



Public Interest Oversight Board

FINANCIAL STATEMENTS 31 DECEMBER 2010





Tel: +34 914 364 190
Fax: +34 914 364 191/92
www.bdo.es

Rafael Calvo 18
28010 Madrid
España

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 statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement for the year ended 31 December 2010, 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.

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.

Registro Mercantil de Madrid, Tomo 14.413 Sección 8ª Folio 201, Hoja nº M-238188 (Inscripción 1ª) CIF: B-82387572



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **FUNDACION CONSEJO INTERNACIONAL DE SUPERVISION PUBLICA EN ESTANDARES DE AUDITORIA, ETICA PROFESIONAL Y MATERIAS RELACIONADAS** as of 31 December 2010, 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.


Emilio Domenech Amezarri
Partner
Madrid, 25 February 2011



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.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010 (in Euros)

	2010	2009
REVENUE		
IFAC Funding (note 2)	1,074,922	1,306,981
EC Funding (note 2)	300,000	4,866
Ordinary exchange gains (note 2)	-	-
Interest income from changes in fair value of financial instruments (note 2)	-	546
TOTAL REVENUE	1,374,922	1,312,393
EXPENSES		
Employee costs (note 7)	542,457	481,091
Travel and meeting costs	246,608	210,260
Technical Committee stipends (note 8)	293,250	276,053
Annual report	8,978	11,611
Occupancy (notes 5 and 14)	42,742	49,707
Recruitment costs	-	37,985
Telephone	19,392	15,263
Legal and other professional fees	69,964	68,906
Auditor remuneration	5,358	5,536
Depreciation and amortization (notes 2 and 10)	8,520	2,862
IT and Web	34,532	57,020
Ordinary exchange losses (note 2)	3,150	-
Other expenses	29,472	42,834
TOTAL EXPENSES	1,304,423	1,259,128
INCOME BEFORE TAX	70,499	53,265
Taxation (note 2)	-	-
INCOME AFTER TAX	70,499	53,265
Cash flow hedge reserve	-	1,973
COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX	70,499	55,238

STATEMENT OF FINANCIAL POSITION

at 31 December 2010 (in Euros)

	2010	2009
ASSETS		
Current Assets	484,744	409,282
Accounts Receivable	235,061	-
Prepaid Expenses	3,696	7,966
TOTAL CURRENT ASSETS	723,501	417,248
Capital Assets (note 10)	26,873	17,010
TOTAL ASSETS	750,347	434,258
LIABILITIES		
Current Liabilities		
Accounts Payable (note 4)	51,450	65,971
Accrued Liabilities (note 5)	137,870	124,732
Revenue received in advance (note 11)	300,000	53,000
TOTAL LIABILITIES	489,320	243,703
EQUITY		
Comprehensive income for the year net of tax	70,499	55,238
Endowment funds (note 13)	30,000	30,000
Other Reserves	106,555	105,317
TOTAL EQUITY	261,054	190,555
TOTAL LIABILITIES AND EQUITY	750,374	434,258

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010 (in Euros)

				2010	2009
	Comprehensive Income	Other Reserves	Endowment funds	Total	Total
Balance, beginning of year	-	160,555	30,000	190,555	135,317
Additions	70,499	-	-	70,499	55,238
BALANCE, END OF YEAR	70,499	160,555	300,000	261,054	190,555

CASH FLOW STATEMENT

for the year ended 31 December 2010 (in Euros)

	2010	2009
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	70,499	53,265
Non-cash items		
Depreciation of capital assets	8,520	2,862
Interest income from changes in fair value of financial instruments	-	(546)
Decrease (increase) in working capital items (note 6)	14,826	(2,570)
NET CASH GENERATED	93,845	53,011
INVESTING ACTIVITIES		
Capital expenditures	(18,383)	(17,040)
NET CASH USED	(18,383)	(17,040)
NET INCREASE IN CASH AND CASH EQUIVALENTS	75,462	35,971
Cash and cash equivalents, beginning of year	409,282	373,311
CASH AND CASH EQUIVALENTS, END OF YEAR	484,744	409,282
CASH AND CASH EQUIVALENTS		
Cash	484,744	409,282
TOTAL CASH AND CASH EQUIVALENTS	484,744	409,282



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

The Public Interest Oversight Board (PIOB) was formally established in February 2005 and is based in Madrid, Spain. It is legally constituted as a Spanish Foundation. The establishment of the PIOB is the result of a collaborative effort by the international financial regulatory community, in the form of the Monitoring Group, working with IFAC to ensure that the standards developed by IFAC's boards in the areas of auditing and assurance, education and ethics, and IFAC's Member Body Compliance Program are operated in a transparent manner that reflects the 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, with the exception of foreign currency forward contracts acquired for cash flow hedging purposes, which are measured on a fair value basis.

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 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. Any revenue amounts in excess of annual operating expenses are deferred and recognised as revenue of the following year.

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 22% 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.

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
IT Equipment and Software	Straight-line	25%
Furniture	Straight-line	20%

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.

3 Expenses by Activity

(in Euros)	2010	2009
Board related operating costs		
Oversight Program	666,408	709,500
Communications and External Relations Program	320,291	153,161
Foundation Board Meetings	107,697	54,507
Other ongoing operating costs	210,027	341,960
TOTAL EXPENSES	1,304,423	1,259,128

4 Accounts Payable

(in Euros)	2010	2009
Professional services	-	-
Taxes and Social Security	47,548	23,452
Occupancy	-	-
Other	3,902	42,479
TOTAL ACCOUNTS PAYABLE	51,450	65,971

5 Accrued Liabilities

(in Euros)	2010	2009
Occupancy expenses	38,000	38,269
Professional fees	26,208	31,894
Accrued stipend	-	-
Travel and other operating costs	73,662	54,569
TOTAL ACCRUED LIABILITIES	137,870	124,732

6 Information Included in the Cash Flow Statement

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

(in Euros)	2010	2009
Accounts receivable	235,061	-
Prepaid expenses	(4,270)	3,513
Accounts payable	14,521	(16,360)
Accrued liabilities	(13,138)	(31,583)
Deferred revenue	(247,000)	47,000
INCREASES (DECREASES) IN WORKING CAPITAL	(14,826)	2,570

7 Employee Costs

(in Euros)	2010	2009
Gross Salaries	433,225	388,542
Spanish social security fees	32,575	32,057
Other social benefits	73,657	60,492
TOTAL EMPLOYEE COSTS	542,457	481,091

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.

9 Cash

(in Euros)	2010	2009
Cash in Euros	484,744	409,282
	484,744	409,282

There are no restrictions on the use of cash.

10 Capital Assets

(in Euros)			2010	2009
	IT equipment and software	Furniture	Total	Total
At the lower of recoverable value and				
Balance, beginning of year	21,440	-	21,440	4,400
Additions	1,951	16,433	18,384	17,040
Disposals	-	-	-	-
Balance, end of year	23,391	16,433	39,824	21,440
Accumulated depreciation				
Balance, beginning of year	(4,430)	-	(4,430)	(1,568)
Depreciation	(4,228)	(4,292)	(8,520)	(2,862)
Disposals	-	-	-	-
Balance, end of year	(8,658)	(4,292)	(12,950)	(4,430)
NET, END OF YEAR	14,733	12,141	26,874	17,010

11 Revenue received in advance

Revenue received in advance at 31 December 2010 of € 300,000 (2009 € 53,000) represents IFAC funding received in 2010 that has been replaced by European Commission funding. These funds have been designated to fund 2011 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).

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:

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. Toshiharu Kitamura	Board member
Mme. Sylvie Mathérat	Board member
The Hon. Aulana L. Peters	Board member

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 € 38,000. The latter amount is subject to annual adjustments for changes in the Spanish Consumer Price Index.

15 Subsequent Events

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



Public Interest Oversight Board

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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