is valid only for the duration of the meeting in question.

22. Generally, two meetings are held each year; however, additional meetings may be convened at the discretion of the CAG Chair. The Representatives, and other meeting participants, are notified of meeting dates well in advance.

23. The IAASB Chair, Deputy Chair and Technical Director attend the CAG meetings, and IAASB staff provide administrative support for these meetings. All IAASB members have the right to attend and speak at the CAG meetings, and the CAG Chair invites selected IAASB members to lead discussions at the CAG meetings on IAASB projects for which they are responsible.

24. The CAG Chair may arrange a private session at a CAG meeting, to be attended by Representatives and members of the PIOB only.

Meeting Agenda and Papers

25. The CAG Chair, in appropriate consultation with the Representatives and the IAASB Chair and Technical Director, and with reference to the IAASB agenda and project timetable, sets the agenda for a CAG meeting.

26. A typical CAG meeting agenda includes discussions of:

    a. Emerging issues or practices, potential new projects, and the IAASB's project timetable, including project priorities;

    b. Current IAASB projects at key stages of their development; and

    c.   Other matters of relevance to the activities of the IAASB identified by the Representatives.

27. Written materials supporting the CAG agenda items are ordinarily provided prior to each meeting, highlighting issues for consideration. If Representatives wish to take a proactive approach to issues to be discussed, then the relevant briefing papers will also be provided.

Confidentiality Requirements

28. Materials that have not yet been made available to the public, for example through publication on the IAASB's website, should not be provided to third parties or used as a basis for comment to the media. It is acknowledged that Representatives need to discuss the materials with the constituencies they represent; however, they are expected to put in place arrangements that enable the distribution of confidential material to be confined to a small group.

TRAVEL AND ACCOMMODATION COSTS

29. Member Organizations meet the travel and accommodations costs of their Representatives.

TRANSPARENCY

30. The membership, terms of reference, including the operating procedures of the CAG, are published on the IFAC website. The membership and activities of the CAG are reported on in the IAASB's annual report.

31. From 2006 the CAG meetings will be open to the public. When considered necessary, the CAG Chair will arrange closed sessions at which the public are not admitted to deal with administrative and similar matters.

32. Members of the public can access the minutes of the open sessions of the CAG meetings on the IFAC website. Minutes of the open and closed sessions of the CAG meetings are made available to the members of the IAASB. Should minutes of the private sessions of the CAG meetings be prepared, they will be sent to the Representatives.

Roles and Responsibilities of the IAASB CAG Chair
Approved March 2006

Roles

The Chair is selected by Consultative Advisory Group (CAG) and approved by the Public Interest Oversight Board (PIOB). The Chair shall act in the public interest, and report to the PIOB.

The role of the CAG Chair is especially important since the chair must achieve results while maintaining harmony in CAG discussions and following due process. The CAG Chair fulfills three interrelated roles:

CAG SPOKESPERSON AND REPRESENTATIVE

The CAG Chair acts as the primary representative of the worldwide user group of the IAASB's output, as comprised in the CAG. In this way the CAG Chair enables, encourages, and promotes a deeper understanding by IAASB of the public needs and expectations. In addition the Chair will:

- Actively promote the identity, objectives and activities of CAG in the media, public forums and other meetings with the PIOB, IFAC and IAASB stakeholders.

- Encourage and promote the convergence of national and international standards.

- Establish and develop effective relationships with identified key stakeholders.

- Represent the CAG in its annual report.

LEADER OF THE CAG

The CAG Chair provides leadership to the CAG in the conduct of its activities. The Chair oversees the achievement of the CAG's goals and objectives and will:

- Provide leadership in the achievement of the objective of the CAG as set out in its terms of reference.

- Actively identify and evaluate the impact of emerging issues bearing on the profession in order to provide advice to the IAASB.

- Govern the CAG meetings and ensure they are conducted properly. This responsibility includes, among others:

  o Approving the agenda;

  o Ensuring that the minutes are properly considered by the membership of the CAG and where necessary amended prior to distribution;

  o Encouraging and promoting open, candid discussions and debate;

  o Ensuring Member Organizations' views are duly considered;

  o Effectively using time by prioritizing issues; and

  o Pro-actively leading debate on contentious matters being addressed by the CAG.

- Report, as appropriate, to the PIOB on IAASB progress and plans on a regular basis.

LIAISON

The CAG Chair is the key representative of the CAG and acts as the primary liaison with the PIOB, IFAC Board, and IAASB as well as identified key stakeholders, ensuring the views of all parties are appropriately represented and communicated. Thus the Chair will:

- Establish and develop effective relationships with key stakeholders, such as national standard setters, regulators, etc.

- Actively participate in meetings of the IAASB.

- Facilitate communication and liaison channels between the CAG and the PIOB, the IFAC Board and IAASB, ensuring that the views of the CAG are communicated to each body and that the views of each body are effectively communicated.

Criteria for CAG Chair

The following would represent criteria for selection of a CAG Chair:

- Integrity, objectivity and discipline.

- Commitment to the IAASB mission and the public interest.

- Effective leadership and strategic skills.

- Effective facilitation and communication skills and ability to listen and consider the views of others.

- Strong understanding of current and emerging issues.

- Effective public-speaking skills.

- Strong, established bonds with key constituents and stakeholders.

- Effective networking and relationship building skills.

- Effective negotiating skills.

- Consultative and judicious decision-making.

MAY 2009

FOURTH PUBLIC REPORT OF THE PIOB
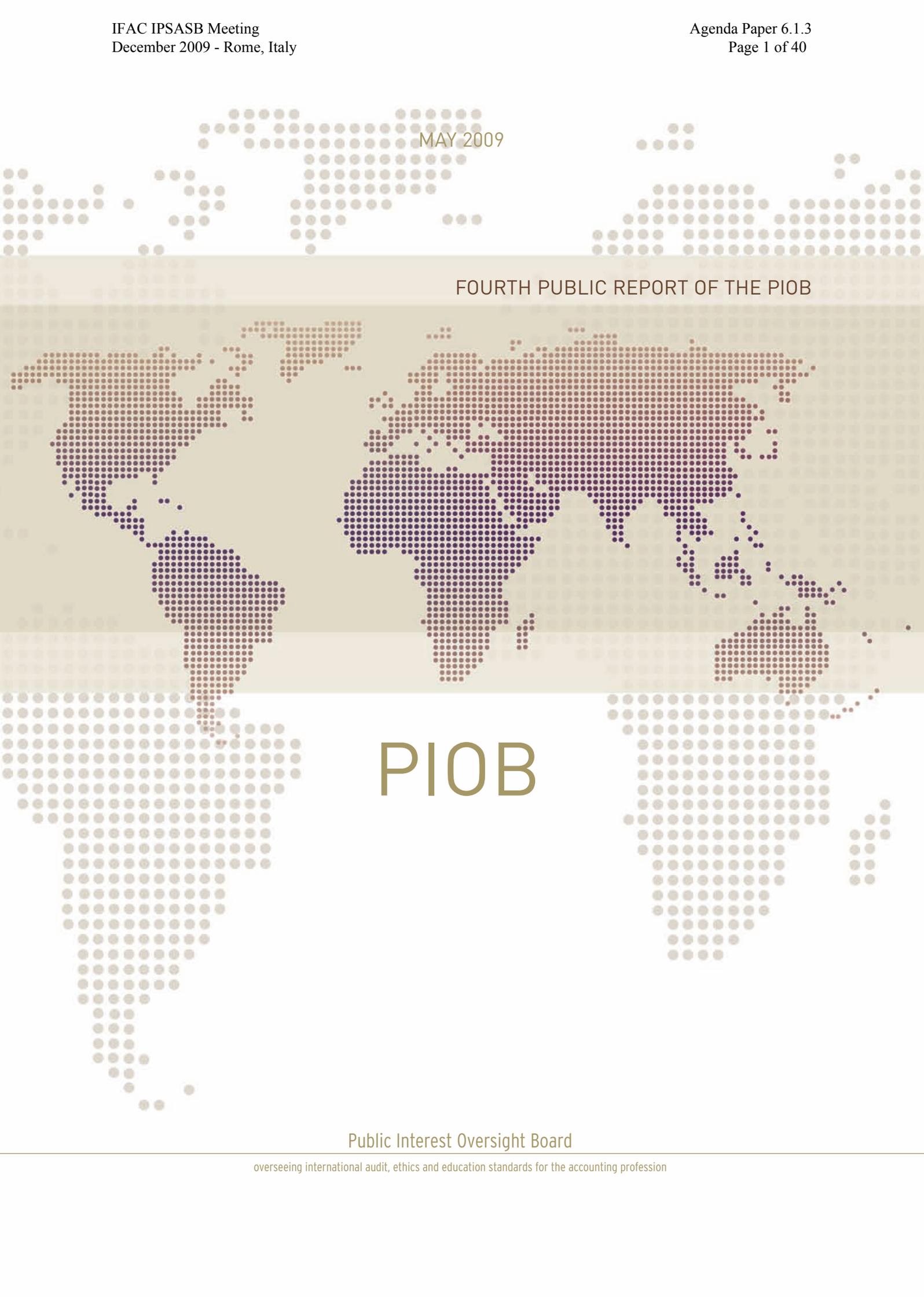
PIOB

Public Interest Oversight Board

overseeing international audit, ethics and education standards for the accounting profession

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FOURTH PUBLIC REPORT OF THE PIOB

(From left to right)

Back row: David Brown, Sylvie Mathérat and Fayezul Choudhury.

Middle row: Aulana Peters, Antoine Bracchi, Michael Hafeman and Toshiharu Kitamura.

Front row: Kai-Uwe Marten, Donna Bovolaneas (Secretary General), Stavros Thomadakis (Chairman) and Sir Bryan Nicholson.

2

Message from the PIOB Chairman

On 26 February 2009 PIOB members deliberated on and ultimately approved the due process used to develop and finalize the last three clarified International Standards on Auditing. This was the final stage in a process that had started some years ago and culminated in approvals for 25 ISAs and one International Standard on Quality Control during this past operating year. Although the February meeting was a milestone marking completion of the ambitious "Clarity project", the actual approvals seemed normal and well anticipated. We had to remind ourselves what a historic moment this was, and how significant its impact could prove to be in today's world. The lack of excitement during this meeting reflected the degree of careful screening and detailed oversight leading up to each decision point; thus, the final deliberations themselves held no surprises. This is an important characteristic of the brand of oversight practiced by the PIOB.

The brand of oversight crafted over the four years of PIOB operation is one of continuous monitoring and early intervention if processes appear to derail from their public interest objective. This has been facilitated by an open channel of communication with the standard setters we oversee and the development of independent screening capabilities by PIOB staff. The fact that no surprises were revealed at the very end also testifies to the comprehensiveness of the process and the proper functioning of the standard setting architecture. The oversight model that we apply has benefited from the continuous engagement of a large complement of interested "stakeholders". It has also benefited from the fact that the standard setting bodies themselves have changed radically in recent years, becoming more diversified in their composition. The public interest perspective is not only imposed by the presence of external oversight. It must also be internalized within the standard setting bodies themselves.

The members of the PIOB have continued to sharpen both the concept and the practice of the "international public interest" and have brought an extraordinary amount of collegiality and personal dedication to the task. I want to thank each and every PIOB member for innumerable contributions. The members of staff have also excelled with their dedicated work and their diligence. The implementation of our very demanding oversight model would simply not have been possible without their effort. Our departing Secretary General, Donna Bovolaneas, has been the backbone of PIOB life over these years and has done a superb job in the construction and maintenance of the PIOB, both as a legal entity and as an administrative unit. She has been a trusted, untiring and loyal advisor to myself and all PIOB members and deserves many thanks for her long working hours, her dedication and her decisive contribution to the attainment of our public interest objectives.

I also note with satisfaction that the working relations of the PIOB with our Monitoring Group colleagues have been developing rapidly as our financial accountability and budget operation have come under that group's direct responsibility. Working to further strengthen the independence of the PIOB through additional funding diversification will continue to be an objective of high priority for all of us.

Stavros Thomadakis

PIOB Chairman

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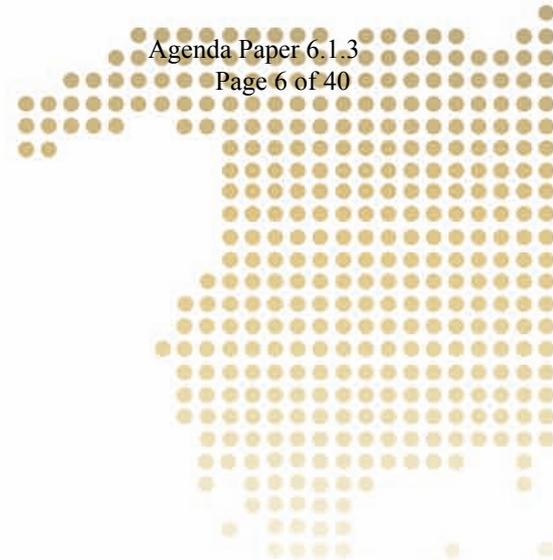
Section I
Overview

The past year will be remembered as one of turbulence and crisis in financial markets around the world. Economies have switched from growth to recession as policymakers, regulators and leaders of industry and finance seek ways to contain the crisis and carve new paths for future growth. In this setting, the ability of institutions and standards to function under extreme economic and market conditions is being tested in real time. While this crisis has yet to be resolved, it demonstrates just how closely intertwined economies and markets around the globe have become, and therefore how important communication, the generation of high quality information and cooperation are for governments, market leaders and organizations. In this context, the case for agreement on the use of common standards becomes even more compelling.

The present crisis has also demonstrated how actions motivated primarily by the private interest can give rise to systemic ineffectiveness and instability. This has led to renewed focus on the public interest in determining what needs to be done. It can be concluded from this that public interest regulation of market activity is the most likely outcome of wide-ranging discussions on how best to redesign institutions and reconfigure public and private initiatives.

The Public Interest Oversight Board (PIOB) was conceived as a response to the crisis of confidence created by numerous corporate and audit failures in the early years of this decade. It was established in February 2005 to oversee the auditing and assurance, ethics and education standard setting developed by independent standard setting boards under the auspices of the International Federation of Accountants (IFAC) and related compliance activities. This decision, which would have a significant and irrevocable impact on the process of international standard setting for audits and auditors, reflected the need to put public interest objectives first. Today more

than ever before, accurate assessment of market risks and reliable measurement of the consequences of risk-taking call for transparent, effective and clear financial reporting and auditing standards. In other words, standards that uphold and protect the public interest.

Over the last four years, we of the PIOB have sought to achieve public interest objectives by developing and applying a new oversight model for setting international standard in the areas of auditing, assurance, ethics and education. This model has two highly distinguishing features. First, it is a collaborative model which reflects an agreement between a group of international regulators and other public sector stakeholders, and a private sector body, the International Federation of Accountants, to co-sponsor an independent oversight body for the private sector appointed by the regulators. Second, this model effectively combines the high competence of experts operating within a private standard setting body with oversight by a separate body that represents and pursues public interest objectives. In the current crisis, it is clear that the need for high quality and broadly applicable standards developed in an inclusive, responsive and credible manner has taken on a greater relevance and urgency than ever before. The PIOB oversight model was designed to meet these requirements.

The past year has been a year not only of crisis. It has also been a year in which many efforts initiated several years ago have come to fruition and have increasingly commanded public attention. The Clarity project, a major undertaking for the improvement of the International Standards on Auditing (ISAs), has now been completed. Combined with substantive revisions to the content of certain standards, this project has produced a complete set of reformulated standards which are now clearer and much more amenable to translation

and implementation. The redrafted IFAC Code of Ethics, which includes two separate independence projects, is also near completion.

Clear and globally applicable ISAs go a long way towards offering an international infrastructure for consistent and effective audit practice. Updated independence requirements create a parallel and supporting international infrastructure to ensure the application of independent and objective professional judgment and focus on the public interest. We believe that these are valuable improvements and important additions to the many regulatory enhancements being devised in response to the global financial crisis.

In overseeing the completion of the Clarity and Independence projects and the redrafting of the IFAC Code of Ethics, we have applied our oversight policies in their most developed and intensive form. We have overseen selection of the standard setters, carefully reviewed their approach to formulating plans and projects, and closely supervised the ongoing process of deliberation, consultation and finalization used in the development of each and every standard. An increasingly prominent role has been given to the views and deliberations of Consultative Advisory Groups (CAGs) comprising representatives of public interest organizations and other interested parties. Accordingly, we give the standard setters final authorization to publish each finished standard only after determining that all due process steps have been followed effectively and with proper regard for the public interest, after obtaining assurance from the CAGs that issues they raised have been considered, and after conducting our own due process reviews for all standards.

Besides the areas at the forefront of public attention – Clarity and Independence – oversight in the public interest has been applied to two other core areas affecting the global accountancy

profession: standards and guidance for professional education and the work of IFAC's Compliance Advisory Panel (CAP).

The importance of these areas is undisputed. Standards for professional education, which set criteria for academic programs, initial on-the-job training and continuing professional development, are an essential complement to ISAs and the IFAC Code of Ethics. In a world where the need for high quality financial statements has become more important than ever before, professional accountants and auditors who have attained the requisite knowledge, skills and attributes embodied in these standards will play an important role.

The work of the CAP also represents an area of rapidly growing importance. Its program to test and promote improvement in IFAC member bodies' compliance with their obligations relative to international standards is a platform to promote and achieve effective implementation of these same standards. The CAP has organized an extensive project of self-assessment, monitoring and encouragement toward full compliance by existing professional bodies around the world. Closely intertwined with this process are the CAP's programs to promote development of new professional organizations of accountants and auditors in emerging economies to provide the infrastructure to support sound adoption and implementation of international standards.

This past year has also marked a turning point in other important respects.

After leading the IAASB through a period of significant reform and professional challenge, including the successful completion of the Clarity project, John Kellas stepped down as IAASB Chairman. The appointment of his successor followed an open and competitive process that brought forward many talented
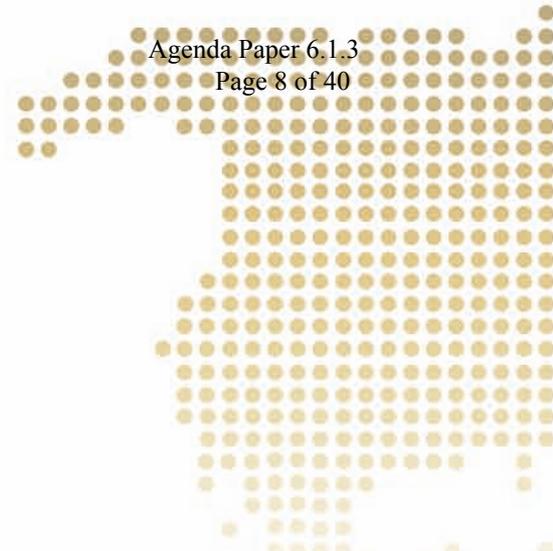
candidates from around the world. The new Chairman, Arnold Schilder, combines auditing expertise with senior regulatory experience.

The Monitoring Group, which is the forum of international regulatory and public sector organisations that appoints the PIOB members through its Nominating Committee and monitors the PIOB and the progress of the 2003 IFAC Reform Implementation, also reached three significant and evolutionary decisions.

The first of these was the Monitoring Group's decision to approve the European Commission's proposal to elevate its two existing observers to full PIOB membership. This step reflected increasing EU interest in the operation of public interest oversight in view of pending decisions on whether to adopt International Standards on Auditing for use by EU member states. This adoption is clearly contemplated in the Eighth Company Law Directive and, if approved, will constitute a significant step forward towards achieving high quality and consistent audit practice around the world.

The second involved a decision by all Monitoring Group members to prepare a formal Charter describing the functions of the group and its relationship with the PIOB. This was a cooperative effort in which we were provided ample opportunity to work with the Monitoring Group and contribute our views and experience. One crucial aspect from our perspective was the Monitoring Group's decision to take explicit responsibility for PIOB budget approvals and to apply the detailed approval process to our 2009 budget. This new arrangement now provides visible reinforcement to our independence[1].

The third was the Monitoring Group's most recent decision to include the Financial Stability Board[2] as a full member. As an original supporter of the need for public interest oversight for international standard setting, the FSB continues to play a lead role in coordinating current international regulatory efforts to address the global financial crisis.

In our last Public Report we provided our perspectives on future public interest issues and needs. Two elements stood out in particular. The first was the new challenges posed by anticipated standards implementation over the near term and the need for coordinated implementation support. The other was our belief that the array of activities, initiatives and policies aimed at achieving high audit quality also called for stakeholder coordination. Both these areas remain highly relevant to the future functioning of markets and economies, and the need for coordinated action to deal with matters affecting the international public interest has been more than validated by responses to recent global events.

In the areas of auditing and assurance services, we believe that new challenges are likely to arise from pressures unleashed by the global financial crisis. In addition to the significant benefits of using existing global standards, the need for more comprehensive, transparent and informative financial reporting may well create new accounting and auditing standards requirements. Further alignment of auditor and regulatory objectives may also give rise to new perspectives on the purpose and conduct of audits. These and similar issues will likely dominate the audit quality agenda in future and it is in that broader context that the PIOB will undertake its role as an oversight body committed to the international public interest.

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[1] The EU has recently approved the establishment of a regime to provide limited term financial support to specified EU and international bodies, including the PIOB, commencing in 2010. These bodies execute EU or international public interest missions aimed at enhancing the quality of financial reporting and/or auditing.

[2] Formerly the Financial Stability Forum.

Section II
PIOB Governance

Our ongoing work provides enhanced credibility and legitimacy to the operation of the three independent international standard setting boards that we oversee[3] and the public interest work of the IFAC Compliance Advisory Panel. Greater awareness and recognition of our efforts and the visibility of our interventions have inevitably brought new focus to the question of our own governance and independence. The following diagram and related discussion provide an up-to-date picture of the PIOB governance architecture including the impact of recent governance-related developments.

INTERNATIONAL · LOCAL

THE MONITORING GROUP

THE SPANISH FOUNDATION PROTECTORATE

PUBLIC INTEREST OVERSIGHT BOARD

THE SPANISH FOUNDATION BOARD OF TRUSTEES

→ ACCOUNTABILITY
⋯⋯> CONSULTATION
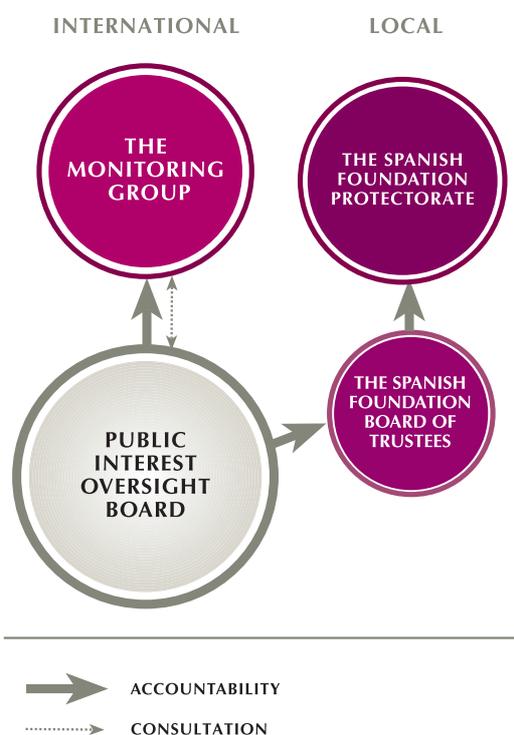
Local Governance of the PIOB Foundation

The PIOB Foundation[4] is constituted under Spanish Foundations law, subject to its provisions including related regulations, and overseen by the Spanish Foundations Protectorate. The Foundation is governed by a Board of Trustees with responsibilities defined in both the law and formal bylaws. In practice, this means that the Board of Trustees is responsible for ensuring that the Foundation operates within its approved mandate, makes continuous progress toward defined public interest objectives, operates in a fiscally prudent manner and remains fully compliant with all applicable Spanish laws and regulations.

Up to this year, the eight serving members of the Board of Trustees were drawn from among the ten existing members of the PIOB. This year, the Board of Trustees received local regulatory approval to execute a bylaw change to enlarge the Board of Trustees to a maximum of thirteen members. This change now provides greater compositional flexibility including diversification through the appointment of independent trustees.

Regulatory reporting by the Foundation derives from the Board of Trustees' statutory obligations and includes advance filing of an annual operating and financial plan, quarterly reports on core program activities, quarterly reporting of any board decisions which meet defined statutory reporting criteria and a comprehensive annual financial reporting package.

Under the Foundation structure, day-to-day oversight activity is conducted by PIOB members operating in the form of a Technical Committee.

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[3] The International Accounting and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA) and the International Accounting Education Standards Board (IAESB).

[4] *La Fundación Consejo Internacional de Supervisión Público en Estándares de Auditoría, Ética Profesional y Materias Relacionadas,* which is headquartered in Madrid, Spain.
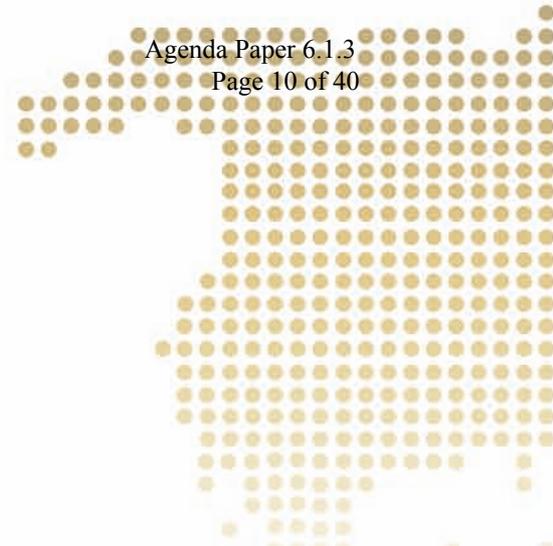
International Governance of the PIOB

The fundamentals of the international governance model are embedded in the roles and responsibilities assigned to the PIOB, the Monitoring Group and IFAC within the 2003 IFAC Reform proposals[5]. While interactions between the Monitoring Group and the PIOB have been guided by these descriptions, the recent Monitoring Group initiative to develop a formal charter – summarized in Section I of this report – has provided a timely opportunity to bring greater clarity to the overall reform model and, within it, to the governance of the PIOB.

An important impetus for this initiative has come from potential ISA adopters interested in confirming the overall soundness and legitimacy of the international standard setting process. As the role of public oversight is a critical component of this process, stakeholders have a legitimate interest in whether the PIOB is subject to appropriate governance arrangements and can maintain the necessary independence from IFAC. For this reason, the new Monitoring Group Charter has focused particular attention on clarified financial roles and responsibilities and processes to ensure our financial independence from IFAC while holding us accountable for our use of IFAC's funds. This arrangement is supported by a recently renewed IFAC commitment to provide us with unconditional guaranteed funding[6], based on an annual budget request which is reviewed and approved by the Monitoring Group. We are also required to submit an annual accountability report to the Monitoring Group for final approval of budget execution.

Separately, the PIOB Foundation produces annual financial statements prepared in accordance with International Financial Reporting Standards and subject to audit in accordance with International Standards on Auditing. These statements are published in full on our public website and each year's Public Report includes a financial summary page with highlights of these results. Audited financial statements are also presented to the Monitoring Group.

Other provisions of the Monitoring Group Charter require us to provide regular operating reports and to seek Monitoring Group input on our Public Reports prior to publication. These public reports, which are posted on our website and widely distributed in printed form, provide an annual summary of our activities, findings, conclusions, decisions and policy recommendations as well as our evolving thoughts on the international public interest.

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[5] See the 2003 IFAC Reforms document which may be downloaded from the IFAC website at http://www.ifac.org/Downloads/IFAC_Reform_Proposals.pdf

[6] 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.

Section III
PIOB Oversight Framework and Activities

Overseeing in the Public Interest: The Elements of Due Process

Over the past year we have continued to refine our oversight model based on additional experience and continuous assessment of evolving external requirements.

The diagram on the right, which was first published a year ago, sets out the fundamentals of the due process applied by standard setting boards to the development of international standards, practice statements and other key PIAC pronouncements. It also illustrates the key interactions that occur between each standard setting board (the IAASB, the IESBA and the IAESB), its respective Consultative Advisory Group and the PIOB. The PIOB's ultimate responsibility to consider whether this due process has been applied effectively and with proper regard for the public interest relies on three key inputs: the results of direct and comprehensive monitoring, reports from and dialogue with PIAC and CAG chairs, and independent staff reviews. This model has also been successfully adapted to support a range of other PIOB approval duties, including assessment of the due process used by the IFAC Nominating Committee to appoint PIAC Chairs and members, by the PIACs to update their strategies and work programs, by the CAGs in nominating CAG Chairs and, most recently, by the IFAC Board in undertaking a review and consolidation of PIAC Due Process, Working Procedures and related Terms of Reference.

In applying the first part of this model (comprehensive monitoring) we form first-hand opinions on the overall level of professionalism, efficiency, transparency, inclusiveness and public interest focus of each PIAC and CAG. These opinions, along with other inputs, also contribute to the formation of our final view on the

THE PROCESS OF INTERNATIONAL STANDARD SETTING

PIAC	CAG	PIOB
DEVELOPMENT (may also include public forums, consultation papers or field tests)	CONSULTATION AND INPUT	COMPREHENSIVE MONITORING / REGULAR REPORTS / INDEPENDENT REVIEWS
EXPOSURE DRAFT		
FINALIZATION		
APPROVAL		

PIOB DUE PROCESS APPROVAL

PUBLICATION
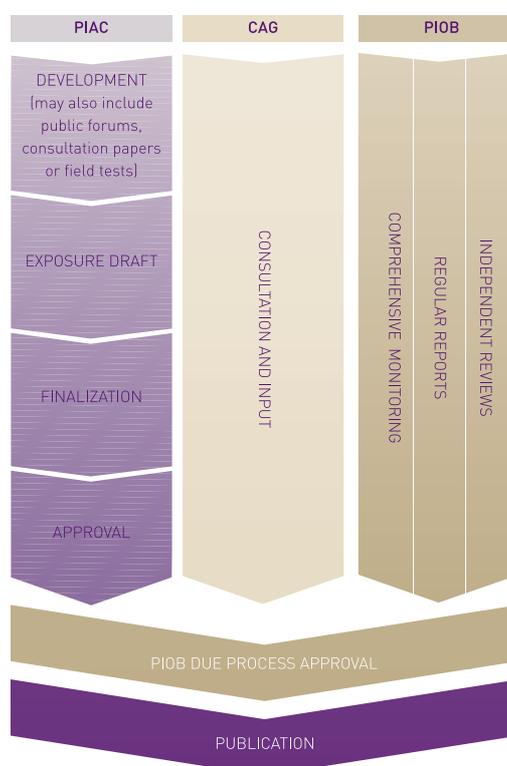
appropriateness of each stage of the due process used to develop individual standards. In the second (regular reports), we supplement our first-hand observations with reports from and dialogue with PIAC and CAG Chairs. We also meet regularly with the IFAC leadership on nominations and other public interest initiatives undertaken by the IFAC Board.

The final element (independent reviews) refers to the work of PIOB staff conducted under the Extended Review Framework program to provide us with additional independent assessments of the due process applied to the development of individual standards and PIAC strategic plans.

Comprehensive Monitoring: Observation Activities

Based on the many tangible benefits derived in previous years, which were reported on extensively in our Third Public Report, we continued to apply our policy of comprehensive physical observation to meetings of the PIACs, CAGs, CAP and IFAC Nominating Committee. This approach provided us with the opportunity to assess the ongoing activities of each group, to intervene if we identified any matter that might have an impact on the public interest, and to interact with members, their technical advisors, other official observers and, on occasion, members of the general public.

We did this for three reasons. First, we believed that our mandate to increase stakeholder confidence in the responsiveness of these groups to public interest needs was best served by a program of ongoing observation. In particular, our continuous presence at all IAASB and IESBA meetings[7] during the final phases of the Clarity and redrafted IFAC Code of Ethics projects enabled us to assess how well these groups maintained focus on the public interest while also dealing with an extraordinarily large workload and demanding deadlines. Second, we also believed that those relying on us to add credibility and legitimacy to the operation of these processes would expect this level of attention. Finally, this approach ensured that our judgments on a standard by standard basis would be fully informed.

Table 1 provides comparative information on the scope of our observation activities[8]:

TABLE 1

Meeting Date Entity	4/2006 - 3/2007		4/2007 – 3/2008		4/2008 - 3/2009	
	Held	Observed	Held	Observed	Held	Observed
IAASB	6	6	5	5	4	4
IAASB CAG	2	2	4	4	2	2
IESBA	4	3	4	4	5	5
IESBA CAG	2	2	4	3	3	2
IAESB	3	3	3	3	4	4
IAESB CAG	2	2	2	2	2	2
CAP (from April 2007)	N/A	N/A	5	5	5	4
IFAC Nominating Committee	8	8	8	7	8	8
TOTAL	**27**	**26**	**35**	**33**	**33**	**31**

[7] Plus all but one of the related CAG meetings.

[8] Including teleconferences.

While the overall volume of our observations was similar to that of the previous year, the mix of meetings was different. The individual changes from PIAC to PIAC reflected several distinct trends: a shift in the IAASB's focus from more complex revisions tasks to a higher volume of redrafting activity and consideration of new project proposals, the IESBA's intensified efforts to complete its final changes to Independence and redraft the full IFAC Code of Ethics, and the IAESB's launch of its Framework Review Exposure Draft together with several new guidance projects. Although neither the Nominating Committee nor the CAP changed the frequency of its meetings, each managed a workload that was more demanding than in previous years.

Based on these observations, we were positioned to provide concrete views to the PIACs and CAGs and, in some cases, recommendations on various public interest matters.

For example, we considered the approaches taken by PIACs to resolve differences in stakeholder views, especially where jurisdictional matters might be involved. In one instance, and without prejudice to the robustness of the due process applied, we conveyed some disappointment concerning the IAASB's decision to resolve one particularly challenging public interest issue by withdrawing proposed accounting framework-related guidance from ISA 700 on which stakeholders could not agree. While recognizing that a more satisfactory resolution would require explicit action by some of these stakeholders, we encouraged the IAASB to consider whether they could still make a contribution and to make this consideration a priority.

In addition, we opined positively on PIAC efforts to incorporate the widest possible range of stakeholder views without compromising the robustness of the standard. We also supported proposals to provide additional guidance to assist auditors in understanding and managing the challenges posed by the financial crisis. Finally, we stressed the importance of PIAC public members'[9] regular attendance and active participation in the operation of due process.

The outcomes of our observations of CAP and IFAC Nominating Committee deliberations are presented later in this section.

Regular Reporting: Dialogue with IFAC, PIAC and CAG Leadership

This year we continued our schedule of regular communications with the President of IFAC and the Chairs of all PIACs and CAGs together with relevant senior members of IFAC staff. With one exception, these exchanges took place at the PIOB's regular quarterly meetings and covered items brought to us by IFAC for consideration as well as matters which we wished to raise with IFAC. At the presidential level, these exchanges provided us with valuable insights into key developments and initiatives having an impact on the general public interest environment prevailing within IFAC and on the progress of nominations and the development of related policies. Discussions with the Chairs of the standard setting boards and CAGs provided similar insights into specific projects and the overall conduct of their activities. We also gained significant value from the CAP Chair's presentations on the progress of Part 3 of the IFAC Compliance Program and other membership matters.

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[9] See Glossary of Terms

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Finally, our Chairman or his designate continued to attend all IFAC Board and Council meetings during this year to gain a first-hand understanding of their policies and strategic direction and to update them on our own oversight activities and results.

Extended Review Framework: Our Independent Reviews

This year we continued to refine and improve our oversight model and policies, based primarily on our experience in responding to the heavy agendas of the IAASB and IESBA but also on our understanding of the broader changes taking place in IFAC and PIAC operating strategies and in the public interest needs and priorities of other interested parties[10].

In our Third Public Report we set out the fundamentals of our latest development, the "Extended Review Framework" program (see below) and reported on its formal launch after a period of successful pilot testing. We have subsequently applied this program to individual standards within the Clarity project.

> **ERF Core Principles**
>
> **> ERF builds on existing PIAC and CAG due process steps**
>
> **> The scope of an ERF application is determined through a risk assessment**

The purpose of the ERF program is to provide an additional measure of independent internal analysis to our consideration of the due process used for specific projects, strategic plans or standards, and thus to supplement our other oversight tools. ERF procedures involve a closer look at and consideration of the effectiveness and appropriateness from a public interest perspective of the various steps completed[11] during the life-cycle of a standard. Particular emphasis is placed on the period from the completion of the public consultation process (including the review of comment letters received) through to finalization[12]. This emphasis recognizes the public interest embedded in the consultation process including the adequate treatment of the comments and input received.

As part of the evolution of this program, we initiated staff observations of selected Task Force meetings as a way to obtain insights into the workings of these groups. Further, in view of the impending completion of the Clarity project, we developed a new ERF program tool, the "focused review", to provide a more targeted form of review for those standards not selected for a full scope ERF application. Overall, our staff conducted full-scope or focused reviews for twenty-four existing clarified ISAs, one new ISA, ISQC 1 and the IAASB Strategy and Work Program for 2009-2011[13].

We determined the specific scope to apply to each standard by considering a wide variety of factors. First we considered the subject matter, whether the standard was being revised, redrafted or both, whether the standard was general or specific, and how it would interrelate

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[10] See Section IV of this report.

[11] Only certain of these steps are public and therefore not fully susceptible to routine observation by the PIOB or other interested parties. Non-public steps include analytical and other support work of IFAC staff and the deliberations of individual project Task Forces.

[12] This is the period during which each PIAC decides how best to respond to comments from the public and the views of its CAG and evaluates whether the resulting version of the standard should be approved and published after PIOB approval or re-exposed for further public consultation.

[13] See Table 2, pages 16 and 17, for further details of these approvals.

with other standards. We then considered the needs and concerns being expressed by certain constituents representing specific aspects of the public interest such as the international regulatory community, small and medium-size enterprises, and developing nations. Finally, we considered the potential challenges inherent in each standard, including those faced by the PIAC in setting a global standard when there were known differences at the jurisdictional level, and the application challenges for auditors.

This first full year of operating the ERF program resulted in a number of positive outcomes. In addition to individual findings which were communicated to the relevant parties, we found that these procedures could be successfully adapted to deal with a variety of oversight situations. We also enhanced the methodology and identified the importance of monitoring for changes in the facts and circumstances of each project that might affect our view on the type of ERF scope required.

We were also able to validate our presumption that, over time, these reviews had the potential to identify more generic due process and public interest related issues which could then be communicated to IFAC for corrective action. Three such findings emerged and were actioned over the course of this year. First, IFAC's recent proposed updates to the PIAC Terms of Reference incorporated our recommendation to clarify and strengthen the due process steps related to re-exposure decisions. Second, the CAG Chairs

implemented our request to provide views on whether the established due process governing PIAC interaction with the CAG had been followed in each case and whether the PIAC and Task Force had dealt appropriately with final CAG comments, Third, IFAC staff implemented improvements to its process for communicating with CAGs to harmonize differences we noted in the scope and depth of agenda papers developed for PIAC and CAG discussions of certain issues.

While a positive PIOB conclusion on due process is not a guarantee that every matter raised by stakeholders has been reflected in a final pronouncement, such conclusions imply that all matters raised were considered and that the standard setting board documented and explained its final decisions on all significant matters in a transparent and fully accountable manner [14].

PIOB Approval Activities

Our approvals agenda this year was dominated by the Clarity project but also included a number of other decisions required under the terms of our mandate.

Due Process Completion of International Standards and Quality Control Standards

Our major responsibility is approval, from an international public interest perspective, of the due process used to develop and finalize a variety of international standards and other pronouncements.

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[14] Each CAG is provided with Report Back documents which account for the handling of all significant points raised during CAG meetings. At the conclusion of each project, a non-authoritative Basis for Conclusions document is also prepared to account for the disposition of all significant matters raised during all phases of public consultation. This document is published together with each final approved international pronouncement.

Table 2 lists twenty-five International Standards on Auditing and one International Standard on Quality Control approved this year. This table also details the specific type of independent review (full-scope ERF or focused review) performed in each case.

TABLE 2

PIOB Meeting	Standard	Name	Status	PIOB Review
July 2008	ISA 550 (Revised and Redrafted)	Related Parties	Final	ERF(1)
	ISA 250 (Redrafted)	Consideration of Laws and Regulations in an Audit of Financial Statements	Final	FR(2)
	ISA 510 (Redrafted)	Initial Audit Engagements - Opening Balances	Final	FR
	ISA 570 (Redrafted)	Going Concern	Final	ERF
September 2008	ISA 200 (Revised and Redrafted)	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing	Final	ERF
	ISA 320 (Revised and Redrafted)	Materiality in Planning and Performing an Audit	Final	FR
	ISA 450 (Revised and Redrafted)	Evaluation of Misstatements Identified during the Audit	Final	FR
	ISA 530 (Redrafted)	Audit Sampling	Final	FR
	ISA 610 (Redrafted)	Using the Work of Internal Auditors	Final	FR
	ISA 705 (Revised and Redrafted)	Modifications to the Opinion in the Independent Auditor's Report	Final	FR
	ISA 706 (Revised and Redrafted)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Final	FR
December 2008	ISA 220 (Redrafted)	Quality Control for an Audit of Financial Statements	Final	ERF
	ISQC 1 (Redrafted)	Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services	Final	ERF

(1) Full-scope ERF.
(2) Focused review.

PIOB Meeting	Standard	Name	Status	PIOB Review
December 2008	ISA 500 (Redrafted)	Audit Evidence	Final	FR
	ISA 501 (Redrafted)	Audit Evidence – Specific Considerations for Selected Items	Final	FR
	ISA 505 (Revised and Redrafted)	External Confirmations	Final	ERF
	ISA 520 (Redrafted)	Analytical Procedures	Final	FR
	ISA 620 (Revised and Redrafted)	Using the Work of an Auditor's Expert	Final	ERF
	ISA 700 (Redrafted)	Forming an Opinion and Reporting on Financial Statements	Final	ERF
	ISA 710 (Redrafted)	Comparative Information – Corresponding Figures and Comparative Financial Statements	Final	FR
	ISA 800 (Revised and Redrafted)	Special Considerations – Audits of Financial Statement Prepared in Accordance with Special Purpose Frameworks	Final	ERF
	ISA 805 (Revised and Redrafted)	Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	Final	FR
	ISA 810 (Revised and Redrafted)	Engagements to Report on Summary Financial Statements	Final	FR
February 2009	ISA 210 (Redrafted)	Agreeing the Terms of Audit Engagements	Final	ERF
	ISA 265 (New)	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	Final	FR
	ISA 402 (Revised and Redrafted)	Audit Considerations Relating to an Entity Using a Service Organization	Final	FR

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Due Process Completion and Completeness of PIAC Strategy Plans

In July 2008 we approved two aspects of the IAASB Strategy and Work Program for 2009-2011: the due process followed in developing and finalizing this plan, and its completeness from a public interest perspective. Given the importance of this document to the near- and mid-term activities of the IAASB, we performed a full-scope ERF review which considered, in addition to the normal range of meetings and documents, the survey questionnaires published and two international forums held to seek external stakeholder input prior to drafting the final plan.

In addition, we have monitored the IAESB's discussions on its next Strategy and Work Plan for 2010-2012. The IAESB expects to approve this document later in 2009, after which it will be submitted to the PIOB for due process and completeness approval.

Due Process Assessment and Approvals of 2009 PIAC Nominations

As noted in last year's report, the PIAC governance structure and rotational policy have been designed to address several (sometimes competing) objectives, all of which are in the public interest. The first is to ensure that each group is comprised of individuals with a broad variety of regional, professional and other perspectives. The second is to maintain an appropriate balance in all respects, in particular the requirement for parity between practitioners and non-practitioners. This specific requirement reflects the public interest objective of ensuring that the input and perspectives of experts from the auditing profession are matched by those of an equal number of well-qualified individuals, including designated public members, drawn from other backgrounds. The third is the need to balance the need to introduce

fresh viewpoints and experience on a regular basis against the need to maintain essential continuity, especially at the leadership level.

In this context, the 2009 nominations cycle posed three exceptional challenges for the IFAC Nominating Committee: the anticipated impact on existing board membership of completing the Clarity and IFAC Code of Ethics projects, a shift in the focus and priorities of all three boards based on their latest approved strategic plans, and the planned retirement of the IAASB and IAESB Chairs.

IFAC initiated its search for the new IAASB Chair in November 2007 following a period of planning and consultation with us on the process and criteria to be applied. Given the importance of this particular appointment[15], the process needed to be fully transparent and executed in an objective and highly professional manner. This was accomplished through a series of steps, beginning with a special public call for nominations that attracted over two dozen highly qualified applicants from around the world, and followed by the participation of a professional recruitment firm in developing the process for screening and evaluating these applicants. Finally, we observed all relevant meetings and teleconferences of the Committee to evaluate the execution of the agreed process.

In determining its final nominee, the Committee considered how well each candidate had met the demanding list of criteria for this position which called for a combination of strong technical knowledge and extensive leadership experience, particularly on matters highly relevant to current and anticipated public interest priorities. The Committee also ensured that the final candidate would meet the rigorous independence criteria attached to this full-time remunerated position. The final recommendation of Arnold Schilder[16] of The Netherlands carried the unanimous support of both the Committee

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[15] This is the only full time and remunerated PIAC Chair position.

[16] A complete description of Professor Schilder's background and credentials was provided in IFAC's 7 July 2009 Press Release which is available at http://www.ifac.org/MediaCenter/?q=node/view/578.

and the IFAC Board. We approved this appointment on 3 July 2008 with effect from 1 January 2009.

In a similar way, the impending retirement of Henry Saville as Chair of the IAESB required the Nominating Committee to carefully consider not only the attributes required in his successor but also the broader question of whether the appointment process for other PIAC Chairs should be more closely aligned with the one used for the IAASB Chair.

Under Mr. Saville's leadership, the IAESB completed its first full suite of educational standards after which it focused its attention on developing companion practice statements to support users of the published standards and considering how best to respond to the evolving educational needs of professional accountants. From this came the launch of its framework review project, intended to provide an up-to-date foundation to guide the next phase of standards development, and the decision to undertake development of appropriate benchmarks for measuring adoption and implementation success. In view of these

priorities, the IFAC Nominating Committee selected Mark Allison, an experienced national education standards director, as its nominee to succeed Mr. Saville.

With our active encouragement, and in view of the impending retirement of the IESBA and CAP Chairs at the end of 2009, the IFAC Nominating Committee also updated its existing processes for nominating all PIAC Chairs, developed detailed job descriptions for both open positions and incorporated them into the IFAC 2010 public Call for Nominations [17].

In reaching our conclusions on PIAC appointments, we first considered the transparency, inclusiveness, public interest focus and overall quality of the due process used to encourage nominations and evaluate the individual nominees. We then considered the balance and impact that each proposed new appointment would have on the composition of each PIAC and on the PIAC's effectiveness in achieving its public interest goals.

Table 3 lists the nominations approved at our September 2008 meeting:

TABLE 3

Group or Individual	Appointment		
	Total	New	Renewed
International Auditing and Assurance Standards Board [18]	8	5	3
IAASB Deputy Chair	1	1	
International Ethics Standards Board for Accountants	7	2	5
IESBA Deputy Chair	1		1
International Accounting Education Standards Board	5	3	2
IAESB Chair	1	1	
IAESB Deputy Chair	1		1
Compliance Advisory Panel	2		2
CAP Deputy Chair	1		1

[17] This policy change and related steps to initiate a search for a replacement in 2010 were also extended to the Chair of the International Public Sector Accounting Standards Board.

[18] The number of approvals noted for each PIAC may also include certain individuals who are separately identified as appointees to related Chair or Deputy Chair positions. The appointment of Arnold Schilder as an IAASB member has been included in the IAASB totals, but as his appointment to the Chair's position was approved in July 2008, it has not been repeated in this table.

Due to a subsequent resignation, we further approved the interim appointment of a new IAASB public member at our December 2008 meeting.

Overall, the IFAC Nominating Committee achieved a number of specific objectives during this year while continuing the trend of steady progress noted in prior years. It successfully met all the challenges identified earlier in this discussion and maintained the parity of practitioners and non-practitioners on all four PIACs. It also drew from its accumulated experience in assessing candidates for PIAC public member positions to develop a more highly evolved set of criteria and a clearer distinction between the attributes of public members and other non-practitioners. While progress was made toward longer-term compositional goals, the Committee also identified further strategies to be applied during the 2010 nominations process to address the need for greater gender balance.

With respect to improving board and committee member performance, the Committee reviewed the results of its 2008 pilot program to assess the performance of Chairs and individual members, introduced several improvements based on these results, gave final approval to the improved program and published updated information in the 2010 IFAC Call for Nominations. The Committee also introduced new safeguards[19] to identify interim changes in established composition levels and protect individual member independence from undue external influence.

Nevertheless, further improvements in these policies and processes are always possible and desirable. In this regard, we have noted even greater specificity in the targets established for various boards and committees in the 2010 Call for Nominations and look forward to reviewing the outcomes of this strategy.

CAG Membership and CAG Chair Renewal

In December 2008, and after considering the final recommendations made by the IAESB CAG and the IESBA CAG Membership Panels as well as the due processes followed in making these recommendations, we approved the reappointments of Charles Calhoun as Chairman of the IAESB CAG for a three year period commencing 1 January 2009, and of Richard Fleck as Chairman of the IESBA CAG for a three year period commencing 1 April 2009.

We further approved the appointments of three new member organizations and their initial representatives to the IESBA CAG.

At the time of this Report, the process to replace David Damant, current Chairman of the IAASB CAG, has just started. Mr. Damant's second term of appointment will expire on 30 September 2010 and, under the CAG Terms of Reference, he is ineligible to stand for a third term. As the IAASB CAG Chair is a key position, we will closely monitor the progress of this nomination.

Oversight of the CAP and the IFAC Compliance Program

Part 3 Action Plans [20]

This year, our continuing observations of the CAP and its deliberations on the IFAC Compliance Program and other IFAC membership policy matters focused on the process used to evaluate and approve member bodies' Part 3 Action Plans. These observations were complemented by periodic updates provided by the CAP Chairman, Robert Mednick, on the progress of these initiatives. Given the good rate of progress being achieved on Part 3, we were also in a position this year to observe and consider all phases of the program including final CAP deliberations on whether to approve individual member body Part 3 Action Plans for publication.

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[19] IFAC Board and Committee members are now required to report changes of employment occurring after appointment so that the impact of these changes on Board or Committee composition can be identified and evaluated. Members' nominating organizations or employers must also declare that they will not exert undue influence, whether financial or otherwise, which might impair the member's ability to act with independence, integrity and in the public interest.

[20] See IFAC Member Body Compliance Program in the Glossary of Terms.

In observing the interactions between the CAP and Compliance staff, we noted that those related to Part 3 Action Plan issues were not restricted to requests for final approval. Where necessary, Compliance staff sought the CAP's interim guidance on how to deal with more complex individual proposals and respond to emerging trends identified across a number of plans. These additional dialogues ensured that the CAP remained fully apprised on both routine and exceptional situations and could assist Compliance staff to administer the Compliance Program in a consistent and high quality manner.

Initially, all finalized plans were presented to the CAP for approval and publication. As the year progressed and the volume of work increased, the CAP agreed to delegate limited authority to Compliance staff to approve and publish plans of a more routine nature, subject to providing the CAP with a sampling of these plans for ongoing information and validation purposes. Based on our observations, we were comfortable that this step would help to improve program efficiency without sacrificing quality or effectiveness.

One important development on which we reported last year was the CAP's decision to require all IFAC member bodies, including those with no substantial compliance deficiencies, to develop Part 3 Action Plans. Our interest at the time was in the potential for these member bodies to provide useful information concerning their experiences in promoting international standards adoption and facilitating implementation, and their current plans and programs for keeping current with these obligations. This year, other member bodies with early experiences in implementing various elements within their action plans are also in a position to document and share these experiences with their peers.

One of our most important observations has been the attention paid by both the CAP and Compliance staff to maintaining a careful balance among competing factors at both the individual and program level.

While the Compliance Program has been established as a way to evaluate the quality of members' and associates' efforts to meet IFAC membership requirements, its focus is on encouragement and improvement. This recognizes the fact that each member body's state of compliance is unique and that both the extent and timing of progress toward full compliance are affected by unique environmental circumstances and pressures, most often in the form of financial and technical limitations. At the same time, Compliance Program participation is mandatory and has been established as a condition for continuing IFAC membership. This requirement is critical to maintaining the overall credibility of the program.

A further challenge facing the CAP is to ensure that completed plans are both substantive and realistic given the unique circumstances of each member body. In this regard, we have noted that the CAP and Compliance staff deal in the same even-handed manner with plans that are either overly ambitious or which suffer from serious deficiencies.

Thirty-two final Part 3 Action Plans have been published to the end of March 2009, a completion rate of just over twenty percent. One of the more important outcomes of this step is the availability of a number of completed plans from developing regions which can now be used as concrete models by their peers.

Based on our observation of this program and its results to date, we believe that the CAP and
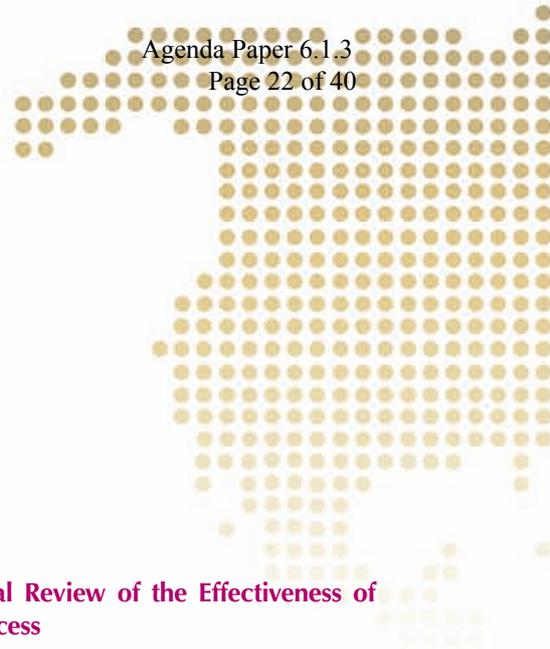
Compliance staff are well positioned to gather even more information on standards implementation goals and approaches and to facilitate sharing of this and other useful information among IFAC member bodies. We also believe that more work can be done to identify the most critical environmental factors which inhibit member body progress toward compliance and workable approaches to overcome these factors. Finally, we believe that the Compliance Program can become an important platform for encouraging and facilitating international standards convergence.

Strategic Coordination

The CAP's role and strategic position within the IFAC structure provide it with unique scope to mobilize public interest stakeholders both within IFAC and beyond. We have noted important steps taken by the CAP to interact with, clarify and reinforce the roles of other key IFAC groups as well as to reach out to other potential contributors to the common goal of international standards adoption and convergence. Initiatives such as the development of an Accountability Framework for Regional Organizations and Acknowledged Accountancy Groupings help to align the mission, objectives and work programs of these bodies with those of IFAC, including efforts to promote international standards adoption and global convergence. For the same reason, the CAP's relationships with public sector organizations, developed bodies, governments and donor agencies will be instrumental in discovering and promoting approaches to overcoming barriers to member body progress. Finally, the CAP's outreach to IFIAR and its community of audit regulators to provide background on the Compliance Program represents an important first step toward coordinating the efforts of member bodies and audit regulators to achieve and maintain ongoing improvement to local and global audit quality.

IFAC's Triennial Review of the Effectiveness of PIAC Due Process

Purpose and Scope of the Review

This year, IFAC conducted its first triennial review of the effectiveness of the PIAC due process covering PIAC Due Process and Working Procedures and the PIACs' Terms of Reference. IFAC's stated objective for this exercise was to refine, rather than overhaul, the existing due process model, and given the experience gained in applying the provisions of the existing terms of references and due process over the last few years, to codify changes made under PIOB oversight. For this reason, the review incorporated only limited consultations with key interested parties in September 2008. The Review Group appointed by the IFAC Board to carry out this exercise issued its final report in October. This report, together with the proposed changes to the affected documents, was submitted to the IFAC Board in November 2008 and approved without changes.

This review did not address the CAGs' Terms of Reference on grounds that these were relatively new documents and that more experience was needed before undertaking any further revisions.

PIOB Role and Approval

In view of the nature and scope of our mandate, we took a strong interest in this review. We first observed the scheduled PIAC and CAG consultations and then convened a roundtable of the PIAC and CAG chairs to obtain their direct views on the outcomes. We also recommended that the Review Group report back to the IAASB and IESBA CAGs on the final results of the review project. Finally, we considered the final changes approved by the IFAC Board and provided further recommendations on specific matters.

Section IV
The Importance of Coordinated International Public Interest Efforts

Since our inception we have devoted a section of each year's Public Report to our evolving views on the nature of the international public interest. Initially these views emerged from our exposure to the international standard setting process and our belief in the potential for high quality international standards to contribute to the improvement of global audit quality. External stakeholders were also encouraged to participate actively in this process so that the result would reflect the widest possible expression of the public interest.

Over time, these views have been further refined by our intensified oversight of the CAP and our deeper understanding of the role played by IFAC member bodies in local adoption, implementation and compliance activities. In addition, appropriate ways and means to provide implementation support are under consideration by all three standard setting boards. For these reasons, our most recent views on the international public interest have focused on the full continuum of activities that flow from and propel the international standard setting process and the importance of well-coordinated effort.

While our own mandate is clearly defined under IFAC Reform, we believe that international standard setting in the public interest involves far more than the core process of standards development: credible adoption and implementation, and subsequent monitoring and evaluation of the outcomes of applying these standards, are essential to the realization of all related public interest benefits[21]. For this reason, we take an active interest in those processes where we do not have a direct role and stand ready to support and facilitate these processes wherever appropriate.

Adoption and Implementation

International standards will deliver tangible benefits in the international public interest only if they are properly adopted and implemented

A decision to adopt international audit, assurance services, ethics and education standards must begin with establishing a clear understanding of the standards and satisfaction with the process used in their development.

Adoption of international standards means firmly committing to the significant and ongoing effort required to ensure that the anticipated benefits of adoption can be fully realized and sustained. Further, each adopting jurisdiction must be mindful of the broader impact its decisions and actions will have on stakeholders outside the jurisdiction. These stakeholders – investors, regulators and others who rely on financial reports to support key decisions – expect that independent audit opinions issued in accordance with international standards have the same meaning, quality and reliability regardless of their point of origin. In other words, individual adoption decisions are steps that should promote, and not undermine, the improvement of global audit quality.

Additional adoption and implementation considerations

It is recognized that individual legal and regulatory frameworks differ in structure and operation and that laws and regulations that may appear similar to one another do not always have equivalent content. Differences in the scope and construction of legal and regulatory frameworks[22] mean that each jurisdiction will need to undertake a unique adoption plan which may involve amending existing laws and regulations, developing new ones as needed, or a combination of both. Different legislative and regulation-making processes, and the degree of flexibility available within these processes, will determine how long the adoption process is likely to take and therefore whether desirable target dates for coordinated global adoption and implementation can be achieved. Differences in

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[21] See Sections VI and VII of the PIOB's Third Public Report, pp. 20 – 25.

[22] Which, for example, may establish more rigorous requirements for public interest entities compared to others, but which may also define these entities slightly differently from one jurisdiction to the next.

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the scope, style and content of individual pieces of legislation and regulation raise a host of other planning issues regarding what will be adopted (individual standards or the full body of standards) as well as where (in statute or regulation) and how (by reference or in full) the adoption will be effected.

The delicate question of balancing global against national objectives has never been more important. Global leaders and the international regulatory community are working together towards achieving common economic recovery objectives through coordinated efforts and delivery of tailored local solutions. But in the current environment, the temptation for countries to follow individual recipes has been recognized as a key threat to global recovery. In the same way, the pursuit of national public interest objectives through adopting international standards is a process intended to align national action with the broader public interest objectives underlying international convergence efforts.

In our Third Public Report we noted that the task of implementing standards would involve an entirely separate education and training process and urged member bodies, firms and academia to ensure that the needs of every user community affected by the new standards would be met. What we did not address, but which has emerged over this past year, is the role that IFAC itself is planning to take in these efforts. This role will be discussed later in this section.

Monitoring and Evaluation

Robust processes for ongoing monitoring and evaluation are necessary to determine whether international standards are meeting their intended objectives. Where problems or deficiencies are identified, it is vital to understand whether they result from compliance failures, adoption or implementation issues, or shortcomings in the standard itself.

In our previous Public Reports we noted the role of IFAC in monitoring its member bodies' efforts to promote local adoptions and facilitate implementations. We also explained the complementary role of organizations such as the World Bank in determining whether countries were in fact complying with adopted standards. Further, we highlighted the important and growing role of the International Forum of Independent Audit Regulators (IFIAR) in identifying the processes used by audit firms to implement international standards and evaluating how these standards were being applied in practice.

Over the last year, IFIAR has undertaken discussions with each of the six largest transnational audit firms on their global quality monitoring arrangements. As these firms move forward on their respective ISA implementation programs, it is hoped that similar dialogues can be arranged to help audit regulators develop a good understanding of how implementations are progressing across the major transnational networks.

At the same time, the importance of getting audits right is not confined to the largest global networks. In many parts of the world, particularly in economies with developing capital markets and few large and internationally-active enterprises, the backbone of the local audit profession is the small or medium-sized practitioner (SMP) serving the small and medium-sized business (SME) sector. The needs within this sector for high quality audit services and the added credibility provided by reliable audit opinions are as real as those of the largest multinational corporations seeking capital in the global markets. This is especially true in markets where lender trust and confidence is at an all-time low.

For this reason, national regimes for assessing audit quality must not lose sight of this important segment of the audit market, its contribution to

development of the local economy and the need for a robust and consistent system of practice monitoring and enforcement that protects the public interest. How to organize these regimes – including determining the roles and responsibilities of external authorities and the profession – depends on the unique circumstances of each jurisdiction and requires careful consultation between public and private sector stakeholders.

IFAC Public Interest Initiatives

In our previous reports we noted IFAC's continuing efforts to demonstrate and further strengthen its commitment to serve the public interest. This past year, IFAC has developed a timely companion document to its 2007 policy statement on *Regulation of the Accountancy Profession* [23]. This newest policy statement, entitled *International Standard Setting in the Public Interest* [24], describes the arrangements in place to develop international auditing and assurance, ethics and education standards based on a model of shared responsibility between public and private sector organizations.

The need to develop clear, faithful and official translations of approved English texts is a major consideration in many parts of the world and the importance and complexity of this task cannot be underestimated. To support these initiatives, IFAC recently updated and strengthened its official translation policy [25] and has added further resources to coordinate and facilitate local translations of clarified ISAs.

IFAC has also recently finalized the strategic plan that will guide its efforts from 2009 through 2012. One of the four core strategies within this

plan [26] reflects IFAC's commitment to actively support adoption and assist implementation efforts of its member bodies, national standard setters and other organizations. In addition to its translation-related activities, IFAC plans to focus on ISA and IFAC Code of Ethics adoption by major capital markets and relevant organizations, further adoption of International Education Standards, support to those responsible for local adoption and implementation activities, improvements to the applicability of standards to the SME/SMP marketplace and promoting convergence, sound implementation and enforcement to a broad array of audiences. IFAC plans to achieve these various objectives through a combination of advocacy, facilitation/information sharing, targeted development work and assessments of standards and implementation effectiveness. In our view, this integrated effort reflects a clear understanding of IFAC's responsibility to identify and assume appropriate roles during the adoption and implementation phases of the standard setting cycle.

In addition to the strategic initiatives noted above, and as noted in Section III of this report, the third phase of IFAC's Compliance Program has been extended to those member bodies assessed as being fully compliant with their membership obligations. In this way, these developed bodies provide useful insights into their established processes for keeping current with international standard setting developments. As the information gathered can be shared with all member bodies, this specific initiative will promote the broader use of best existing implementation practices and promises to make an important contribution to the public interest.

The referenced papers are available for download at:

[23] http://www.ifac.org/Members/DownLoads/Regulation_of_the_Accountancy_Profession.pdf.

[24] http://www.ifac.org/Members/DownLoads/international-standard-setting-in-the-public-interest.pdf

[25] http://web.ifac.org/download/IFAC_Policy_Statement_Permission_to_Translate_and_Reproduce_and_Distribute_Standards_Dec_2008.pdf

[26] http://web.ifac.org/download/Strategic_Plan_2009-2012.pdf
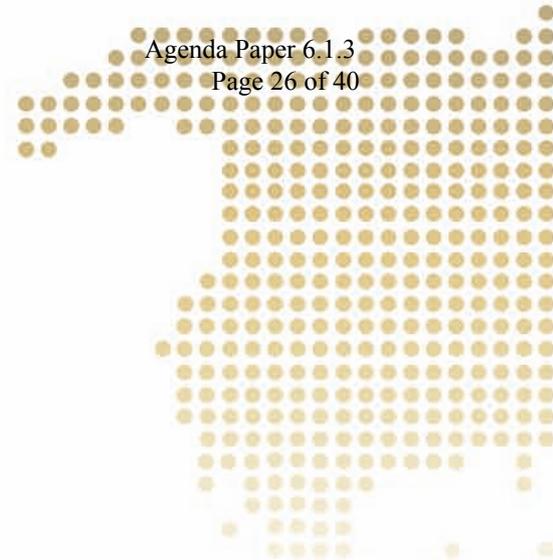
Section V
PIOB Outreach Activities

We have consciously undertaken a comprehensive approach to external outreach activities. This approach reflects our view that the community of stakeholders sharing our public interest objectives and goals covers not only international regulators but also national decision-makers, IFAC and its member bodies, the audit profession, and other end users of international standards.

Outreach to International Regulators

Over the past year we have continued our established outreach program directed at Monitoring Group member and observer organizations. Through this program we provided updates to key committees or the broader membership of these organizations, received their questions, input and insights and engaged in dialogue on issues of mutual interest. In addition, we expanded our regulatory outreach program this year by inviting key representatives of these constituencies to meet with us. This program is supplemented with interim bilateral discussions at either the Chairman or staff level.

The following table indicates our key interactions with the regulatory community:

TABLE 4

Date	Event	Representative(s)/Guest(s)
April 2008	IFIAR Spring Meeting, Oslo	PIOB Chairman *
May 2008	IOSCO Technical Committee, Paris	PIOB Chairman
June 2008	IFIAR Observers**	PIOB Chairman *
	IOSCO Standing Committee 1**	PIOB Chairman
	IFIAR Leadership**	PIOB Chairman
	IFIAR Observers**	PIOB Secretary General
July 2008	PIOB Quarterly Meeting, Madrid	Chairman, IFIAR Chairman, Auditing Subgroup of the Basel Committee Accounting Task Force
	Monitoring Group, Madrid	PIOB Chairman *
September 2008	IFIAR Observers**	PIOB Chairman *
	PIOB Quarterly Meeting, Madrid	Chair, IOSCO Standing Committee 1 Secretary General, IOSCO
October 2008	IAIS Technical Committee, Budapest	PIOB Secretary General
	Monitoring Group, Madrid	PIOB Chairman *
December 2008	PIOB Quarterly Meeting, Brussels	Chairman, Monitoring Group

* Accompanied by PIOB Secretary General
** Teleconference

The Chairman and other PIOB members have also addressed a number of other stakeholder audiences in various regions of the world on the PIOB, our mission, and our views on the international public interest.

Outreach to Decision Makers

This year, ISA endorsement began to move higher on the European Parliament's agenda. This movement and the interest shown by parliamentarians in the governance aspects of international standards development provided new opportunities to present our work and its contribution to the public interest. Although the exact timing and likely outcome of the endorsement vote cannot be predicted, the European Union's continuing commitment to give high priority to reaching a final decision is in itself a strong and positive signal. We will continue to monitor EU developments closely and stand ready to provide further assistance as needed.

Outreach to the Accountancy Profession

We have continued to recognize the high value of maintaining contact with the profession. This has permitted us to further strengthen and deepen our understanding of the full range of local issues and needs to be taken into consideration in developing acceptable and broadly useful international standards. It has also provided us with a richer appreciation of the many challenges involved in achieving sound and lasting adoption and implementation outcomes.

The following table illustrates the scope of this outreach activity:

TABLE 5

Date	Audience	PIOB Representative
May 2008	IFAC BRIC Conference, New York	Stavros Thomadakis
September 2008	Malaysian Institute of Accountants Seminar, Kuala Lumpur	Fayez Choudhury
October 2008	ICAEW[27] Audit Quality Forum, London	Stavros Thomadakis
	NASBA[28], Boston	Aulana Peters
November 2008	IFAC Council, Rome	Stavros Thomadakis
December 2008	FEE[29] Conference on Audit Regulation, Brussels	Stavros Thomadakis
March 2009	International Auditing and Ethics Standards Developments, Dubai	David Brown

[27] The Institute of Chartered Accountants in England & Wales

[28] National Association of State Boards of Accountancy

[29] Fédération des Experts Comptables Européens
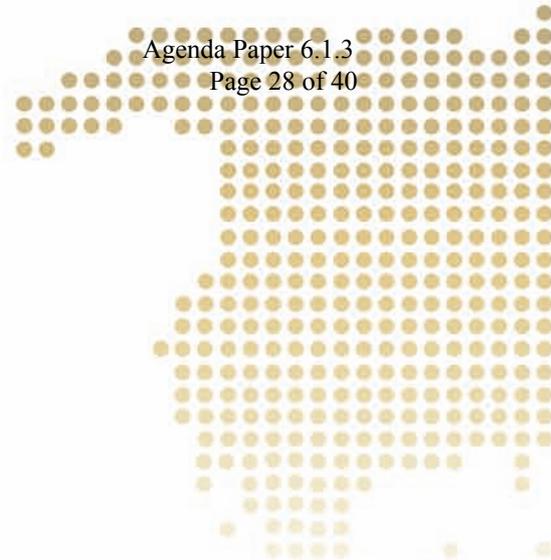
Outreach to the General Public

Finally, we continued to develop and improve our two main platforms for communicating with the general public – our Public Reports, and our website.

Readers of our previous Public Reports will have noted a steady trend of increasing detail and greater transparency in explaining the nature of our due process model and its operation. This year, in addition to further discussion of our oversight work, our attention has turned to our governance arrangements so that those parties deeply interested in the legitimacy and credibility of these arrangements will have complete and factual information which may assist them in their impending decisions.

In addition, beginning with our spring 2008 meeting, we are now publishing quarterly meeting summaries on our website; we trust that readers find these a useful addition to our comprehensive Public Reports which will continue to be published once a year.

Finally, a project to redesign and update our website is nearing completion. Our focus has been on improving content and functionality in ways which will better serve our existing users and which will also attract new users interested in learning more about our work and the public interest environment within which we operate.

Chairman Stavros Thomadakis, FEE Conference, Brussels, 9 December 2008.

Fayez Choudhury, MIA Seminar, Kuala Lumpur, 9 September 2008.

Section VI
The Future Outlook for Public Interest Oversight

When the PIOB started out four years ago, the Clarity and Independence projects were still in their formative stages. We recognized that these projects would become the most important initiatives on the agendas of the respective boards and that an important part of our mission was to ensure that the conduct of these projects would fully satisfy demanding public interest criteria. At the same time, focusing on these projects did not prevent these standard setting boards from identifying and proposing new initiatives or from planning for future standards development. Now that the Clarity and Independence projects are complete, these new agendas have come to the fore and will absorb much of our oversight attention going forward.

As a result of enhanced strategic planning involving extensive consultations with standards users and other public interest stakeholders, all three standard setting boards are giving priority to revising several existing standards and incorporating new conditions and public interest priorities into their future work. Initiatives such as the IAASB's projects to provide assurance on carbon emissions information and on financial information used in public offerings are examples of projects intended to address current high profile public interest concerns. In the same way, the IESBA's new focus on ethical responsibilities when fraud is encountered, conflicts of interest and serving the needs of accountants in government, as well as the IAESB's current framework review, are direct responses to the public interest needs of their constituents. PIOB oversight will continue its focus on all these initiatives, and on the ongoing strategic planning efforts of these boards, to ensure that new standards and standards revisions will continue to reflect the requirements of the public interest.

Public interest oversight is also an activity with expanding horizons.

Adoption of international standards in the areas of audit practice, assurance services, ethics and education for professional accountants will bring new requirements and challenges to the forefront. Their implementation will confront international standard setters with possible requests for interpretation, practice guidance and revision of the existing standards and, potentially, the creation of brand new ones. Current world conditions and wide-ranging needs for financial reform may also give rise to entirely new requirements for transparency, with standards development and application expanding to new areas and populations of economic agents seen to be significant to the public interest. Thus, international standard setters will need to deal with a constantly growing and evolving body of requests and pressures for change and innovation.

The value of international standards rests in their credibility together with their capacity to accommodate new situations. In other words, standards must be stable but not inflexible. In this regard, the evolution of any body of standards retains credibility only if it comes about as a result of processes that continue to be transparent, inclusive and focused on the evolving public interest.

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FOURTH PUBLIC REPORT OF THE PIOB
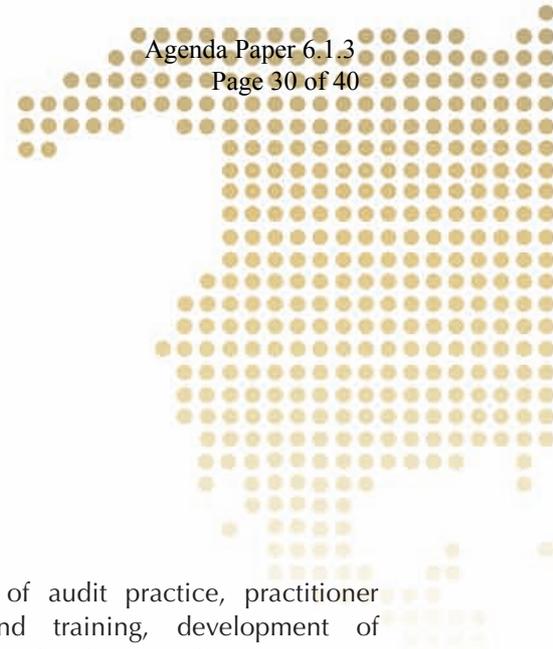
The PIOB model for public interest oversight is now a seasoned tool which has served well in the execution of an important international task: managed evolution of comprehensive bodies of standards such as the clarified ISAs and the IFAC Code of Ethics. We have recently taken time to reflect on the substance and operation of our oversight function in the context of future needs and more sharply defined concepts of the international public interest. The results of this reflection, together with our continuous interaction with the Monitoring Group and a broad spectrum of other public interest stakeholders, will help to identify any necessary clarifications to our mandate and possible improvements to our practices.

There is no doubt that the future will present even more complex challenges than the past and that these challenges will arise for the most part from implementing international standards. At the same time, implementation is not the same as compliance, although it involves numerous activities and actors to help set the stage for successful compliance. Some of these tasks and processes include standards translation, the development of implementation methodologies

by all sizes of audit practice, practitioner education and training, development of professional bodies in emerging markets or regions, and the creation of mechanisms and communications channels to promote achievement of uniform implementation practice outcomes around the world. While these are largely local activities, the creation of necessary conditions to support compliance success is an area of implementation support that requires international coordination subject to common due process disciplines.

Standards compliance is a joint responsibility of audit practitioners, other accounting professionals and those who regulate their local activities. Ultimately, the achievement of high audit and financial reporting quality will result from a combination of standard setting, adoption, implementation, application and compliance monitoring that responds to the public interest.

In this context, transparency, credibility, expertise and independence remain the pillars of the international public interest and will continue to guide the practice of public interest oversight.

Section VII
PIOB Foundation[1,2] Summary Statement of Financial Performance

(in Euros)	2008	2007
TOTAL REVENUES [3]	**1,216,384**	**1,008,021**
EXPENSES BY ACTIVITY		
Board-related operating costs		
Oversight Program	644,711	551,951
External Relations Program	215,677	208,574
Foundation Board Meetings	48,462	57,198
Other ongoing operating costs	200,244	190,298
TOTAL EXPENSES	**1,109,094**	**1,008,021**
SURPLUS	**107,290**	**0**

PIOB Expenses by activity
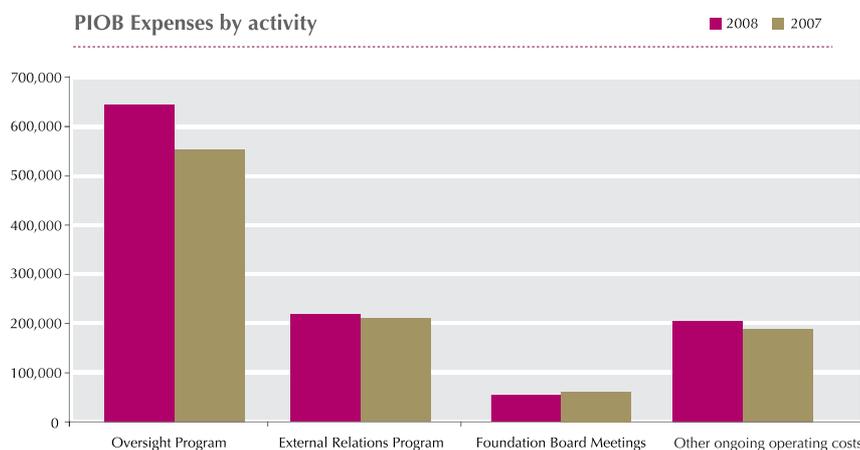
(1) The PIOB operates as a Technical Committee of its Spanish not-for-profit foundation, La Fundación Consejo Internacional de Supervisión Público en Estándares de Auditoría, Etica Profesional y Materias Relacionadas ("the Foundation".)

(2) In addition to local regulatory responsibilities, the PIOB Foundation is operationally and financially accountable to the Monitoring Group. This accountability includes the presentation of periodic operating reports, the PIOB's annual Public Reports, the PIOB Foundation yearly audited financial statements, and an annual budget for the Monitoring Group's review and approval.

(3) PIOB total revenues for 2008 were contributed by the International Federation of Accountants (IFAC) under a revised agreement to fund the operating expenses of the Foundation to a limit of € 1,317,000 per year, adjusted for inflation. This replaces a previous commitment to provide up to US $1,500,000 per year, adjusted for both inflation and foreign currency exchange movements. Revenue is recognized on an accrual basis and any revenue amounts in excess of annual operating expenses are deferred and recognized as revenue of the following year. In 2008, the remainder of revenue over expenses of € 107,270 was retained to strengthen the Foundation's capital base for the near term.

The PIOB Foundation's auditor, BDO Audiberia S.L., delivered an unqualified opinion on the complete financial statements of the Foundation. **The full version of these statements and the auditor's report are available separately on the PIOB web site at www.ipiob.org.**

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Appendix A The PIOB

Dr. Stavros Thomadakis, Chairman
Professor of Finance, University of Athens, Greece. Former Chairman of the Hellenic Capital Market Commission, the European Regional Committee of IOSCO, and the expert group on Market Abuse of the Committee of European Securities Regulators

Mr. Antoine Bracchi
Former Président, Conseil National de la Comptabilité

Mr. David A. Brown, Q.C.
Former Chair of the Ontario Securities Commission, Canada. Founding Chair of the Council of Governors of the Canadian Public Accountability Board. Member of the Council of Senior Advisors to the Auditor General of Canada

Mr. Fayezul Choudhury
Controller and Vice-President, Strategy and Resource Management, The World Bank

Mr. Michael Hafeman
Actuary and independent consultant on supervisory issues. Chairman, Insurance Advisory Board, Toronto Centre, Canada. Former Assistant Superintendent of Financial Institutions, Canada

Mr. Toshiharu Kitamura
Professor of Financial Economics, Waseda University, Japan. Former Senior Executive Director, Development Bank of Japan

Prof. Dr. Kai-Uwe Marten
Professor of Accounting and Auditing, University of Ulm, Germany. Deputy Chairman of the Auditor Oversight Commission, Federal Republic of Germany

Mme Sylvie Mathérat*
Director of Financial Stability, Banque de France, Member of the Basel Committee on Banking Supervision and current Chair of the Basel Committee's Accounting Task Force

Sir Bryan Nicholson, GBE
Former Chairman of the UK Financial Reporting Council

The Hon. Aulana L. Peters
Retired lawyer. Former Commissioner of the U.S. Securities and Exchange Commission. Former member of the Public Oversight Board of the American Institute of Certified Public Accountants. Member, Accountability Advisory Board to the U.S. Comptroller General

Ms. Donna M. Bovolaneas, CA
Secretary General

*Replaced Prof. Dr. Arnold Schilder, RA, who resigned on 3 July 2008

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Appendix B
The PIOB Operating Environment

INTERNATIONAL   LOCAL

THE MONITORING GROUP

THE SPANISH FOUNDATION PROTECTORATE

THE SPANISH FOUNDATION BOARD OF TRUSTEES

Other Public Interest Stakeholders

PUBLIC INTEREST OVERSIGHT BOARD

CAG   CAG   CAG

RELATED DUE PROCESS OF THE IFAC NOMINATING COMMITTEE

INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

INTERNATIONAL ACCOUNTING EDUCATION STANDARDS BOARD

COMPLIANCE ADVISORY PANEL

ACCOUNTABILITY
OVERSIGHT
CONSULTATION

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Appendix C
Glossary of Terms

This glossary has been prepared to guide readers of this report by explaining various terms used in its preparation. It is not intended to be used or cited as a source of authoritative definitions.

Accountancy: the profession of accounting. Accounting comprises measurement, preparation, validation, disclosure, auditing of and provision of assurance and advisory services on financial information.

Basis for Conclusions: the final public accountability document prepared at the conclusion of a standard setting or other approved PIAC project and published on the IFAC website. The Basis for Conclusions provides background information on the project, sets out the main comments received in response to the public exposure draft, explains how the relevant standard setting board has addressed these comments and provides the rationale used to support the board's conclusions. This document is not part of the approved final pronouncement and is non-authoritative.

Basel Committee on Banking Supervision (BCBS): the international body comprised of central banks and banking supervisory authorities from certain key markets that formulates and encourages convergence towards broad supervisory standards, guidelines and statements of best practice.

Clarity project: a comprehensive IAASB program to enhance the quality and consistency of global audit practice through applying a new drafting format to all existing and future ISAs. The drafting conventions adopted for this purpose involve a new three-part structure – objectives, requirements and application guidance – and simplified English to clarify intent, improve understandability and facilitate translation. This project was completed in December 2008.

Code of Ethics redrafting: an IESBA initiative to enhance the clarity and understandability of the provisions of the IFAC Code of Ethics through the application of new drafting conventions. The conventions adopted for this purpose focus on clarified language and do not change the fundamental structure of the Code.

Consultative Advisory Group (CAG): the group constituted to provide advice, including technical advice, to one of the IAASB, IAESB and IESBA. Regular interaction between each CAG and its respective standard setting board is part of the board's formal consultation processes. The PIOB oversees the work of each CAG.

Compliance Advisory Panel (CAP): the panel responsible for overseeing the implementation and operation of the IFAC Member Body Compliance Program. The objective of this program is to evaluate the quality of IFAC member and associate member bodies' endeavors to meet the requirements of IFAC membership. The PIOB oversees the work of the CAP.

Due process completion: the point at which the due process to be followed by the IAASB, IAESB and IESBA in developing international pronouncements is determined to be complete. Prior to publication of an international pronouncement, the PIOB receives certification from the IFAC Executive Director for Professional Standards that all required due process steps have been completed. The PIOB's decision is based on evaluation of this certificate together with the results of its own oversight activities.

European Commission (EC): the Executive Branch of the European Union (EU). The EC may make legislative proposals and is ultimately responsible for the implementation of EU legislation throughout Member States.

Extended Review Framework (ERF): a risk-based framework which provides the PIOB with an additional measure of independent analysis and assessment of the due process applied in the development and finalization of a specific standard, practice statement, other authoritative international pronouncement or PIAC Strategy and Work Plan.

Financial Stability Board (FSB): (formerly the Financial Stability Forum), the forum that promotes international financial stability, improved functioning of markets and reduced systemic risk through information exchange, cooperation in financial supervision and surveillance, and coordination of efforts. The FSB brings together representatives of national financial authorities responsible for financial stability in significant international financial centers, international financial institutions, international regulatory and supervisory groupings, and committees of central bank experts.

Independence project: An IESBA Project, conducted in two phases (Independence I, which is complete, and Independence II, which is anticipated to be completed by mid-2009), and intended to update and strengthen the independence requirements contained in existing Section 290 of the IFAC Code of Ethics. One structural consequence of this project will involve narrowing the scope of Section 290 to address the independence requirements for audit and review engagements only. The independence requirements for all other assurance engagements are being transferred to new Section 291.

International Auditing and Assurance Standards Board (IAASB): the independent standard setting board that develops international standards and other pronouncements dealing with auditing, review, other assurance, quality control and related services. The PIOB oversees the work of the IAASB.

International Accounting Education Standards Board (IAESB): the independent standard setting board that develops international education standards and other pronouncements for professional accountants. These pronouncements deal with education, practical experience and tests of professional competence for accreditation, and the nature and extent of continuing professional education. The PIOB oversees the work of the IAESB.

International Association of Insurance Supervisors (IAIS): the global organization that represents insurance regulators and supervisors, issues global insurance principles, standards and guidance papers, provides training and support on related issues, and promotes effective insurance supervisory regimes.

International Ethics Standards Board for Accountants (IESBA): the international standard setting board that develops ethical standards and other pronouncements for use by professional accountants. The PIOB oversees the work of the IESBA.

International Federation of Accountants (IFAC): the global organization representing the accountancy profession. IFAC is committed to protecting the public interest by developing high quality international standards, promoting strong ethical values, encouraging quality practice, and supporting the development of all sectors of the profession around the world. The IAASB, IAESB and IESBA are three of IFAC's independent standard setting boards.

IFAC Member Body Compliance Program: the program to determine member bodies' compliance with a series of Statements of Membership Obligations (SMOs) that require these bodies, on a best endeavors basis, to promote adoption and assist in the implementation of international auditing, accounting, ethical and educational standards,

as well as quality assurance and enforcement mechanisms. In Part 1 of this program, member bodies provide fundamental information about their structure and operations. In Part 2, members undertake a self-assessment of their level of compliance with each of the seven SMOs. Based on IFAC evaluation of Part 2 information and member body agreement on areas for improvement, Part 3 requires member bodies to develop a proposed action plan for IFAC approval and to execute the approved plan.

IFAC Nominating Committee: the committee that recommends to the IFAC Board the appointment of chairs, deputy chairs, members and public members for IFAC PIACs. The PIOB has the right to observe and speak at Nominating Committee meetings with respect to PIAC appointments.

IFAC Reform: the 2003 reforms agreed between IFAC and the Monitoring Group to introduce processes for oversight and monitoring designed to strengthen IFAC international standard setting, achieve convergence to international standards and ensure that the international accountancy profession is responsive to the public interest.

International Forum of Independent Audit Regulators (IFIAR): a forum of national audit regulators from several jurisdictions that conduct inspections of auditors and audit firms. Among its objectives are the sharing of knowledge and practical experience, promotion of collaboration and consistency in regulatory activity and engagement with other organizations with an interest in audit quality.

International Organization of Securities Commissions (IOSCO): the cooperative forum for securities regulatory agencies and international standard setter for securities markets.

International pronouncements: the standards, codes, interpretations, practice statements and information papers issued by the IAASB, the IAESB or the IESBA.

Monitoring Group (MG): the regulatory and international organizations responsible for monitoring the implementation of IFAC Reform. The MG nominates PIOB members and engages in dialogue with the international accountancy profession, receives operating and financial reports from the PIOB, and updates the PIOB regarding significant events in the regulatory environment. Members of the MG are the BCBS, EC, IAIS, IOSCO, World Bank and FSB. IFIAR is an observer.

Non-practitioner Member: a member of the IAASB, IAESB or IESBA who is not a member or employee of an audit practice. If previously a member or employee of an audit practice firm, the individual would normally be subject to a cooling-off period of three years.

Practitioner Member: a member of the IAASB, IAESB or IESBA who is also a member or employee of an audit practice.

Public accountability documents: documents produced at various points during the execution of due process which explain the PIAC's disposition of input received during a specific phase of public consultation. See also Basis for Conclusions.

Public consultation: various types of public engagement between a standard setting board and a broad spectrum of external interested parties. The standard setting board may hold one or more public forums or roundtables or issue a consultation paper in order to solicit views on a matter under consideration. All draft international pronouncements are published as Exposure Drafts on the IFAC website for public

comments. In addition to comments made by respondents to an exposure draft, the standard setting board seeks advice from its CAG and may also consider whether to conduct a field test of its proposals. After approving the revised content of an exposed international pronouncement, the standard setting board assesses whether substantive changes have been made to the exposed document that may warrant its re-exposure.

Public Interest Activity Committees (PIACs): the groups established under the auspices of IFAC and identified in IFAC bylaws as public interest activity committees subject to PIOB oversight. These consist of three independent standard setting boards – the IAASB, the IAESB and the IESBA – and the CAP. Each of the boards is independent from the IFAC Board and is composed of Practitioner, Non-Practitioner and Public Members.

Public Interest Oversight Board (PIOB): the independent body nominated by the Monitoring Group responsible for approval of appointments and ongoing oversight of IFAC public interest activities. The PIOB's mandate requires it to increase public confidence that those activities are properly responsive to the public interest. PIOB Public Reports cover the operating period from 1 April to 31 March.

Public Member: a member of the IAASB, IAESB or IESBA who satisfies the requirements of a non-practitioner member, is capable of reflecting the wider public interest, and does not have a direct interest in the subject matter under development. Public members are not required to hold a professional accounting designation. However, they should have a strong technical knowledge of subject matters encompassed by the board on which they serve.

Task Force (TF): a group of individuals (drawn from PIAC members, Technical Advisors and IFAC technical staff and occasionally external experts) responsible for developing an international pronouncement for consideration and PIAC approval.

Terms of Reference (ToR): the document that sets out the objective, scope of activities and membership for each of the IAASB, IAESB, IESBA and their respective CAGs and the CAP. These documents are available on the IFAC website.

World Bank: the international financial institution which provides financial and technical assistance to developing countries while furthering its mission to reduce global poverty and improve living standards.

PIOB Secretariat in Madrid.

Public Interest Oversight Board

overseeing international audit, ethics and education standards for the accounting profession

Oquendo, 12

28006 Madrid, Spain

Telephone: + 34 91 782 05 28

www.ipiob.org

IFAC Council Meeting – November 17-18, 2009, Washington D.C., USA

September 2009

Operational Plan
for 2010

**International Federation
of Accountants**

Table of Contents

Section 1   Introduction

As the global organization for the accountancy profession, the International Federation of Accountants (IFAC) works with its 157 members and associates in 123 countries and jurisdictions to protect the public interest by encouraging high-quality practices by the world's accountants. IFAC members and associates represent 2.5 million accountants employed in public practice, industry and commerce, government, and academia.

The Strategic Plan for 2009-2012, which was approved by Council in November 2008, (a) seeks to ensure IFAC's continued credibility and momentum in its core areas of standard setting and (b) supports the adoption and implementation of international standards. At the same time, it advances the relevance of the accountancy profession through the development of professional institutions and providing a strong, influential voice for the global profession. The Operational Plan for 2010 (the Operational Plan) outlines the link between IFAC's activities and services in 2010, and its mission and strategies articulated in the strategic plan.

The context in which the strategic plan was developed has changed significantly since its approval by Council. The global financial crisis has underscored the need for strong economic operating systems, supported by credible international standards, and has provided IFAC with opportunities to exert its voice in forums where solutions to the crisis are being sought. It has also created serious financial pressure on IFAC's funding sources. In addition, reviews of IFAC's activities in the areas of professional accountants in business (PAIBs) and small and medium practices (SMPs) have indicated the possible future need to modify how IFAC serves these important constituencies.

The Operational Plan balances (a) the need for IFAC, as the representative of the global accountancy profession, to take timely action in response to the global financial crisis and to address the needs of its constituencies, with (b) the pressure placed by the current economic environment on its funders. IFAC's leadership has achieved this balance by significantly reducing operating costs and adjusting the scope and timeline of its activities and services, rather than by cutting them.

The Operational Plan details the services planned to be delivered during 2010 (Section 3), the estimated costs for delivery of those services, the specific organizational and staffing matters to be addressed during 2010 (Section 4), and the 2010 budget to support the operations (Sections 5 and 6).

IFAC employs a two-year planning cycle that alternates emphasis on strategy development and implementation. This cycle allows the Board, through the work of the Planning and Finance Committee (PFC), to monitor the activities and services that support IFAC's mission and strategies, while responding to the environment in which the organization operates.

Section 2   Link to the Strategic Plan for 2009-2012

The Strategic Plan for 2009-2012 reaffirms the organization's mission and identifies the outcomes the organization strives to influence. These outcomes, while not entirely within the control of IFAC or the accountancy profession, are the results IFAC seeks to influence on a broad scale. They also help define the strategies of the organization.

Four strategic themes have been defined in support of IFAC's mission and values. These themes describe the high-level drivers for IFAC's direction over the four-year plan period.

The Strategic Plan for 2009-2012 defines the following themes:

- Strategic Theme 1 – Be recognized as the international standard setter in the areas of auditing and assurance, education, ethics, and governmental financial reporting.

- Strategic Theme 2 – Actively support the adoption, and assist in the implementation, of international standards.

- Strategic Theme 3 – Continually enhance the relevance of the profession.

- Strategic Theme 4 – Be an influential voice for the global accountancy profession.

Detailed strategic objectives have been identified under each theme, against which IFAC's success can be measured. The themes and objectives will be brought to fruition by the broad range of services identified in the operational plans for 2009 to 2012. For clarity and ease of reporting, these services have been organized into five service areas. The following figure illustrates the link between the mission, strategic themes, and service areas of the organization.

Although there is a direct link between each strategic theme and its objectives, the link between the themes and objectives and the service areas is not made on a one-to-one basis. In most cases, an individual service area will contribute to the achievement of more than one strategic theme.

For a full description of IFAC's strategic themes, strategic objectives, and service areas, readers should refer to the Strategic Plan for 2009-2012 and the Operational Plan that follows.

Mission: To serve the public interest, IFAC will continue 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

Values: Integrity, Expertise and Transparency

Strategic Themes

Standard Setting

International Standard Setter
- Confidence in IFAC standard setting-activities
- Development of high-quality standards

Support for adoption and implementation of international standards
- Adoption of IFAC standards
- Translation of IFAC standards
- Institutional support for the adoption and implementation of international standards
- Applicability of standards to SME/ SMP marketplace
- Importance of convergence, implementation, and enforcement of international standards

Relevance & Voice

Relevance of the profession
- Development of global profession
- Improved audit, financial management, and financial reporting practices
- Research into and development of standards and guidance in new areas
- Reinforcement with regulators of the need for high-quality financial reporting

International Voice for the Profession
- Be an influential public interest leader

Outcomes

- Confidence in international standards
- Adoption of high-quality international standards
- Effective implementation and enforcement of international standards
- Strong professional accountancy institutes
- Strong accountancy firms
- High-quality audit practices
- High-quality financial management and reporting practices

Service Areas

- Standards & Guidance
- Promoting Quality
- Support for Adoption & Implementation
- Representation
- Communications

Section 3 Service Areas

The five IFAC service areas and a description of each are provided below, followed by a detailed description of the services planned under each service area. These services are delivered to external audiences, which may include member bodies, firms (including small and medium practices), regulators, governments, professional accountants, academia and others. They do not reflect internal activities or services that support the delivery of IFAC's services to external parties.

The description and associated measures included below reflect the nature and scope of the planned services, and how to achieve their delivery. The planned timeframe for delivery is specified by quarter or, in the case of services that have no distinct beginning or end point, specified as ongoing. The planned services, measures, and timeframes described below may be adjusted to reflect changes in priorities due to unforeseen circumstances.

Standards and Guidance – Develop high-quality professional standards and guidance, and encourage convergence

The standards and guidance cover the areas of auditing and assurance, educational and ethical requirements for professional accountants, and governmental (public sector) accounting and financial reporting. In addition, authoritative guidance is developed for professional accountants operating in business. This guidance brings together principles that are widely accepted features of good practice in the areas of management accounting and financial management. IFAC's good practice guidance is distinct from guidance supporting the adoption and implementation of standards.

Promoting Quality – Promote the provision of high-quality services by all members of the accountancy profession worldwide

Services are provided that promote quality (a) through the implementation of the member body compliance program and member body development initiatives, (b) through collaboration with organizations such as the World Bank and regional development banks to strengthen the profession, and (c) through initiatives, such as the issuance of good practice guidance, aimed at improving the quality of services rendered by all professional accountants.

Support for Adoption and Implementation – Provide institutional support targeted at those responsible for adoption and implementation of international standards at a national, regional, or global level

Adoption support comprises two main elements: (a) the translation of IFAC's pronouncements through a facilitated process that emphasizes the need for quality translations; and (b) 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 involves the provision of implementation resources targeted to the needs of the recipient. IFAC recognizes that, like adoption, the central responsibility for implementation rests at a

national or regional level and that its role is to provide support through the provision of advice, facilitation, the sharing of knowledge and best practices, and the development of guidance.

Representation of the Accountancy Profession in the Public Interest – Speak out on public interest issues where the profession's expertise is most relevant

IFAC provides input to or comments on global matters or material published by other international and regional organizations that directly relate to the accountancy profession. It (a) develops and maintains relationships with other international and regional organizations as appropriate, (b) participates in global, regional and national forums, and (c) develops policy positions in areas where the profession and IFAC's expertise are most relevant.

Communications—Provide services that communicate with IFAC stakeholders on matters related to the achievement of the IFAC mission

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

Standards and Guidance

Service Description	Link to STs	Measures	Timeframe
Due Process			
To ensure consistent high quality in the pronouncements issued, a clearly defined rigorous due process is followed by each of IFAC's four independent standard-setting boards. The Public Interest Oversight Board (PIOB), which has the mandate to oversee three of IFAC's four standard-setting boards, has approved this due process and monitors compliance with it. Key elements of the due process include: • Meetings to discuss the development and to approve the issue of International Standards and Practice Statements are open to the public. • Meeting agenda papers, including issues papers and draft International Standards or Practice Statements prepared for the Board's review and debate, are published on the IFAC website in advance of each meeting. • Beginning with a pilot program instituted in 2008, impact assessments are conducted to evaluate the effects of standard-setting projects. As appropriate and as resources allow, these assessments will be more broadly incorporated into the due process for all standard-setting activities. • Draft International Standards and Practice Statements are exposed for public comment. Exposure drafts are placed on the IFAC website where they can be accessed free of charge by the general public. The exposure period is 90-120 days. • Comments made by respondents to an exposure draft are a matter of	1	Confirmation that due process has been followed.	Ongoing

Service Description	Link to STs	Measures	Timeframe
public record and are posted on the board's web page after the end of the exposure period. • All comments received are considered before finalizing the document, and the disposition of those comments is reviewed and monitored by the chair of the relevant board. • Before public release of any document issued by a standard-setting board subject to its oversights, the PIOB satisfies itself that due process has been followed. • For each International Standard, the board issues a separate document explaining its basis of conclusions with respect to comments received on an exposure draft of that standard. • Membership of each board includes public members. • Each board's Consultative Advisory Group provides input on technical issues for each standard at appropriate stages.			
International Auditing and Assurance Standards Board			
International Standard on Assurance Engagements (ISAE) 3410, "Assurance on a Greenhouse Gas Statement"	1	Issue of Exposure Draft (ED)/final standard	ED Q3 2009 ISAE Q3 2010
ISAE 34XX, "Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in Prospectuses"	1	Issue of ED/final standard	ED Q4 2009 ISAE Q4 2010
Revision of International Auditing Practice Statements (IAPS) 1012, "Auditing Derivative Financial Instruments"	1	Issue of ED/final standard	ED Q4 2010 IAPS Q4 2011
Revision of International Standard on Auditing (ISA) 700, "The Independent	1	Issue of ED/final standard	Commence 2010

Service Description	Link to STs	Measures	Timeframe
Auditor's Report on General Purpose Financial Statements"			
Revision of International Standard on Review Engagements (ISRE) 2400, "Engagements to Review Financial Statements"	1	Issue of ED/final standard	ED Q3 2010 ISRE Q3 2011
Revision of International Standard on Related Services (ISRS) 4410, "Engagements to Compile Financial Statements"	1	Issue of ED/final standard	ED Q3 2010 ISRE Q3 2011
Revision of ISAE 3000, "Assurance Engagements"	1	Issue of ED/final standard	ED Q3 2010 ISRE Q3 2011
XBRL project	1	Issue of ED/final standard	ED Q3 2010 Std Q3 2011
Revision of ISA 610, "Using the Work of Internal Auditors"	1	Issue of ED/final standard	ED Q3 2010 Std Q3 2011
Revision of ISAE 3400, "The Examination of Prospective Financial Information"	1	Issue of ED/final standard	ED Q3 2011 ISAE Q3 2012
Revision of ISA 720, "The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements"	1	Issue of ED/final standard	ED Q3 2011 ISAE Q3 2012
Revision of ISA XXX	1	Issue of ED/final standard	ED Q1 2012 ISA Q1 2013
New ISAE 3XXX on a sustainability topic	1	Issue of ED/final standard	ED Q4 2011

Service Description	Link to STs	Measures	Timeframe
			ISAE Q4 2012
Statement of authority of existing IAPSs	1	Statement	Statement Q3 2011
Audit quality	1 & 4	Consultation Paper (CP)	CP Q4 2012
Implementation guidance	1 & 4	Publication of guidance	Q4 2012
Communication on audit	1 & 2	Publication of booklet	Q3 2012
Handbook of IAASB pronouncements	1 & 4	Publication of handbook	Q2 2010
International Accounting Education Standards Board			
Public consultation on revision of International Education Standards (IESs)	1 & 3	Two public forums with associated meeting materials	2010
Revision / redrafting of IESs	1	Issue of EDs and revised IESs	Q3 2010 – Q4 2012
2010-2012 IAESB Strategy and Work Plan	3	Publication of work plan	Q2 2010
Handbook of IAESB pronouncements	1 & 4	Publication of handbook	Q2 2010
International Ethics Standards Board for Accountants			
Fraud and Illegal Acts 1	1	Standard	ED Q2 2011 Std Q4 2012
Fraud and Illegal Acts 2	1	Standard	ED Q2 2011 Std Q4 2012

Service Description	Link to STs	Measures	Timeframe
Conflicts of interest	1	Standard	ED Q4 2010 Std Q1 2012
Implementation guidance	1 & 4	Publication of guidance	Q4 2012
Handbook of IESBA pronouncements	1 & 4	Publication of handbook	Q2 2010
International Public Sector Accounting Standards Board			
Conceptual framework	1	International Public Sector Accounting Standard (IPSAS)	ED 2011 IPSAS 2012
Social benefits—recognition and measurement	1	IPSAS	CP on Recognition and Measurement Q4 2009, ED 2011, IPSAS 2013
Service concession arrangements	1	IPSAS	ED 2009 IPSAS 2010
Long-term fiscal sustainability	1	IPSAS	ED 2010 IPSAS 2012
Financial instruments	1	Three IPSASs	EDs Q2 2009 IPSASs Q1 2010
Annual improvements	1	Updated IPSASs	ED Q2 2009 & 2010 IPSASs Q4 2009 & 2010
Updated IPSASs—joint ventures	1	Updated IPSASs converged with	ED 2009

Service Description	Link to STs	Measures	Timeframe
		IFRS	IPSAS 2010
Entity combinations	1	Two IPSASs – one converged with IFRS 3, one public sector-specific	ED 2009 IPSAS 2010
Agriculture	1	IPSAS	ED Q1 2009 IPSAS Q1 2010
Cash basis review	1	Report/Revised IPSAs	ED 2009, Std 2010
Narrative reporting	1	IPSAS/guidance	CP 2009 ED 2010 Final 2011
Performance reporting	1	IPSAS/Guidance	CP 2010 ED 2011 Final 2012
Fair value	1	IPSAS	CP/ED 2010 Final 2013
Handbook of IPSASB pronouncements	1 & 4	Publication of handbook	Q1 2010
Developing Nations Committee			
Provide input to standard setting on behalf of developing nations	1	Comment letters on relevant EDs and other projects	Ongoing

Service Description	Link to STs	Measures	Timeframe
Small and Medium Practices Committee			
Provide input to standard setting on behalf of SMP Committee	1	Comment letters on relevant EDs and other projects	Ongoing
Professional Accountants in Business Committee			
Employer expectations of professional accountants in business (PAIBs) in 2015, including a competencies framework	1, 2 & 4	Web-based Discussion Paper	Q4 2009
PAIB roles and domain	1, 2 & 4	Updated Information Paper (IP)	Q4 2010
Support the functioning of capital markets • Using and calculating the cost of capital • Evaluating and improving internal control • Predictive business reporting • Behavioral aspects of business reporting	1, 2 & 4	Proposed International Good Practice Guides (IGPGs)	Q2 2010 Q2 2010 Q4 2010 Q4 2010
Articles of Merit Award 2010	2	Information Paper	Q4 2010
Maintain the IFAC Sustainability Framework, and further dissemination and promotion with member bodies and a broader audience	1, 2 & 4	Up-to-date and comprehensive framework	2010
Pursue collaborative opportunities to partner and work more closely with the Prince of Wales Accounting for Sustainability project or with individual member bodies	1, 2 & 4	Community website	2010
Explore public sector performance measurement through interviews of	1, 2 &	Interview-based paper	2010-2011

Service Description	Link to STs	Measures	Timeframe
leading experts and practitioners on various schools of thought on public sector performance	4		
Compliance Advisory Panel			
Review the Statements of Membership Obligations (SMOs) and develop a proposal for amendments, as appropriate	3	Development of project plan and progress of review	2010-2012
Transnational Auditors Committee			
Provide input to standard-setting process – firm / Forum of Firms (FoF) perspectives via representation	1	FoF representation on Public Interest Activity Committees (PIACs)	Ongoing
Communications Activity			
Produce high-quality IFAC publications	1 & 2	Print and electronic publications	Ongoing
Issue press releases on new standards and guidance	1 – 4	Electronic distribution IFAC website Use of PR and CSR newswires to reach broader audience Media coverage	Ongoing
Include messages on importance of convergence and implementation in speeches and other communications materials	1 – 4	Newsletter Included in electronic media such as eNews, Global Digest, etc. IFAC website	Ongoing

Service Description	Link to STs	Measures	Timeframe
		Meetings and seminars	
Develop talking points to support standard-setting boards in communicating key messages	1, 3 & 4	Speeches, print and electronic articles, etc.	Ongoing
Write and edit special reports, such as the IAASB Clarity Updates and issues briefings	1 – 4	Electronic distribution IFAC website Outreach to targeted stakeholders	Ongoing
Provide marketing support for various IFAC seminars, conferences and other initiatives	1 – 4	Print and electronic media, depending on the nature of the activity and communications support	Ongoing
Ensure timely posting of IFAC standards and guidance and their easy accessibility on the IFAC website	1, 2 & 3	Posted on website Promoted through translated web pages Promoted through a variety of print and electronic communications vehicles	Ongoing

Budgeted costs of 2010 services relating to Standards and Guidance ($,000):

Direct Costs	9,153
Indirect and Overhead Costs	3,158
Total	**12,311**

Support for Adoption and Implementation

Service Description	Link to STs	Measures	Timeframe
International Auditing and Assurance Standards Board			
Meetings with European Commission (EC) and European Group of Audit Oversight Bodies (EGAOB)	2	Meetings with external parties	Ongoing
Meetings with International Organization of Securities Commissions (IOSCO), the Basel Committee, International Forum of Independent Audit Regulators (IFIAR), International Association for Accounting Education and Research (IAAER) and International Valuation Standards Council (IVSC)	2	Meetings with external parties	Ongoing
Meeting with national auditing standard setters (NSS), including European NSS	2	Meetings with external parties	Ongoing
Meetings with Public Company Accounting Oversight Board (PCAOB)	2	Meetings with external parties	Ongoing
Participation at PCAOB Standing Advisory Group meetings	2	Meetings with external parties	Ongoing
Meetings with International Organization of Supreme Audit Institutions (INTOSAI)	2	Meetings with external parties	Ongoing
Implementation guidance review	2	Consultation Paper	Q3 2011
ISA modules	2	Published modules on IFAC website	Q4 2010
ISA post-implementation monitoring	2	Consultation Paper Public hearings Field testing	CP Q4 2011

Service Description	Link to STs	Measures	Timeframe
International Accounting Education Standards Board			
Forums and conferences on IAESB pronouncements	2	Presentations at forums and conferences	2010
Implementation support (e.g., on assessment and the framework)	2	Publication of implementation support material	2010
International Ethics Standards Board for Accountants			
Meetings with EC and EGAOB	2	Meetings with external parties	Ongoing
Meetings with IOSCO, the Basel Committee, and IFIAR	2	Meetings with external parties	Ongoing
Meeting with NSS	2	Meetings with external parties	Q2 2010
Code of Ethics for Professional Accountants modules	2	Published modules on IFAC website	Q4 2010
International Public Sector Accounting Standards Board			
Update Study 14	2	Published updated study on website	2010
Organization for Economic Co-operation and Development (OECD) Accruals Symposium	2	Presentation at Symposium	Q1 2010
New Zealand / Australia boards joint meeting	2	Presentation at meeting	2010
World Bank Forum	2	Presentation at forum	2010
CReCER	2	Presentation at conference	2010

Service Description	Link to STs	Measures	Timeframe
Caribbean Public Finance Management (PFM) Conference	2	Presentation at conference	2010
International Colloquium	2	Presentation at colloquium	2010
National/World Standards Setters	2	Participation in meetings with external parties	Ongoing
Small and Medium Practices Committee			
ISA Guide – update for new/revised standards	2	Publication (electronic)	Q4 2010
QC Guide – update for redrafted Code of Ethics for Professional Accountants and to accommodate feedback	2	Publication (electronic)	Q2/3 2010
ISA Guide Training Materials – develop education and training / train the trainer materials based on the ISA Guide	2	Publication (electronic)	2011
QC Guide Training Materials – develop education and training / train the trainer materials based on the QC Guide	2	Publication (electronic)	2011
International Center for SMPs – continual improvement	1, 2 & 3	Online portal	Ongoing
Guide to Code of Ethics for SMPs – launch of first edition	2	Publication (electronic)	Q2/3 2011
Compliance Advisory Panel			
Communicate status of adoption information for IFAC developed standards (e.g., ISAs, Code of Ethics for Professional Accountants, IESs, IPSASs)	2	Report or other website publication	Q3 2010

Service Description	Link to STs	Measures	Timeframe
Transnational Auditors Committee			
Actively encourage applications from appropriately qualified networks of firms	2	Identify and approach potential members	Ongoing
Translations			
Coordinate and facilitate the translation and reproduction of IFAC standards and supporting documents	2	Facilitate translation through targeted outreach and contact with member bodies.	2010
Participate as appropriate in potential EU adoption of IFAC standards Put into place appropriate translation agreements and facilitate translation of IFAC standards into 21 official EU languages	2	Completion of EU translations	2010
Put into place appropriate translation agreements and facilitate translation of IFAC standards into other major world languages (Arabic, Chinese, Brazilian Portuguese, and Russian)	2	Signed translation agreements and publication of translations	2010
Put into place appropriate translation agreements and facilitate translation of IFAC standards into other languages as appropriate	2	Signed translation agreements and publication of translations	2010
Provide an up-to-date overview of available translations of IFAC publications and standards through the web-based IFAC Translations Database	2	Comprehensive IFAC Translations Database	2010
Provide other reference material to assist interested parties in submitting appropriate permissions requests and translation proposals (including a sample permissions request/translations proposal and Frequently Asked Questions document)	2	Current reference material	2010
Translate core IFAC communications (IFAC Update, Global Leadership	2	Published translated documents	2010

Service Description	Link to STs	Measures	Timeframe
Survey, selected press releases, and web pages) into official UN languages			
Identify a sustainable mechanism for continued French and Spanish translations of pronouncements issued by the IPSASB	2	Published translations	2010
Communications Activity			
Communicate the status of adoption of international standards, promoting the Compliance Program and benefits of convergence and adoption	2 & 4	Print and electronic communications Speeches Issues briefings	Ongoing
Develop communications plans for implementation guidance as it is developed	2 & 4	Implementation of targeted strategy to key audiences Database of key resources	Ongoing
IFAC KnowledgeNet continual enhancement	2 & 3	Expand participation by sources and users	Ongoing

Budgeted costs of 2010 services relating to Support for Adoption and Implementation ($,000):

Direct Costs	1,813
Indirect and Overhead Costs	755
Total	**2,567**

Promoting Quality

Service Description	Link to STs	Measures	Timeframe
Developing Nations Committee			
Work with the World Bank to deepen cooperation and develop a new initiative to establish a framework for building sustainable capacity for the accountancy profession in developing and emerging economies	3	Establishment of donor assistance projects directed at strengthening the profession or audit / accounting reform	Ongoing
DNC-supported individual outreach and institutional mentoring efforts	3	Outreach and mentoring efforts	Ongoing
Collaborate on publications setting out the linkage between accountancy and economic development	3	Monitoring and supporting existing USAID and World Bank projects, as appropriate	Ongoing
Update of Mentoring Guidelines for Professional Accountancy Organizations	3	Publication of updated materials	2011
Update of the Establishment and Development of a Professional Accountancy Body Toolkit	3	Publication of Updated materials	2010
Support of and participation in events and initiatives of development partners Sponsorship of regional events (e.g., CReCER)	3	Strengthened relationships with development partners, firms, and other stakeholders	Ongoing
Actively contribute to increasing awareness of anti-corruption resources and activities	3	Inclusion of relevant resources and links on the IFAC website (within the Global Financial Crisis Resource Center)	Ongoing

Service Description	Link to STs	Measures	Timeframe
Small and Medium Practices Committee			
Practice Management Guide – launch of first edition (deferred from Q4 2009)	2 & 3	Publication (electronic)	Q4 2008 – Q1/2 2010
The Role of SMPs in Providing Business Support to SMEs – issue of information paper:	3	Publication (electronic)	Q3 2009 – Q1 2010
Compliance Advisory Panel			
Complete initial implementation of Compliance Program's Part 3 Action Plans	3	Published survey returns and action plans, monitor progress	2010
Continue implementation of Action Plan monitoring process (soft update at 6 months and formal update / revision annually)	3	Published survey returns and action plans, monitor progress	2010
Staff participation in World Bank funded projects to develop the profession where work focuses on SMO compliance		Participation in World Bank projects	2010
Handling of increasing number of membership applications Expand on-site due diligence in relation to membership applications	3	Process expressions of interest and membership applications for submission to the Board	2010
Prepare briefing materials for IFAC leadership	3	Brief IFAC leadership; respond to requests for information on member body matters.	2010
Continue to provide input to the Reports on the World Bank Observance of Standards and Codes (ROSC) program	3	Incorporate compliance information into ROSC reports.	2010
Outreach to regulators (i.e., IFIAR, IOSCO)	3	Liaison with regulators	2010

Service Description	Link to STs	Measures	Timeframe
Continued implementation of assessment and reporting process for RO / AG compliance with IFAC obligations as per policy statements	3	Alignment of RO / AG strategies and improved coordination with such bodies	2010
Transnational Auditors Committee			
Develop symposiums / workshops addressing topical audit issues	3	Symposium attached to FoF meeting	2010
Develop good practice guidance	3	Publication of good practice guidance	2010
Analyze external inspection reports	3	Report to FoF members	2010
Communications Activity			
Promote IFAC guidance and other key support available to PAIBs and SMPs	1 & 3	Print and electronic communications Speeches Issues briefings SMP eNews	Ongoing
Expand the resources available through the IFACnet, including adding more resources from external organizations	3 & 4	IFAC website, and websites of participating organizations	Ongoing
Expand the resources provided through the IFAC MemberNet and facilitate sharing of information on member body initiatives	3 & 4	Accessible through the IFAC MemberNet	Ongoing

Budgeted costs of 2010 services relating to Promoting Quality ($,000):

Direct Costs	2,400
Indirect and Overhead Costs	955
Total	**3,355**

Representation of the Accountancy Profession

Service Description	Link to STs	Measures	Timeframe
IFAC Officers			
Presentations and speeches at various national and international conferences	All	Presentations to external parties	Ongoing
IFAC Regulatory Liaison Group to meet with Monitoring Group of regulators twice annually	1, 2, 3	Meetings	Ongoing
Attendance at the three International Accounting Standards Boards (IASB) Standards Advisory Council meetings	2, 3	Meetings	Ongoing
Develop and maintain relationships with key regulatory organizations, development agencies, and financial institutions, including: • African Development Bank • Asian Development Bank • Basel Committee on Banking Supervision • European Commission • Financial Stability Forum • Inter-American Development Bank • International Accounting Standards Board	All	Meetings	Ongoing

Service Description	Link to STs	Measures	Timeframe
• International Accounting Standards Committee Foundation • International Federation of Independent Audit Regulators • International Monetary Fund • International Organization of Securities Commissions • International Organization of Supreme Audit Institutions • Organization for Economic Co-operation and Development • Public Company Accounting Oversight Board (PCAOB) • United Nations • UNCTAD • World Bank • World Federation of Exchanges			
Maintain all aspects of the oversight relationship with the PIOB, such as operational support, participation in PIOB meetings, consultation	All		Ongoing
Public Policy Positions and External Submissions			
Develop public policy positions, in collaboration with member bodies and the firms, on matters where the profession's expertise is most relevant, including:	3, 4	Published policy positions	Ongoing

Service Description	Link to STs	Measures	Timeframe
• Regulation of the accountancy profession • Auditor liability • Financial management policies • Concentration of the profession • Corporate social responsibility • Corporate governance			
Provide timely and high-quality submissions to external parties who seek input into issues that affect the global accountancy profession.	All	Submissions	Ongoing
International Auditing and Assurance Standards Board			
Participation in meetings and presentations and speeches at various national and international conferences	1, 2 & 4	Meetings attended and presentations to external parties	Ongoing
International Accounting Education Standards Board			
Participation in meetings and presentations and speeches at various national and international conferences	1, 2 & 4	Meetings attended and presentations to external parties	Ongoing
International Ethics Standards Board for Accountants			
Participation in meetings and presentations and speeches at various national	1, 2 &	Meetings attended and	Ongoing

Service Description	Link to STs	Measures	Timeframe
and international conferences	4	presentations to external parties	
Professional Accountants in Business Committee			
Policy work that might lead to short issues briefings / articles (e.g., on governance, management decision making)	4	Web-based issues briefings, speeches, and submissions to external parties	2010
Promote the role of PAIBs in sustainability at relevant summits / forums, for example: • Key member body conferences focused on sustainability, or those that include sustainability aspects • Sustainable development-related conferences organized by The United Nations (UN) Department of Economic and Social Affairs, UN Conference on Trade and Development, OECD, and the World Bank	4	Web-based issues briefings, speeches, and submissions to external parties	2010
Business reporting – study progress in the areas of governance, financial reporting, and auditing around the globe. This involves following up on issues identified in the earlier report, *Developments in the Financial Reporting Supply Chain: Results from a Global Study among IFAC Member Bodies*, which lists a number of topics that still need to be addressed	4	New releases Web-based issues briefings Speeches and submissions to external parties	2010
Small and Medium Practices Committee			
IFAC SMP Forum 2010 – global forum for representatives of member bodies,	1 – 4	Forum	Q4 2010

Service Description	Link to STs	Measures	Timeframe
ROs, and others in Istanbul co-hosted by member body / RO			
Liaison and promotion of SMP Committee activities via chair / staff presentations at international conferences across 4 main regions (Africa / Middle-East, Americas, Europe, and Asia-Pacific); members and technical advisers to present where possible	1 – 4	Presentations to external parties	Q1 – Q4 2010
Communications Activity			
Communicate IFAC positions and policies	1 – 4	Print copies distributed to stakeholders / electronic version available through the IFAC website Promoted through all media channels	As needed
Develop strategic media relations plan(s) on key positions and policies	1 – 4	Media interviews and coverage	As needed
Communicate IFAC positions to member bodies	1 – 4	Engage the support of member bodies in communicating key positions	As needed
Write and promote speeches that communicate key positions	1 & 4	Presentations to external parties Speeches on website	As needed

Budgeted costs of 2010 services relating to Representation ($,000):

Direct Costs	1,827
Indirect and Overhead Costs	769
Total	**2,596**

Communications

Service Description	Link to STs	Measures	Timeframe
International Auditing and Assurance Standards Board			
eNews	1 – 4	Publication of eNews	Ongoing
IAASB annual report	1 & 4	Publication (electronic)	Q1 2010
Communication initiatives relating to auditing and auditing standards	1, 2 & 4	Publications	Q3 2011
2010 World Congress of Accountants	1 & 3	Presentations	Q4 2010
International Accounting Education Standards Board			
eNews	1 – 4	Publication of eNews	Ongoing
Enhance IAESB communications through expanded spokesmanship program	1 & 4	Presentations on IAESB topics at 8 conferences	Ongoing
2010 World Congress of Accounting Educators and Researchers 2010 World Congress of Accountants	1 & 3	Presentation of winning IAAER research papers at congresses Presentations at WCOA	Q4 2010
International Ethics Standards Board for Accountants			
eNews	1 – 4	Publication of eNews	Ongoing
Communication initiatives relating to ethics	1, 2 & 4	Publications	Q3 2011

Service Description	Link to STs	Measures	Timeframe
2010 World Congress of Accountants	1 & 3	Presentations	Q4 2010
International Public Sector Accounting Standards Board			
eNews	1 – 4	Publication of eNews	Ongoing
2010 World Congress of Accountants	1 & 3	Presentations	Q4 2010
Small and Medium Practices Committee			
eNews	1 – 4	Publication of eNews	Ongoing
Compliance Advisory Panel			
Communicate status of adoption information for IFAC-developed standards (e.g., ISAs, Code of Ethics for Professional Accountants, IESs, IPSASs)	1 & 3	Report or other website publication	Ongoing
2010 World Congress of Accountants	1 & 3	Presentations	Q4 2010
Communications Activity			
Execute IFAC Global Voice Program	1 – 4	All media channels	Ongoing
Conduct annual Global Leadership Survey of member and regional body chief executives and presidents on key global issues for release to the media	2 & 4	IFAC website	Q4 2010
Targeted communications to Monitoring Group	1, 2 & 4	Electronic communications and meetings	Quarterly
Targeted communications to firms	2, 3 & 4	Electronic communications and meetings	Quarterly

Service Description	Link to STs	Measures	Timeframe
Involve member bodies in IFAC communications	3 & 4	Develop articles for member body use Member body promotion of IFAC initiatives	Ongoing
Develop and implement media strategy	4	Electronic and print media Meetings / seminars	Ongoing
Produce IFAC annual report	1 & 4	Publication (electronic) Printed abridged report	Q1 2010
IFAC Quarterly Newsletter	3 & 4	Publication (electronic and print)	Q1, Q2, Q3, Q4 2010
Monthly IFAC Global Digest	2 & 4	Distributed to member bodies and boards and committees by email Also posted in the IFAC Leadership Intranet and IFAC MemberNet	Q1, Q2, Q3, Q4 2010
IFAC Update	1, 3 & 4	Distributed to member bodies and boards and committees by email Also posted in the IFAC Leadership Intranet and IFAC MemberNet	Q1, Q2, Q3, Q4 2010
IFAC Board Briefing	2 & 3	Distributed to board members	As needed between IFAC

Service Description	Link to STs	Measures	Timeframe
		and technical advisors by email Also posted in the IFAC Leadership Intranet	Board meetings
Write and/or edit background papers, issues briefings or Q&A on key issues	1 – 4	Distributed to key audiences Posted on the IFAC website	As needed
IFAC fact sheets	1, 3 & 4	Distributed in print and posted in the Media Center on the IFAC website Also posted in the IFAC Leadership Intranet	Ongoing
Continually update website to reflect new IFAC developments and initiatives to encourage stakeholder use	1 – 4	IFAC website	Ongoing
Enhance IFAC MemberNet and IFAC Leadership Intranet	1 – 4	IFAC website	Ongoing
Ensure consistency in IFAC branding and messaging	1 & 4	Press releases, articles, graphic branding	Ongoing
Advise IFAC boards and committees on communication approaches, messages, and tactics consistent with achieving IFAC's mission	1 & 4	Focused and targeted messages by board and committee members	Ongoing

Budgeted costs associated with 2010 services relating to Communications ($,000):

Direct Costs	1,372
Indirect and Overhead Costs	578
Total	**1,950**

The allocation of total expenses, excluding the budgeted contingency and reserve, across the five Service Areas is illustrated below:

Service Area Allocations
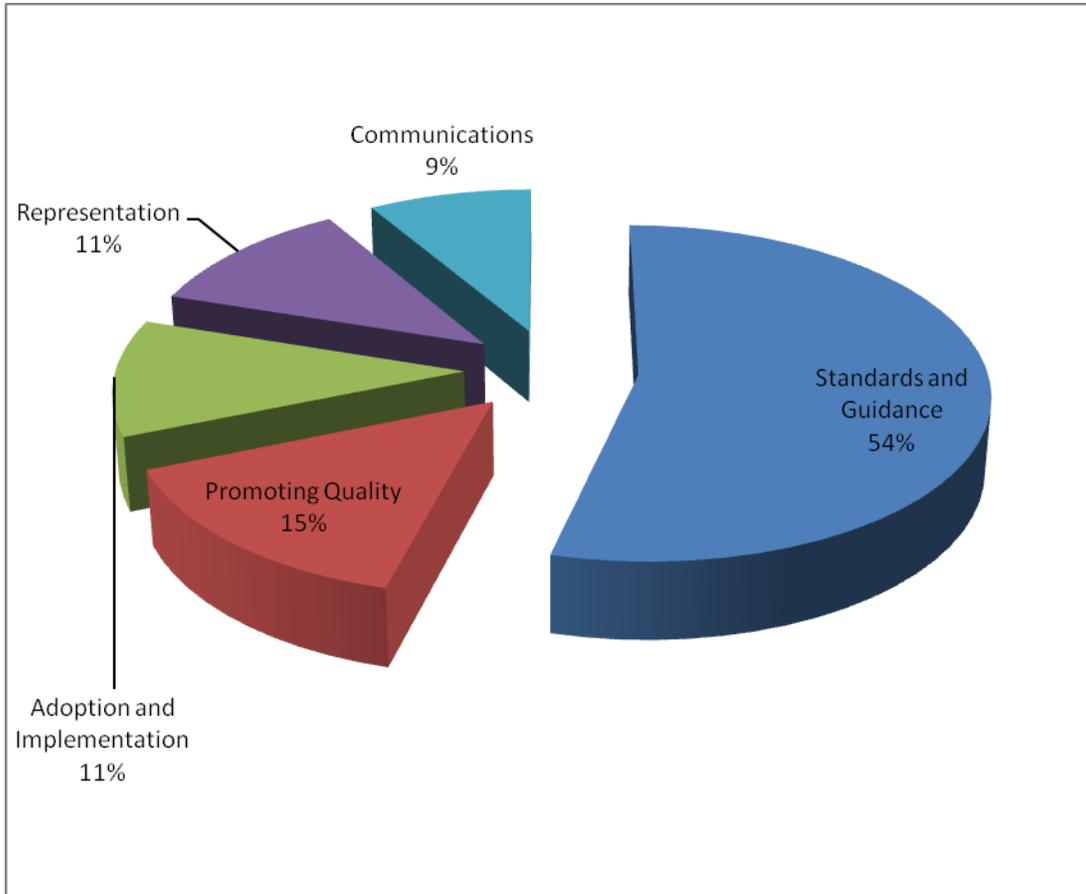
Section 4   Organizational and Staffing Plans

Organizational Plan – Implement governance and management policies, which continue to enable IFAC to manage its resources effectively, efficiently, and economically in achieving its strategic objectives

IFAC needs continually to review, maintain, and enhance its governance and management structures so as to deliver on its strategies. This includes (a) continual development and maintenance of its capabilities (human, knowledge, physical, and financial), (b) control and enhancement of financial performance, (c) implementation of a sound policy and process infrastructure, and (d) an integrated approach to managing risks.

Description	Measure	Timeframe
Organizational governance structures		
• Ensure that IFAC activities comply with the Constitution and Bylaws	Monitor all activities that draw on the Constitution and Bylaws and report as appropriate	Ongoing
• Monitor the need for amending the Constitution and Bylaws	Process and report on amendments to the Constitution and Bylaws following due consideration	Board meetings
• Maintain high-quality governance and management processes and procedures to support IFAC operations	Report on governance and management policies, processes, and procedures as necessary	Ongoing
Development and maintenance of capability – human, knowledge, physical, and financial		
• Continued development of IFAC staff	Apply an ongoing performance management process Implement and maintain a staff development and continuing education policy	Ongoing
• Recruitment and retention of highly qualified staff	Implement a recruitment strategy appropriate to the level and expertise required for the position Identify and act on initiatives to ensure retention of highly qualified staff	Ongoing
• Ongoing management of the balance between resources and service delivery expectations	Report on staff resources and project loads as necessary	Ongoing

Description	Measure	Timeframe
• Maintenance of IFAC's physical workplace and equipment to provide appropriate facilities and atmosphere to achieve staff objectives	Continue to maintain the physical workspace and equipment Monitor and report on the need for expansion of physical workspace and equipment in accordance with the needs of the organization	Ongoing
• Development and implementation of information systems and processes that support the maintenance of important IFAC information	Continually develop and implement appropriate systems and processes	Ongoing
• Maintain appropriate financial management policies, processes, and procedures	Monitor, update and report on financial management policies, processes, and procedures, as necessary	Audit Committee, PFC and Board meetings
Financial performance		
• Appropriately develop and implement the budget	Report on budget development and implementation	PFC and Board meetings
• Continued monitoring and development of IFAC funding sources	Report on funding developments	PFC and Board meetings
Risk management		
• Continued monitoring and management of significant risks that affect IFAC	Report on significant risk management matters as per the IFAC Risk Policy	PFC and Board meetings

Staffing Plan – Define positions that support the achievement of identified objectives, and fill them with highly professional, experienced staff that are able and willing to remain with the organization for a term sufficient to achieve the identified objectives

IFAC's management recognizes the need to define the structure of the staff so as to provide clear leadership, appropriate levels of time and expertise, and economical allocation of both. In addition to normal attrition and replacement of staff, it is anticipated that during 2010 the following new positions will be filled:

Title	Purpose	Hiring Timeframe
Technical Manager, IAASB	Additional professional support for the IAASB	January 2010
Independent Contractor, IESBA	Additional professional support for the IESBA	January 2010
Assistant Manager, Operations	Additional professional support for the Operations team	January 2010
Technical Manager, SMP Initiative	Professional support to implement additional services	April 2010
Manager, Publications and Brands	Professional support to manage the production process for print and electronic publications, and to manage the IFAC and IFAC-related brands	July 2010
Assistant, Communications	Additional administrative support for the Communications team	July 2010
Technical Manager, Adoption and Implementation Support	Professional support to coordinate all IFAC implementation support activities, including those that may involve external providers	January 2011

The appointment of staff in these positions is subject to a range of factors, including recruitment strategies, identification of and acceptance by appropriately qualified candidates, securing the necessary work permits, and relocation constraints. As a result, timing of appointments may vary significantly from the timeframes identified above.

At the end of 2010, it is anticipated that the staff structure will include 62 positions (including four part-time positions). Currently, IFAC has 56 filled or vacant positions (including three part-time positions).

The anticipated staff structure as at the end of 2010 is included in the appendix.

Section 5   Budget Introduction

During the almost two-year period preceding Council's approval of the [Strategic Plan for 2009-2012](#), IFAC (a) conducted extensive external and internal consultations, (b) carefully considered the pressures on the organization, and (c) monitored the environment and global expectations on the organization's future. These factors led to the development of a strategic plan, which includes a number of enhanced and new services, as well as an increase in the level of activity in many of the existing services. The global economy, however, has deteriorated significantly since the development of the strategic plan. From early 2009, management has modified the operational plan and budget for 2009 to minimize commitments that carry forward into 2010.

Management has developed detailed activity work plans and budgets for 2010. The budgets that support these work plans have been determined from a zero base. In developing the operational plan and budget for 2010, management's aim was to (a) deliver on the key commitments made in the [Strategic Plan for 2009-2012](#), and (b) take advantage of the opportunities that have arisen in the current environment, while at the same time limiting the budget to the absolute minimum.

The current environment has affected IFAC's risk tolerance profile. However, the increasing support of member bodies for IFAC to enhance its role as a global voice for the accountancy profession, and to establish international partnerships in seeking a global solution to the crisis, present new avenues for mitigating the identified risks. Management is therefore of the view that the identified risks could be mitigated to an acceptable extent by the services provided for in the operational plan and budget for 2010.

Section 6   Budgeted Financial Statements

Budgeted Statement of Revenue and Expense

	2008 Actual ($,000)	Approved 2009 Budget ($,000)	Proposed 2010 Budget ($,000)	% Increase
REVENUES				
Dues Revenue	10,160	11,966	11,966	
FoF – IFAC Activities	6,664	7,864	7,864	
FoF – TAC Activities	410	407	438	
External Funding – IPSASB	744	940	1,000	
External Funding – DNC	225	0	0	
Publications	233	300	250	
Interest Income	61	300	65	
Other Revenue, Including Royalties and Licensing	59	125	150	
World Congress of Accountants	0	0	300	
Total Revenue	**18,556**	**21,902**	**22,033**	
Increase applied to Member Bodies			**753**	
Increase applied to FoF/IFAC Funding contribution			**494**	
	18,556	**21,902**	**23,280**	**6.5%**
EXPENSES				
Activity Areas				
IAASB	3,435	4,289	4,371	
IPSASB	1,534	1,715	1,732	
Communications and Internet	1,181	1,398	1,605	
Compliance	885	1,223	1,270	
Developing Nations Committee	845	674	871	
IESBA	636	939	674	
Board and Council	626	474	498	
Prof Accts in Business	498	613	613	
IAESB	460	726	700	
Small and Medium Practices	418	518	631	
Transnational Auditors	410	407	438	
Nominating	318	277	163	
Representation	186	405	465	
Translations	159	417	619	
Adopt-Implementation	0	310	661	
World Congress of Accountants	0	0	116	
Total IFAC Activities	**11,591**	**14,385**	**15,427**	

	2008 Actual ($,000)	Approved 2009 Budget ($,000)	Proposed 2010 Budget ($,000)	% Increase
PIOB Expenses	1,778	2,018	1,800	
Total Activities	**13,369**	**16,403**	**17,227**	
Total Indirect and Overhead Costs	**5,106**	**5,149**	**5,553**	
Total Expenses	**18,475**	**21,552**	**22,780**	
Budgeted Contingency	**0**	**0**	**400**	
Budgeted Reserve	**0**	**350**	**100**	
Total Expenses, Contingency and Reserve	**18,475**	**21,902**	**23,280**	**6.5%**
Surplus/(Deficit)	**81**	**0**	**0**	

Budgeted Statement of Financial Position

Amounts in U.S. Dollars	2008 Actual ($,000)	Approved 2009 Budget ($,000)	**Proposed 2010 Budget ($,000)**
Current assets			
Cash and short-term deposits	2,178	1,200	1,655
Dues receivable, net	355	150	175
Receivable from the Forum of Firms	87	2,200	2,075
Other receivables	468	150	200
Other current assets	316	120	150
Total current assets	**3,404**	**3,820**	**4,255**
Non-current assets			
Property, plant and equipment, net	606	1,350	400
Intangible assets, net	239	200	200
Non-current receivables	210	220	250
Total non-current assets	**1,055**	**1,770**	**850**
TOTAL ASSETS	**4,459**	**5,590**	**5,105**
Current liabilities			
Accounts payable and accrued expenses	1,105	1,500	1,250
Employee entitlements	714	720	750
Revenue received in advance	64	450	150
Total current liabilities	**1,883**	**2,670**	**2,150**
Non-current liabilities			
Accrued pension costs	173	100	250
Deferred rent	148	250	70
Total non-current liabilities	**321**	**350**	**320**
TOTAL LIABILITIES	**2,204**	**3,020**	**2,470**
TOTAL EQUITY	**2,255**	**2,570**	**2,635**
TOTAL LIABILITIES AND EQUITY	**4,459**	**5,590**	**5,105**

Appendix Anticipated Staff Structure (as at the end of 2010)

Senior Management

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                        ┌─────────────────┐
                        │ Chief Executive │
                        │     Officer     │
                        │    Ian Ball     │
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                                 │
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                                 │    │  Executive   │
                                 │    │  Assistant   │
                                 │    │ Judy Morales │
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│  Director,   │ │  Director,   │ │    Executive     │      │ Director, Quality│
│Communications│ │ Governance   │ │    Director,     │      │ and Member       │
│ and Public   │ │ and          │ │  Professional    │      │ Relations        │
│  Relations   │ │ Operations   │ │   Standards      │      │ Russell Guthrie  │
│Helene Kennedy│ │Alta Prinsloo │ │   Jim Sylph      │      └──────────────────┘
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              ┌──────────────────┐              ┌──────────────────┐
              │ Technical        │              │ Technical        │
              │ Director,        │              │ Director,        │
              │ IAASB            │              │ IPSASB           │
              │ James Gunn       │              │ Stephenie Fox    │
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Communications

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                              ┌─────────────────────────┐
                              │ Director, Communications │
                              │   and Public Relations   │
                              │     Helene Kennedy       │
                              └─────────────────────────┘
          ┌──────────────────────┐          │
          │ Senior Manager,      │          │
          │ Communications       │──────────┤
          │ Richard Sasanow      │          │
          └──────────────────────┘          │
          ┌──────────────────────┐          │
          │ Manager, Public      │          │
          │ Relations            │──────────┤
          │ September 2009       │          │
          └──────────────────────┘          │
          ┌──────────────────────┐          │
          │ Manager,             │          │
          │ Communications       │──────────┤
          │ Tommy Fernandez      │          │
          └──────────────────────┘          │
          ┌──────────────────────┐          │
          │ Manager, Publications│          │
          │ and Brands           │──────────┤
          │ July 2010            │          │
          └──────────────────────┘          │
          ┌──────────────────────┐          │
          │ Assistant Manager    │          │
          │ Elizabeth Conde      │──────────┤
          │                      │          │
          └──────────────────────┘          │
          ┌──────────────────────┐          │
          │ Communications       │          │
          │ Assistant            │──────────┤
          │ Alexandra Waibel     │          │
          └──────────────────────┘          │
          ┌──────────────────────┐          │
          │ Communications       │          │
          │ Assistant            │──────────┘
          │ July 2010            │
          └──────────────────────┘
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Operations

Organizational chart:

- Director, Governance and Operations — Alta Prinsloo
  - Executive Assistant — Irina Kaminsky
  - Human Resources Manager — Catherine Schatz
    - Human Resources and Operations Associate — Claude Vella
  - Senior Finance Manager — Meg Waterhouse
    - Finance Associate — Christine Lopez
    - Finance Assistant — Allie Zou
  - Senior Manager Strategic Planning and Operations — Lynn Neri
    - Manager IT and Knowledge Management — September 2009
    - Operations Assistant Manager — January 2010
    - Publications Associate — Adele DeWitt
    - Operations Associate — Yansa Morel
    - Receptionist and Office Assistant — Nicole Francis
  - Governance Manager — Laura Buijs
    - Operations Assistant — Gabriella Teofilo
  - Senior Technical Manager PAIB — Stathis Gould
  - Senior Technical Manager PAIB — Vincent Tophoff

Professional Standards

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                                 ┌──────────────────────┐
                                 │ Executive Director,  │
                                 │ Professional         │
                                 │ Standards            │
                                 │ Jim Sylph            │
                                 └──────────────────────┘
                                        ┌──────────────────────┐
                                        │ Executive            │
                                        │ Assistant            │
                                        │ Dorothy Ofori        │
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| Technical Director IAASB James Gunn | Technical Manager IAESB David McPeak | Senior Technical Manager IESBA Jan Munro | Technical Director IPSASB Stephenie Fox | Senior Technical Manager, Regulation and Public Policy Eli Khazzam |

| Senior Technical Manager IAASB Ken Siong | Senior Technical Manager IAASB Joanne Moores | | Administrative Assistant IAESB/IESBA Warren "Rick" James | Independent Contractor January 2010 | Administrative Assistant Tracey Stark |

| Technical Manager IAASB Kathleen Healy | Technical Manager IAASB Michael Nugent | | Senior Technical Manager IPSASB Joy Keenan | Deputy Director IPSASB John Stanford* |

| Technical Manager IAASB Jessie Wong | Technical Manager IAASB January 2010 | | Senior Advisor IPSASB Paul Sutcliffe | Technical Manager IPSASB Annette Davis |

| Independent Contractor Linda Lach | | | Technical Manager IPSASB Qi Chang* | Technical Manager IPSASB Matthew Bohn-Aponte |

*Secondees

Quality and Member Relations

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                        Director, Quality and
                         Member Relations
                          Russell Guthrie

        Administrative Assistant        Administrative Assistant
            Shermie Lee                      Dana Parker

        Administrative Assistant
           September 2009
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| Deputy Director, Member Body Development Sylvia Barrett | Senior Technical Manager, SMP Committee Paul Thompson | Technical Manager, SMP Initiatives April 2010 | Senior Technical Manager, Translations Kelly Anerud | Technical Manager, TAC Barry Naik | Technical Manager, Implementation Support January 2011 |

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Senior Technical Manager,        Technical Manager, Member
Member Body Development            Body Development
Szymon Radziszewicz               Thomas Zimmerman

Technical Manager, Member         Assistant Manager, Member
  Body Development                   Body Development
   Daria Koukhar                      Joseph Bryson
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Note: Technical Manager Translations - deferred

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Technical Manager, Member
  Body Development
   September 2009
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International

Public Sector

Accounting

Standards

Board

Exposure Draft
January 2010
Comments are requested by March 31, 2010

International Public Sector Accounting Standards Board

Strategy and Work Plan
2010-2012

**International Federation
of Accountants**

REQUEST FOR COMMENTS

The International Public Sector Accounting Standards Board (IPSASB), an independent standard-setting body within the International Federation of Accountants (IFAC), approved this Exposure Draft: IPSASB *Strategy and Work Plan 2010-2012*, for publication in January 2010. The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. Comments are requested by **March 31, 2010**.

Respondents are asked to submit their comments **electronically** through the IFAC website (www.ifac.org), using the "Submit a Comment" link on the Exposure Drafts and Consultation Papers page. Please note that first-time users must register to use this new feature. All comments will be considered a matter of public record and will ultimately be posted on the IFAC website. Although IFAC prefers that comments be submitted electronically, e-mail may continue to be sent to edcomments@ifac.org and stepheniefox@ifac.org. Comments can also be faxed to the attention of the IPSASB Technical Director at +1 (416) 204-3412, or mailed to:

Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
277 Wellington Street West
Toronto Ontario M5V 3H2 CANADA

Copies of this exposure draft may be downloaded free-of-charge from the IFAC website at http://www.ifac.org.

The International Public Sector Accounting Standards Board (IPSASB) is a standard-setting body designated by, and operating under the auspices of, the International Federation of Accountants (IFAC). The IPSASB's mission is:

 "To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial statements."

This will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate.

IFAC is the global organization for the accountancy profession dedicated to serving the public interest by strengthening the profession and contributing to the development of strong international economies. In carrying out its mission, IFAC reinforces the values of integrity, expertise and transparency. IFAC is comprised of 157 members and associates in 123 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. In addition to setting international public sector accounting standards through the IPSASB, IFAC, through its other independent standard-setting boards, sets international auditing and assurance, ethics and education standards. It also issues guidance to encourage high-quality performance by professional accountants in business.

The IFAC Strategic Plan 2009-2012 provides a decision-making framework for those involved in IFAC's governance and management structure. It serves as a guidepost for IFAC's boards, committees and compliance advisory panel, whose priorities reflect and support the organization's overall strategic direction, and for member bodies, who are encouraged to support IFAC initiatives, promote its standards and contribute to the international profession's efforts to enhance the quality of practice by the world's professional accountants.

EXPOSURE DRAFT
PROPOSED STRATEGY AND WORK PLAN FOR 2010-2012
CONTENTS

Introduction

The IPSASB's strategy and operational plan for 2007-2009, released in April 2007, set the direction and priorities for the activities of the IPSASB to December 2009. The strategic themes that guided the three year period from 2007-2009 were:

- Development of a public sector conceptual framework;

- Development of public sector specific standards, including convergence with the statistical bases where appropriate;

- IFRS convergence; and

- Promotion and communication.

Significant progress has been made on the development of the public sector conceptual framework as well as on several other significant public sector specific projects, including Reporting the Long-Term Sustainability of Public Finances, External Assistance, Cash Basis Review, and Service Concession Arrangements.

In addition, the progress towards IFRS convergence over the past three years has been significant. Convergence with all public-sector relevant IFRS as at December 31, 2008 was achieved at December 31, 2009. This is a significant milestone for the IPSASB. The IPSASB's focus over the past three years on IFRS convergence has resulted in the development of robust standards in several key areas including, most notably, financial instruments, impairment of cash-generating assets and intangible assets.

Finally, the increase in outreach activities undertaken by the IPSASB as a result of a strong and well developed promotion and communication initiative has enhanced engagement with many stakeholders around the world, including many governments as well as key strategic partners.

It is now time for the IPSASB to consider the strategic themes to guide the future. The IPSASB has decided to seek public comment on its proposed strategic direction as well as on it intended projects and activities for the period 2010-2012. The proposed strategy and possible actions, amended in the light of comments received, will form the basis for the IPSASB Work Plan for 2010-2012.

Guide for Respondents

The IPSASB would welcome comments on all matters related to its proposed 2010-2012 Strategy and Work Plan. Comments are most helpful if they indicate the specific section to which they relate, contain a clear rationale and, where applicable, provide explicit suggestions for proposed changes to the plan.

Specific Matters for Comment

1.   Do you agree with the IPSASB's proposed strategic themes for 2010-2012?

2.   Considering the proposed new projects in the work plans, do you agree with these projects and are they prioritized appropriately?

3.   Do you favour the IPSASB meeting 3 times per year (see work plan pages 19-20) or 4 times per year in 2011 and 2012 (see work plan pages 21-22)?

4.   If you had the opportunity to add one project to the list, what would it be?

Statement from the Chair

I am pleased to present the proposed *Strategy and Work Plan 2010-2012* of the International Public Sector Accounting Standards Board (IPSASB). I am assuming the role of Chair of the IPSASB at a time when the Board, under the leadership of my predecessor Mike Hathorn, has successfully achieved the goals set out in the current work plan, most notably the significant convergence of IPSASs with IFRSs. We have a strong base from which to look forward for the next period.

Vision

Our vision is that the International Public Sector Accounting Standards (IPSASs) that we develop in the public interest will be the accounting and reporting standard for the public sector globally. This includes governments of all levels as well as international governmental organizations.

As the acknowledged body setting accounting standards for the public sector internationally, the IPSASB plays a key role related to government financial reporting as well as to the financial reporting of intergovernmental organizations. The global economic crisis has underscored the relevance of the public sector internationally. Government interventions in various sectors and industries highlight the need for greater accountability and transparency on the part of governments.

Going forward our strategy is to maintain the strong base of standards that has been developed to date, and to build on it by addressing public sector specific topics and promoting the adoption of IPSASs in key constituencies. Communications and promotions activities continue to be a key strategic focus, in particular with governments, national standard setters and key strategic partners such as the World Bank, and the IMF.

The Strategy and Work Plan set out in this document reflect the outcome of an extensive planning process undertaken by the IPSASB. The IPSASB's stated objective and strategic initiatives confirm that the IPSASB's primary role is that of a standard setter for the public sector. To that end, the plan for the next three year focuses on progressing several public sector specific projects and maintaining existing standards while promoting the adoption of its standards and assessing barriers to adoption.

IPSASs remain the IPSASB's most important single product. It is incumbent on the IPSASB for the next three years to make progress on the development of a public sector conceptual framework in order to ensure a strong underpinning for the development of further standards. In addition, the development of additional public sector specific standards is seen as a key priority for the IPSASB, as is the continuation of convergence with IFRSs. In addition, a set of robust high quality accounting standards means that efforts will continue to be needed to maintain existing IPSASs, both those converged with IFRSs and those that are public sector specific. Finally, a strong program of communications is critical in promoting adoption and implementation of the standards.

In terms of governance, the IPSASB's view is that the issue of oversight, which was first raised in the Likierman report, needs to be resolved by IFAC. A board which is dedicated to the enhancement of transparency and accountability has to be accountable in its own right. IFAC has committed to engaging with IPSASB's key stakeholders in order to develop structures and processes of public interest oversight during the period, thereby enhancing existing governance arrangements. This will allow the IPSASB to present itself as a standard setter which has adopted the full set of principles of good governance to its own institutional setting.

Conclusion

It is important that the Strategy and Work Plan 2010-2012 build with the successes already achieved. The direction of our work responds to the public interest which must be our overriding concern. I welcome your comments on the proposals.

Andreas Bergmann

IPSASB Chair

Background

The purpose of this plan is to set the direction and priorities for activities of the International Public Sector Accounting Standards Board (IPSASB) for the three year period from January 2010 to December 2012.

In pursuing its mission IFAC established the International Public Sector Accounting Standards Board (IPSASB) to function as an independent standard-setting body under the auspices of IFAC. The IPSASB develops and issues International Public Sector Accounting Standards (IPSASs) which are financial reporting standards for application by governments (other than for Government Business Enterprises) and other international governmental organizations, for example the United Nations (UN), North Atlantic Treaty Organization (NATO) and others.

The IPSASB issues IPSASs dealing with financial reporting under the accrual basis of accounting and the cash basis of accounting. The accrual basis IPSASs are based on the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) where the requirements of those Standards are applicable to the public sector. They also deal with public sector specific financial reporting issues that are not dealt with in IFRSs. The IPSASB will ensure that its requirements are consistent with those of IASB to the extent the requirements of IFRSs are appropriate to the public sector.

The Cash Basis IPSAS is a comprehensive financial reporting framework and includes mandatory and encouraged disclosures sections. The Cash Basis IPSAS encourages an entity to voluntarily disclose accrual based information regardless of the fact that the core financial statements will be prepared under a cash basis. This may serve to facilitate moving over time from a cash basis to an accrual basis.

The IPSASB's mission is:

 "To serve the public interest by developing high-quality accounting standards for use by public sector entities around the world in the preparation of general purpose financial reports."

This will enhance the quality and transparency of public sector financial reporting by providing better information for public sector financial management and decision making. In pursuit of this objective, the IPSASB supports the convergence of international and national public sector accounting standards and the convergence of accounting and statistical bases of financial reporting where appropriate.

In achieving its objectives, the IPSASB

a)   Issues International Public Sector Accounting Standards (IPSASs);

b)   Promotes their acceptance and the international convergence to these standards; and

c)   Publishes other documents which provide guidance on issues and experiences in financial reporting in the public sector.

Environment Facing the Public Sector and the IPSASB

As leaders in the international accounting standard-setting community, the IPSASB plays a key role related to government financial reporting as well as to the financial reporting of international public sector not-for-profit organizations. Environmental factors have implications for the IPSASB in terms of the strategies it adopts.

The IPSASB continually monitors the environment in which it operates and seeks to proactively shape that environment, react to pressures being exerted where appropriate and to influence various outcomes through the identification of its strategic direction, the way it operates and the services it delivers.

Environmental factors may be general, such as trends towards globalization, regionalization, and technological advances. Other factors, like the credibility of financial reporting or the trend towards convergence in accounting standards internationally, are specific to the accounting profession as a whole. Finally, some environmental factors, such as the long-term fiscal sustainability of governments, are specific to the public sector and to the IPSASB.

The most fundamental change from the last planning process has been the global economic crisis and the extensive impact on governments and the public sector. The global economic crisis has affected the availability of resources and placed a spotlight on whether resources are used as intended and in the most efficient and effective manner. The need for transparency in government financial reporting is more important than ever as governments deal with the impact of their actions on their own financial reporting. As a result, support for the global adoption and implementation of International Public Sector Accounting Standards is building as these are seen as vital for improving the transparency and accountability of governments as they conduct takeovers and bailouts of major market institutions, banks, and profit-oriented companies.

Given the unprecedented nature of many of these actions and interventions it is challenging to know what the ultimate impact on governments will be. Taxpayers, lenders and other stakeholders demand that governments account for and disclose the impact of these interventions in financial reports. There is a growing emphasis internationally on improved governmental financial reporting and increased demand for government accountability as well as increasing concerns about the sustainability of key government programs. There is also a greater awareness of the quantitative and qualitative relevancy of public sector borrowers for the global financial markets. The IPSASB is likely to face increasing demands for high quality standards and adoption and implementation guidance to address these issues.

In 2004, the Likierman External Review Report recommended that IPSASB be subject to public oversight by the Public Interest Oversight Board (PIOB). Though both IFAC and the IPSASB support this, to date it has not occurred. Given the strong public interest mandate of the IPSASB the IPSASB's governance and oversight arrangements must be considered to ensure that the IPSASB's credibility is maintained and that the standard setting process is independent and robust. In an increasingly global world where there is enhanced relevance of the public sector, strong governance arrangements are needed.

IFAC is currently directing efforts towards this, with the goal ultimately of ensuring that the IPSASB has public oversight in a manner that is considered most appropriate based on feedback from governments and other key stakeholders.

Strategy

The proposed Strategy and Work Plan 2010-2012 sets the direction and priorities for the activities of the IPSASB for the three-year period from January 1, 2010 until December 31, 2012. The IPSASB projects and activities consider the overall strategy of IFAC, the IPSASB's mission and vision and the strategic themes identified as the basis for the framework for a work program for the next three years. They respond to significant developments in the environment in which public sector accounting standards are set, including the significant impact of the global economic crisis on governments. They also assist the IPSASB in working towards global adoption of its standards and to establish and maintain important critical partnerships. They are underpinned by the IPSASB's communications and promotion initiatives which are established to support the strategy.

This section sets out the IPSASB's strategic themes for 2010-2012. The next section includes the planned work program to implement the strategy.

The IPSASB's key strategic themes for the period 2010-1012 are:

I.   Developing public sector accounting and reporting standards and guidance;

II.   Maintaining existing IPSASs; and

III.   Communications and promoting adoption and implementation.

I   Developing Public Sector Accounting and Reporting Standards and Guidance

The IPSASB's work plan for the prior 3 year period has focused on four strategic themes. IFRS convergence has been a major focus of the work plan for the past 2 years as the IPSASB progressed towards substantial convergence by December 31, 2009.

The IPSASB's view is that in order to serve constituents the focus over the next three years should be on developing a public sector conceptual framework, and undertaking public sector specific projects while continuing with convergence with IFRSs.

a)   **Public sector conceptual framework**

This project will establish the concepts that are to be applied in developing IPSASs and other documents that provide guidance on information included in general purpose financial reports (GPFRs). A conceptual framework is an important component in the literature of standards setters and will reinforce the credibility of the IPSASB and provide a strong underpinning for the development of future standards.

The IPSASB will continue to devote time to this project at each IPSASB meeting in order that an Exposure Draft (ED) of a full Public Sector Conceptual Framework can be issued during 2012, or earlier.

b)   **Public sector specific projects**

There are a number of projects that are specific to the public sector, where there is no equivalent accounting standard in the private sector due to the lack of relevance of the topic. For example IPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and*

Transfers), resulted from the one of the first public sector specific project initiated by the IPSASB. The differences between the statistical bases and IPSAS are systematically monitored and reduced by all IPSASB projects, wherever appropriate.

Examples of current projects that are public sector specific are Reporting the Long-Term Sustainability of Public Finances, Heritage Assets, Service Concession Arrangements and Service Performance. In addition, the IPSASB has committed to projects on financial instruments and entity combinations that specifically address public sector issues separately from the related converged IPSASs.

c)   **IFRS projects if there is no case for sector specific standards**

As the IPSASB further develops its set of robust standards for the public sector, the existing IFRS convergence approach will continue. This will ensure that the IPSASs and IFRSs are closely converged where appropriate and that the gaps that had developed between the standards will be eliminated even further. Assessing new IFRSs for which there is no related IPSAS will need to be undertaken during the planning process and the "rules of the road" analysis applied to determine whether any public sector specific issues exist. IPSASs based on IFRS are "public sectorized" and in most cases amendments made to address public sector specific issues identified. This continues to be an expeditious method of developing accounting standards for the public sector where no IPSAS currently exists and the IPSASB is committed to IFRS convergence as part of its standard setting processes.

II   Maintaining Existing Standards

With a robust body of standards now in place and the public sector conceptual framework underway, the IPSASB's work program must include maintaining existing IPSASs, both public sector specific and those converged with IFRSs. In addition, the cash basis IPSAS needs to be monitored and amendments made if deemed necessary. A review of the cash basis IPSAS is currently underway and changes may be made during this planning cycle.

There are a number of aspects inherent in this work. Firstly, in monitoring the IASB work program, changes the IASB makes to its existing IFRSs where there is a related IPSAS will need to be reviewed and considered. The IASB's Annual Improvements project will continue to be tracked and the changes to related IPSASs evaluated annually, as is currently done.

If there are more substantial changes to the IFRSs, IPSAS will consider the rules of the road and, if there is no public sector specific reason to depart, adopt the changes to the relevant IPSAS usually within 12 months.

There are a number of general improvements to the IPSASs that may be needed. For example, the IPSASB has not yet considered the impact on some IPSASs of consequential amendments made to the corresponding IFRS. In addition, there is a view that the public sector specific IPSASs need some amendments as a result of the experience in applying them.

All of these activities are necessary in order to maintain the existing suite of standards to ensure that they are maintained as a robust set of standards for the public sector.

III   Communications and Promoting Adoption and Implementation

The standard setting activities must be supported by a strong program of communications and promotions activities. Communications with adopters and implementers of IPSASs will be important in order to increase the overall adoption of IPSASs worldwide over the next three years.

Communication and promotion of adoption and implementation includes the provision of guidance. Study 14 is currently being reviewed and updated. It will be enhanced in order to better accommodate the substantially different backgrounds in jurisdictions around the world. However, IPSASB as an independent standard setter is not providing consultancy services in its own name. If members provide such services, they do so in their own name or in the name of their employers.

Understanding the challenges of potential adopters, including small public sector entities, is necessary to be able to develop appropriate standards and encourage progress towards adoption of IPSASs. The issue of small entities will also be addressed in guidance for adopters and implementers.

Members will continue with their ambitious outreach program and focus on global regions of strategic significance in order to enhance awareness of IPSASB and adoption efforts. Engaging with key stakeholders will continue to be important in order to continue to enhance the IPSASB's profile.

In addition, strategic partnerships with a number of international organizations will continue to be fostered. Over the past years the IPSASB's relationship with a number of key organizations has been strengthened through more active engagement outside of IPSASB meetings. Some examples include additional participation with the World Bank at a number of key forums and conferences, enhanced engagement with the OECD at their annual accruals symposium and the formation of a joint task force with the IMF to learn about government interventions to the global crisis. These types of activities will continue to be important in advancing the work of the IPSASB.

Supporting the IPSASB's Strategy

Over the next three years the IPSASB's activities will continue to be focused on developing high-quality accounting standards for use by public sector entities with the vision that IPSASs be the accounting and reporting standards for the public sector globally. In order to support that vision, the IPSASB has highlighted certain areas, some of which could be resource intensive in terms of staff and volunteer time but that are fundamental in supporting the strategy.

Structure of IPSASs – The IPSASB has initiated a project to review the structure of existing IPSASs with the goal of enhancing consistency among the standards. Now that substantial convergence has been achieved, the IPSASB has begun reviewing various inconsistencies between IPSASs in terms of style, format, sequence, and other components. Work has commenced and will continue over the next year to identify inconsistencies and amend these in order to improve the readability and clarity of the standards.

Governance – As noted, the IFAC is currently reviewing the IPSASB's governance and oversight arrangements, with the goal of ensuring that the IPSASB has public oversight in an appropriate manner that responds to feedback from governments and other key stakeholders. The ultimate structure that will be in place is still to be determined but IFAC sees this as being necessary to provide a strong foundation to create the right environment for developing credible, robust and high quality standards.

2010-2012 Work Plan

The IPSASB has considered the relative priorities and importance of its activities for the period 2010-2012 and based on that has developed two proposed work programs for the period. One of these is based on the IPSASB meeting three times per year over the period while the second is based on the IPSASB increasing the number of meetings to four per year during 2011 and 2012. The work programs are based on the IPSASB's current working procedures, level of activity and resources.

It is important to recognize that the plans set out a guideline for project completion. The nature of standard-setting is such that any work plan is indicative only and would encompass a degree of flexibility to ensure that the due process is adhered to. The IPSASB's working practices need to ensure a clear and transparent due process at all times, balanced with the practical consideration of ensuring efficient and effective use of resources.

Funding of the proposed activities of the IPSASB remains a major constraint. Continued funding from external sources are uncertain. Currently IFAC contributes approximately 50% of the total budget with a number of external donors contributing the balance. There is little long-term continuity of the external funding sources. This situation is being actively monitored and options for enhancing funding are being vigorously pursued.

Key assumptions

The following assumptions have been made in developing the IPSASB's proposed work plans for the period 2010-2012:

- Scheduling three meetings per year, for the first proposed plan and increasing to four meetings per year in 2011 and 2012 for the second proposed plan;

- Each meeting expected to take an average of four days (i.e., total 12 meeting days per year). Any workshops or seminars in conjunction with the meeting will fall outside the meeting time;

- Staff resources will remain relatively consistent at six full time equivalents (perhaps with one or more short-term secondees in addition);

- Time commitment of IPSASB members and Technical Advisors is estimated at 450 hours per year where there are three meetings, taking into consideration meetings and the related travel and preparation, participation in task forces and subcommittees and outreach activities. This would increase proportionately if four meetings are held and could also increase depending on the nature of any changes made to the processes for governance and oversight;

- Support by various national standard setters (NSSs) on subcommittees and in providing staff resources on various projects will continue;

- Enhancing leadership of IPSASB members on projects;

- Enhancing use of time between meetings to review documents;

- Using task forces as appropriate to progress projects between meetings;

- IFAC enhancing governance and oversight arrangements; and

- Increasing financial resources from third parties as a step towards a broader investment in governance and oversight.

Which projects should be undertaken?

Appendix 1 sets out the planned projects from the 2007-2009 Strategy and Operational Plan and reports on their progress.

Projects for 2010-2012

In developing the proposed Work Plans and selecting specific projects, it is important to have a balance of projects at any point in time. Selecting projects is a judgmental process that attempts to balance diverging needs and factors to establish a work plan that is sustainable over the short, medium and longer term.

A number of projects are already underway at various stages of development and these will be continued. Some of these are near completion while others have been approved or committed but with few resources yet devoted to them. These projects are on the proposed work plans to be progressed during the period:

- Public sector conceptual framework;

- Service concession arrangements;

- Reporting the long-term sustainability of public finances;

- Cash basis review;

- Heritage assets;

- Narrative reporting;

- Service performance;

- Financial instruments- public sector;

- Entity combinations- public sector;

- Improvements; and

- IAS 39 amendments.

As part of the process to develop the proposed Work Plans, the IPSASB considered a number of potential projects at its December 2009 meeting in order to assess further projects that should be added. Priorities were considered in the context of the strategic themes, factoring in the key assumptions. After extensive discussion the IPSASB is proposing the following projects, not yet commenced, be added to the 2010-2012 Work Plan:

Three meetings per year 2010-2012:

- New project 1;

- New project 2;

Three meetings in 2010, four meetings per year 2011 and 2012:

- New project 1;

- New project 2;

- New project 3; and

- New project 4

> *Staff note:* The actual projects will be inserted once the IPSASB has selected these during the December 2009 meeting.

The proposed Work Plans set out on the following pages show the projects to be undertaken and how the IPSASB intends to progress work on the projects. The IPSASB will review the Work Plan at least annually to determine whether any amendments are needed.

IPSASB Agenda Schedule 2010-2012 – 3 meetings per year

	April 10	Jul 10	Nov 10	Mar 11	July 11	Oct 11	Feb 12	Jun 12	Oct 12
In Progress									
Conceptual Framework Group 1		DI				DI	ED		RR
Conceptual Framework Group 2	CP		RR	RR		DI	ED		RR
Conceptual Framework Group 3	DI	CP		RR	RR	DI	ED		RR
Conceptual Framework Group 4			DI		CP		RR	RR	ED
Service Concessions/PPPs		RR	IPSAS						
Review Cash Basis IPSAS	DI	ED		RR	IPSAS				
Reporting on the Long-Term Sustainability of Public Finances		RR	RR/DI	ED			RR	Final	
Committed									
Heritage Assets		DI	DI		CP				
Narrative Reporting	DI	CP		ED		RR	IPSAS		
Service Performance	DI		CP		RR	ED		RR	IPSAS
Financial instruments public sector		DI	DI/CP	CP		RR		ED	
Entity Combinations – public sector	DI	ED		RR	IPSAS				
Improvements (annually)	ED		IPSAS	ED		IPSAS		ED	
IAS 39 Amendments	ED		IPSAS						
New									
New project 1	PB	DI	DI		ED		RR	IPSAS	
New project 2					PB	DI	DI	ED	

Key: IPSAS Final Standard/Guidance, ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper

IFAC – International Public Sector Accounting Standards Board (IPSAB) Work Plan 2010-2012 (3 meetings per year)

	2010	2011	2012	2013+
Public Sector Conceptual Framework				
Group 1	develop ED material	develop ED material	ED February	IPSAS 2013 (late)
Group 2	CP April	develop ED material	ED February	IPSAS 2013 (late)
Group 3	CP July	develop ED material	ED February	IPSAS 2013 (late)
Group 4		CP July	ED October	IPSAS 2013 (late)
Service Concessions/PPPs	IPSAS November			
Review Cash Basis IPSAS	ED July	IPSAS March		
Reporting on the Long-Term Sustainability of Public Finances		ED March	Final June	
Heritage Assets	Analysis	CP July	TBD	
Narrative Reporting	CP July	ED March	IPSAS February	
Service Performance	CP November	ED October	IPSAS October	
Financial Instruments-public sector		CP March	ED June	IPSAS 2013 (late)
Entity Combinations – public sector	ED July	IPSAS July		
Improvements	ED April; IPSAS November	ED March; IPSAS October	ED June	IPSAS 2013
IAS 39 Amendments	ED April; IPSAS November			
New project 1	PB April	ED July	IPSAS June	
New project 2		PB July	ED June	IPSAS 2013

IPSASB Agenda Schedule 2010-2012 – 3 meetings 2010; 4 meetings 2011 & 2012

	April 10	Jul 10	Nov 10	Mar 11	June 11	Sept 11	Dec 11	Mar 12	June 12	Sept 12	Dec 12
In Progress											
Conceptual Framework Group 1		DI				DI	ED			RR	
Conceptual Framework Group 2	CP		RR	RR		DI	ED			RR	
Conceptual Framework Group 3	DI	CP		RR	RR	DI	ED			RR	
Conceptual Framework Group 4			DI		CP		RR	RR	ED		
Service Concessions/PPPs		RR	IPSAS								
Review Cash Basis IPSAS	DI	ED		IPSAS							
Reporting on the Long-Term Sustainability of Public Finances		RR	RR/DI	ED		RR	RR	Final			
Committed											
Heritage Assets		DI	DI		CP						
Narrative Reporting	DI	CP		ED		RR	IPSAS				
Service Performance	DI		CP		RR	ED		RR		IPSAS	
Financial instruments public sector		DI	DI/CP	CP		RR		ED		RR	RR
Entity Combinations – public sector	DI	ED		RR	IPSAS						
Improvements (annually)	ED		IPSAS	ED		IPSAS		ED		IPSAS	
IAS 39 Amendments	DI/ED		IPSAS								
New											
New project 1	PB	DI	DI		ED			RR	IPSAS		
New project 2					PB	DI		DI	ED		
New project 3							PB	DI	ED		RR
New project 4										PB	DI

Key: IPSAS Final Standard/Guidance, ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper

IFAC – International Public Sector Accounting Standards Board (IPSASB) Work Plan 2010-2012 (3 meetings 2010; 4 meetings 2011 & 2012)

	2010	2011	2012	2013+
Public Sector Conceptual Framework				
Group 1	develop ED material	ED December		IPSAS 2013 (early)
Group 2	CP April	ED December		IPSAS 2013 (early)
Group 3	CP July	ED December		IPSAS 2013 (early)
Group 4		CP July	ED June	IPSAS 2013 (mid)
Service Concessions/PPPs	IPSAS November			
Review Cash Basis IPSAS	ED July	IPSAS March		
Reporting on the Long-Term Sustainability of Public Finances		ED March	Final March	
Heritage Assets	Analysis	CP July	TBD	
Narrative Reporting	CP July	ED March; IPSAS December		
Service Performance	CP November	ED September	IPSAS September	
Financial Instruments-public sector		CP March	ED March	IPSAS 2013 (early)
Entity Combinations – public sector	ED July	IPSAS July		
Improvements	ED April; IPSAS November	ED March; IPSAS October	ED March; IPSAS September	
IAS 39 Amendments	ED April; IPSAS November			
New project 1	PB April	ED July	IPSAS June	
New project 2		PB July	ED June	IPSAS 2013
New project 3		PB December	ED June	IPSAS 2013
New project 4			PB September	IPSAS 2014

Appendix 1: Planned Projects 2007-2009 and Update on Progress

Project Initiation	Comments/Update
2007	
Cash basis review	Delayed but commenced 2008; In process; scheduled completion 2010
Updating IPSASs	In process; borrowing costs deferred; segment reporting considered and deferred as non urgent
Rules of the road	Completed 2007
Financial instruments presentation	Commenced 2008; IPSAS 2009
Heritage assets	Deferred
Reporting on the Long-term Sustainability of Public Finances	Commenced 2008; In process; CP issued Q4 2009; ED 2010; final 2011
2008	
Entity combinations	Commenced 2008; IPSAS 2009; public sector component to commence 2010
Fair value	Deferred
MD&A (Narrative Reporting)	Approved 2008; not commenced pending CF phase 1 responses
Performance reporting	Approved 2008; not commenced pending CF phase 1 responses
2009	
Intangible assets	Commenced 2008; IPSAS 2009
Financial instruments recognition and measurement	Commenced 2008; IPSAS 2009

PROJECT PRIORITIES

ACTION REQUIRED

The IPSASB is asked to:

- **Approve projects to be added to the Work Plan for 2010-2012**

BACKGROUND

The IPSASB started discussions on the new strategy and work plan in September 2009. Staff posted a list of potential projects for comment on September 18, 2009 as a starting point for further discussions on project priorities.

The proposed draft strategy set out in agenda paper 6.2 provides some context for the project selection. The IPSASB indicated in September that it is anxious to get on with certain public sector specific projects. But commitment to IFRS convergence remains and there is an ongoing desire to continue to close the gap between IPSASs and IFRSs where possible and appropriate. Finally the IPSASB continues to be committed to the conceptual framework project and the need to make progress on this is considered paramount.

As noted in the draft strategy and work plan one of the key factors affecting project selection is the number of IPSASB meetings held per year. In September 2009 the IPSAS indicated a preference for holding 4 meetings per year commencing in 2011. While it does have budget ramifications, as a general comment this is supported by IFAC. In preparing the draft strategy and work plan therefore, staff proposed two possible scenarios for consideration. The first is that for the 3 year planning cycle 2010-2012 the IPSASB will hold 3 meetings per year. The second is that there will be 3 meetings in 2010 but 4 meetings in each of 2011 and 2012. Since the draft strategy will be issued for public consultation this will be a key question asked of constituents. For purposes of planning staff has prepared 2 work plans, one for each proposed scenario.

In order to assess potential new projects it is important first to understand the current commitments in terms of projects and the capacity for additional projects based on a number of key factors including, among others, meeting time as above, capacity of volunteers and staff resources.

Projects in process

There are a number of key projects that will still be in process during 2010-2012 and that need to be completed. Assuming the key convergence projects get approved as final IPSASs at this meeting, the current work program needs to include the following projects currently in progress:

- Public sector conceptual framework; ED 2011/2012
- Reporting on the long-term sustainability of public finances; ED 2011; final 2012
- Service concession arrangements; ED 2009/2010; final 2010/2011; and
- Cash basis review; ED 2010; final 2011.

All of these projects are well underway and the IPSASB has signaled a strong commitment to each. Of these projects, the public sector conceptual framework project will continue to be a high priority over the next 3 years with agenda time devoted to it at each meeting. Staff are working on a long term project plan to ensure that adequate staff resources are being allocated to this project to ensure that targets and deadlines are met and that an ED can be completed prior to the end of this planning period.

Projects committed but not yet commenced

A number of other projects have been committed though not yet commenced and these will also be addressed:

- Heritage assets; approved 2007; deferred due to redeliberation of UK approach, lack of consensus on recognition and measurement and IFRS convergence;
- Narrative reporting; approved 2008; deferred for CF;
- Service performance; approved 2008; deferred for CF;
- Financial instruments- public sector; committed 2009;
- Entity combinations -public sector; approved 2008; deferred for IFRS convergence;
- Annual improvements 2010; approved 2008 for annual project; and
- IAS 39 amendments; committed 2009.

At this stage the draft work plan has been prepared on the assumption that the IPSASB remains committed to these projects and is in a position to commence these projects in 2010 now that the IFRS convergence projects that were prioritized have been substantially completed, and the responses for the conceptual framework consultation paper have been analyzed.

Capacity for additional projects

In order to assess additional projects that might be able to be added to the work plan it is necessary to understand the potential capacity for projects. This is affected by the total staff complement as well as the number of projects each staff member can undertake.

Staff have made an assumption in conjunction with the views of the incoming Chair that each technical manager generally has capacity to undertake 2 projects at one time at various stages of completion. The Technical Director, Deputy Director and Senior Advisor currently have capacity for 1 project each, as does the Chinese secondee during the length of his 1 year tenure. Of note is that we currently have a position vacant. Our New York based Technical Manager will be staying with the IFAC Operations department and this means that we are actively working to fill a position as soon as possible.

Based on the current staff complement and assuming we are able to hire a new technical manager as soon as possible, the proposed work plans assume the following capacity for projects:

Davis	2
Fox	1
Keenan	2
New hire	2
Stanford	1
Sutcliffe	1
Wang	1
Total projects IPSASB staff	10

The above analysis indicates that at any point in time the IPSASB staff has capacity for approximately 10 projects at various stages of completion.

Is there capacity for any additional projects?

Based on the projects currently in-process and those committed but not yet commenced, staff considered what additional projects, if any, could be undertaken.

The total number of projects in-process and committed is 11. Given that Service Performance will be lead by GASB staff the total of these is reduced to 10 projects. Some IPSASB staff resources will be needed to oversee this project and this will need to be considered as the project progresses.

Of the in-process projects, at least 2 will be completed during the planning cycle if there are 3 meetings per year. This means that based on 3 meetings per year the IPSASB has the ability to take on 2 additional projects in addition to those in-process and committed.

If the number of meetings in 2011 and 2012 is increased to 4 this will accelerate progress on certain projects, notably conceptual framework and reporting on the long term sustainability of public finances. This will create room for 2 additional projects over the planning cycle.

In summary, in addition to in-process projects and those committed, the IPSASB may choose up to 4 additional projects to prioritize over the planning cycle – 2 projects if 3 meetings per year are maintained and 4 projects if the number of meetings in 2011 and 2012 is increased.

Prioritizing proposed additional projects

In order to prioritize potential projects it is first necessary to understand what potential projects exist. In order to identify the list of potential projects staff undertook a number of exercises:

- Reviewed the current IASB work plan for projects on the active agenda;
- Reviewed the IASB work plan for recently completed projects and other projects;
- Reviewed the lists of IFRSs for which there is no current equivalent IPSAS or for which there is currently no project in process; and
- Considered public sector specific projects as identified by constituents and members.

Appendix 1 sets out the full list that staff used as a starting point to inform the discussions for project prioritization. Brief descriptions of the projects and staff comments where appropriate are included.

Of this full list a number of projects are already being actioned. Further, a number of projects have been identified as appropriate for deferring at this time because the conceptual framework needs to be advanced first. Other projects are IFRS convergence projects but may be delayed pending outcome of the IASB's decision making processes.

The remaining projects were then assessed to determine whether they should be prioritized at this stage. Of the long list, there were nine projects staff assessed as potential to be considered for starting over the next 3 years.

	Project Title	Staff Comments
	IASB Active Agenda	
1.	Consolidation	IPSAS 6; IASB ED December 2008; IFRS Q3 2010; Joint with FASB further ED in Q2 2010 and replacement of IAS 27 late in 2010
		Some call for the need to update IPSAS 6; needs to be assessed under rules of the road.
2.	Emission trading schemes	ED Q2 2010; IFRS 2011; Emission trading schemes are designed to achieve a reduction of greenhouse gases through the use of tradable emission permits. Some call for this project though some thought it can't be completed until CF phase 2 complete re definition of an asset. Strong public sector component as IFRS project addresses voluntary schemes not statutory schemes.
3.	Financial statement presentation	IPSAS 1; DP October 2008; ED planned Q2 2010; IFRS 2011
		Potential need for project raised in May 2009 meeting;
4.	Joint ventures	IPSAS 8; IFRS Q1 2010;
		Likely to be replacement of IAS 31. The main changes are a clearer distinction between joint operations and joint ventures, eliminating proportionate consolidation option for joint ventures and more detailed disclosures on a contract by contract basis rather than aggregated as under current IAS 31. Aiming for publication Q1 2010 but may be minor slippage.
		Updating project for IPSAS 8 – would be assessed under rules of the road; could be reasonably quick
5.	Replacement of IAS 1 and IAS 7	IPSAS's 1 and 2; ED Q2 2010; IFRS 2011;
		Some call for this project; interaction with financial statement presentation. Could be linked with that project.
	Other IAS/IFRS	
6.	Cost of an investment (IFRS 1 & IAS 27)	IPSASs 6 and 7;
		Some call for project to update IPSASs
7.	First time adoption of IFRSs (IFRS 1)	Amendments issued by IASB July 2009; no corresponding IPSAS exists; Some call for more urgency on this project.

	Project Title	**Staff Comments**
8.	SME	IFRS July 2009; some call for this project to address complexity for smaller public sector entities; assessing "small and medium" in the public sector could be challenging. Likely to be resource intensive.
		Some thought that this should be deferred until the CF is done.
	Public sector specific	
9.	IPSAS 23 amendments	Recent work on Agriculture FI, Entity Combinations and Intangible Assets has highlighted issues of interaction with IPSAS 23. Suggestions of the need to consider amending IPSAS 23 have been raised.

In developing the actual work plan and selecting specific projects, it is important to have a balance of projects at any point in time to allow staff to address divergent needs. Not all high priority projects may be auctioned at once. It may be appropriate to commence a medium priority project that is less technical in order to achieve outputs along the way. Selecting projects is a judgmental process that attempts to balance diverging needs and factors to establish a balanced work plan that is sustainable over the short, medium and longer term.

Which projects should be initiated?

At the meeting a full discussion of the broad list of projects is encouraged but for purposes of these papers staff is proposing that the projects above be assessed as highest priority for initiation. Of the nine projects identified, staff proposes that the list be narrowed to 4 projects reflecting the maximum number that can be initiated if 4 meetings can be held in 2011 and 2012.

Note that at the meeting members will have the opportunity through a break out session to provide feedback on their priorities in order to come to a consensus on priorities.

For purposes of initial discussions, considering the need to balance priorities and work plans, staff proposes the following projects (listed in alphabetical order) be prioritized during 2010-2012:

- Emission trading schemes
- First time adoption
- IPSAS 23 amendments
- Joint ventures

Assumptions Inherent in the Proposed Work Plan

The following assumptions have been made in developing the IPSASB's proposed work plans for the period 2010-2012:

- Scheduling three meetings per year, for the first proposed plan and increasing to four meetings per year in 2011 and 2012 for the second proposed plan;

- Each meeting expected to take an average of four days (i.e., total 12 meeting days per year). Any workshops or seminars in conjunction with the meeting will fall outside the meeting time;
- Staff resources will remain relatively consistent at six full time equivalents (perhaps with one or more short-term secondees in addition);
- Time commitment of IPSASB members and Technical Advisors is estimated at 450 hours per year where there are three meetings, taking into consideration meetings and the related travel and preparation, participation in task forces and subcommittees and outreach activities. This would increase proportionately if four meetings are held and could also increase depending on the nature of any changes made to the processes for governance and oversight;
- Support by various national standard setters (NSSs) on subcommittees and in providing staff resources on various projects will continue;
- Enhancing leadership of IPSASB members on projects;
- Enhancing use of time between meetings to review documents;
- Using task forces as appropriate to progress projects between meetings;
- IFAC enhancing governance and oversight arrangements; and
- Increasing financial resources from third parties as a step towards a broader investment in governance and oversight.

Over the planning cycle the work plan will be assessed at least annually and changes may be made to existing or planned projects. Changes in key assumptions may affect the proposed plans as will resource constraints. Based on these assumptions the draft plans on the following pages have been developed.

ACTION REQUESTED

Approve draft work plans for inclusion in Exposure Draft issued for public comment.

IPSASB AGENDA SCHEDULE 2010-2012 – 3 MEETINGS PER YEAR

	April 10	Jul 10	Nov 10	Mar 11	July 11	Oct 11	Feb 12	Jun 12	Oct 12
In Progress									
Conceptual Framework Group 1		DI				DI	ED		RR
Conceptual Framework Group 2	CP		RR	RR		DI	ED		RR
Conceptual Framework Group 3	DI	CP		RR	RR	DI	ED		RR
Conceptual Framework Group 4			DI		CP		RR	RR	ED
Service Concessions/PPPs		RR	IPSAS						
Review Cash Basis IPSAS	DI	ED		RR	IPSAS				
Reporting on the Long-Term Sustainability of Public Finances		RR	RR/DI	ED			RR	Final	
Committed									
Heritage Assets		DI	DI		CP				
Narrative Reporting	DI	CP		ED		RR	IPSAS		
Service Performance	DI		CP		RR	ED		RR	IPSAS
Financial instruments public sector		DI	DI/CP	CP		RR		ED	
Entity Combinations – public sector	DI	ED		RR	IPSAS				
Improvements (annually)	ED		IPSAS	ED		IPSAS		ED	
IAS 39 Amendments	ED		IPSAS						
New									
New project 1	PB	DI	DI		ED		RR	IPSAS	
New project 2					PB	DI	DI	ED	

Key: IPSAS Final Standard/Guidance, ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper

IFAC – IPSAB WORK PLAN 2010-2012 (3 MEETINGS PER YEAR)

	2010	2011	2012	2013+
Public Sector Conceptual Framework				
Group 1	develop ED material	develop ED material	ED February	Final 2013 (late)
Group 2	CP April	develop ED material	ED February	Final 2013 (late)
Group 3	CP July	develop ED material	ED February	Final 2013 (late)
Group 4		CP July	ED October	Final 2013 (late)
Service Concessions/PPPs	IPSAS November			
Review Cash Basis IPSAS	ED July	IPSAS March		
Reporting on the Long-Term Sustainability of Public Finances		ED March	Final June	
Heritage Assets	Analysis	CP July	TBD	
Narrative Reporting	CP July	ED March	IPSAS February	
Service Performance	CP November	ED October	IPSAS October	
Financial Instruments-public sector		CP March	ED June	IPSAS 2013 (late)
Entity Combinations – public sector	ED July	IPSAS July		
Improvements	ED April; IPSAS November	ED March; IPSAS October	ED June	IPSAS 2013
IAS 39 Amendments	ED April; IPSAS November			
New project 1	PB April	ED July	IPSAS June	
New project 2		PB July	ED June	IPSAS 2013

IPSASB AGENDA SCHEDULE 2010-2012 – 3 MEETINGS 2010; 4 MEETINGS 2011 & 2012

	April 10	Jul 10	Nov 10	Mar 11	June 11	Sept 11	Dec 11	Mar 12	June 12	Sept 12	Dec 12
In Progress											
Conceptual Framework Group 1		DI				DI	ED			RR	
Conceptual Framework Group 2	CP		RR	RR		DI	ED			RR	
Conceptual Framework Group 3	DI	CP		RR	RR	DI	ED			RR	
Conceptual Framework Group 4			DI		CP		RR	RR	ED		
Service Concessions/PPPs		RR	IPSAS								
Review Cash Basis IPSAS	DI	ED		IPSAS							
Reporting on the Long-Term Sustainability of Public Finances		RR	RR/DI	ED		RR	RR	Final			
Committed											
Heritage Assets		DI	DI		CP						
Narrative Reporting	DI	CP		ED		RR	IPSAS				
Service Performance	DI		CP		RR	ED		RR		IPSAS	
Financial instruments public sector		DI	DI/CP	CP		RR		ED		RR	RR
Entity Combinations – public sector	DI	ED		RR	IPSAS						
Improvements (annually)	ED		IPSAS	ED		IPSAS		ED		IPSAS	
IAS 39 Amendments	DI/ED		IPSAS								
New											
New project 1	PB	DI	DI		ED			RR	IPSAS		
New project 2					PB	DI	DI		ED		
New project 3						PB	DI		ED		RR
New project 4										PB	DI

Key: IPSAS Final Standard/Guidance, ED Exposure Draft, PB Project Brief, DI Discussion of Issues. RR Review of Responses, CP Consultation Paper

IFAC – IPSASB WORK PLAN 2010-2012 (3 MEETINGS 2010; 4 MEETINGS 2011 & 2012)

	2010	2011	2012	2013+
Public Sector Conceptual Framework				
Group 1	develop ED material	ED December		Final 2013 (early)
Group 2	CP April	ED December		Final 2013 (early)
Group 3	CP July	ED December		Final 2013 (early)
Group 4		CP July	ED June	Final 2013 (mid)
Service Concessions/PPPs	IPSAS November			
Review Cash Basis IPSAS	ED July	IPSAS March		
Reporting on the Long-Term Sustainability of Public Finances		ED March	Final March	
Heritage Assets	Analysis	CP July	TBD	
Narrative Reporting	CP July	ED March; IPSAS December		
Service Performance	CP November	ED September	IPSAS September	
Financial Instruments-public sector		CP March	ED March	IPSAS 2013 (early)
Entity Combinations – public sector	ED July	IPSAS July		
Improvements	ED April; IPSAS November	ED March; IPSAS October	ED March; IPSAS September	
IAS 39 Amendments	ED April; IPSAS November			
New project 1	PB April	ED July	IPSAS June	
New project 2		PB July	ED June	IPSAS 2013
New project 3		PB December	ED June	IPSAS 2013
New project 4			PB September	IPSAS 2014

APPENDIX 1: EXTENDED LIST OF POTENTIAL PROJECTS

Shading indicates projects that have been identified for consideration to initiate in the planning cycle

Project Title	Staff Comments	Proposed action by IPSASB
IASB Active Agenda		
Amendments to IFRIC 14 (related to IAS 19)	IPSAS 25; amendments to be published December 2009. IPSAS 25 was issued February 2008 with effective date January 1, 2011. Amendments to IPSAS 25 based on IASB changes will be monitored but not considered priority until a future time.	No action proposed at this time
Annual improvements 2008-2010	ED issued; 2010 completion; committed on an annual basis; ED proposed April 2010; completion late 2010;	Committed; on work plan
Annual improvements 2009-2011	ED Q3 2010; 2011 completion; committed on an annual basis; ED proposed March 2011; completion late 2011	Committed; on work plan
Consolidation	IPSAS 6; IASB ED December 2008; IFRS Q3 2010; Joint with FASB further ED in Q2 2010 and replacement if IAS 27 late in 2010	Consider
Derecognition (IAS 39)	ED March 2009; completion Q3-Q4 2010. To be considered as part of amendments to FI and FI public sector specific.	No additional action proposed at this time
Emission trading schemes	ED Q2 2010; IFRS 2011; Emission trading schemes are designed to achieve a reduction of greenhouse gases through the use of tradable emission permits. Some call for this project though some thought it can't be completed until CF phase 2 complete re definition of an asset. Strong public sector component as IFRS project addresses voluntary schemes not statutory schemes.	Consider
Discontinued operations	ED September 2008; IFRS Q1 2010. Little call by public sector constituents; Not considered high priority by IPSASB	No action proposed at this time
Fair value measurement	ED May 2009; roundtable Q4 2009; completion Q3 2010; Feedback indicates considerable uncertainty around these proposed timelines. Inappropriate to consider fair value in public sector context until measurement phase further advanced.	No action proposed at this time

Project Title	Staff Comments	Proposed action by IPSASB
FI – IAS 39 replacement		
Classification & measurement	ED July 2009; completion 2009	Committed; on work plan
Impairment	ED October 2009; completion Q4 2010	Committed; on work plan
Hedging	ED December 2009; completion Q3-Q4 2010	Committed; on work plan
FI with characteristics of equity	ED Q2 2010; IFRS 2011; Project to simplify and improve accounting for FI. IAS 32 (FI Presentation) provides guidance for distinguishing between asset and liability instruments and equity instruments. Concerns relate to how the principles should be applied and whether the principles result in an appropriate distinction between equity and non-equity instruments. To be considered as part of amendments to FI and FI public sector specific.	No additional action proposed at this time
Financial statement presentation	IPSAS 1; DP October 2008; ED planned Q2 2010; IFRS 2011	Consider
Joint ventures	IPSAS 8; IFRS Q1 2010; Likely to be replacement of IAS 31. The main changes are eliminating proportionate consolidation option for joint ventures, a clearer distinction between joint operations and joint ventures and more detailed disclosures on a contract by contract basis rather than aggregated as under current IAS 31. Aiming for publication Q1 2010 but likely to slip.	Consider
Income Tax	ED March 2009; IFRS 2010; unlikely to proceed in current form; looking to undertake fundamental review of income taxes in the future. Low relevance to public sector	No action proposed at this time.
Insurance contracts	ED Q2 2010; IFRS 2011; The objective is to develop a standard that will provide a basis for consistent accounting for insurance contracts in the longer term. Little call by public sector constituents; Not considered high priority by IPSASB	No action proposed at this time
Leases	IPSAS 13; ED Q2 2010; IFRS 2011; The goal of the project is to develop a new single approach to lease accounting that would ensure that all assets and liabilities arising under lease contracts are recognized in the statement of financial position.	No action proposed at this time

Project Title	Staff Comments	Proposed action by IPSASB
	Given challenges of project may be appropriate to wait until further progress by the IASB.	
Liabilities (IAS 37)	IPSAS 19; ED/IFRS 2009; November IASB meeting dealt with sweep issues on a temporary basis for measurement of onerous contracts. Proposing amendment not replacement of IAS 37 although measurement changes will be highly significant. Working draft to be placed on IASB website January 2010 final revision scheduled Q3 2010. This is likely to result is a significant gap between IPSAS 19 and IAS 37 which may be problematic for some jurisdictions. Given the CF project, current thinking is to defer until phase 2 progresses further and reconsider once responses to phase 2 CP are reviewed.	No action proposed at this time
Management commentary	ED issued June 2009; guidance Q3-Q4 2010; See Narrative Reporting below	Committed; on work plan
Post-employment benefits (incl. pensions)	IPSAS 25; ED on recognition disclosures and other issues Q1 2010; IFRS 2011; proposed amendments on discount rate proved more complex than expected; not proceeding with amendment; IPSAS 25 was issued February 2008 with effective date January 1, 2011. Amendments to IPSAS 25 based on IASB changes will be monitored but not considered priority until a future time.	No action proposed at this time
Rate regulated activities	ED July 2009; IFRS Q 2 2010 Objective is to develop a standard on rate regulated activities that clarifies whether regulated entities could or should recognize an asset or a liability as a result of rate regulation. Some relevance to the public sector as some GBEs may be rate regulated enterprises. Could have some impact on concepts in definitions of elements but likely to primarily affect GBEs.	No action proposed at this time
Related party disclosures	IPSAS 20; Revised IAS 24 issued November 2009; Updating project though initial feedback that changes would be minimal and therefore project not a priority.	No action proposed at this time
Replacement of IAS 1 and IAS 7	IPSAS's 1 and 2; ED Q2 2010; IFRS 2011;	Consider

Project Title	Staff Comments	Proposed action by IPSASB
Revenue recognition	IPSAS's 9 and 11; ED Q2 2010; IFRS 2011; Objective is to clarify the principles for recognizing revenue and create a joint revenue recognition standard for IASB and FASB that companies can apply consistently across various industries and transactions. Given IASB progress on this and challenges to meeting timelines may be appropriate to defer until further progress by IASB. Relevance to public sector may be low as these types of revenues do not comprise the bulk of governments revenues.	No action proposed at this time
Termination benefits (IAS 19 amendments)	IPSAS 25; Considering amendments to be applied January 1, 2011; will be reconsidered December 2009. IPSAS 25 was issued February 2008 with effective date January 1, 2011. Amendments to IPSAS 25 based on IASB changes will be monitored but not considered priority until a future time.	No action proposed at this time
IASB Other Projects		
Common control transactions	Project deferred; IFRS 3 excludes business combinations under common control. The project will define common control and examine the methods of accounting for business combinations under common control. The project will also consider demergers, such as the spin-off of a subsidiary or business.	No action proposed at this time
Credit risk in liability measurement	DP June 2009; October 2009 project deferred and topic to be incorporated into conceptual framework measurement project.	No action proposed at this time
Earnings per share	Deferred pending other priorities Low relevance to public sector	No action proposed at this time
Extractive activities	NSS DP August 2009; request for views Q 1 2010; Research project that forms the first step towards development of standard for upstream extractive activities. These cover all aspects of the search for, finding and extraction of minerals oil and gas. Primary focus of research project is to consider reporting issues associated with reserves and resources especially how to define recognize measure and disclose.	No action proposed at this time
Government grants	Deferred; Not applicable	No action proposed at this time

Project Title	Staff Comments	Proposed action by IPSASB
Other IAS/IFRS		
Accounting and reporting by retirement benefit plans	Little call by public sector constituents; Not considered high priority by IPSASB	No action proposed at this time
Agriculture	IPSAS 27 approved and issued November 2009	No action proposed at this time
Business (Entity) combinations IFRS3/IAS 27	IPSAS 32 anticipated to be approved December 2009	No action proposed at this time
Cost of an investment (IFRS 1 & IAS 27)	IPSASs 6&7	Consider
First time adoption of IFRSs (IFRS 1)	Amendments issued July 2009	Consider
Goodwill	Discussed in September 2009 in conjunction with Entity Combinations project. IPSASB has committed to addressing public sector aspects of entity combinations in this planning period. May be appropriate to consider goodwill once that project complete.	No action proposed at this time
Share based payments	IFRS 2009; Low relevance to public sector	No action proposed at this time
SME	IFRS July 2009	Consider
Public sector specific		
Borrowing costs	IPSAS 5; To be considered in Conceptual framework	No action proposed at this time
Cash Basis Review	Commenced 2008	In progress; on work plan
Conceptual Framework	Commenced 2007	In progress; on work plan
Entity combinations – public sector	Approved June 2008	Committed; on work plan
FI public sector specific	Committed 2009	Committed; on work plan
GBEs	Raised in the context of conceptual framework; considered in October 2008; not urgent	No action proposed at this time
Heritage assets	Committed; On work plan for research/analysis	Committed; on work plan
IPSAS 23 improvements		Consider

Project Title	Staff Comments	Proposed action by IPSASB
Intangible assets – public sector (rights to tax)	Deferred pending CF project	No action proposed at this time
Long Term Fiscal Sustainability	CP issued November 2009	In process; on work plan
Narrative Reporting	Approved; Committed; approved in June 2008; deferred pending phase 1 CP conceptual framework. To commence 2010.	Committed; on work plan
Service Performance (Performance reporting)	Approved; Committed; approved in June 2008; deferred pending phase 1 CP conceptual framework. To commence 2010. Staff provided by GASB	Committed; on work plan
Service Concession Arrangements	In progress	In process; on work plan
Social Benefits	Deferred pending CF and Reporting on Long – Term Sustainability of Public Finances projects	No action proposed at this time