



International Federation of Accountants

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To: Members of the Forum of Firms

Cc: Transnational Auditor Committee
IFAC Regulatory Liaison Group
Russell Guthrie, Director, Quality Assurance and Member Body Relations
Patricia Dixon, Senior Technical Manager
Helene Kennedy, Chief Communications Officer

From: Fermín del Valle, President and Ian Ball, Chief Executive Officer

Re: IFAC Mid-Year Report to Firms

In recent years, IFAC has taken steps to increase the involvement of firms in IFAC activities, to enhance communications with you, and to provide more opportunity for your input. This Mid-Year Report has been developed to provide members of the Forum of Firms with information about major IFAC initiatives since January 2007.

REGULATION AND PUBLIC POLICY

Regulatory Initiatives

Meetings with the PIOB – IFAC leadership participated in two meetings of the Public Interest Oversight Board (PIOB): one in March and another in June. In March, the chairs of the Public Interest Activity Committees (PIACs) presented their work programs; the PIOB expressed their satisfaction with these plans and with the spirit of cooperation with the PIACs. In June, IFAC's President, Chief Executive and senior staff presented an update on the nominating process, IFAC Member Body Compliance Program, IFAC public interest activities, the International Accounting Education Standard Board's Strategic Plan, and IFAC's communications strategy, particularly initiatives designed to promote international standards.

As requested by the International Auditing and Assurance Standards Board (IAASB) Consultative Advisory Group (CAG) Membership Panel, the PIOB reviewed both the due process conducted by the Panel and the results of the Panel's review of existing members. Based on these reviews, the PIOB determined there were no reasons to object to the Panel's proposal to renew all existing CAG member organizations and individual members for a further three years effective September 1, 2007.

IFAC Regulatory Liaison Group – Earlier this year, IFAC's Board approved changes to the terms of reference of the IFAC Regulatory Liaison Group (IRLG) that are designed to further strengthen IFAC's relationships with regulators. Among other things, the terms of

reference now call for the IRLG to meet on a regular basis – a minimum of two times per year – and to meet jointly with the Monitoring Group of regulators on a regular basis. The IRLG met with the Monitoring Group in February and July at which it continued discussions on how IFAC, regulators and firms can continue to work together to identify and address a variety of issues including audit quality.

Meetings with Regulators – IFAC’s President and Chief Executive Officer met with the Chair and, separately, the Deputy Chair of the International Forum of Independent Audit Regulators (IFIAR) to discuss how IFAC and the IFIAR can have a closer working relationship. In addition, over the past seven months, meetings were held with a number of regulators, including representatives of the U.S. Securities and Exchange Commission, the UK Financial Reporting Council, the Deputy Minister of Finance of the Russian Federation, the Chair of the U.S. Public Company Accounting Oversight Board, the heads of the Central Bank and Securities and Exchange Commission of Sri Lanka, and regulatory bodies in Latin America, including Brazil, Colombia and Peru.

IOSCO Roundtable – IFAC leadership participated in the International Organization of Securities Commissions (IOSCO) Roundtable on Audit Quality, held in June, and, at IOSCO’s request, provided a list of invitees from firms, member bodies, standard setters and others.

Regulatory Paper – Another important initiative is articulating an IFAC position on regulation of the profession. We are now developing a formal position paper based on a speech by IFAC’s President in May 2007 entitled *IFAC’s Vision for the Future of Professional Regulation*, which was presented to leaders of the Fédération des Experts Comptables Européens (FEE) at a dinner hosted by the Association of Chartered Certified Accountants.

Public Interest Initiatives

IFAC is undertaking a number of projects on issues related to the public interest. In addition to developing a policy paper on professional regulation, it is addressing the following issues:

- ***Auditor Liability*** – IFAC is working with Stephen Harrison (former CEO of the Institute of Chartered Accountants in Australia) to develop a position paper that examines auditor liability reform in Australia and its impact on the profession. This paper is expected to be published by the end of 2007.
- ***Public Interest*** – IFAC is developing a public interest framework to more clearly define and articulate how it serves the public interest. Comments are currently being sought from the chairs and technical directors of IFAC’s standard-setting boards.

Financial Reporting Supply Chain Project

IFAC has undertaken a global initiative designed to analyze the financial reporting supply chain and to develop recommendations to further improve the quality of financial reporting. As part of the project, IFAC has conducted a survey of participants in the financial reporting supply chain, including investors and other users of financial reports, standard setters, preparers, auditors, academics, and regulators. A final report will be released by the end of the year.

STANDARD-SETTING ACTIVITIES

IAASB Clarity Project

At its meeting in Warsaw, Poland in July, the IAASB approved nine exposure drafts of proposed redrafted International Standards on Auditing (ISAs) as part of its project to improve the clarity of its international standards. The IAASB also approved a final revised and redrafted ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, which will be issued following final approval by the PIOB.

Since the start of the Clarity project, the IAASB has released four revised ISAs redrafted in the new clarity style, in addition to ISA 600, and 24 exposure drafts, including the nine mentioned above. Several of these exposure drafts still have open comment periods.

Progress that the IAASB has made so far and the direction it plans to take as it continues to redraft its standards is outlined in the report, [*Status of the IAASB's Work to Improve the Clarity of Its Standards*](#), which was prepared by the IAASB staff. The report can be downloaded from the IAASB website by going to <http://www.iaasb.org>.

International Ethics Standards Board for Accountants

The International Ethics Standards Board for Accountants (IESBA) is seeking comments on its proposed *Strategic and Operational Plan, 2008-2009*, which sets out the direction and priorities for IESBA activities over the next two years. Comments are requested by August 31, 2007.

The IESBA is also continuing to focus substantial effort on updating its independence rules. In July, it released an exposure draft proposing further revisions to the independence requirements in the IFAC *Code of Ethics for Professional Accountants*. These revisions cover the provision of internal audit services to an audit client, independence implications related to the relative size of fees received from one assurance client, and contingent fees for services provided to assurance clients. Comments are requested by October 15, 2007.

This exposure draft follows on one issued by the IESBA in December 2006 that proposed the following revisions to the Code of Ethics: expanding the applicability of partner

rotation requirements, updating requirements for the provision of non-assurance services, and extending independence requirements to the audits of a wider range of entities of significant public interest. The IESBA received more than 70 comment letters in response to this exposure draft.

To view IESBA exposure drafts and comment letters received, visit the IFAC website at <http://www.ifac.org/EDs>.

International Accounting Education Standards Boards

In June, the International Accounting Education Standards Board (IAESB) approved the following three documents (pending final approval by the PIOB):

- International Education Practice Statement (IEPS), *Approaches to Developing and Maintaining Professional Values, Ethics and Attitudes*;
- IEPS, *IT for Professional Accountants*; and
- *IAESB Strategic and Operational Plan 2007-2009*.

In addition, the IAESB has released a downloadable version of its *Ethics Education Toolkit*, which is designed to support IFAC members, associates, and accounting educators in developing high quality ethics education training programs for professional accountants and accounting students worldwide. The toolkit can be downloaded free-of-charge from the IFAC online bookstore (<http://www.ifac.org/store>).

International Public Sector Accounting Standards Board

Earlier this year, the International Public Sector Accounting Standards Board (IPSASB) released 11 International Public Sector Accounting Standards (IPSASs) revised as part of its Improvements Project, as well as a revised *Preface to International Public Sector Accounting Standards*. The IPSASB has now begun a second phase of this project and is looking at updating a further nine IPSASs.

The IPSASB is in the process of updating its list of countries (currently, more than 50) that have adopted its standards or are in the process of adopting them. The current list is available at http://www.ifac.org/PublicSector/Downloads/IPSAS_Adoption_Governments.pdf.

IFAC'S 30th ANNIVERSARY

This year marks the 30th anniversary of IFAC's founding. To commemorate the occasion, IFAC is encouraging its members, associates, regional accountancy bodies, as well as accounting firms, to mark the occasion of the anniversary by communicating about the value of the profession, particularly with respect to its role in contributing to economic development worldwide, and to comment on their own contributions to IFAC.

The 30th anniversary celebration will culminate in World Accountancy Week, to be held on December 2-8, 2007. This week is registered in the U.S. National Registry of Special Events, and IFAC is encouraging its members and associates to obtain similar recognition and proclamations in their countries. A brief history of IFAC will also be released during World Accountancy Week.

In addition, IFAC is organizing major anniversary events in November and December:

November Council – Plans are progressing for 30th anniversary related activities during the November 2007 IFAC Council meeting in Mexico City. These include:

- A special one-day technical seminar on *The Financial Reporting Environment in the 21st Century*. Invitations have been sent to speakers, member and regional bodies, and current and past chairs and volunteer members of IFAC boards and committees;
- Special reception to recognize IFAC committee and board members; and
- Dinner honoring IFAC past presidents.

December Anniversary Forum – IFAC will conduct an anniversary forum on *Government, the Accountancy Profession and the Public Trust: Current Initiatives and Future Challenges*, on December 4 in New York City. In addition to IFAC's officers, confirmed speakers include:

- David Walker, United States Comptroller General;
- William Niskanen, Chairman of the Cato Institute;
- Mark Olson, Chairman of the U.S. Public Company Accounting Oversight Board; and
- Robert Herz, Chairman of the U.S. Financial Accounting Standards Board.

Invitations to this event will be mailed in October. If you have any questions about these activities, please contact Helene Kennedy, Chief Communications Officer, at helenekennedy@ifac.org.

WEBSITE TRANSLATION

To make information about its activities more accessible to a global audience, IFAC has translated core portions of its website (<http://www.ifac.org>) into Arabic, Chinese, French, Russian, and Spanish. These languages, in addition to English, which is IFAC's official language, are the official languages of the United Nations.

Translated sections of the IFAC website include the home page, information about the organization, its structure, governance and membership, as well as key information about IFAC's independent auditing, ethics, education, and public sector accounting standard-setting boards. The Forum of Firms and the Transnational Auditors Committee home pages have also been translated. In addition, the home pages for IFAC's resource centers

for professional accountants in business and small and medium practices have been translated.

The translations involved a strong collaborative effort between IFAC and its member bodies, whose assistance contributed substantially to the accuracy and cost effectiveness of the translations.

The organizations extensively involved in the translations were:

- The Chinese Institute of Certified Public Accountants (Chinese translations);
- Délégation Internationale pour l’Audit et la Comptabilité, the international arm of the Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l’Ordre des Experts-Comptables (French translations);
- Instituto de Censores Jurados de Cuentas de España (Spanish translations); and
- Saudi Organization for Certified Public Accountants (Arabic translations).

In addition, Jelil Bouraoui, a member of IFAC’s Developing Nations Committee based in Tunisia, provided assistance in reviewing the Arabic translations.

Comments on IFAC’s website are welcomed at any time and may be submitted online at <http://www.ifac.org/Feedback/>.

SUPPORT FOR DEVELOPING NATIONS

IFAC’s work to support developing nations is taking a number of different forms. It includes the following:

- Regional conferences, such as the conference in Mexico City in June entitled “Accounting and Accountability for Regional Economic Growth” (Contabilidad y Responsabilidad para el Crecimiento Económico Regional or “CReCER” in Spanish). Over 450 individuals, including representatives of the accountancy profession, firms, governments, the donor community, and academia from 27 Latin American and Caribbean countries as well as 16 other countries participated in this event.
- The development of good practice guidance on [*Establishing and Developing a Professional Accountancy Body*](#). This toolkit is available both online and in a CD-ROM format. A Spanish translation is also available. Arabic, French and Russian translations are also currently in development.
- Facilitation of member body mentoring program. The Developing Nations Committee is currently in the process of developing mentoring guidelines to assist developed and developing countries in working together. If you have any suggestions, please email them to Russell Guthrie, Director, Quality Assurance and Member Body Relations, at russellguthrie@ifac.org.

MEMBER BODY COMPLIANCE PROGRAM

The Compliance staff is very close to completing and publishing all of the responses to Part 2 of the IFAC Member Body Compliance Program, the Statements of Membership Obligations Self-Assessment. Responses to Parts 1 and 2 are posted to the IFAC website as agreed with the member or associate. The Compliance staff is also in the process of developing policy recommendations from which member bodies are expected to develop action plans.

In addition, the Compliance staff is working on revisions to membership criteria and the obligations for regional accountancy organizations. These changes are designed, among other things, to achieve greater alignment of strategic goals that can help to strengthen the global profession.

SMP/SME ISSUES

Addressing issues relating to small and medium practices (SMPs) and small and medium entities (SMEs) also remains an IFAC priority. IFAC fully supports the International Accounting Standards Board's (IASB) efforts to develop a financial reporting standard for SMEs and will be commenting on its proposed [International Financial Reporting Standard for Small and Medium-sized Entities \(IFRS for SMEs\)](#). The IASB has also released a [field test kit](#) designed to assess the scope and impact of the proposed IFRS for SMEs. IFAC is encouraging firms, IFAC member bodies, regional accountancy organizations, and all those with an interest to review the proposed IFRS for SMEs and provide comments, especially comments based on field testing. Comments are requested by October 1, 2007. Visit the IASB website (<http://www.iasb.org>) for more information.

IFAC is organizing a forum on issues affecting SMPs and SMEs in Malta on October 30, 2007. All IFAC members and associates have been invited to send representatives; representatives of firms with an interest in issues affecting SMPs and SMEs are also invited to attend. A forum brochure, which includes a list of speakers and information on how to register for the event, is available on the IFAC website at http://web.ifac.org/download/SMP_Conference_07_07_11.pdf.

PLANNING AND FINANCE COMMITTEE

The Planning and Finance Committee (PFC) has, to date, met four times in person and twice by conference call during 2007. During 2007 it has addressed work planning and budgeting for 2008, strategic implementation, cost-efficiency issues, and the next strategic planning cycle, which begins in late 2007. The Forum of Firms representative on the PFC, Peter Wyman, has been an active and valuable participant throughout its deliberations.

Operational Planning and Budgeting for 2008

With respect to operational planning and budgeting for 2008, the PFC's focus was twofold: maintaining funding for those activities that demonstrate the profession's work for the public good and, secondly, reviewing the current operating environment in terms of its implications for IFAC operations in 2008 and beyond.

Efficiency Review Process

In connection with an ongoing efficiency review process, the PFC discussed elements of a new meetings location policy, which it plans to further develop with management team input and present to the IFAC Board in September. The PFC also identified committee processes and activities as an area for further efficiency reviews.

IFAC Strategy Implementation

With respect to IFAC's strategy, the PFC has considered input from the Board, chief executives of several member bodies, and staff and has developed action items identified as a result of this input. It has also arrived at a final prioritization. How and when these action items might be implemented will be discussed at future PFC meetings.

The Next Strategy Planning Cycle

IFAC's next strategic planning development cycle will run through 2008 with the IFAC Council invited to provide initial input at its meeting in November 2007 in Mexico City. The culmination of the process will be Council approval of the Strategic Plan for 2009-2012 at its meeting in November 2008. The Forum of Firms will have an opportunity during the planning cycle to provide input into the shape of IFAC's next strategic plan.

ONGOING COMMUNICATIONS

IFAC very much values the input that firms provide through both formal and informal channels. Please do not hesitate to contact us if you have any comments on IFAC initiatives or suggestions regarding how we can effectively collaborate in contributing to enhancing the quality performance of professional accountants worldwide.