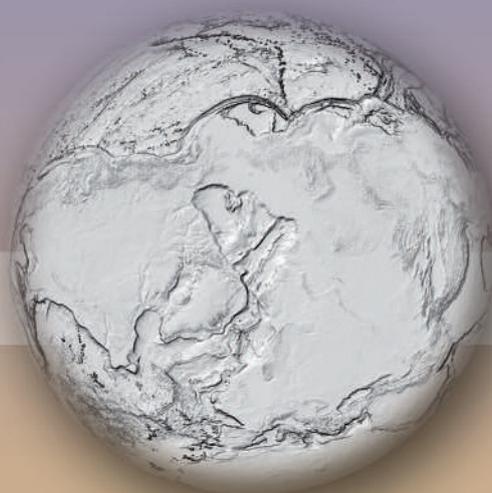


# PIOB

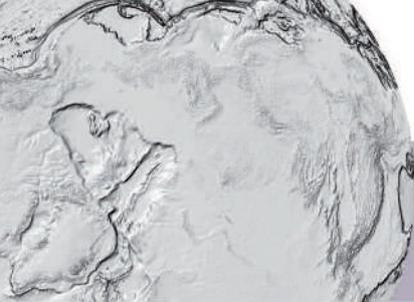


FINANCIAL STATEMENTS  
31 DECEMBER 2007

Fundación Consejo Internacional de Supervisión Pública en Estándares  
de Auditoría, Ética Profesional y Materias Relacionadas

Public Interest Oversight Board

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



**BDO Audiberia**  
Auditores

Rafael Calvo, 18 • 28010 Madrid - España  
Teléfono: 00 34-914 364 190  
Fax: 00 34-914 364 191/192  
Email: bdo@bdo.es

### **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 FUNDACION CONSEJO INTERNACIONAL DE SUPERVISION PUBLICA EN ESTANDARES DE AUDITORIA, ETICA PROFESIONAL Y MATERIAS RELACIONADAS, (hereafter "PIOB" or "the Foundation") which comprise the balance sheet as at December 31, 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

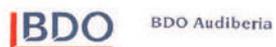
#### *Board of Trustees' Responsibility for the Financial Statements*

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.



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

*Opinion*

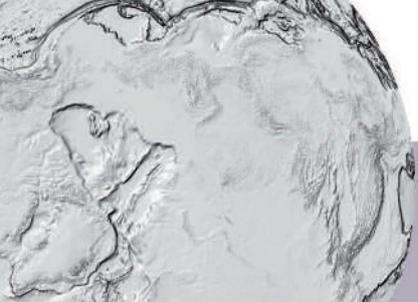
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

**BDO Audiberia**

A handwritten signature in black ink, appearing to read 'Emilio Domenech', written over a horizontal line.

Emilio Domenech  
Partner

Madrid, March 31, 2008



## INCOME STATEMENT

for the year ended 31 December 2007 (in Euros)

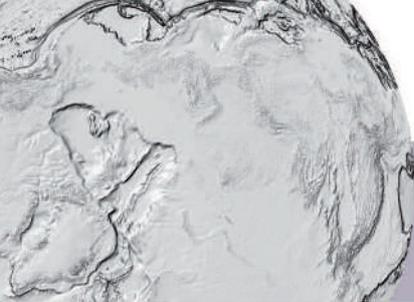
	2007	2006
<b>REVENUE</b>		
IFAC Funding	942,247	782,191
Other Revenue (note 4)	65,774	111,588
<b>TOTAL REVENUE</b>	<b>1,008,021</b>	<b>893,779</b>
<b>EXPENSES</b>		
Employee costs (note 8)	413,403	218,078
Travel and meeting costs	205,431	244,457
Technical Committee stipends (note 9)	235,113	206,803
Annual report	19,104	22,437
Occupancy (notes 6 and 15)	44,057	39,508
Recruitment costs	17,330	9,187
Telephone	6,725	6,663
Legal and other professional fees	47,032	137,769
Auditor remuneration	5,134	4,872
Depreciation and amortization (note 11)	618	34
IT Support	2,819	-
Other expenses	11,255	3,971
<b>TOTAL EXPENSES</b>	<b>1,008,021</b>	<b>893,779</b>
<b>SURPLUS</b>	<b>0</b>	<b>0</b>

## FINANCIAL STATEMENTS 31 DECEMBER 2007

### BALANCE SHEET

at 31 December 2007 (in Euros)

	2007	2006
<b>ASSETS</b>		
Current Assets		
Cash (note 10)	290,133	159,582
Accounts Receivable	-	-
Prepaid Expenses	927	2,144
	<b>291,060</b>	<b>161,726</b>
Capital Assets (note 11)	1,817	2,435
<b>TOTAL ASSETS</b>	<b>292,877</b>	<b>164,161</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable (note 5)	107,874	79,060
Accrued Liabilities (note 6)	138,619	40,675
Revenue received in advance (note 12)	16,384	14,426
<b>TOTAL LIABILITIES</b>	<b>262,877</b>	<b>134,161</b>
<b>EQUITY</b>		
Endowment funds (note 13)	30,000	30,000
<b>TOTAL EQUITY</b>	<b>30,000</b>	<b>30,000</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>292,877</b>	<b>164,161</b>



## STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2007 (in Euros)

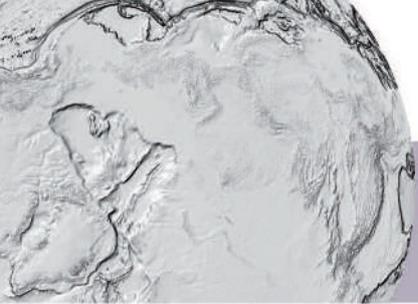
		2007	2006
	Endowment funds	Total	Total
Balance, beginning of year	30,000	30,000	30,000
Excess of revenue over expenses (expenses over revenue)	-	-	-
<b>BALANCE, END OF YEAR</b>	<b>30,000</b>	<b>30,000</b>	<b>30,000</b>

## FINANCIAL STATEMENTS 31 DECEMBER 2007

### CASH FLOW STATEMENT

for the year ended 31 December 2007 (in Euros)

	2007	2006
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses (expenses over revenue)	-	-
Non-cash items		
Depreciation of capital assets	618	34
Decrease (increase) in working capital items (note 7)	129,933	132,017
<b>NET CASH GENERATED</b>	<b>130,551</b>	<b>132,051</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	-	(2,469)
<b>NET CASH USED</b>	<b>-</b>	<b>(2,469)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>130,551</b>	<b>129,582</b>
Cash and cash equivalents, beginning of year	159,582	30,000
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>290,133</b>	<b>159,582</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash	290,133	159,582
	<b>290,133</b>	<b>159,582</b>



## 1 Fundación Consejo Internacional de Supervisión Pública en Estándares de Auditoría, Ética Profesional y Materias Relacionadas

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The Fundación Consejo Internacional de Supervisión Pública en Estándares de Auditoría, Ética Profesional y Materias Relacionadas (“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 Organization 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.

## 2 Accounting policies

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### **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 income statement, cash flow statement and balance sheet have been prepared on an accrual basis with all assets and liabilities valued at historical cost.

### **Revenue and cost recognition**

The International Federation of Accountants has committed to fund the Foundation's operating expenses to an annual limit of US \$1,500,000, adjusted as required for the effects of inflation and foreign exchange. Revenue from IFAC and other donors is recognised on an accrual basis. Any donated amounts that exceed annual operating expenses are deferred and recognised as revenue of the following year.

Donations are denominated in Euros or US Dollars. Contributions denominated in US Dollars are accounted for in Euros at the rates of exchange prevailing at the transaction date. Differences arising on translation are recognised in the income statement.

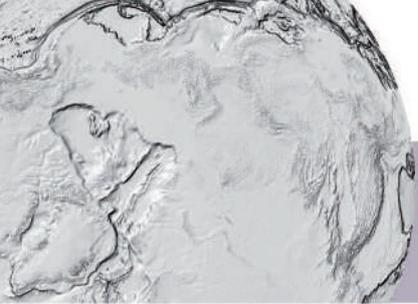
Deferred revenue represents prepaid donations. Costs are recognised as an expense when incurred.

### **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		
Computers and Software	Straight-line	25%

### **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.

### **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.

### **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.

Monetary assets and liabilities 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.

## FINANCIAL STATEMENTS 31 DECEMBER 2007

### 3 Expenses by Activity

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(in Euros)	2007	2006
Board related operating costs		
Oversight Program	551,951	461,171
External Relations Program	208,574	132,589
Foundation Board Meetings	57,198	85,900
Other start-up and ongoing operating costs	190,298	214,119
<b>TOTAL EXPENSES</b>	<b>1,008,021</b>	<b>893,779</b>

### 4 Other Revenue

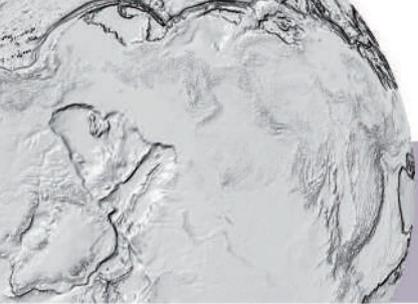
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Revenue received from IFAC includes funding support provided to IFAC expressly for the operation of the PIOB by The World Bank (US \$50,000) and the US Federal Reserve Board (US \$40,000). In 2006 these same two donors provided US \$100,000 and US \$40,000 respectively.

### 5 Accounts Payable

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(in Euros)	2007	2006
Professional services	-	66,943
Taxes and Social Security	35,224	-
Occupancy	30,902	-
Other	41,748	12,117
<b>TOTAL ACCOUNTS PAYABLE</b>	<b>107,874</b>	<b>79,060</b>



## 6 Accrued Liabilities

(in Euros)	2007	2006
Occupancy expenses	32,600	30,000
Professional fees	16,618	-
Accrued stipend	47,559	-
Travel and other operating costs	41,842	10,675
<b>TOTAL ACCRUED LIABILITIES</b>	<b>138,619</b>	<b>40,675</b>

## 7 Information Included in the Cash Flow Statement

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

(in Euros)	2007	2006
Prepaid expenses	(1,217)	2,144
Accounts payable	(28,814)	(79,060)
Accrued liabilities	(97,944)	(40,675)
Deferred revenue	(1,958)	(14,426)
<b>INCREASES (DECREASES) IN WORKING CAPITAL</b>	<b>(129,933)</b>	<b>(132,017)</b>

## 8 Employee Costs

(in Euros)	2007	2006
Gross Salaries	343,683	202,885
Spanish social security fees	28,629	8,993
Other social benefits	41,091	6,200
<b>TOTAL EMPLOYEE COSTS</b>	<b>413,403</b>	<b>218,078</b>

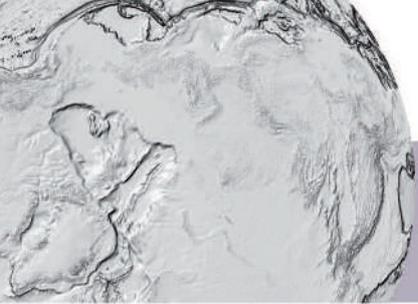
## 9 Technical Committee Stipends

Members of the Technical Committee receive fixed annual stipends of US \$25,000 (2006 US \$25,000) except for the Chairman of the Committee who has received US \$150,000 (2006 US \$80,000) in recognition of his additional and growing leadership responsibilities. As two of the nine other members elected to waive their stipends, total expense for the year was US \$325,000 (2006 US \$255,000).

## 10 Cash

(in Euros)	2007	2006
Cash in Euros	290,133	159,582
	<b>290,133</b>	<b>159,582</b>

There are no restrictions on the use of cash.



## 11 Capital Assets

(in Euros)		2007	2006
	Computer equipment	Total	Total
<b>At the lower of recoverable value and cost</b>			
Balance, beginning of year	2,469	2,469	-
Additions	-	-	2,469
Disposals	-	-	-
<b>Balance, end of year</b>	<b>2,469</b>	<b>2,469</b>	<b>2,469</b>
<b>Accumulated depreciation</b>			
Balance, beginning of year	(34)	(34)	-
Depreciation	(618)	(618)	(34)
Disposals	-	-	-
<b>Balance, end of year</b>	<b>(652)</b>	<b>(652)</b>	<b>(34)</b>
<b>NET, END OF YEAR</b>	<b>1,817</b>	<b>1,817</b>	<b>2,435</b>

## 12 Revenue received in advance

Revenue received in advance at 31 December 31 2007 of €16,384 (2006 €14,426) represents the excess of IFAC funding received over Foundation 2007 expenses.

## 13 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).

### 14 Board

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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:

Dr. Stavros Thomadakis	Chairman
Mr. Antoine Bracchi	Board member
Mr. David A. Brown, Q.C.	Board member
Mr. Fayezul Choudhury	Board member
Mr. Michael Hafeman	Board member
Mr. Kosuke Nakahira	Board member (to 1 May 2007)
Mr. Toshiharu Kitamura	Board member (from 25 June 2007)
The Hon. Aulana L. Peters	Board member
Prof. Dr. Arnold Schilder	Board member

### 15 Government Assistance

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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). In the absence of a final agreement to establish the maximum charge for 2006, an estimated amount of €30,000 was included in occupancy expense for that year. Based on the final agreement signed in September 2007, the limit to allocable expenses has been set at the lower of thirty-three percent of actual costs or €32,600. The latter amount is subject to annual adjustments for changes in the Spanish Consumer Price Index.

### 16 Subsequent Events

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



## Public Interest Oversight Board

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

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