

March 26, 2013

Dear Board Members, Technical Advisors, Observers and Member Body Key Contacts,

I am delighted to provide you with this update on our recent Chief Executives' Strategy Forum and IFAC Board meeting.

The 11th annual Chief Executives' Strategy Forum (February 25-26) had the theme "Major Initiatives Ahead." It was attended by chief executive officers of a selected group of Member Bodies, Recognized Regional Organizations, and Acknowledged Accountancy Groupings, members of the Planning and Finance Committee, and chairs of the IFAC committees and the independent standard-setting boards. On the first day, breakout groups provided input on major issues being considered in the review of IFAC's Constitution and Bylaws, including the roles and responsibilities of the IFAC Council, Board, and Officers, and proposed options regarding IFAC's membership structure. The second day focused on IFAC's strategic direction: participants discussed their expectations for international, regional, and national trends and developments through 2020 and the implications for the global accountancy profession and IFAC.

The IFAC Board meeting (February 28-March 1) was also structured to allow for consultation on the review of IFAC's Constitution and Bylaws and strategy looking out to 2020. To facilitate full and frank discussion by the Board, we piloted a new "issues briefing" approach; the Board received background on these issues, divided into breakout groups to discuss them, and reported back on key outcomes.

The outcomes of both the forum and the Board meeting will be used to develop consultations with all member organizations. You will be receiving a survey-format consultation document on the review of IFAC's Constitution and Bylaws at the end of March.

The Board approved the 2012 financial statements and service delivery statement, and the external auditor expressed unqualified opinions on both statements. For 2012, the actual deficit was \$237,000, significantly better than forecast, partly due to higher than expected publication sales, increases in license fees and royalties, and management's continued effort to reduce expenses. In regard to service delivery, 80 projects were completed during 2012; 17 were delayed into 2013, primarily due to the need for additional work or consultation or shifts in emphasis and priorities. None of the delays were highlighted as a major concern.

The Board also received reports from management and others. Incoming CEO Fayez Choudhury discussed his initial impressions and views of IFAC, recent meetings with a number of member bodies and other key stakeholders, and meetings with IFAC staff. He noted that he views IFAC as four "business lines": 1) standard-setting, 2) supporting accountants worldwide, 3) building capacity, and 4) speaking out. His five areas of focus for the future are:

- Streamlining processes
- Enhancing perceived independence of the standard-setting boards

- Making stakeholder focus part of IFAC's "DNA"
- Enhancing support of accountants worldwide, and
- Diversifying the funding base

Eddy Wymeersch, chair of the Public Interest Oversight Board (PIOB), reported on the February 28, 2013 meeting of the Monitoring Group (MG): while the work of the International Public Sector Accounting Standards Board (IPSASB) was recognized, the MG concluded that the PIOB should not be expanded to provide IPSASB oversight. Rather, the World Bank and the International Monetary Fund will lead consideration of alternative arrangements. Mr. Wymeersch also noted that Ethiopis Tafara, current chair of the MG, is leaving the SEC (and therefore IOSCO) to go to the World Bank; a new chair of the MG will be named shortly.

In addition, the Public Interest Activity Committees (PIACs) and the International Public Sector Accounting Standards Board (IPSASB) submitted written reports to the Board, and the chairs of the International Auditing and Assurance Standards Board (IAASB) and IPSASB made presentations. The IAASB chair highlighted progress on the auditor reporting project, as well as recent approvals, key projects, and global adoption of standards. The IPSASB chair reported on recent developments, consultation on the work plan, and prospective governance and staffing changes.


The Nominating Committee provided an update on its activities, including the issuance of the *Call for Nominations for IFAC Boards and Committees in 2014* on January 15, 2013, and a subsequent erratum on February 11, 2013. The deadline for submitting nominations is March 15, 2013, except for the IPSASB, which is April 5, 2013. The committee plans to review the *Board and Committee Performance Program 2012* results for reappointments and succession planning at its meeting in April. Susan Coffey, from the American Institute of Certified Public Accountants, was appointed to the Public Policy and Regulation Advisory Group in order to respond to a gap in geographic representation, and In-Ki Joo, from the Korean Institute of Certified Public Accountants, was approved as a replacement on the Constitution Review Working Group for Ganapathy Ramaswamy, who voluntarily withdrew.

The IFAC committees, Recognized Regional Organizations, and Acknowledged Accountancy Groupings also submitted written reports to the Board, and the chair of the Professional Accountancy Organization (PAO) Development Committee made a presentation. She reviewed strategic goals, recent achievements, and initiatives for 2013-2014, including developments regarding MOSAIC: *Memorandum of Understanding to Strengthen Accountancy and Improve Collaboration*. In addition, the chief executive of the Fédération des Experts-Comptables Européens (FEE) reported on projects FEE is monitoring, including the United Kingdom's Competition Commission report on the statutory audit services market and developments regarding the European Commission's proposed legislation.

Finally, the Board received a report from the Planning and Finance Committee (PFC) regarding the 2015 dues calculation. The PFC discussed principles on which to base the development of a new/modified dues formula, including that the formula represent the value proposition, be transparent, be based on reliable and verifiable information, take into account the member body's capacity to pay, contribute to sustainable funding and buildup of reserves, be relatively easy to communicate, and result in dues that would represent the member body's percentage responsibility of the total expense budget. Of course, we will keep you apprised of progress in this area.

I look forward to seeing you at the next meeting of the Board, which will be held in New York, New York, USA on June 13-14, 2013.

Kind regards,

A handwritten signature in black ink that reads "Warren Allen". The signature is written in a cursive style with a large, sweeping initial 'W'.

Warren Allen
President