



Public Interest Oversight Board

# FINANCIAL STATEMENTS

2012

## INDEPENDENT AUDITOR'S REPORT on financial statements



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### Independent auditor's report on financial statements

To the International Organization of Securities Commissions (IOSCO), the International Association of Insurance Supervisors (IAIS) and the Bank for International Settlements (BIS):

We have audited the accompanying financial statements of the **Fundación Public Interest Oversight Board** (hereafter "PIOB" or "the Foundation") which comprise the statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement for the year ended 31 December 2012, and a summary of significant accounting policies and other explanatory notes.

#### *Board of Trustees' Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

BDO Auditores S.L. inscrita en el Registro Oficial de Auditores de Cuentas nº 51.273 es una sociedad limitada española, es miembro de BDO International Limited, una compañía limitada por garantía del Reino Unido y forma parte de la red internacional BDO de empresas independientes asociadas.

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## INDEPENDENT AUDITOR'S REPORT on financial statements



### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fundación Public Interest Oversight Board as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

BDO Auditores, S.L.

A handwritten signature in blue ink, appearing to read 'Peter D. Cook', written over a faint, illegible stamp or background.

Peter D. Cook  
Partner

Madrid 15 April 2013

BDO Auditores S.L., una sociedad limitada española, es miembro de BDO International Limited, una compañía limitada por garantía del Reino Unido y forma parte de la red internacional BDO de empresas independientes asociadas.

BDO es la marca comercial utilizada por toda la red BDO y para todas sus firmas miembros.

# FINANCIAL STATEMENTS

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012 (in Euros)

	2012	2011
<b>REVENUE</b>		
IFAC Funding (note 2, 15)	1.139.577	1.113.428
EC Funding (note 2, 15)	300.000	288.992
Ordinary exchange gains (note 2)	-	-
Interest income (note 2)	5.005	-
Other	1.914	-
<b>TOTAL REVENUE</b>	<b>1.446.496</b>	<b>1.402.420</b>
<b>EXPENSES</b>		
Employee costs (note 7)	560.165	564.467
Travel and meeting costs	290.761	245.455
Technical Committee stipends (note 8)	294.000	282.000
Annual report	9.452	7.935
Occupancy (notes 5 and 14)	46.869	52.411
Recruitment costs	31.545	-
Telephone	13.431	11.497
Legal and other professional fees	74.843	76.583
Auditor remuneration (note 16)	6.041	10.298
Depreciation and amortization (note 2 and 10)	8.985	9.283
IT Support	37.684	33.075
Ordinary exchange losses (note 2)	2.127	2.608
Other expenses	30.104	21.322
<b>TOTAL EXPENSES</b>	<b>1.406.007</b>	<b>1.316.934</b>
<b>INCOME BEFORE TAX</b>	<b>40.489</b>	<b>85.486</b>
Taxation (note 2)	-	-
<b>INCOME AFTER TAX</b>	<b>40.489</b>	<b>85.486</b>
<b>COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX</b>	<b>40.489</b>	<b>85.486</b>

# FINANCIAL STATEMENTS

## STATEMENT OF FINANCIAL POSITION

at 31 December 2012 (in Euros)

	2012	2011
<b>ASSETS</b>		
Current Assets		
Cash (note 9)	245.377	527.313
Term deposits (note 2)	346.539	-
Accounts Receivable	311.113	331.243
Prepaid Expenses	1.096	5.003
<b>TOTAL CURRENT ASSETS</b>	<b>904.125</b>	<b>863.559</b>
Capital Assets (note 10)	16.271	25.255
<b>TOTAL ASSETS</b>	<b>920.396</b>	<b>888.814</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable (note 4)	75.807	86.500
Accrued Liabilities (note 5)	147.564	150.783
Revenue received in advance (note 11)	309.997	304.992
<b>TOTAL LIABILITIES</b>	<b>533.368</b>	<b>542.275</b>
<b>EQUITY</b>		
Comprehensive income for the year net of tax	40.489	85.486
Endowment funds (note 13)	30.000	30.000
Other Reserves	316.539	231.054
<b>TOTAL EQUITY</b>	<b>387.028</b>	<b>346.539</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>920.396</b>	<b>888.814</b>

# FINANCIAL STATEMENTS

## STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2012 (in Euros)

				<b>2012</b>	<b>2011</b>
	<b>Comprehensive Income</b>	<b>Other Reserves</b>	<b>Endowment funds</b>	<b>Total</b>	<b>Total</b>
Balance, beginning of year	-	316.539	30.000	<b>346.539</b>	<b>261.053</b>
Additions	40.489	-	-	<b>40.489</b>	<b>85.486</b>
Balance, end of year	40.489	316.539	30.000	<b>387.028</b>	<b>346.539</b>

# FINANCIAL STATEMENTS

## STATEMENT OF CASH FLOW

for the year ended 31 December 2012 (in Euros)

	2012	2011
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses (expenses over revenue)	40.489	85.486
Non-cash items		
Depreciation of capital assets	8.985	9.283
Interest income from changes in fair value of financial instrument	-	-
Decrease (increase) in working capital items (note 6)	15.129	(44.534)
<b>NET CASH GENERATED</b>	<b>64.603</b>	<b>50.235</b>
<b>INVESTING ACTIVITIES</b>		
Financial instruments	(346.539)	-
Capital expenditures	-	(7.666)
<b>NET CASH USED</b>	<b>(346.539)</b>	<b>(7.666)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(281.936)</b>	<b>42.569</b>
Cash and cash equivalents, beginning of year	527.313	484.744
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>245.377</b>	<b>527.313</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Financial instruments	245.377	527.313
<b>TOTAL</b>	<b>245.377</b>	<b>527.313</b>

## NOTES TO FINANCIAL STATEMENTS

### 1.- FUNDACIÓN PUBLIC INTEREST OVERSIGHT BOARD

The Fundación Public Interest Oversight Board (“the Foundation”) was constituted on 15 December 2005 under “Ley 50/2002, de 27 de diciembre, de Fundaciones”, the Spanish law for not-for-profit foundations. Its legal founders were the International Organisation of Securities Commissions, the Bank for International Settlements and the International Association of Insurance Supervisors, three international regulatory groups committed to maintaining the stability of the international financial system and operating in the international public interest.

As described in its by-laws, the objective of the Foundation is to strengthen the international financial reporting system through overseeing the standard-setting activities of designated boards of the International Federation of Accountants (“IFAC”) and undertaking any other appropriate programs and projects that will contribute to achieving its objective. The Foundation’s Board of Directors is responsible for ensuring that the Foundation operates within its mandate and meets its legal and administrative obligations to the Spanish government. A Technical Committee of the Board is responsible for planning and executing the Foundation’s oversight program and related activities. Support for the Board of Directors and the Technical Committee is provided by the Foundation’s Secretariat based in Madrid, Spain.

In addition to its local regulatory responsibilities, the Foundation is operationally and financially accountable to the Monitoring Group. This forum of international regulators and other public interest bodies, including two of the Foundation’s founding organizations, monitors the progress of a 2003 program of IFAC reforms in which the Foundation’s Technical Committee performs a key public oversight role. The Monitoring Group also approves the Foundation’s annual budget.

### 2.- ACCOUNTING POLICIES

#### **Financial statements**

The Foundation’s financial statements have been prepared in accordance with International Financial Reporting Standards.

#### **Accounting estimates**

Preparation of the financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and in the notes to financial statements. These estimates and assumptions are based on management’s best knowledge of existing facts and circumstances as well as any current period impact of actions that the Foundation may undertake in the future. Actual results may differ from those estimates.

The financial statements are prepared in Euros.

#### **Measurement Base**

The statements of comprehensive income, financial position, changes in equity and cash flows have been prepared on an accrual basis with all assets and liabilities valued at historical cost.



## NOTES TO FINANCIAL STATEMENTS

### Foreign currency translation

Foreign currency transactions are accounted for in Euros and translated at the rates of exchange prevailing at the transaction date. Exchange gains or losses on subsequent settlement of related balances are recognised in the income statement when they arise.

Financial instruments denominated in foreign currencies at the balance sheet date are translated to their Euro equivalent at the prevailing foreign exchange rate. Foreign exchange differences arising on translation are recognised in the income statement.

### Revenue and cost recognition

Under a revised agreement dated January 2008, the International Federation of Accountants (hereinafter "IFAC") has committed to fund the operating expenses of the Foundation to a limit of EUR 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 from IFAC is recognised on an accrual basis.

In September 2009 the European Commission decided to award a grant to the Foundation for the period 2010-2013 to support the Foundation's work programme. The European Commission shall contribute a maximum of €300.000 or a 21,55% of the total eligible costs of the program per year. This revenue is recognized on an accrual basis based on the total eligible costs of the program. The Monitoring Group decided in October 2010 that the funds received from the European Commission should replace IFAC's funding.

Interest income from financial instruments follows the same criteria as defined above for European Commission revenue. This revenue fully replaces IFAC's funding.

Revenue is denominated in Euros.

Operating costs are recognised as an expense when incurred.

### Cash and cash equivalents

The Foundation's policy is to present cash and temporary investments having a term of three months or less from the acquisition date as cash and cash equivalents.

### Capital assets

Capital assets are recorded at cost. Any impairment in the net recoverable amount as compared to the net carrying amount is recognized immediately. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in operating surplus. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Capital assets are depreciated over their estimated useful lives according to the following methods and annual rates:

	Methods	Rates
Computer equipment		
IT Equipment and Software	Straight-line	25 %
Furniture	Straight-line	20 %

## NOTES TO FINANCIAL STATEMENTS

### Cash Flow Statement

The following are definitions of the terms used in the cash flow statement:

Cash and cash equivalents comprise cash on hand, current bank balances and short term deposits that can be converted to cash within two working days.

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities are those activities relating to the acquisition, holding, and disposal of fixed assets and investments.

### Financial instruments

Financial instruments are recognized on the trade date at amortized cost and are derecognized at sales date when the rights to receive cash flows from the instrument expire. The Foundation, following its Investment policy has invested its reserves in bank deposits with maturity dates over three months.

### Taxation

On 29 March, 2006, the Spanish Parliament passed legislation (Ley 4/2006, de 29 de Marzo, de adaptación del régimen de las entidades navieras en función del tonelaje a las nuevas directrices comunitarias sobre ayudas del Estado al transporte marítimo y de modificación del régimen económico y fiscal de Canarias) to exempt the Foundation from Spanish income tax.

### 3.- EXPENSES BY ACTIVITY

	(in Euros)	2012	2011
Board related operating costs			
Oversight Program		794.058	671.374
Communications and External Relations Program		124.489	149.496
Monitoring Group and Monitoring Group members		129.970	157.428
Foundation Board Meetings		118.532	122.585
Other ongoing operating costs		238.958	216.051
<b>TOTAL EXPENSES</b>		<b>1.406.007</b>	<b>1.316.934</b>

### 4.- ACCOUNTS PAYABLE

	(in Euros)	2012	2011
Professional services		-	5.650
Taxes and Social Security		52.904	60.675
Occupancy		-	-
Other		22.903	20.175
<b>TOTAL ACCOUNTS PAYABLE</b>		<b>75.807</b>	<b>86.500</b>

## NOTES TO FINANCIAL STATEMENTS

### 5.- ACCRUED LIABILITIES

	(in Euros)	<b>2012</b>	<b>2011</b>
Occupancy expenses		42.000	42.000
Professional fees		17.978	17.474
Accrued stipend		2.250	5.250
Travel and other operating costs		103.296	86.056
<b>TOTAL ACCRUED LIABILITIES</b>		<b>147.564</b>	<b>150.783</b>

### 6.- INFORMATION INCLUDED IN THE CASH FLOW STATEMENT

The increases (decreases) in working capital items are detailed as follows:

	(in Euros)	<b>2012</b>	<b>2011</b>
Accounts receivable		(20.130)	91.190
Prepaid expenses		(3.907)	1.307
Accounts payable		10.694	(35.050)
Accrued liabilities		3.219	(12.913)
Deferred revenue		(5.005)	-
<b>INCREASES (DECREASES) IN WORKING CAPITAL</b>		<b>(15.129)</b>	<b>44.534</b>

### 7.- EMPLOYEE COSTS

	(in Euros)	<b>2012</b>	<b>2011</b>
Gross Salaries		403.530	434.093
Spanish social security fees		32.424	35.932
Other social benefits		93.500	94.442
Termination benefits		30.711	-
<b>TOTAL EMPLOYEE COSTS</b>		<b>560.165</b>	<b>564.467</b>

### 8.- TECHNICAL COMMITTEE STIPENDS

Members of the Technical Committee receive fixed annual stipends of €18.750 except for the Chairman of the Committee who receives € 112.500 in recognition of his additional leadership responsibilities. All members other than the Chairman are further entitled to variable remuneration of € 750 per day of attendance at assigned public interest meetings.

Two of these members have elected to waive both fixed and variable stipends.

# FINANCIAL STATEMENTS

## NOTES TO FINANCIAL STATEMENTS

### 9.- CASH

	(in Euros)	2012	2011
Cash in Euros		245.377	527.313
<b>TOTAL CASH</b>		<b>245.377</b>	<b>527.313</b>

There are no restrictions on the use of cash.

### 10.- CAPITAL ASSETS

	(in Euros)		2012	2011
	IT equipment and software	Furniture	Total	Total
At the lower of recoverable value and cost				
Balance, beginning of year	23.391	24.098	47.489	39.823
Additions	-	-	-	7.666
Disposals	-	-	-	-
Balance, end of year	23.391	24.098	47.489	47.489
Accumulated depreciation				
Balance, beginning of year	(13.888)	(8.345)	(22.223)	(12.950)
Depreciation	(4.931)	(4.054)	(8.985)	(9.283)
Disposals	-	-	-	-
Balance, end of year	(18.819)	(12.399)	(31.218)	(22.223)
Net, end of year	4.572	11.699	16.271	25.256

### 11.- REVENUE RECEIVED IN ADVANCE

Revenue received in advance at 31 December 2012 of €309.997 (2011 €300.000) represents IFAC funding received in 2012 that has been designated to fund 2013 activities.

### 12.- ENDOWMENT FUNDS

To meet the minimum legal capital requirements established by Spanish law, the founders (see note 1) collectively provided an initial endowment of thirty thousand Euros (€30.000).

## NOTES TO FINANCIAL STATEMENTS

**13.- BOARD**

Positions on the Board are voluntary and there is no honorarium paid for any position held. The following persons were members of the Board during the year:

Mr. Eddy Wymeersch	Chairman
Mr. Robert Ward	Board member
Mr. Chandrashekhar Bhaskar Bhawe	Board member
Mr. Kai-Uwe Marten	Board member
Mr. Michael Hafeman	Board member
Mr. Toshiharu Kitamura	Board member
Mme. Sylvie Mathérat	Board member
The Hon. Aulana L. Peters	Board member until 28 February 2012
Sir Bryan Nicholson	Board member from 1 March 2012

**14.- GOVERNMENT ASSISTANCE**

As part of the localisation agreement in Madrid, the Foundation receives the right from the Spanish authorities to use a portion of the premises located at Oquendo, 12. This use is free of charge, except for non-structural maintenance expenses (electricity, water, elevator maintenance, etc). Based on the final agreement signed in September 2007 to establish a maximum yearly charge, the limit to allocable expenses has been set at the lower of thirty-three percent of actual costs or €43.000. The latter amount is subject to annual adjustments for changes in the Spanish Consumer Price Index.

**15.- RECLASSIFICATION OF REVENUE**

2011 revenue figures have been reclassified according to origin. Based on management's understanding of the terms for cost eligibility in the 2011 EC Grant, 2011 EC grant revenue was recognized on an accrual basis and based on the total eligible costs of the program.

Effective revenue from the EC Grant in 2011 amounted to €288.992 instead of the €284.000 originally estimated.

Following the terms of the agreement between the PIOB and IFAC, IFAC funding has been reduced by the full amount of the EC Grant revenue in 2011. Effective IFAC revenue in 2011 came up to €1.113.428 instead of the €1.118.420 originally reported.

The reclassification had no effect on the previously reported comprehensive income.

## NOTES TO FINANCIAL STATEMENTS

### 16.- AUDITORS' REMUNERATION

This note shows the total remuneration payable by the PIOB to its auditors.

(in Euros)	<b>2012</b>	<b>2011</b>
Fees payable to BDO for the voluntary audit of PIOB financial statements	6.041	6.404
Fees payable to BDO for other services	-	3.894
<b>TOTAL AUDITORS' REMUNERATION</b>	<b>6.041</b>	<b>10.298</b>

### 17.- SUBSEQUENT EVENTS

In the opinion of the management there are no significant events that need to be reported.

On behalf of the Foundation, we declare that the statements set out in pages 4 to 7 and the accompanying notes set out in pages 8 to 14, constitute the Financial Statements of the Foundation for the year ended 31 December 2012.



PIOB Secretariat in Madrid

## **Public Interest Oversight Board**

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