



Public Interest Oversight Board

A tall, cylindrical lighthouse tower is the central focus, extending from the bottom to the top of the frame. The tower is white with a dark band near the top. The lantern room at the top is illuminated from within, casting a warm yellow glow. A small red flag is visible on a pole at the very top. The background is a deep blue night sky filled with numerous small, bright stars.

FINANCIAL STATEMENTS

MAY 2019

PUBLIC INTEREST OVERSIGHT BOARD

C/Oquendo, 12 28006 Madrid, Spain

Telephone: +34 91 782 05 28

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, 2018, 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, 2018, 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 2018 represented approximately 62% of the Foundation total revenues. On February 28, 2019 IFAC has confirmed the extension up to March 2021 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, April 23, 2019

STATEMENT OF FINANCIAL PERFORMANCE AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2018 (in Euros)

	2018	2017
REVENUE		
International Federation of Accountants Funding (note 2)	1,135,302	1,059,807
European Commission Funding (note 2)	331,000	325,000
International Organization of Securities Commissions Funding	100,000	100,000
Abu Dhabi Accountability Authority Funding	-	35,000
Financial Reporting Council Funding	40,000	40,000
Bank for International Settlements Funding (**)	30,000	35,000
Interest income	-	29
TOTAL MONETARY REVENUE	1,636,302	1,594,836
In-kind contribution from Spanish authorities (note 2)	189,318	189,318
TOTAL REVENUE	1,825,620	1,784,154
EXPENSES		
Employee costs (note 7)	752,481	806,677
Travel and meeting costs	288,033	328,469
Technical Committee stipends (note 8)	304,044	311,635
Annual report	4,295	5,574
Occupancy (note 5)	34,270	36,735
Telephone	9,141	11,015
Legal and other professional fees	57,852	35,302
Auditor remuneration (note 15)	8,500	6,000
Depreciation and amortization (notes 2, 10 and 11)	213,396	196,614
IT Support	37,693	34,139
Ordinary exchange losses/(gains)	368	(933)
Other expenses	37,613	31,337
TOTAL EXPENSES	1,747,686	1,802,564
Surplus/(Deficit) for the year	77,934	(18,410)
Taxation (note 2)	-	-
Surplus/(Deficit) for the year after tax	77,934	(18,410)
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year net of tax	77,934	(18,410)

(*) Restated due to change in accounting policy.

(**) In 2018 and 2017 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION

at 31 December 2018 , 31 December 2017 and 1 January 2017 (in Euros)

	At 31 December 2018	At 31 December 2017(*)	At 1 January 2017(**)
ASSETS			
Current Assets			
Cash and bank balances (note 9)	789,482	849,853	940,872
Accounts Receivable	364,584	371,335	351,024
Prepaid expenses	10,586	4,451	13,134
TOTAL CURRENT ASSETS	1,164,652	1,225,639	1,305,030
Non - Current Assets			
Tangible assets (note 10)	63,845	80,772	3,065
Intangible assets (note 2 and 11)	139,924	330,064	527,282
Total Non - Current Assets	203,769	410,836	530,347
TOTAL ASSETS	1,368,421	1,636,475	1,835,377
LIABILITIES			
Current Liabilities			
Accounts Payable (note 4)	78,718	119,461	80,690
Accrued Liabilities (note 5)	384,840	341,817	249,984
Revenue received in advance (note 12)	68,310	227,260	349,038
	531,868	688,538	679,712
Non - current Liabilities			
Deferred income (note 2)	139,524	328,842	518,160
TOTAL LIABILITIES	671,392	1,017,380	1,197,872
EQUITY			
Comprehensive income for the year net of tax	77,934	(18,410)	73,051
Endowment funds (note 13)	30,000	30,000	30,000
Other Reserves	589,095	607,505	534,454
TOTAL EQUITY	697,029	619,095	637,505
TOTAL LIABILITIES AND EQUITY	1,368,421	1,636,475	1,835,377

The accompanying notes are an integral part of the financial statements

(*) Restated due to change in accounting policy.

(**) Prepared on the basis of IAS 1, paragraphs 40A to 40D (Note 2).

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2018 (in Euros)

	Comprehensive Income	Other Reserves	Endowment funds	Total
Balance, beginning of year 2017	73,051	534,454	30,000	637,505
Transfers	(73,051)	73,051	-	-
(Reductions)	(18,410)	-	-	(18,410)
Balance, end of year 2017	(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

The accompanying notes are an integral part of the financial statements

CASH FLOW STATEMENT
for the year ended 31 December 2018 (in Euros)

	2018	2017
OPERATING ACTIVITIES		
Excess of revenue over expenses (expenses over revenue)	77,934	(18,410)
Non-cash items		
Depreciation of tangible and intangible assets	213,396	196,614
Decrease in Non - current liabilities (note 2)	(189,318)	(189,318)
Decrease in working capital items (note 6)	(115,054)	(43,912)
NET CASH USED IN OPERATING ACTIVITIES	(13,042)	(55,026)
INVESTING ACTIVITIES		
Capital expenditures	(47,329)	(35,993)
NET CASH USED IN INVESTING ACTIVITIES	(47,329)	(35,993)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(60,371)	(91,019)
Cash and bank balances, beginning of year	849,853	940,872
CASH AND CASH BALANCES, END OF YEAR	789,482	849,853
CASH AND BANK BALANCES		
Cash and bank balances	789,482	849,853

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 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

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 26 March, 2019.

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.

Change in accounting estimate

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 September 26, 2011 and September 26, 2015 for an additional four-year period.

At 31 December 2018, the Foundation has 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".

This criterion has been applied retrospectively in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". Retrospective application means adjusting the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied. Following this criterion the Foundation has restated its 2017 Financial Statements, which now differ from those IFRS financial statements prepared on 22 March 2018.

A third financial statement of position at the beginning of 1 January 2017 has been included following IAS 1, paragraphs 40A to 40D. This financial statement has also been restated following the criterion in the previous paragraph and differ from those IFRS financial statements prepared on April 7, 2017.

IAS 8 also requires describing those lines of the financial statements affected by the change in accounting policy. The table below shows the adjustments made in the Statement of Financial Performance and Other Comprehensive Income and the Statement of Financial Position at 31 December 2018 and 2017.

	Financial Statements without application of IAS 8		Adjustments		Financial Statements with application of IAS 8	
	2018	2017	2018	2017	2018	2017
Statement of financial performance and other Comprehensive income:						
Non-monetary In-kind contribution from Spanish authorities	-	-	189,318	189,318	189,318	189,318
Depreciation and amortization	24,078	7,296	189,318	189,318	213,396	196,614
Statement of financial position:						
Intangible assets	400	1,222	139,524	328,842	139,924	330,064
Deferred income	-	-	139,524	328,842	139,524	328,842

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 2018.

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 February 28, 2019 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 1,636,302 in 2018 and EUR 1,594,836 in 2017) until March 2021, 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.

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 62.2% of total revenue (59.4% in 2017) after the change in accounting policy in 2018 to account for in-kind contributions 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 2018 is for a maximum of EUR 331,000 or 30% of the eligible costs (EUR 325,000 for 2017). The 2018 Grant agreement with the EC establishes that, should funding by IFAC reach more than two-thirds of total funding in 2018, the EC shall limit its contribution for 2018 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.

The in-kind contribution from the Spanish Authorities represents the fair value of the right to use the Foundation's premises at calle Oquendo, granted by the CNMV for a four-year period, until 26 September 2019 and is recognised

as revenue in the same proportion as its amortization, being its estimated value of EUR 189,318 annually. The fair value of this right of use has been calculated by independent experts.

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 2018 and 2017 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 2018.

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 2018 grant that will be paid during 2019.

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 2018, 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 calle Oquendo	Straight-line	25%

3. EXPENSES BY ACTIVITY

(in Euros)	2018	2017
Board related operating costs		
Oversight Program (1)	813,174	944,466
Communications and External Relations Program (2)	181,747	163,195
Monitoring Group and Monitoring Group members (3)	172,437	175,160
Foundation Board Meetings (4)	141,896	131,079
Other ongoing operating costs	438,432	388,664
Total expenses	1,747,686	1,802,564

(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 2018 and 2017 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)	2018	2017
Employee Taxes and Social Security	64,466	65,863
Other	14,252	53,598
Total Accounts Payable	78,718	119,461

The decrease in Accounts Payable (Other) is mainly due to an amount of EUR 41,000, pending to be paid at 31 December 2017. This amount is related to the renewal of audio and video equipment in the board room of the Foundation's premises and was paid in the first quarter of 2018.

5. ACCRUED LIABILITIES

(in Euros)	2018	2017
Occupancy expenses	34,270	36,735
10% increase in stipends (Note 8)	26,888	-
Other accrued benefit	285,804	251,067
Other accrued liabilities	37,878	54,015
Total Accrued Liabilities	384,840	341,817

6. INFORMATION INCLUDED IN THE CASH FLOW STATEMENT

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

(in Euros)	2018	2017
Accounts receivable	(6,751)	20,311
Prepaid expenses	6,135	(8,683)
Accounts payable	40,743	2,339
Accrued liabilities	(43,023)	(91,833)
Revenue received in advance	158,950	121,778
Increases (decreases) in working capital	156,054	43,912

The variation in 2018 on the Accounts Receivable item is related to a decrease in the receivable balances at 31 December 2018 in comparison to previous year. Main balances at 31 December 2018 include receivable contributions from the European Commission (EUR 331,000) and the BIS (EUR 30,000).

The increase in 2018 on the Prepaid Expenses item in comparison to the previous year is mainly due to prepayments in 2018 of plane tickets for the meeting of the Board Trustees that will take place in March 2019.

The variation in 2018 on the Accounts Payable item is due to a payment for EUR 41,000 in the first quarter of 2018 to

the supplier who renewed the audio and video equipment in the board room of the Foundation's premises (Note 4).

The variation in 2018 on the Accrued liabilities item is mainly due to provision for termination benefit and 10% increase in stipends of Technical Committee members.

The variation in 2018 on the Revenue received in advance item for EUR 158,950 comes from lower cash payment made by IFAC in comparison to the revenues in the approved budget for eligible costs (Note 12).

7. EMPLOYEE COSTS

(in Euros)	2018	2017
Gross Salaries	585,576	527,133
Spanish social security fees	79,935	79,882
Other benefits (1)	52,233	106,564
Other long-term employee benefits (2)	34,737	93,098
Total Employee Costs	752,481	806,677

(1) Mainly includes pension plan and medical insurance expenses. The reduction in comparison to previous year is due to the consolidation as salary of pension plan benefits as from April 2018.

(2) Includes provision for termination benefits.

8. TECHNICAL COMMITTEE STIPENDS

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

Subsequently, the Foundation responded in June and October 2018 two requests of additional information from the Spanish Foundations Authority in relation to this increase.

The 10% increase has been accrued as a provision to the financial statements at 31 December 2018 and will be paid after receiving the approval from the Spanish Foundations Authority. The approval only applies for those Technical Committee members who are also members of the Board of Trustees.

Since 2018 the members of the Technical Committee are entitled to receive fixed annual stipends of EUR 20,625 (EUR 18,750 until 2017) except for the Chairman of the Committee who receives EUR 123,750 (EUR 112,500 until 2017) in recognition of his additional leadership responsibilities. All members other than the Chairman are further entitled to variable remuneration of EUR 825 (EUR 750 until 2017) per day of attendance at assigned public interest meetings.

At 31 December 2018 the Technical Committee is made up of nine members (ten members at 31 December 2017), 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 34K at 31 December 2018.

9. CASH AND BANK BALANCES

(in Euros)	2018	2017
Cash and bank balances in Euros	789,482	849,853
Total cash and bank balances	789,482	849,853

10. TANGIBLE ASSETS

Details of tangible assets and the related accumulated depreciation at 31 December 2018, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2017	Reclass	Additions	Balance at December 31, 2018
Cost:				
IT equipment	31,326	-	4,683	36,009
Furniture and fixtures	24,099	-	1,646	25,745
Communications equipment	-	68,406	-	68,406
Fixed assets in progress	68,406	(68,406)	-	-
Total cost	123,831	-	6,329	130,160
Accumulated depreciation:				
IT equipment	(21,260)	-	(5,238)	(26,498)
Communications equipment	-	-	(17,101)	(17,101)
Furniture and fixtures	(21,799)	-	(917)	(22,716)
Total depreciation	(43,059)	-	(23,256)	(66,315)
Net, end of year	80,772	-	-	63,845

In 2017, the Foundation recognised as fixed asset in progress the 33.33 % purchase value and installation costs from the renewal of communications equipment on the Board room of the Foundation and IOSCO's premises in calle Oquendo 12, Madrid. This equipment has been recognised as fixed asset and depreciated as from 1 January 2018.

11. INTANGIBLE ASSETS

Details of intangible assets and the related accumulated amortization at 31 December 2018, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2017	Additions	Balance at December 31, 2018
Cost:			
Software	30,540	-	30,540
In-kind contribution Oquendo	757,271	-	757,271
Total cost	787,811	-	787,811
Accumulated amortization:			
Software	(29,318)	(822)	(30,140)
In-kind contribution Oquendo	(428,429)	(189,318)	(617,747)
Total amortization	(457,747)	(190,140)	(647,887)
Net, end of year	330,064		139,924

Intangible assets reflect the value of computer software and, primarily, the fair value of the right to use the premises located at calle Oquendo, 12, granted by the CNMV for a four-year period, until September 26, 2019 (Note 2).

There were no significant additions at 31 December 2017 and 2018.

The fair value of this right of use has been calculated by independent experts.

12. REVENUE RECEIVED IN ADVANCE

Revenue received in advance at 31 December 2018 of EUR 68,310 (2017 of EUR 227,260) 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).

During 2018, the amount was reduced by EUR 158,950 given a lower cash payment made by IFAC in comparison to the revenues of the approved budget.

13. 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.

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 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.

14. 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. Jane Diplock	Board member until 01 March 2018
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 from 27 June 2018
Mr. Michael Holm	Board member until 01 January 2018

15. AUDITORS' REMUNERATION

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

(in Euros)	2018	2017
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	-
Total Auditors' remuneration	8,500	6,000

16. SUBSEQUENT EVENTS

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 requests 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, IFAC decided in August 2018 to create an IFAC International Professional Development Panel that will replace the IAESB by July 2019 and proposed to start a consultation process to dissolve the Compliance Advisory Panel by July 2019 and substitute it with a Membership Advisory Panel, to be completed by the end of 2019.

In 2019, the Monitoring Group is launching a new consultation process regarding the proposed reforms to the standard setting system.

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

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 7 to 19 constitute the Financial Statements of the Foundation for the year ended 31 December 2018.

Gonzalo Ramos Puig
Secretary General



Public Interest Oversight Board

PUBLIC INTEREST OVERSIGHT BOARD

C/ Oquendo, 12 28006 Madrid, Spain

Telephone: +34 91 782 05 28

www.ipiob.org