

# Financial Statements

## 2015



Public Interest Oversight Board

Madrid - June 2016

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

## INDEPENDENT AUDITOR'S REPORT ON THE 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, 2015, 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, 2015 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*

We draw attention to Note 2 in the financial statements in relation to the Foundation's future funding commitment. On February 18, 2016, the International Federation of Accountants (hereinafter "IFAC") has confirmed the extension of its guarantee for yearly funding of EUR 1.5 million after adjustment of inflation in relation to the Foundation's operating expenses up to March, 2018. Additionally, the European Commission (hereinafter "EC") has also committed to reimburse up to 30% of the Foundation's eligible costs up to a maximum of EUR 312,000 for 2015 provided that the funds contributed by IFAC have not reached more than two thirds of the total 2015 revenues (in 2015 IFAC contributions represented 61% of its total revenues). As indicated in such note to the financial statements, Management believes that IFAC commitment to fund the PIOB will be further extended, as well as additional contributions such as the EC grant, among others, will be available in the future. Our opinion is not qualified in respect of this matter.

DELOITTE, S.L.



Cleber H. Bereffa Custodio

Madrid, March 18, 2016

# Statement of Financial Performance And Other Comprehensive Income

For the year ended 31 December 2015 (in Euros)

	2015	2014
<b>REVENUE</b>		
International Federation of Accountants Funding (note 2)	930.154	874.540
European Commission Funding (note 2)	312.000	272.000
Abu Dhabi Accountability Authority Funding	120.000	120.000
International Organization of Securities Commissions Funding	100.000	100.000
Bank for International Settlements Funding (*)	23.000	55.000
Financial Reporting Council Funding	40.000	40.000
World Bank Funding	-	35.832
Interest income (note 2)	7.753	5.478
<b>TOTAL REVENUE</b>	<b>1.532.907</b>	<b>1.502.850</b>
<b>EXPENSES</b>		
Employee costs (note 7)	702.297	683.841
Travel and meeting costs	277.572	303.749
Technical Committee stipends (note 8)	322.313	304.125
Annual report	6.179	7.993
Occupancy (notes 5 and 14)	40.000	40.000
Telephone	13.207	15.097
Legal and other professional fees	35.513	38.908
Auditor remuneration (note 15)	6.000	6.000
Depreciation and amortization (note 2 and 10)	7.115	8.803
IT Support	31.609	29.763
Ordinary exchange losses	179	473
Other expenses	22.264	27.214
<b>TOTAL EXPENSES</b>	<b>1.464.248</b>	<b>1.465.966</b>
<b>(DEFICIT)/SURPLUS FOR THE YEAR</b>	<b>68.659</b>	<b>36.884</b>
Taxation (note 2)	-	-
<b>(DEFICIT)/SURPLUS FOR THE YEAR AFTER TAX</b>	<b>68.659</b>	<b>36.884</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>68.659</b>	<b>36.884</b>

(\*) In 2015 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements

# Statement of Financial Position

At 31 December 2015 (in Euros)

	2015	2014
<b>ASSETS</b>		
Current Assets		
Cash and bank balances (note 9)	844.221	776.178
Accounts Receivable	339.243	275.292
<b>TOTAL CURRENT ASSETS</b>	<b>1.183.464</b>	<b>1.051.470</b>
Capital Assets (note 10)	17.980	16.956
<b>TOTAL ASSETS</b>	<b>1.201.444</b>	<b>1.068.426</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable (note 4)	115.330	81.184
Accrued Liabilities (note 5)	220.430	189.969
Revenue received in advance (note 11)	301.230	301.478
<b>TOTAL LIABILITIES</b>	<b>636.990</b>	<b>572.631</b>
<b>EQUITY</b>		
Comprehensive income for the year net of tax	68.659	36.884
Endowment funds (note 12)	30.000	30.000
Other Reserves	465.795	428.911
<b>TOTAL EQUITY</b>	<b>564.454</b>	<b>495.795</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1.201.444</b>	<b>1.068.426</b>

The accompanying notes are an integral part of the financial statements

## Statement of Changes in Equity

For the year ended 31 December 2015 (in Euros)

	Comprehensive Income	Other Reserves	Endowment funds	Total
Balance, beginning of year 2014	71.882	357.029	30.000	458.911
Transfers	(71.882)	71.882	-	-
Additions	36.884	-	-	36.884
Balance, end of year 2014	36.884	428.911	30.000	495.795
Transfers	(36.884)	36.884	-	-
Additions	68.659	-	-	68.659
<b>BALANCE, END OF YEAR 2015</b>	<b>68.659</b>	<b>465.795</b>	<b>30.000</b>	<b>564.454</b>

The accompanying notes are an integral part of the financial statements

# Cash Flow Statement

For the year ended 31 December 2015 (in Euros)

	2015	2014
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenses (expenses over revenue)	68.659	36.884
Non-cash items		
Depreciation of capital assets	7.114	8.803
Interest income from changes in fair value of financial instrument	-	-
Decrease (increase) in working capital items (note 6)	408	65.847
<b>NET CASH GENERATED</b>	<b>76.181</b>	<b>111.534</b>
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(8.138)	(728)
<b>NET CASH (USED IN) / GENERATED BY INVESTING ACTIVITIES</b>	<b>(8.138)</b>	<b>(728)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>68.043</b>	<b>110.806</b>
<b>CASH AND BANK BALANCES, BEGINNING OF YEAR</b>	<b>776.178</b>	<b>665.372</b>
<b>CASH AND BANK BALANCES, END OF YEAR</b>	<b>844.221</b>	<b>776.178</b>
<b>CASH AND BANK BALANCES</b>		
Cash and bank balances	844.221	776.178

The accompanying notes are an integral part of the financial statements

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.

## 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 formulated by the Secretary General of the Foundation on March 11, 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 2015.

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") committed to fund the operating expenses of the Foundation to a limit of EUR 1.317.000 per year, adjusted for inflation, for a period of five years, up to March 2015. This replaces a previous commitment to provide up to US \$1.500.000 per year, also for a period of five years, adjusted for both inflation and foreign currency exchange movements.

On March 6, 2014 IFAC confirmed their willingness to extend the guaranteed funding period by one additional year to March 2016; on February 20, 2015 IFAC confirmed a new one-year extension of the funding guarantee until March 2017; and on February 18, 2016 IFAC confirmed an additional one-year extension of the funding guarantee until March 2018.

Revenue from IFAC represents less than two-thirds of total revenues (61%) and is recognized on an accrual basis since it is related to yearly funding. Management believes that IFAC commitment to fund the PIOB will be extended into 2019, which together with additional contributions, such as the European Community grant, allow 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.

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 2015 is for a maximum of

€312.000 or 30% of the eligible costs (€ 272.000 for 2014). The 2015 Grant agreement with the EC establishes that if funding by IFAC reaches more than two-thirds of total funding in 2015, the EC shall limit its contribution for 2015 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.

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 2015 and 2014 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, 2015.

### 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 2015 grant that will be paid during 2016.

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 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:

As at December 31, 2015, 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.

## Expenses by Activity

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	(in Euros)	2015	2014
Board related operating costs			
Oversight Program <sup>(1)</sup>		842.800	821.025
Communications and External Relations Program <sup>(2)</sup>		131.584	143.109
Monitoring Group and Monitoring Group members <sup>(3)</sup>		134.027	145.328
Foundation Board Meetings <sup>(4)</sup>		134.441	132.030
Other ongoing operating costs		221.396	224.474
<b>TOTAL EXPENSES</b>		<b>1.464.248</b>	<b>1.465.966</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.

## Accounts Payable

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	(in Euros)	2015	2014
Employee Taxes and Social Security		72.132	69.825
Other		43.198	11.359
<b>TOTAL ACCOUNTS PAYABLE</b>		<b>115.330</b>	<b>81.184</b>

## Accrued Liabilities

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	(in Euros)	2015	2014
Occupancy expenses		40.000	40.000
Other accrued liabilities		180.430	149.969
<b>TOTAL ACCRUED LIABILITIES</b>		<b>220.430</b>	<b>189.969</b>

## Information Included in the Cash Flow Statement

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

	(in Euros)	2015	2014
Accounts receivable		63.951	(34.889)
Prepaid expenses		-	(1.676)
Accounts payable		(34.146)	143
Accrued liabilities		(30.461)	(24.256)
Revenue received in advanced		248	(5.169)
<b>INCREASES (DECREASES) IN WORKING CAPITAL</b>		<b>(408)</b>	<b>(65.847)</b>

The variation on the Accounts Receivable item is mainly related to the increase of the receivable contribution from the European Commission at the end of 2015 (€ 312.000) in comparison to the receivable contribution of 2014 (€ 272.000).

The variation on the accounts payable item of €34.289 is mainly related to payable balances related to travel and meeting costs of some board members of the Foundation. All these balances were paid during January and February, 2016.

The variation on the Accrued Liabilities item of € 6.205 is mainly due to increase of estimations of Termination Benefits and Pension Plan expenses in comparison to previous year.

The variation on Revenue received in advance is due to the balances of Revenue Received in Advance from IFAC (Note 11) at the end of 2015 (€ 301.230), 2014 (€ 301.478) and 2013 (€ 296.309).

## Employee Costs

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	(in Euros)	2015	2014
Gross Salaries		505.420	487.091
Spanish social security fees		76.142	75.525
Other benefits <sup>(1)</sup>		99.983	99.488
Other long-term employee benefits <sup>(2)</sup>		20.752	21.737
<b>TOTAL EMPLOYEE COSTS</b>		<b>702.297</b>	<b>683.841</b>

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

(2) Includes provision for termination benefits.

## Technical Committee Stipends

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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 31<sup>st</sup>, 2015 the Technical Committee is made up of nine members (nine members at December 31<sup>st</sup> 2014), seven of which are also members of the Trustees` Board (Note 13).

## Cash and bank balances

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	(in Euros)	2015	2014
Cash and bank balances in Euros		844.221	776.178
<b>TOTAL CASH AND BANK BALANCES</b>		<b>844.221</b>	<b>776.178</b>

	(in Euros)		2015	2014
	IT equipment and software	Furniture	Total	Total
At the lower of recoverable value and cost				
Balance, beginning of year	42.393	24.098	66.491	65.763
Additions	8.139	-	8.139	728
Balance, end of year	50.532	24.098	74.630	66.491
Accumulated depreciation				
Balance, beginning of year	(30.615)	(18.920)	(49.535)	(40.732)
Depreciation	(5.769)	(1.346)	(7.115)	(8.803)
Balance, end of year	(36.384)	(20.266)	(56.650)	(49.535)
Net, end of year	14.148	3.832	17.980	16.956

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

## Revenue received in advanced

# 11

Revenue received in advance at 31 December 2015 of €301.230 (2014 of €301.478) represents IFAC funding received in 2015 that has been designated to fund 2016 activities.

## Endowment funds

# 12

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.

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 Bhave	Board member
Mme. Jane Diplock	Board member
Mme. Maria Helena Pettersson	Board member
Mr. Karel Van Hulle	Board member
Mme. Aileen Pierce Gleeson	Board member from 23 March 2015
Mr. Michael Valentin Holm	Board member from 23 March 2015
Mr. Nicolaas Arie van der Ende	Board member until December 18, 2015

## 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). The Foundation renewed the agreement with the Spanish Authorities on September 26, 2011 and September 26, 2015.

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.

## Auditors' remuneration

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

	(in Euros)	2015	2014
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>

## 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 3 to 6 and the accompanying notes set out in pages 7 to 13 constitute the Financial Statements of the Foundation for the year ended 31 December 2015.

**Gonzalo Ramos Puig**  
Secretary General



# Public Interest Oversight Board

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