

PIOB

FINANCIAL STATEMENTS 31 DECEMBER 2008

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 statement of comprehensive income, statement of financial position, statement of changes in equity and cash flow statement for the year ended 31 December 2008, 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 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.


Emilio Domenech
Partner
Madrid, March 30, 2009

Organización Internacional BDO

BDO Audiberia Auditores, S.L.
Registro Mercantil de Madrid, Tomo 14.413
Sección 8ª Folio 201, Hoja Nª M-238188 (Inscripción 1ª)
C.I.F. B-82387572

Inscrita en el Registro Oficial de Auditores
de Cuentas nº 51.273

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2008 (in Euros)

	2008	2007
REVENUE		
IFAC Funding	1,216,384	942,247
Other Revenue (note 5)	-	65,774
TOTAL REVENUE	1,216,384	1,008,021
EXPENSES		
Employee costs (note 9)	499,147	413,403
Travel and meeting costs	209,213	205,431
Technical Committee stipends (note 10)	241,608	235,113
Annual report	16,014	19,104
Occupancy (notes 7 and 16)	45,493	44,057
Recruitment costs	11,768	17,330
Telephone	8,361	6,725
Legal and other professional fees	51,651	47,032
Auditor remuneration	5,536	5,134
Depreciation and amortization (note 12)	916	618
IT Support	7,557	2,819
Interest expense from changes in fair value of financial instruments (note 3)	546	-
Other expenses	11,284	11,255
TOTAL EXPENSES	1,109,094	1,008,021
INCOME BEFORE TAX	107,290	0
Taxation (note 2)	-	-
INCOME AFTER TAX	107,290	0
Cash flow hedge reserve	(1,973)	-
COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX	105,317	0

STATEMENT OF FINANCIAL POSITION

at 31 December 2008 (in Euros)

	2008	2007
ASSETS		
Current Assets		
Cash (note 11)	373,311	290,133
Accounts Receivable	-	-
Prepaid Expenses	4,453	927
TOTAL CURRENT ASSETS	377,764	291,060
Capital Assets (note 12)	2,832	1,817
TOTAL ASSETS	380,596	292,877
LIABILITIES		
Current Liabilities		
Accounts Payable (note 6)	49,611	107,874
Accrued Liabilities (note 7)	93,149	138,619
Revenue received in advance (note 13)	100,000	16,384
Derivate financial liabilities (note 3)	2,519	-
TOTAL LIABILITIES	245,279	262,877
EQUITY		
Comprehensive income for the year net of tax	105,317	-
Endowment funds (note 14)	30,000	30,000
TOTAL EQUITY	135,317	30,000
TOTAL LIABILITIES AND EQUITY	380,596	292,877

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2008 (in Euros)

			2008	2007
	Comprehensive Income	Endowment funds	Total	Total
Balance, beginning of year	-	30,000	30,000	30,000
Comprehensive Income for the year net of tax	105,317	-	105,317	-
BALANCE, END OF YEAR	105,317	30,000	135,317	30,000

CASH FLOW STATEMENT

for the year ended 31 December 2008 (in Euros)

	2008	2007
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	107,290	-
Non-cash items		
Depreciation of capital assets	916	618
Accrued interest expense from changes in fair value of financial instrument (note 3)	546	
Decrease (increase) in working capital items (note 8)	(23,643)	129,933
NET CASH GENERATED	85,109	130,551
INVESTING ACTIVITIES		
Capital expenditures	(1,931)	-
NET CASH USED	(1,931)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	83,178	130,551
Cash and cash equivalents, beginning of year	290,133	159,582
CASH AND CASH EQUIVALENTS, END OF YEAR	373,311	290,133
CASH AND CASH EQUIVALENTS		
Cash	373,311	290,133
TOTAL CASH AND CASH EQUIVALENTS	373,311	290,133

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

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 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

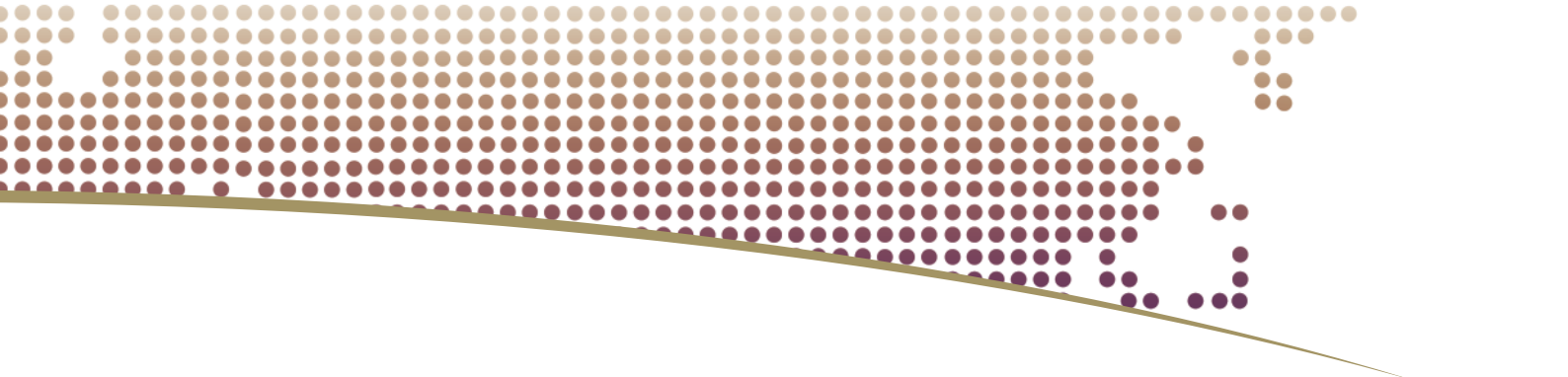
2 Accounting policies

Financial statements

The Foundation's financial statements have been prepared in accordance with International Financial Reporting Standards. The titles applied to these financial statements and the presentation of individual items within these statements reflect early adoption of the 1 January 2009 amendments to IAS 1, *Presentation of Financial Statements*.

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, other than foreign currency forward contracts acquired for cash flow hedging purposes, valued at historical cost. Foreign currency forward contracts acquired for future cash flow hedging purposes are initially and subsequently 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, other than foreign currency forward contracts acquired for future cash flow hedging purposes 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.

Revenue is denominated in Euros.

Operating costs are recognised as an expense when incurred.

Foreign currency forward contracts acquired for future cash flow hedging purposes are subject to hedge effectiveness testing. The effectiveness of the hedging relationship is prospectively tested using the critical terms match method set out in IAS 39 AG108. An effectiveness test is also carried out retrospectively at each balance sheet date using the dollar-offset method. The dollar-offset method compares past changes in the fair value of the hedged item expressed in currency units with past changes in the fair values of the hedging forward expressed on the basis of the outstanding cash flows at the beginning and end of the test period and are adjusted for accrued interest. A hedging relationship is deemed to be effective if the ratios of the two past changes in value fall within a range of 80 and 125%. Subsequent measurement of foreign currency forward contract fair values at each balance sheet date gives rise to gains or losses arising from fluctuations identified in either the spot or the forward transaction

rates since inception of the contract. For contracts which have been determined to be effective for future cash flow hedging purposes, gains and losses arising from fluctuations in spot rates are recorded in a cash flow hedging reserve and reported as a component of comprehensive income. Cumulative gains and losses recorded for each contract in a cash flow hedging reserve are transferred to income in the earlier of the period in which the hedged cash flows are received or paid, or the period in which the forward contract no longer satisfies the hedge effectiveness requirements. Gains or losses arising from fluctuations in the forward transaction rates prevailing at inception of the contract are recognised in income.

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.

3 Financial Instruments

The Foundation receives its annual funding in Euros based on an approved Euro-denominated budget. Certain expense categories, primarily Technical Committee stipends (see Note 10) and to a lesser extent travel costs, contain estimates of fixed future payments denominated in one or more other currencies which have been translated for budget purposes using forecasted average future rates of exchange. As actual exchange rates at the transaction date may differ from the forecast rates, the Foundation is exposed to foreign currency exchange risk.

In late 2008 the Foundation adopted a formal hedging policy for application to underlying US and Canadian dollar exchange risk exposures in the 2009 Foundation budget. The Foundation has entered into a quarterly series of foreign currency forward contracts, known as “seguros de cambio” (assured exchanges), to fix the Euro cost of these cash outflows for 2009. These contracts were acquired on December 19 2008 for cash flow hedging purposes and at December 31, 2008 were determined to be highly effective.

Foreign currency	Notional Foreign currency Amounts	Exchange rates	Notional Amount (Total, in Euros)	Fair value at 31 December 2008 (Total, in Euros)
USD	375,500	1.3963-1.3911	269,625	267,288
CAD	104,000	1.7161-1.0200	60,840	60,658
TOTAL IN EUROS			330,465	327,946

Other than the counterparty risk related to settlement of the above transactions, the Foundation was not exposed to any other form of credit, liquidity or market risk at the balance sheet date.

At both 31 December 2008 and 31 December 2007, the fair values of all other financial assets and liabilities were approximately equal to their carrying values.

4 Expenses by Activity

(in Euros)	2008	2007
Board related operating costs		
Oversight Program	644,711	551,951
External Relations Program	215,677	208,574
Foundation Board Meetings	48,462	57,198
Other ongoing operating costs	200,244	190,298
TOTAL EXPENSES	1,109,094	1,008,021

5 Other Revenue

In 2007 revenue received from IFAC included US \$90,000 (€ 65,774) 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). These additional funding commitments were not renewed for 2008.

6 Accounts Payable

(in Euros)	2008	2007
Professional services	-	-
Taxes and Social Security	13,556	35,224
Occupancy	1,235	30,902
Other	34,820	41,748
TOTAL ACCOUNTS PAYABLE	49,611	107,874

7 Accrued Liabilities

(in Euros)	2008	2007
Occupancy expenses	33,600	32,600
Professional fees	20,036	16,618
Accrued stipend	4,257	47,559
Travel and other operating costs	35,256	41,842
TOTAL ACCRUED LIABILITIES	93,149	138,619

8 Information Included in the Cash Flow Statement

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

(in Euros)	2008	2007
Prepaid expenses	3,526	(1,217)
Accounts payable	58,263	(28,814)
Accrued liabilities	45,470	(97,944)
Deferred revenue	(83,616)	(1,958)
INCREASES (DECREASES) IN WORKING CAPITAL	23,643	(129,933)

9 Employee Costs

(in Euros)	2008	2007
Gross Salaries	428,078	343,683
Spanish social security fees	42,199	28,629
Other social benefits	28,870	41,091
TOTAL EMPLOYEE COSTS	499,147	413,403

10 Technical Committee Stipends

Members of the Technical Committee receive fixed annual stipends of US \$25,000 (2007 US \$25,000) except for the Chairman of the Committee who receives US \$150,000 (2007 US \$150,000) in recognition of his additional leadership responsibilities. From 1 March 2008, all members other than the Chairman are further entitled to variable remuneration of US \$1,000 per day of attendance at assigned public interest meetings.

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

11 Cash

(in Euros)	2008	2007
Cash in Euros	373,311	290,133
	373,311	290,133

There are no restrictions on the use of cash.

12 Capital Assets

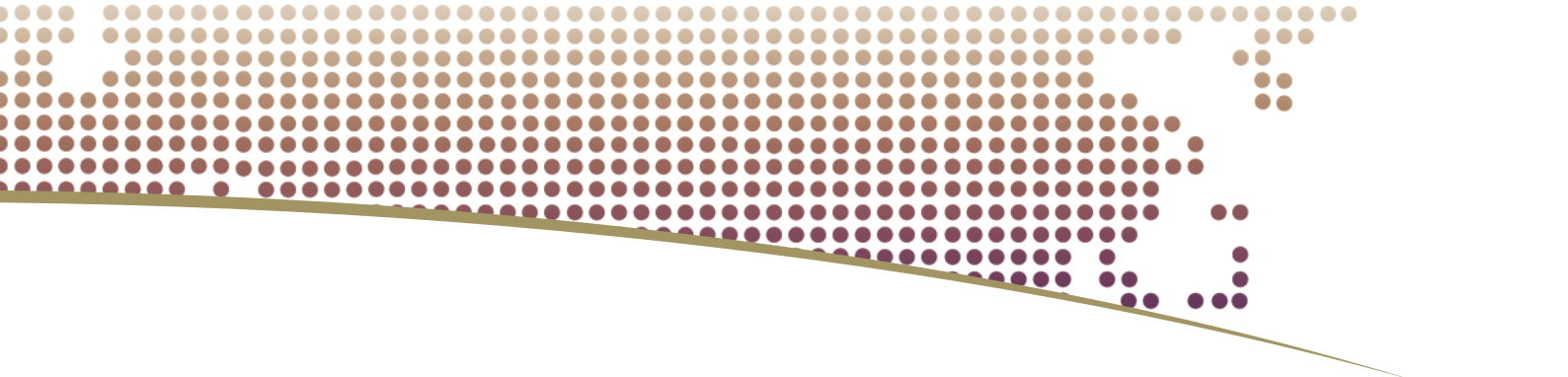
(in Euros)		2008	2007
	Computer equipment	Total	Total
At the lower of recoverable value and cost			
Balance, beginning of year	2,469	2,469	2,469
Additions	1,931	1,931	-
Disposals	-	-	-
Balance, end of year	4,400	4,400	2,469
Accumulated depreciation			
Balance, beginning of year	(652)	(652)	(34)
Depreciation	(916)	(916)	(618)
Disposals	-	-	-
Balance, end of year	(1,568)	(1,568)	(652)
NET, END OF YEAR	2,832	2,832	1,817

13 Revenue received in advance

Revenue received in advance at 31 December 2008 of € 100,000 (2007 € 16,384) represents a portion of the IFAC funding received which exceeded the Foundation's 2008 expenses. The remainder of € 107,290 (2007 € 0) has been retained to strengthen the Foundation's capital base over the near term.

14 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).



15 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 (from 4 December 2008)
The Hon. Aulana L. Peters	Board member
Prof. Dr. Arnold Schilder	Board member (to 3 July 2008)

16 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 € 33,600. The latter amount is subject to annual adjustments for changes in the Spanish Consumer Price Index.

17 Subsequent Events

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



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Oquendo, 12

28006 Madrid, Spain

Telephone: +34 91 782 05 28

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