



Public Interest Oversight Board

# FINANCIAL STATEMENTS

MARCH 2020

**PUBLIC INTEREST OVERSIGHT BOARD**

C/ Oquendo, 12 28006 Madrid, Spain - Telephone: +34 91 782 05 28

[www.ipiob.org](http://www.ipiob.org)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Fundación Public Interest Oversight Board

### *Opinion*

We have audited the financial statements of Fundación Public Interest Oversight Board (the Foundation or PIOB), which comprise the statement of financial position as at December 31, 2019, and the statement of financial performance and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Emphasis of Matter*

We draw attention to Note 2 in the financial statements in relation to the Foundation's future funding commitment. Funding from the International Federation of Accountants (hereinafter "IFAC") for the year 2019 represented approximately 64,6% of the Foundation total revenues. On March 3, 2020 IFAC has confirmed the extension up to March 2022 of its guarantee for yearly funding in relation to the Foundation's operating expenses, except for any costs associated with PIOB own dissolution or extension of its mandate as may be contemplated under the ongoing Monitoring Group reform process. Our opinion is not modified in respect of this matter.

### *Other Matter*

This independent auditor's report and the accompanying financial statements prepared and presented in accordance with IFRS should not be understood as a statutory auditor's report and statutory financial statements as defined by Spanish Accounts' Auditing Law.

### *Responsibilities of Secretary General and Audit Committee for the Financial Statements*

Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs as issued by the International Accounting Standards Board (IASB), and for such internal control as Secretary General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Secretary General is responsible for assessing the Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Secretary General either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

Audit Committee is, according to the Terms of reference of the Foundation Audit Committee, responsible for overseeing the Foundation's financial reporting process.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

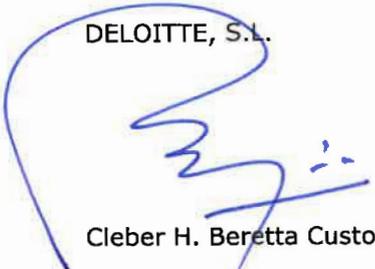
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Secretary General.
- Conclude on the appropriateness of Secretary General's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

DELOITTE, S.L.



Cleber H. Beretta Custodio

Madrid, March 27, 2020

# STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019 (in Euros)

|  | 2019             | 2018             |
|--|------------------|------------------|
| <b>REVENUE</b>   |                  |                  |
| International Federation of Accountants Funding (note 2)     | 1,201,028        | 1,135,302        |
| European Commission Funding (note 2)                         | 338,000          | 331,000          |
| International Organization of Securities Commissions Funding | 100,000          | 100,000          |
| Financial Reporting Council Funding                          | -                | 40,000           |
| Bank for International Settlements Funding (*)               | 30,000           | 30,000           |
| <b>TOTAL MONETARY REVENUE</b>                                | <b>1,669,028</b> | <b>1,636,302</b> |
| In-kind contribution from Spanish authorities (note 2)       | 189,318          | 189,318          |
| <b>TOTAL REVENUE</b>   | <b>1,858,346</b> | <b>1,825,620</b> |
| <b>EXPENSES</b>  |                  |                  |
| Employee costs (note 7)                                      | 690,531          | 752,481          |
| Travel and meeting costs                                     | 280,679          | 288,033          |
| Technical Committee stipends (note 8)                        | 315,563          | 304,044          |
| Annual report  | 3,730            | 4,295            |
| Occupancy (note 5)   | 29,349           | 34,270           |
| Telephone  | 6,075            | 9,141            |
| Legal and other professional fees (note 9)                   | 98,303           | 57,852           |
| Auditor remuneration (note 16)                               | 8,500            | 8,500            |
| Depreciation and amortization (notes 2, 11 and 12)           | 213,903          | 213,396          |
| IT Support   | 49,026           | 37,693           |
| Ordinary exchange losses/(gains)                             | 409              | 368              |
| Other expenses   | 51,367           | 37,613           |
| <b>TOTAL EXPENSES</b>  | <b>1,747,435</b> | <b>1,747,686</b> |
| Surplus for the year   | 110,911          | 77,934           |
| Taxation (note 2)  | -                | -                |
| Surplus for the year after tax                               | 110,911          | 77,934           |
| <b>Total comprehensive income for the year net of tax</b>    | <b>110,911</b>   | <b>77,934</b>    |

(\*) In 2019 and 2018 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements

**STATEMENT OF FINANCIAL POSITION**  
at 31 December 2019 and 31 December 2018 (in Euros)

|  | At 31 December<br>2019 | At 31 December<br>2018 |
|--|------------------------|------------------------|
| <b>ASSETS</b>                                |                        |                        |
| Current Assets                               |                        |                        |
| Cash and bank balances (note 10)             | 824,081                | 789,482                |
| Accounts Receivable                          | 379,443                | 364,584                |
| Prepaid expenses                             | 4,104                  | 10,586                 |
| <b>TOTAL CURRENT ASSETS</b>                  | <b>1,207,628</b>       | <b>1,164,652</b>       |
| Non - Current Assets                         |                        |                        |
| Tangible assets (note 11)                    | 59,208                 | 63,845                 |
| Intangible assets (note 12)                  | 709,987                | 139,924                |
| <b>TOTAL NON - CURRENT ASSETS</b>            | <b>769,195</b>         | <b>203,769</b>         |
| <b>TOTAL ASSETS</b>                          | <b>1,976,823</b>       | <b>1,368,421</b>       |
| <b>LIABILITIES</b>                           |                        |                        |
| Current Liabilities                          |                        |                        |
| Accounts Payable (note 4)                    | 86,975                 | 78,718                 |
| Accrued Liabilities (note 5)                 | 374,429                | 384,840                |
| Revenue received in advance (note 13)        | -                      | 68,310                 |
|  | 461,404                | 531,868                |
| Non - current Liabilities                    |                        |                        |
| Deferred income (note 2)                     | 707,479                | 139,524                |
| <b>TOTAL LIABILITIES</b>                     | <b>1,168,883</b>       | <b>671,392</b>         |
| <b>NET ASSETS</b>                            |                        |                        |
| Comprehensive income for the year net of tax | 110,911                | 77,934                 |
| Endowment funds (note 14)                    | 30,000                 | 30,000                 |
| Other Reserves                               | 667,029                | 589,095                |
| <b>TOTAL NET ASSETS</b>                      | <b>807,940</b>         | <b>697,029</b>         |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>      | <b>1,976,823</b>       | <b>1,368,421</b>       |

The accompanying notes are an integral part of the financial statements

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2019 (in Euros)

|                                 | Comprehensive<br>Income | Other<br>Reserves | Endowment<br>funds | Total   |
|---------------------------------|-------------------------|-------------------|--------------------|---------|
| Balance, beginning of year 2018 | (18,410)                | 607,505           | 30,000             | 619,095 |
| Transfers                       | 18,410                  | (18,410)          | -                  | -       |
| Additions                       | 77,934                  | -                 | -                  | 77,934  |
| Balance, end of year 2018       | 77,934                  | 589,095           | 30,000             | 697,029 |
| Transfers                       | (77,934)                | 77,934            | -                  | -       |
| Additions                       | 110,911                 | -                 | -                  | 110,911 |
| Balance, end of year 2019       | 110,911                 | 667,029           | 30,000             | 807,940 |

The accompanying notes are an integral part of the financial statements

**CASH FLOW STATEMENT**  
for the year ended 31 December 2019 (in Euros)

|   | 2019            | 2018            |
|---|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>                                 |                 |                 |
| Excess of revenue over expenses                             | 110,911         | 77,934          |
| Non-cash items:   |                 |                 |
| Non-cash revenue - In-kind contribution                     | (189,318)       | (189,318)       |
| Depreciation of tangible and intangible assets              | 213,903         | 213,396         |
| Decrease in revenue received in advance (note 13)           | (68,310)        | (158,950)       |
| Increase/(Decrease) in working capital items (note 6)       | (10,530)        | 43,896          |
| <b>NET CASH GENERATED/(USED IN) OPERATING ACTIVITIES</b>    | <b>56,656</b>   | <b>(13,042)</b> |
| <b>INVESTING ACTIVITIES</b>                                 |                 |                 |
| Capital expenditures  | (22,057)        | (47,329)        |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                | <b>(22,057)</b> | <b>(47,329)</b> |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>34,599</b>   | <b>(60,371)</b> |
| Cash and bank balances, beginning of year                   | 789,482         | 849,853         |
| <b>CASH AND CASH BALANCES, END OF YEAR</b>                  | <b>824,081</b>  | <b>789,482</b>  |
| <b>CASH AND BANK BALANCES</b>                               |                 |                 |
| Cash and bank balances                                      | 824,081         | 789,482         |

The accompanying notes are an integral part of the financial statements

# 1. FUNDACIÓN PUBLIC INTEREST OVERSIGHT BOARD

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The Fundación Public Interest Oversight Board (“the Foundation”) was constituted on 15 December 2005 under the Foundations Law 50/2002, the Spanish law for not-for-profit foundations. Its 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 Trustees 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 Trustees 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. The Monitoring Group consists of a forum of international regulators and other public interest bodies, including two of the Foundation’s founding organizations. Such Group 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

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### Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and do not correspond to the statutory financial statements of the Foundation as required by the Spanish Law in accordance with the Accounting Plan for Small and medium not-for-profit entities issued by the Resolution of 26 March 2013 of the Spanish Accounting and Auditing Institute (ICAC).

The financial statements are prepared in Euros which is the Foundation’s functional currency.

These financial statements were prepared by the Secretary General of the Foundation on 27 March, 2020.

### Financial statements

The Secretary General is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. 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.

### 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.

### New Standards and Interpretations issued

The financial statements have been drawn up on the basis of accounting Standards, Interpretations and amendments effective at the beginning of the accounting period on 1 January 2019.

The Foundation has concluded that there are no relevant Standards or Interpretations that are not yet adopted that would have a material impact on the Foundation’s financial statements.

### Measurement Base

The statements of financial performance and other comprehensive income, financial position, changes in equity and cash flows have been prepared on the historical cost and an accrual basis with all assets and liabilities valued at amortized cost, unless otherwise stated in the accounting policies.

### 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

In 2007, the International Federation of Accountants (hereinafter “IFAC”) committed to fund the operating expenses of the Foundation to a limit of the Euro equivalent of US\$ 1.5 million after adjustment for inflation and exchange rates. This replaced a previous commitment to provide up to US \$ 1.5 million per year, also for a period of five years, adjusted for both inflation and foreign currency exchange movements.

Since March 6, 2014 IFAC has confirmed their willingness to extend the guaranteed funding on a yearly basis. On March 3, 2020 IFAC agreed to extend the guarantee of the US\$ 1.5 million annual after adjustment for inflation and exchange rate changes since January 2004 (equivalent to the full budgeted monetary revenue of EUR 1,669,028 in 2019 and EUR 1,636,302 in 2018) until March 2022, less the cash contributions received by the Foundation from third parties, which together with additional contributions, such as the European Community grant, allow the Foundation to prepare these financial statements on a going concern basis.

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The IFAC guarantee would cease with immediate effect in the event that a decision to dissolve the PIOB is taken by the governing entity of the PIOB and IFAC shall therefore be discharged of any funding obligation towards the PIOB.

In addition, the guarantee does not apply to funding of any costs associated with the extension of the PIOB mandate as may be contemplated under the ongoing Monitoring Group reform process.

Revenue from IFAC represents 64.6% of total revenue (62.2% in 2018) and is recognized yearly on an accrual basis according to the yearly related approved revenue budget.

In September 2009 the European Commission (EC) decided to award a grant to the Foundation for each of the years of the period 2010-2013 to support the Foundation's work program.

In 2014, the EC awarded a new grant to the Foundation for each of the years of the period 2014-2020, through Regulation (EU) No. 258/2014 of the European Parliament and of the Council of 3 April 2014. The contribution for the year 2019 is for a maximum of EUR 338,000 or 30% of the eligible costs (EUR 331,000 for 2018). The 2019 Grant agreement with the EC establishes that, should funding by IFAC reach more than two-thirds of total funding in 2019, the EC shall limit its contribution for 2019 to a maximum amount of EUR 300,000.

This revenue is recognized on an accrual basis based on the total eligible costs of the program. In addition, the Monitoring Group decided in October 2010 that the funds received from the European Commission as well as any other funding received by the Foundation should replace IFAC's funding. IFAC contributes to the PIOB budget to the extent necessary to fund the total budget, after taking into account the contributions from all non-IFAC sources to the budget. Therefore, any contribution from IFAC in excess of the amount that results from deducting all non-IFAC contributions from the total approved budget, is recorded as revenue received in advance from IFAC.

Interest income from financial instruments, if any, is recorded as part of revenues on an accrual basis since it is considered as a replacement of IFAC's yearly funding for the same amount.

In addition, 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 for a maximum period of 75 years that shall be renewed every four years. This use is free of charge, except for non-structural maintenance expenses (electricity, water, elevator maintenance, etc). The Foundation renewed the agreement with the Spanish Authorities for a four-year period on 26 September 2011, 26 September 2015 and on 19 December 2019, for an additional four-year period until 26 September 2023.

At 31 December 2018, the Foundation voluntarily decided to record this right of use in its financial statements to better reflect the contribution from the Spanish authorities, recording the grant as deferred income and intangible asset that is recognised in the Statement of Comprehensive Income on a systematic basis during the term of the agreement, following what is stated in IAS 20 "Accounting for government grants and disclosure of government assistance".

Revenue is mainly denominated in Euros.

Operating costs are recognised as an expense when incurred.

## Cash and bank balances

The Foundation's policy is to present cash and bank balances together with temporary investments, if any, having a term of three months or less from the acquisition date as cash and cash equivalents.

## Cash Flow Statement

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

Cash and bank balances comprise cash on hand, current bank balances and short-term deposits, if any, that can be converted to cash within three months or less.

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. At 31 December 2019 and 2018 there were no balances invested in bank deposits.

### Liquidity risk:

The Foundation manages its working capital to ensure sufficient cash resources are maintained to meet short-term liabilities.

There are no borrowings or outstanding debt at 31 December 2019.

### Credit risk:

As mentioned in note 2, section "Revenue and cost recognition" the European Commission decided to award a grant to the Foundation for the periods 2010-2013, and 2014 - 2020. The amount that remains in the Balance Sheet is mainly related to the 2019 grant that will be paid in 2020.

The Foundation considers that credit risks related to collection of grants from the European Commission are not significant. Also, the Bank where the Foundation holds 99.6% of its cash and bank balances has been graded at the short - term as an A-2 financial entity.

### Currency risk:

The Foundation operates separate bank accounts in Euros. There is no currency risk associated with these balances; therefore the Foundation did not hedge its foreign currency exposure.

Foreign currency transactions are translated to Euros at the date of the transactions.

### Fair values:

At 31 December 2019, the carrying amounts for all financial instruments held by the Foundation approximate to their fair values.

Restrictions on the use of cash and cash equivalents

There are no restrictions on the use of cash or cash equivalents.

### Taxation

On 29 March 2006, the Spanish Parliament passed legislation included within law 4/2006 of 29 March 2006, to specifically exempt the Foundation from Spanish income tax.

Financial interest income is recorded for the gross amount and is also exempt of the applicable taxes.

## Tangible assets

Tangible assets represent the value of computer equipment used for data processing, the related furniture and communications equipment.

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

| Tangible assets           | Methods       | Rates      |
|---------------------------|---------------|------------|
| Computer equipment        | Straight-line | 25 %       |
| Furniture and fixtures    | Straight-line | 10% to 20% |
| Audio and Video Equipment | Straight-line | 25%        |

Repair and maintenance costs for tangible assets are recognized on the income statement in the year incurred. Costs of improvements that increase assets' capacity or

efficiency or extend their useful life are recognized as an increase in the value of the assets.

## Intangible assets

Intangible assets comprise the value of computer software used in the administrative and accounting management of the Foundation and the fair value assigned to the right to use the building.

Computer software has been valued at cost of acquisition, while the right of use was recognized at fair value at on initial recognition, less accumulated amortization and any impairment allowances. Amortization of computer software is calculated on a straight-line basis over a four-year period. Amortization of the right of use is also calculated over a period of four years, in line with the assignment period.

| Intangible asset                            | Methods       | Rates |
|---|---------------|-------|
| Software                                    | Straight-line | 25%   |
| Right to use the building at Oquendo street | Straight-line | 25%   |

## 3. EXPENSES BY ACTIVITY

| (in Euros)  | 2019             | 2018             |
|---|------------------|------------------|
| Board related operating costs                     |                  |                  |
| Oversight Program (1)                             | 674,949          | 813,174          |
| Communications and External Relations Program (2) | 208,976          | 181,747          |
| Monitoring Group and Monitoring Group members (3) | 173,688          | 172,437          |
| Foundation Board Meetings (4)                     | 124,690          | 141,896          |
| Other ongoing operating costs                     | 565,132          | 438,432          |
| <b>Total expenses</b>                             | <b>1,747,435</b> | <b>1,747,686</b> |

(1) The core mandate of the PIOB is to provide independent oversight of the Standard Setting Boards (SSBs), Consultative Advisory Groups (CAGs), Compliance Advisory Panel (CAP) and Nominating Committees under its mandate. This activity includes the related costs to comply with this mandate.

(2) Includes the cost of attending meetings with stakeholders other than Monitoring Group members.

(3) Includes the cost of meetings with the Monitoring Group and Monitoring Group members.

(4) This activity includes all the necessary costs to run the Foundation, most significant at 31 December 2019 and 2018 being, the annual amortization (EUR 189,318) of the 33% right of use of the premises located at Oquendo 12 (Note 2).

## 4. ACCOUNTS PAYABLE

| (in Euros)                         | 2019          | 2018          |
|------------------------------------|---------------|---------------|
| Employee Taxes and Social Security | 64,366        | 64,466        |
| Other                              | 22,609        | 14,252        |
| <b>Total Accounts Payable</b>      | <b>86,975</b> | <b>78,718</b> |

## 5. ACCRUED LIABILITIES

| (in Euros)                       | 2019           | 2018           |
|----------------------------------|----------------|----------------|
| Occupancy expenses               | 29,349         | 34,270         |
| 10% increase in stipends (1)     | -              | 26,888         |
| Other accrued benefit (2)        | 324,653        | 285,804        |
| Other accrued liabilities        | 20,427         | 37,878         |
| <b>Total Accrued Liabilities</b> | <b>374,429</b> | <b>384,840</b> |

(1) Stipends were not reviewed since 2007. In 2018 the Foundation requested the Spanish Foundations Authority to approve an 10% increase on stipends to partially recognize the inflation indexation for the years from 2007 to 2017 and make up for the loss in real value. This increase was almost 7% below the accumulated Spanish inflation indexation for those years.

The 10% increase was accrued as a provision to the financial statements at 31 December 2018 and was paid in October 2019 after receiving the approval from the Spanish Foundations Authority, being reversed the provision at the end of 2019.

(2) Other accrued benefit relates to the provision for the termination of the General Secretary's contract.

## 6. INFORMATION INCLUDED IN THE CASH FLOW STATEMENT

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

| (in Euros)                                      | 2019          | 2018            |
|---|---------------|-----------------|
| Accounts receivable                             | 14,859        | (6,751)         |
| Prepaid expenses                                | (6,482)       | 6,135           |
| Accounts payable                                | (8,257)       | (257)           |
| Accrued liabilities                             | 10,411        | (43,023)        |
| <b>Increases (decreases) in working capital</b> | <b>10,531</b> | <b>(43,896)</b> |

The variation in 2019 on the Accounts Receivable item is related to increase in the receivable balances at 31 December 2019 in comparison to previous year. Main reason for this increase at 31 December 2019 include receivable contribution from IFAC (EUR 10,000).

The variation in 2019 on the Accounts Payable item is due to pending invoice for EUR 8,000 at 31 December 2019 related to recruitment services. The invoice was paid in January 2020.

The variation in 2019 on the Accrued liabilities item is mainly the net from accrual of provision for termination benefit and reversal of 10% increase in stipends of Technical Committee members.

## 7. EMPLOYEE COSTS

| (in Euros)                            | 2019           | 2018           |
|---------------------------------------|----------------|----------------|
| Gross Salaries                        | 528,780        | 585,576        |
| Spanish social security fees          | 76,644         | 79,935         |
| Other benefits (1)                    | 46,259         | 52,233         |
| Other long-term employee benefits (2) | 38,848         | 34,737         |
| <b>Total Employee Costs</b>           | <b>690,531</b> | <b>752,481</b> |

(1) Mainly includes pension plan and medical insurance expenses.

(2) Includes provision for termination benefits.

## 8. TECHNICAL COMMITTEE STIPENDS

Members of the Technical Committee are entitled to receive fixed annual stipends of EUR 20,625 except for the Chairman of the Committee who receives EUR 123,750 in recognition of his additional leadership responsibilities. All members other than the Chairman are further entitled to variable remuneration of EUR 825 per day of attendance at assigned public interest meetings.

At 31 December 2019 and 2018 the Technical Committee was made up of nine members, six of which are also members of the Trustees' Board (Note 14).

One member has waived its right to receive stipends. The amount of the stipend waived represents EUR 32K at 31 December 2019.

## 9. Legal and Other Professional Fees

| (in Euros)                  | 2019          | 2018          |
|-----------------------------|---------------|---------------|
| Legal fees (1)              | 49,840        | 52,915        |
| Recruitment fees (2)        | 24,664        | -             |
| Project – Car Lab (3)       | 9,073         | -             |
| Other                       | 14,726        | 4,937         |
| <b>Total Employee Costs</b> | <b>98,303</b> | <b>57,852</b> |

(1) Includes recurrent legal fees and other legal fees not included in lawyer's annual proposal, such as adaptation to new Law on Data Protection in 2019.

(2) Includes fees of recruiting agency to hire a new staff member.

(3) Contribution to develop online-sourced information tool regarding the public interest in the field of audit, assurance and ethics standards.

## 10. CASH AND BANK BALANCES

| (in Euros)                          | 2019           | 2018           |
|-------------------------------------|----------------|----------------|
| Cash and bank balances in Euros     | 824,081        | 789,482        |
| <b>Total cash and bank balances</b> | <b>824,081</b> | <b>789,482</b> |

## 11. TANGIBLE ASSETS

Details of tangible assets and the related accumulated depreciation at 31 December 2019, as well as movements during the period then ended, are as follows:

|                           | Balance at December<br>31, 2018 | Additions       | Balance at December<br>31, 2019 |
|---------------------------|---------------------------------|-----------------|---------------------------------|
| Cost:                     |                                 |                 |                                 |
| IT equipment              | 36,009                          | 5,729           | 41,738                          |
| Furniture and fixtures    | 25,745                          | -               | 25,745                          |
| Communications equipment  | 68,406                          | 13,818          | 82,224                          |
| <b>Total cost</b>         | <b>130,160</b>                  | <b>19,547</b>   | <b>149,707</b>                  |
| Accumulated depreciation: |                                 |                 |                                 |
| IT equipment              | (26,498)                        | (4,712)         | (31,210)                        |
| Communications equipment  | (17,101)                        | (18,541)        | (35,642)                        |
| Furniture and fixtures    | (22,716)                        | (931)           | (23,647)                        |
| <b>Total depreciation</b> | <b>(66,315)</b>                 | <b>(24,184)</b> | <b>(90,499)</b>                 |
| <b>Net, end of year</b>   | <b>63,845</b>                   |                 | <b>59,208</b>                   |

In 2019, the Foundation recognised as fixed asset the purchase value and installation costs from the renewal of communications equipment of the Board room located in the ground floor of the Foundation in street Oquendo 12,

Madrid. This equipment has been recognised as fixed asset and depreciated as from August 2019.

## 12. INTANGIBLE ASSETS

Details of intangible assets and the related accumulated amortization at 31 December 2019, as well as movements during the period then ended, are as follows:

|                              | Balance at<br>December 31,<br>2018 | Additions        | Write-off        | Balance at<br>December 31,<br>2019 |
|------------------------------|------------------------------------|------------------|------------------|------------------------------------|
| Cost:                        |                                    |                  |                  |                                    |
| Software                     | 30,540                             | 2,511            | -                | 33,051                             |
| In-kind contribution Oquendo | 757,271                            | 757,271          | (757,271)        | 757,271                            |
| <b>Total cost</b>            | <b>787,811</b>                     | <b>759,782</b>   | <b>(757,271)</b> | <b>790,322</b>                     |
| Accumulated amortization:    |                                    |                  |                  |                                    |
| Software                     | (30,140)                           | (401)            | -                | (30,541)                           |
| In-kind contribution Oquendo | (617,747)                          | (189,318)        | 757,271          | (49,794)                           |
| <b>Total amortization</b>    | <b>(647,887)</b>                   | <b>(189,719)</b> | <b>757,271</b>   | <b>(80,335)</b>                    |
| <b>Net, end of year</b>      | <b>139,924</b>                     |                  |                  | <b>709,987</b>                     |

Intangible assets reflect the value of computer software and, primarily, the fair value of the right to use the premises located at street Oquendo 12, granted by the CNMV for a four-year period, until 26 September 2023.

The Foundation has written - off the fully amortized balance of the right of use of the premises in Oquendo 12 that expired on 26 September 2019, having recognised the fair

value of the right of use for a new four-year period, until 26 September 2023 (Note 2).

The fair value of this right of use was calculated by independent experts on 19 February 2019. At 31 December 2019, the Foundation has not identified significant variations in the value of the right of use.

## 13. REVENUE RECEIVED IN ADVANCE

Revenue received in advance represents funding received from IFAC in advance and in excess of revenues in the approved budget for eligible costs given other third-parties contributions (see Note 2).

In 2019, the amount was reduced by EUR 68,310 given a lower cash payment made by IFAC in comparison to the revenues of the approved budget.

## 14. ENDOWMENT FUNDS AND OTHER RESERVES

To meet the minimum legal capital requirements established by Spanish law, the founders (see note 1) collectively provided an initial endowment for 30,000 Euros. Such endowment cannot be used by the Foundation.

these reserves for future years. Also, in the case that the Foundation is dissolved, after the realization of assets and liquidation of liabilities, any remaining balance shall be distributed in accordance with Foundations Law 50/2002.

Other reserves basically correspond to excess of contributions in comparison with expenses for prior periods. The Board of Trustees can decide on how to allocate

## 15. BOARD OF TRUSTEES

Positions on the Board of Trustees 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     |
| Mme. Maria Helena Pettersson | Board member |
| Mme. Aileen Pierce Gleeson   | Board member |
| Mr. Karel Van Hulle          | Board member |
| Mr. Jules Muis               | Board member |
| Mr. Shigeo Kashiwagi         | Board member |

## 16. AUDITORS' REMUNERATION

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

| (in Euros)   | 2019         | 2018         |
|--|--------------|--------------|
| Fees payable for the voluntary audit of PIOB's IFRS and statutory financial statements                           | 6,000        | 6,000        |
| Fees payable for ISAE 3000 – Assurance engagements on eligibility of costs and funding report provided to the EC | 2,500        | 2,500        |
| <b>Total Auditors' remuneration</b>  | <b>8,500</b> | <b>8,500</b> |

## 17. SUBSEQUENT EVENTS

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The Monitoring Group is leading a reform process of the standard setting system in the field of audit and ethics for accountants and auditors. This process has been subject to a global consultation (Public Consultation: Strengthen the Governance and Oversight of International Audit-Related Standard-Setting in the Public Interest) that among other things requested comments about the role and responsibilities of the PIOB.

The first stage of the consultation process started during the first quarter of 2017 and ended in February 2018 with 180 responses from a variety of stakeholders, such as investors, the regulatory community, financial institutions, auditors, audit firms, professional bodies and academia. The PIOB attended in 2018 four out of the five roundtables organized by the Monitoring Group to discuss the MG consultation paper.

In addition, in 2018 IFAC decided to create an IFAC's International Panel on Accounting and Education (IPAE) to replace the IAESB and proposed to start a consultation process to dissolve the Compliance Advisory Panel and substitute it with a Membership Committee. The IAESB ceased its activity in August 2019, while the CAP's mandate was also terminated at the end of 2019. Neither the IPAE nor Membership Committee are subject to PIOB Oversight.

During 2019, the PIOB actively supported MG members to develop a comprehensive reform package in the field of standard setting in audit and ethics for accountants.

As a result of the current reform process, it is possible that the mandate of the Foundation could be modified.

The emergence of Coronavirus COVID-19 in January 2020 and its recent global expansion to a large number of countries, has led the World Health Organization to classify this viral outbreak as a pandemic since March 11.

The current mandate of the Foundation is to oversee the development of standards by the standard-setting boards in audit and ethics of the International Federation of Accountants (IFAC), and closely monitor the activities of these committees by carrying out other related and complementary activities. This function has been mainly carried out through assistance to the locations where these meetings were held, mostly of the IAASB (International Auditing and Assurance Standards Board), IESBA (International Ethics Standards Board for Accountants), CAGs (Advisory Groups) and the IFAC Nominating Committee. In total, an approximate of 16 annual meetings a year, in addition to a number of meetings with regulators, members of the Monitoring Group (MG) and other stakeholders.

For many years, some of these meetings have been attended through videoconference. For this reason, the Foundation carried out a series of actions that allowed to improve and strengthen its IT systems. These actions include, among others, IT audits to identify intrusion risks in their systems, migration of servers to the cloud or enhance its technological tools for teleworking. This has allowed the Foundation, in the current context and despite the mobility restrictions that currently exist in Spain and in several countries around the world, to continue without significant inconveniences with the operations and activities related to its mandate, either by video or teleconference.

The Standard-setting boards IAASB, IESBA and the Nominating Committee of the International Federation of Accountants (IFAC) have also adjusted their meetings to videoconferencing format. The Foundation can, therefore, continue to deliver effectively its oversight activity. Meetings with members of the Monitoring Group are being held following similar format.

At the date of formulation of these Financial Statements, it is premature to carry out a detailed assessment or quantification of the potential impacts that COVID-19

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will have on the activities of the Foundation in 2020, due to the uncertainty about its consequences, in the short, medium and long term. However, it should be noted that, as mentioned in Note 2 of the financial statements, on 3 March 2020, the International Federation of Accountants (IFAC) agreed to extend the Foundation's financing guarantee. This guarantee covers its full budgeted revenue until March 2022.

At the date of formulation of these Financial Statements, the Foundation does not foresee risks on its liquidity, operations, variation on its financial measures, valuation of assets and liabilities of the balance sheet or going concern.

The Foundation's Secretary General closely monitors the evolution of this situation, in order to successfully identify any impact that may occur.

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On behalf of the Foundation, I declare that the statements set out in pages 4 to 7 and the accompanying notes set out in pages 8 to 19 constitute the Financial Statements of the Foundation for the year ended 31 December 2019.

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Gonzalo Ramos Puig  
Secretary General  
27 March 2020



Public Interest Oversight Board

**PUBLIC INTEREST OVERSIGHT BOARD**

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