



Public Interest Oversight Board

# FINANCIAL STATEMENTS

## 2014



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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

To the Board of Trustees of Fundación Public Interest Oversight Board:

We have audited the accompanying financial statements of Fundación Public Interest Oversight Board (hereinafter the "PIOB" or "the Foundation"), which comprise the statement of financial position at December 31, 2014, the statement of financial performance and other comprehensive income, the statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

### *Secretary General's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit, which should not be understood as a statutory audit as defined by Spanish Accounts' Auditing Law 1/2011. 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 about 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.

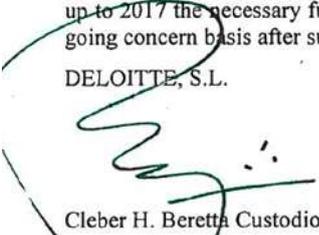
### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fundación Public Interest Oversight Board as at December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 2 in the financial statements which indicates that, under a revised agreement dated January 2008, the International Federation of Accountants (hereinafter "IFAC") has committed to fund the operating expenses, of the Foundation, to a limit, up to March, 2017. The Secretary General has not identified a material uncertainty that could cast significant doubt on the Foundation's ability to continue as a going concern and believes that funding commitments will be available in the future, allowing the Foundation to prepare these financial statements on a going concern basis. Based on our audit, we also have not identified such a material uncertainty up to 2017. Although the Foundation is still working on a stable framework for future fundings and that up to 2017 the necessary funds have been committed, there is not a guarantee that the Foundation's will continue as a going concern basis after such date.

DELOITTE, S.L.

  
 Cleber H. Beretta Custodio

**STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME**  
for the year ended 31 December 2014 (in Euros)

	2014	2013
<b>REVENUE</b>		
International Federation of Accountants Funding (note 2)	874.540	778.611
European Commission Funding (note 2)	272.000	293.858
Abu Dhabi Accountability Authority Funding	120.000	120.000
International Organization of Securities Commissions Funding	100.000	100.000
Bank for International Settlements Funding (*)	55.000	100.000
Financial Reporting Council Funding	40.000	40.000
World Bank Funding	35.832	38.077
Interest income (note 2)	5.478	2.838
<b>TOTAL REVENUE</b>	<b>1.502.850</b>	<b>1.473.384</b>
<b>EXPENSES</b>		
Employee costs (note 7)	683.841	634.971
Travel and meeting costs	303.749	263.936
Technical Committee stipends (note 8)	304.125	297.876
Annual report	7.993	9.542
Occupancy (notes 5 and 14)	40.000	41.785
Recruitment costs	-	10.739
Telephone	15.097	13.556
Legal and other professional fees	38.908	62.308
Auditor remuneration (note 15)	6.000	6.000
Depreciation and amortization (note 2 and 10)	8.803	9.513
IT Support	29.763	23.432
Ordinary exchange losses	473	2.177
Other expenses	27.214	25.667
<b>TOTAL EXPENSES</b>	<b>1.465.966</b>	<b>1.401.502</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	<b>36.884</b>	<b>71.882</b>
Taxation (note 2)	-	-
<b>(DEFICIT)/SURPLUS FOR THE YEAR AFTER TAX</b>	<b>36.884</b>	<b>71.882</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX</b>	<b>36.884</b>	<b>71.882</b>

(\*) In 2013 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements

## STATEMENT OF FINANCIAL POSITION

at 31 December 2014 (in Euros)

	2014	2013
<b>ASSETS</b>		
Current Assets		
Cash and bank balances (note 9)	776.178	665.372
Accounts Receivable (note 2)	275.292	310.181
Prepaid Expenses	-	1.676
<b>TOTAL CURRENT ASSETS</b>	<b>1.051.470</b>	<b>977.229</b>
Capital Assets (note 10)	16.956	25.031
<b>TOTAL ASSETS</b>	<b>1.068.426</b>	<b>1.002.260</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable (note 4)	81.184	81.327
Accrued Liabilities (note 5)	189.969	165.713
Revenue received in advance (note 11)	301.478	296.309
<b>TOTAL LIABILITIES</b>	<b>572.631</b>	<b>543.349</b>
<b>EQUITY</b>		
Comprehensive income for the year net of tax	36.884	71.882
Endowment funds (note 12)	30.000	30.000
Other Reserves	428.911	357.029
<b>TOTAL EQUITY</b>	<b>495.795</b>	<b>458.911</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1.068.426</b>	<b>1.002.260</b>

The accompanying notes are an integral part of the financial statements

**STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2014 (in Euros)

	<b>Comprehensive Income</b>	<b>Other Reserves</b>	<b>Endowment funds</b>	<b>Total</b>
Balance, beginning of year 2013	40.489	316.540	30.000	<b>387.029</b>
Transfers	(40.489)	40.489	-	-
Additions	71.882	-	-	<b>71.882</b>
Balance, end of year 2013	71.882	357.029	30.000	458.911
Transfers	(71.882)	71.882	-	-
Additions	36.884	-	-	36.884
Balance, end of year 2014	<b>36.884</b>	<b>428.911</b>	<b>30.000</b>	<b>495.795</b>

The accompanying notes are an integral part of the financial statements

**CASH FLOW STATEMENT**  
for the year ended 31 December 2014 (in Euros)

	2014	2013
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses (expenses over revenue)	36.884	71.882
Non-cash items		
Depreciation of capital assets	8.803	9.513
Interest income from changes in fair value of financial instrument		-
Decrease (increase) in working capital items (note 6)	65.847	10.333
<b>NET CASH GENERATED</b>	<b>111.534</b>	<b>91.728</b>
<b>INVESTING ACTIVITIES</b>		
Financial instruments	-	346.539
Capital expenditures	(728)	(18.274)
<b>NET CASH (USED IN) / GENERATED BY INVESTING ACTIVITIES</b>	<b>(728)</b>	<b>328.265</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>110.806</b>	<b>419.993</b>
<b>CASH AND BANK BALANCES, BEGINNING OF YEAR</b>	<b>665.372</b>	<b>245.377</b>
<b>CASH AND BANK BALANCES, END OF YEAR</b>	<b>776.178</b>	<b>665.372</b>
<b>CASH AND BANK BALANCES</b>		
Cash and bank balances	776.178	665.372

The accompanying notes are an integral part of the financial statements

## 1.- FUNDACIÓN PUBLIC INTEREST OVERSIGHT BOARD

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 its 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

### **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 formulated by the Secretary General of the Foundation on March 23, 2015.

### **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 2014.

The Foundation has concluded that there are no relevant Standards or Interpretations in issue that are not yet adopted that will 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**

Under a revised agreement dated January 2008, the International Federation of Accountants (hereinafter "IFAC") has committed to fund the operating expenses of the Foundation to a limit of EUR 1.317.000 per year, adjusted for inflation up to March 2015. This replaces a previous commitment to provide up to US \$1.500.000 per year, adjusted for both inflation and foreign currency exchange movements.

On March 6, 2014 IFAC confirmed their willingness to extend the guarantee funding period to March 2016. On February 20, 2015 IFAC confirmed a new extension of the funding period until March 2017.

Revenue from IFAC is recognised on an accrual basis since it is related to yearly funding. Management believes that the agreement to commitment funding will be renewed within a funding framework including additional contributors, like the European Community, allowing the Foundation to prepare these financial statements on a going concern basis.

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 programme. The European Commission contributed in 2013 with €293.858.

In addition, the EC awarded a new grant to the Foundation for each of the years of the period 2014-2020, through the Regulation (EU) No. 258/2014 of the European Parliament and of the Council of 3 April 2014. The contribution for the year 2014 is for a maximum of €272.000 or 30% of the eligible costs.

This revenue is recognized on an accrual basis based on the total eligible costs of the program. The Monitoring Group decided in October 2010 that the funds received from the European Commission should replace IFAC's funding.

Interest income from financial instruments, 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.

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 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.

### Capital assets

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

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

	Methods	Rates
Computer equipment		
IT Equipment and Software	Straight-line	25 %
Furniture	Straight-line	10% - 20%

### 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 December 31st 2014 and 2013 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 December 31, 2014.

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 2014 grant that will be paid during 2015.

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 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, mainly in Euros, but also operated in Canadian dollars and American Dollars at December 31st 2013 and incurred in some currency risk as a result of the conversion of foreign currency balances held in these bank accounts. The currency risk associated with these balances is considered minimal and 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:

As at December 31, 2014, 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 are recorded for the gross amount and are also exempt of the applicable taxes.

**3.- EXPENSES BY ACTIVITY**

	(in Euros)	2014	2013
Board related operating costs			
Oversight Program <sup>(1)</sup>		821.025	793.870
Communications and External Relations Program <sup>(2)</sup>		143.109	127.302
Monitoring Group and Monitoring Group members <sup>(3)</sup>		145.328	139.079
Foundation Board Meetings <sup>(4)</sup>		132.030	123.476
Other ongoing operating costs		224.474	217.775
<b>Total expenses</b>		<b>1.465.966</b>	<b>1.401.502</b>

(1) The core mandate of the PIOB is to provide independent oversight to 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.

**4.- ACCOUNTS PAYABLE**

	(in Euros)	2014	2013
Employee Taxes and Social Security		69.825	71.610
Other		11.359	9.717
<b>Total Accounts Payable</b>		<b>81.184</b>	<b>81.327</b>

**5.- ACCRUED LIABILITIES**

	(in Euros)	2014	2013
Occupancy expenses		40.000	40.000
Travel and other operating costs		149.969	125.713
<b>TOTAL ACCRUED LIABILITIES</b>		<b>189.969</b>	<b>165.713</b>

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

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

	(in Euros)	2014	2013
Accounts receivable		(34.889)	(932)
Prepaid expenses		(1.676)	580
Accounts payable		143	(5.520)
Accrued liabilities		(24.256)	(18.149)
Deferred revenue		(5.169)	13.688
<b>INCREASES (DECREASES) IN WORKING CAPITAL</b>		<b>(65.847)</b>	<b>(10.333)</b>

The variation on the Accounts Receivable item is mainly related to the decrease of the receivable contribution from the European Commission at the end of 2014 (€ 272.000) in comparison to the receivable contribution of 2013 (€ 293.858).

The variation on the Accrued Liabilities item of € 6.107 is mainly due to review of estimations of Termination Benefits and Pension Plan expenses that were made in 2014.

The variation on Deferred Revenue is due to the balances of Revenue Received in Advance from IFAC (Note 11) at the end of 2014 (€ 301.478), 2013 (€ 296.309) and 2012 (€ 309.997).

## 7.- EMPLOYEE COSTS

	(in Euros)	<b>2014</b>	<b>2013</b>
Gross Salaries		487.091	458.242
Spanish social security fees		75.525	62.640
Other benefits <sup>(1)</sup>		99.488	93.812
Other long-term employee benefits <sup>(2)</sup>		21.737	20.277
<b>TOTAL EMPLOYEE COSTS</b>		<b>683.841</b>	<b>634.971</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 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.

At December 31st, 2014 the Technical Committee is made up of nine members (ten members at December 31st 2013), six of which are also members of the Trustees' Board (Note 13).

## 9.- CASH AND BANK BALANCES

	(in Euros)	<b>2014</b>	<b>2013</b>
Cash and bank balances mainly in Euros		776.178	665.372
<b>TOTAL CASH AND BANK BALANCES</b>		<b>776.178</b>	<b>665.372</b>

**10.- CAPITAL ASSETS**

	(in Euros)		2014	2013
	IT equipment and software	Furniture	Total	Total
At the lower of recoverable value and cost				
Balance, beginning of year	41.665	24.098	<b>65.763</b>	<b>47.489</b>
Additions	728	-	<b>728</b>	<b>18.274</b>
Balance, end of year	42.393	24.098	<b>66.491</b>	<b>65.763</b>
Accumulated depreciation				
Balance, beginning of year	(25.865)	(14.867)	<b>(40.732)</b>	<b>(31.217)</b>
Depreciation	(4.750)	(4.053)	<b>(8.803)</b>	<b>(9.515)</b>
Balance, end of year	(30.615)	(18.920)	<b>(49.535)</b>	<b>(40.732)</b>
Net, end of year	11.778	5.178	<b>16.956</b>	<b>25.031</b>

The addition in IT equipment and software consisted mainly of the costs in relation to the acquisition of other IT hardware.

**11.- REVENUE RECEIVED IN ADVANCE**

Revenue received in advance at 31 December 2014 of €301.478 (2013 of €296.309) represents IFAC funding received in 2014 that has been designated to fund 2015 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 for 30.000 Euros. Such endowment cannot be used by the Foundation.

**13.- BOARD**

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

Mr. Eddy Wymeersch	Chairman
Mr. Chandrashekhar Bhaskar Bhawe	Board member
Mme. Jane Diplock	Board member
Mme. Maria Helena Pettersson	Board member from 13 March 2014
Mr. Karel Van Hulle	Board member from 13 March 2014
Mr. Nicolaas Arie van der Ende	Board member from 13 March 2014
Mr. Robert Ward	Board member until 21 January 2014
Mr. Kai-Uwe Marten	Board member until 13 March 2014
Mr. Michael Hafeman	Board member until 13 March 2014
Mr. Toshiharu Kitamura	Board member until 13 March 2014
Mme. Julie Galbo	Board member until 30 June 2014

**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 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). 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 the buildings total actual costs or €43.847. The latter amount is subject to annual adjustments for changes in the Spanish Consumer Price Index.

The estimated revenue in kind associated to the 33% share to use free of charge of the Oquendo 12 premises is of approximately €128.154, which the Foundation has decided not to record but to disclose as a note in its financial statements.

**15.- AUDITORS' REMUNERATION**

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

	(in Euros)	<b>2014</b>	<b>2013</b>
Fees payable for the voluntary audit of PIOB financial statements		6.000	6.000
<b>TOTAL AUDITORS' REMUNERATION</b>		<b>6.000</b>	<b>6.000</b>

**16.- SUBSEQUENT EVENTS**

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

On behalf of the Foundation, I declare that the statements set out in pages 1 to 4 and the accompanying notes set out in pages 5 to 13, constitute the Financial Statements of the Foundation for the year ended 31 December 2014.

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Gonzalo Ramos Puig  
Secretary General

## **Public Interest Oversight Board**

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