



C/ Alcalá, 63
28014 Madrid

+ 34 915 624 030
www.mazars.es

PUBLIC INTEREST OVERSIGHT BOARD

Independent Auditor's Report on the Financial Statements

Financial Statements for the year ended
at December 31st, 2023

Offices in: Alicante, Barcelona, Bilbao, Madrid, Malaga, Valencia, Vigo.

MAZARS Auditores, S.L.P. Corporate address: Calle Diputació, 260 - 08007 Barcelona
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Independent Auditor's Report on the Financial Statements

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 PIOB), which comprise the statement of financial position as at December 31st, 2023, and the statement of 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 PIOB as at December 31st, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 PIOB 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.

Material uncertainty related to the going concern principle

Attention is drawn to note 2 to the accompanying financial statements, which indicates that in December 2023 the MG approved the PIOB's 2024 budget and acknowledged the need for additional funding for the PIOB to fully achieve the MG Recommendations. The MG reaffirmed its intention to continue to work with the PIOB and IFEA in support of their efforts to secure sustainable funding for the standard-setting system as a whole.

Specifically, the approved 2024 budget envisages a deficit of approximately 700 thousand euros. At the time of signing the financial statements the Secretary General estimates the 2024 budgeted deficit to be 349 thousand euros lower than the budgeted one, mainly due additional new contributions and certain cost savings.

Management considers that, despite current uncertainty over the 2024 budget deficit, additional funding will be secured to fulfill PIOB's remit. The MG is working jointly with the PIOB to secure additional funding sources or guarantees to cover expenses to ensure the fulfilment of the PIOB's remit. Additionally, the PIOB is undertaking further funding efforts with stakeholders through members of the PIOB Board.

As mentioned in note 2, these events or conditions point to the existence of a material uncertainty that could cast significant doubts on the capacity of the PIOB to continue as going concern. Our opinion has not been modified in relation to 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 PIOB'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 PIOB or to cease operations, or has no realistic alternative but to do so.

Audit Committee is, according to the Terms of reference of the PIOB Audit Committee, responsible for overseeing the PIOB'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 audit regulations in force in Spain 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 judgement and maintain professional scepticism 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 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 purposes of expressing an opinion on the effectiveness of the internal control of PIOB.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and the related disclosures made by the Secretary General.

- Conclude on the appropriateness of the 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 ability of PIOB 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 PIOB 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 Secretary General and the Audit Committee of PIOB 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.

From the significant risks communicated with the Secretary General of PIOB, we determine those risks that were of most significance in the audit of the financial statements of the current period and are therefore the most significant assessed risks.

We describe these risks in our auditor's report unless laws or regulation preclude public disclosure about the matter.

Madrid, 9th April 2024

MAZARS AUDITORES, S.L.P.
ROAC N° S1189

Juan Antonio Giménez Miró
ROAC N° 15.588



MAZARS AUDITORES, S.L.P

2024 Núm. 01/24/00752

96,00 EUR

SELLO CORPORATIVO:

Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2023 (in Euros)

	2023	2022
INCOME		
International Federation of Accountants Funding (note 3)	950,000	1,392,754
European Commission Funding (note 3)	350,000	350,000
International Organization of Securities Commissions Funding	150,000	100,000
International Forum of Independent Regulators Funding	66,062	45,870
Bank for International Settlements Funding (*)	10,000	15,000
Financial Reporting Council Funding	20,000	20,000
Swiss Federal Audit Oversight Authority Funding	10,000	10,000
Financial Supervisory Commission Funding	10,000	10,000
US Securities Exchange Commission Funding	180,803	-
International Foundation for Ethics and Audit Funding	116,172	-
External Reporting Board from New Zealand Funding	55,675	-
Financial Services and Markets Authority Funding	50,000	-
Collège de Supervision Des Réviseurs D'Enterprises Funding	50,000	-
CFA Institute Funding	45,181	-
Dutch Authority for the Financial Markets Funding	15,000	-
Haut Conseil du Commissariat aux Comptes Funding	10,000	-
Commissione Nazionale per le Società e la Borsa Funding	15,000	-
	<u>2,103,893</u>	<u>1,943,624</u>
Carried-over surplus	-	58,178
In-kind contribution from Spanish authorities (note 3)	192,659	189,318
Total Income	<u>2,296,552</u>	<u>2,191,120</u>
EXPENSES		
Employee costs (note 8)	982,440	1,031,987
Travel and meeting costs of Technical and SSB Nominations Committees	263,680	260,528
Technical and SSB Nominations Committees stipends (note 9)	495,603	503,131
Annual report	3,769	6,180
Occupancy (note 6)	56,401	45,393
Telephone	6,248	6,343
Legal and other professional fees (note 10)	227,947	91,530
Auditor's fees (note 16)	8,470	8,470
Depreciation and amortization (notes 3, 12 and 13)	209,936	203,811
IT support (Note 17)	103,000	69,941
Other expenses	38,211	52,304
Total Expenses	<u>2,395,705</u>	<u>2,279,618</u>
(Deficit) for the year	<u>(99,153)</u>	<u>(88,498)</u>
Taxation (note 3)	-	-
(Deficit) for the year after tax	<u>(99,153)</u>	<u>(88,498)</u>
Total comprehensive (Deficit) for the year net of tax	<u>(99,153)</u>	<u>(88,498)</u>

(*) In 2023 and 2022 provided through FSB, BCBS and IAIS.

The accompanying notes are an integral part of the financial statements

STATEMENT OF FINANCIAL POSITION
at 31 December 2023 and 31 December 2022 (in Euros)

	At 31 December 2023	At 31 December 2022
ASSETS		
Current Assets		
Cash and bank balances (note 11)	712,951	1,297,397
Accounts Receivable	379,110	365,000
Prepaid expenses	32,688	37,443
Total Current Assets	<u>1,124,749</u>	<u>1,699,840</u>
Non - Current Assets		
Tangible assets (note 12)	14,559	22,725
Intangible assets (note 13)	164,087	163,083
Total Non - Current Assets	<u>178,646</u>	<u>185,808</u>
Total Assets	<u><u>1,303,395</u></u>	<u><u>1,885,648</u></u>
LIABILITIES		
Current Liabilities		
Accounts Payable (note 5)	91,396	139,977
Accrued Liabilities (note 6)	64,871	506,657
	<u>156,267</u>	<u>646,634</u>
Non - current Liabilities		
Deferred income - Non current (note 3)	146,792	139,525
Total Liabilities	<u>303,059</u>	<u>786,159</u>
EQUITY		
Comprehensive (deficit)/surplus for the year net of tax	(99,153)	(88,498)
Endowment funds (note 14)	30,000	30,000
Other Reserves	<u>1,069,489</u>	<u>1,157,987</u>
Total equity	<u>1,000,336</u>	<u>1,099,489</u>
TOTAL LIABILITIES AND EQUITY	<u><u>1,303,395</u></u>	<u><u>1,885,648</u></u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY for the year ended 31 December 2023 (in Euros)

	Comprehensive income/(deficit)	Other reserves	Endowment funds	Total
Balance, beginning of year 2022	190,875	967,112	30,000	997,112
Transfers	(190,875)	190,875	-	-
Additions	(88,498)	-	-	190,875
Balance, end of year 2022	(88,498)	1,157,987	30,000	1,099,489
Transfers	88,498	(88,498)	-	-
Additions	(99,153)	-	-	(99,153)
Balance, end of year 2023	(99,153)	1,069,489	30,000	1,000,336

The accompanying notes are an integral part of the financial statements

CASH FLOW STATEMENT, for the year ended 31 December 2023 (in Euros)

	2023	2022
OPERATING ACTIVITIES		
(Deficit) of income over expenses	(99,153)	(88,498)
Non-cash items:		
Non-cash income	(192,659)	(247,496)
Depreciation of tangible and intangible assets	209,936	203,806
(Increase)/Decrease in working capital items (note 7)	(499,722)	112,421
Net cash (used in) operating activities	<u>(581,598)</u>	<u>(19,767)</u>
INVESTING ACTIVITIES		
Capital expenditures	(2,848)	(29,092)
Net cash (used in) investing activities	<u>(2,848)</u>	<u>(29,092)</u>
Net (reduction) in cash and cash equivalents	<u>(584,446)</u>	<u>(48,859)</u>
Cash and bank balances, beginning of year	<u>1,297,397</u>	<u>1,346,256</u>
Cash and bank balances, end of year	<u><u>712,951</u></u>	<u><u>1,297,397</u></u>

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 December 15, 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.

The objective of the Foundation is to strengthen the international financial reporting system through overseeing the standard-setting activities of the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) also denominated as standard-setting boards (SSBs); and their respective Consultative Advisory Groups (CAGs), and reviews and approves that due process has been followed effectively and with proper regard for the public interest in the standard setting activities.

On July 14, 2020, the Monitoring Group (MG) published its set of Recommendations to strengthen the international audit and ethics standard-setting system, which re-affirmed and enhanced the PIOB’s responsibilities (MG Recommendations). The MG Recommendations set out a model which is implemented via a three-tier governance structure: the MG; the PIOB with responsibility for nominations and oversight and a new entity the International Foundation for Ethics and Audit (IFEA) independent from IFAC which houses the SSBs. The objective of the reforms led by the MG is to enhance the independence of the standard-setting system so that no undue influence is wielded by any stakeholder and standard-setting responds to the public interest.

In line with the MG Recommendations, the PIOB continues to have the critical role of providing independent oversight of the public interest responsiveness of audit and assurance, and ethics standards. The PIOB uses a Public Interest Framework (PIF) to frame the development of standards by the SSBs and to oversee due process and their responsiveness to the public interest.

Also, in line with the MG Recommendations with regard to responsibility for nominations to the SSBs, in November 2021 the PIOB formally established an SSB Nominations Committee, which runs the selection process and makes Recommendations to the PIOB for the appointment of SSB members and of the Stakeholder Advisory Council (SAC), which will replace the CAGs beginning in 2024.

The IFEA legal entity became operational at the end of 2022, when it held its inaugural board meeting with the participation of the IFEA trustees: four nominated by the PIOB and two by IFAC. The IFEA Board does not duplicate or interfere in the oversight and nominations duties of the PIOB. The Members of the Foundation (the MG, the PIOB and IFAC) appoint six Trustees of the Foundation, four of whom are nominated by the PIOB and two by IFAC, and the Trustees then elect the Chair who must be one of the PIOB-nominated appointees. The Trustees nominated by the Foundation do not have a majority vote in IFEA and consensus is required for the adoption of important decisions. These individual Financial Statements only correspond to the Fundación Public Interest Oversight Board.

The PIOB's Foundation 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, and the SSB Nominations Committee manages the selection process to the SSBs. Support for the Board of Trustees, the Technical Committee and the SSB Nominations Committee is provided by the Foundation's Secretariat based in Madrid, Spain.

In addition to meeting local regulatory requirements, the Foundation is operationally and financially accountable to the MG. The MG consists of a forum of international regulators and other public interest bodies, including two of the Foundation's founding organizations. The MG also approves the Foundation's annual budget.

2. Going concern

PIOB's management considers that the PIOB will continue to operate as a going concern and formulates these financial statements accordingly, with the following information.

The approved 2023 PIOB budget showed a deficit of EUR 1.1 million which, after significant funding efforts by stakeholders, the MG, and the Foundation, was reduced by almost EUR 1.0 million.

The EUR 99,153 deficit at December 31, 2023, is mainly due to the differing pace between the reduction in IFAC's contribution and the enhancement of multistakeholder funding as envisaged in the MG reforms to the standard-setting system. Specific details on funding are included on the "Income and cost recognition" paragraph in Note 3.

In December 2023 the MG approved the PIOB's 2024 budget and acknowledged the need for additional funding for the PIOB and IFEA to fully achieve the MG Recommendations. The MG reaffirmed its intention to continue to work with the PIOB and IFEA in support of their efforts to secure sustainable funding for the standard-setting system as a whole.

Specifically, the approved 2024 budget envisages a deficit of EUR 0.7 million and that cash balances at the end of 2024 would not be sufficient to cover the Foundation's estimated legal liabilities at that date of approximately EUR 1.0 million. At the time of publishing of these financial statements management estimates the 2024 budgeted deficit to be EUR 349K lower mainly due additional new contributions and certain cost savings.

The MG is working jointly with the PIOB to secure additional funding sources or guarantees to cover expenses to ensure the fulfilment of the PIOB's remit and to have sufficient funding on hand to meet its legal liabilities at December 31, 2024. Additionally, the PIOB is undertaking further funding efforts with stakeholders through members of the PIOB Board. In the MG Recommendations, the MG "acknowledges that achieving the funding goals will require time..." and that the MG "will perform outreach with stakeholder groups to seek commitments on funding for the PIOB."

Management considers that, despite current uncertainty over the 2024 budget deficit, additional funding will be secured to fulfill the PIOB's remit.

Looking beyond 2024, the MG's Recommendations on the reform of the international audit and ethics standard-setting system, state that "the MG, giving consideration to the views of IFAC and PIOB, will continue working for the development of an appropriate, long-term, sustainable funding policy".

3. 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. The Foundation also prepares its statutory financial statements 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 March 26, 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 April , 2024.

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 2023.

Measurement Base

The statements of 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.

Income and cost recognition

The PIOB received from IFAC a full guarantee of its budgeted expenses until May 12, 2021, when IFAC issued a new guarantee letter including the then-current guarantee to 31 March 2022, and a commitment to contribute to fund the PIOB budget with a progressive reduction in guaranteed funding until 2025. For 2023, the guarantee was the lower of 50% of PIOB's budgeted expenses for the year in Euros or EUR 950,000; for 2024, the guarantee will be the lower of one-third of PIOB's budgeted expenses for the year in Euros or EUR 650,000; for 2025 fiscal year, the guarantee will be the lower of 25% of PIOB's budgeted expenses for the year in Euros or EUR 500,000. No further funding or guarantee will be provided after December 31, 2025.

The IFAC guarantee will not apply to funding of any costs associated with the dissolution of the PIOB. In the event that a decision to dissolve the PIOB is taken by the governing entity of the PIOB, any remaining guarantees would cease to be effective with immediate effect, and IFAC would therefore be discharged of any funding obligations towards the PIOB.

Income from IFAC in 2023 represents 41.37% of total income (63.56% in 2022) and is recognized yearly on an accrual basis.

In 2009 and 2014, the European Commission (EC) awarded a grant to the Foundation for each of the years of the period 2010-2013 and 2014-2020, to support the Foundation's work program. In 2021, the EC awarded a new grant to the Foundation for each of the years between 2021-2027, through Regulation (EU) 2021/690 of the European Parliament and of the Council of April 28, 2021, establishing a programme for the internal market, competitiveness of enterprises, including small and medium-sized enterprises, the area of plants, animals, food and feed, and European statistics (Single Market Programme) and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014 and (EU) No 652/2014.

The contribution for the year 2023 is for a maximum of EUR 350,000 or 30% of the eligible costs of the action (EUR 350,000 or 30% of the eligible costs in 2022). The 2023 Grant agreement with the EC establishes that, if funding by IFAC reaches more than two-thirds of total funding in 2023, the EC shall limit its contribution for 2023 to a maximum amount of EUR 300,000.

This EC income is recognized on an accrual basis.

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. This use is free of charge, except for non-structural maintenance expenses. The Foundation renewed the agreement with the Spanish Authorities for consecutive four-year periods starting from September 26, 2011 and for an additional one-year period until September 2024, and will soon start the process to renew this agreement beyond 2024. The Foundation records the grant as Deferred Income – Non Current and intangible asset that is recognised in the Statement of Comprehensive Income on a systematic basis during the term of the agreement.

Interest income from financial instruments, if any, is recorded as part of income on an accrual basis.

Income 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.

The Foundation maintains two bank accounts in Euros. The Banks where the Foundation holds 99.99% of its cash and bank balances have been graded at the short-term as A-2 and A-1 financial entities.

Cash Flow Statement

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

Cash and bank balances comprise cash on hand and current bank balances.

Operating activities include all transactions 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.

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 long-term debt at December 31, 2023.

Credit risk:

As mentioned in Note 3, section "Income and cost recognition" the European Commission decided to award a grant to the Foundation for the periods 2010-2013, 2014-2020 and 2021-2027. The amount that remains in the Balance Sheet is mainly related to the 2023 grant that will be paid in 2024.

The Foundation considers that risks related to collection of grants from the European Commission are not significant.

Currency risk:

There is no currency risk associated with the balances in these bank accounts; 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 December 31, 2023, 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 March 29, 2006, the Spanish Parliament passed legislation included within law 4/2006 of 29 March 2006, to specifically exempt the Foundation from Spanish income tax.

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:

	Methods	Depreciation rate
Tangible assets		
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. The right of use of the building was recognized at fair value, 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 calculated over a period of one year, in line with the new assignment period.

	Methods	Rates
Intangible asset		
Software	Straight-line	25%
Right to use the building at Oquendo street	Straight-line	100%

4. Expenses allocated by Activity (inclusive of all Board Committees and staff costs)

(in Euros)	2023	2022
Oversight (1)	851,474	849,742
Communications and External Relations (2)	170,028	227,787
MG and MG member meeting costs (3)	125,146	113,854
Foundation Board Meetings (4)	132,946	133,975
Other ongoing operating costs (5)	598,723	469,902
Nominations (6)	517,388	484,358
Total expenses	2,395,705	2,279,618

The description of all the Foundation's activities is as follows:

- (1) Through this activity, the PIOB provided independent oversight of the Standard Setting Boards (SSBs) and Consultative Advisory Groups (CAGs) under its mandate. This activity included the related costs to comply with this mandate.
- (2) Includes the cost of attending meetings with stakeholders other than MG members.
- (3) Includes all costs allocated in this activity to the MG and MG members.
- (4) This activity includes all the necessary operating costs to run the Foundation.
- (5) Most significant cost in this activity is the annual amortization (EUR 192,659 in 2023 and EUR 189,318 in 2022) of the 33% right of use of the premises located at Oquendo 12 (Note 3).
- (6) This activity included all costs related to the selection process of candidates to the SSBs and of the SAC.

5. Accounts Payable

(in Euros)	2023	2022
Employee Taxes and Social Security (1)	56,411	86,911
Other (2)	34,985	53,066
Total Accounts Payable	91,396	139,977

(1) The reduction is due to the change in staffing noted in item 8.(1) below.

(2) The reduction in payable item "Other", is mainly due to payment in January 2023 of pending invoice (EUR 27K) at 31st December 2022 of background check costs related to the SSB Nominations Committee activity.

6. Accrued Liabilities

(in Euros)	2023	2022
Occupancy expenses	56,401	45,393
Other accrued benefit (1)	-	452,794
Other accrued liabilities	8,470	8,470
Total Accrued Liabilities	64,871	506,657

(1) Other accrued benefit relates to the termination provision of the Secretary General's contract paid at the end of his contract, in June 2023. The Director of Nominations took over the role of Acting Secretary General of the Foundation as from June 18, 2023.

7. Information Included in the Cash Flow Statement

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

(in Euros)	2023	2022
Accounts receivable	14,110	(29,039)
Prepaid expenses	(4,755)	24,024
Accounts payable	48,581	(35,650)
Accrued liabilities	441,786	(71,756)
Increases/(decreases) in working capital	499,722	(112,421)

The variation in 2023 on the accrued liabilities item is mainly due to payment of termination benefit of the Secretary General at the end of his contract, in June 2023.

8. Employee Costs

(in Euros)	2023	2022
Gross salaries (1)	759,547	815,000
Spanish social security fees	110,746	106,719
Other benefits (2)	65,494	53,171
Other long-term employee benefits (3)	46,653	57,097
Total Employee Costs	982,440	1,031,987

(1) The reduction in Gross salaries is due to the end of contract of the former Secretary General in June 2023.

(2) Mainly includes pension plans and medical insurance expenses.

(3) Includes annual provision for termination benefits.

9. Technical Committee and SSB Nominations Committees Stipends

At December 31, 2023, the Technical Committee was made up of ten members inclusive of the Chair (ten members in 2022), six of which are also members of the Board of Trustees' (Note 15).

The Chair of the Technical Committee receives EUR 123,750 in recognition of her additional leadership responsibilities. The rest of Technical Committee members receive annual stipends of EUR 20,625 and a variable amount of EUR 825 per day of attendance at assigned public interest observations. In 2020, the Foundation defined criteria for payment of variable stipends that takes into account the time differences for those meetings held in an online environment. The detailed breakdown of stipends accrued by the PIOB to members of the Technical Committee in 2023 is::

(in Euros)	2023
Mme. Linda de Beer.	123,750
Mr. Robert Buchanan	25,575
Mr. Michael J. Hafeman ¹	20,005
Mme. Janine Van Diggelen	28,463
Mme. Begoña Giner	30,113
Mme. Tshegofatso Modise	25,575
Mr. David M. Sullivan	24,750
Mr. Tomoyuki Furusawa ²	22,172
Mme. Sandra Peters ²	21,347
Mr. Philippe Christelle ²	22,172
Mr. Mark Smith ³	5,156
Total stipends accrued	349,078

The annual stipend for the Chair of the SSB Nominations Committee is EUR 20,000 with a provision for additional stipend of the event of additional time needed. In 2023 the Nominations Chair received a total stipend of EUR 41,525. Members of the Nominations Committee received the fixed annual stipend of EUR 15,000.

One member of the SSB Nominations Committee waived his right to receive stipends in 2023 and 2022.

¹ Mandate as Technical Committee member expired on September 30, 2023

² Mandate as Technical Committee members started as from February 15, 2023

³ Mandate as Technical Committee members started as from October 1, 2023

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10. Legal and Other Professional Fees

(in Euros)	2023	2022
Legal fees (1)	40,302	(54,178)
Recruitment fees (2)	13,249	5,627
External support communications	57,294	50,740
Background check costs of candidates to Standard-Setting Boards (3)	63,077	25,652
Advertisement costs for nominations of candidates to Standard-Setting Boards and SAC (4)	38,808	24,031
Background check costs of nominees to the PIOB's Technical Committee	-	26,935
Miscellaneous	15,217	12,723
Total Legal and Other Professional Fees	227,947	91,530

- (1) In 2022, includes recurrent legal fees and other legal fees not included in the lawyer's annual proposal, such as services related to the MG reform of the standard-setting system and its new structure (IFEA). This amount is net of EUR 122,000 reimbursement by IFEA of legal invoices from 2020, 2021 and 2022 paid by the Foundation for the constitution of IFEA in Delaware, United States of America.
- (2) Includes hiring and other related costs of new staff members who joined the Foundation in 2023 and 2022.
- (3) Increase due to ten appointments to the SSBs in 2023 (four appointments in 2022).
- (4) The increase is due to the very extensive SSBs rotation and the establishment of the SAC and its new structure.

11. Cash and bank balances

(in Euros)	2023	2022
Cash and bank balances	712,951	1,297,397
Total cash and bank balances	712,951	1,297,397

12. Tangible assets

Details of tangible assets and the related accumulated depreciation at December 31, 2023, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2022	Additions	Balance at December 31, 2023
Cost:			
IT equipment	61,050	2,501	63,551
Furniture and fixtures	33,728	-	33,728
Communications equipment	87,257	-	87,257
Total cost	182,035	2,501	184,536

Accumulated depreciation:

IT equipment	(50,047)	(6,432)	(56,479)
Furniture and fixtures	(26,540)	(964)	(27,504)
Communications equipment	(82,723)	(3,271)	(85,994)
Total depreciation	(159,310)	(10,667)	(169,977)
Net, end of year	22,725		14,559

13. Intangible assets

Details of intangible assets and the related accumulated amortization at December 31, 2023, as well as movements during the period then ended, are as follows:

	Balance at December 31, 2022	Additions	Write-offs	Balance at December 31, 2023
Cost:				
Software	56,920	345	-	57,265
In-kind contribution Oquendo	757,271	199,928	(757,271)	199,928
Total cost	814,191	200,273	(757,271)	257,193
Accumulated amortization:				
Software	(33,360)	(6,610)	-	(39,970)
In-kind contribution Oquendo	(617,748)	(192,659)	757,271	(53,136)
Total amortization	(651,108)	(199,269)	757,271	(93,106)
Net, end of year	163,083			164,087

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 one-year period, until September 26, 2024.

At December 31, 2023, the Foundation has not identified indications of an impairment in the value of the right of use.

14. Endowment funds and Other reserves

To meet the minimum legal capital requirements established by the Foundations' law, the founders of the Foundation (see Note 1) collectively provided an initial endowment for EUR 30,000. Such endowment cannot be used by the Foundation.

Other reserves correspond to contributions in excess of expenses for prior periods. The Board of Trustees can decide on the allocation to 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 at December 31, 2023 amount to EUR 1.1 million.

The objective of the PIOB's reserves is to strengthen the economic resilience and independence of the Foundation and make it less vulnerable to unexpected expenses. Current internal PIOB reserve policy sets a reserve threshold of six months' worth of current outlays, that is, approximately EUR 1.2 million at the end of 2023.

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 of Trustees during the year:

Mme. Linda de Beer	Chair of the Board of Trustees
Mr. Robert Buchanan	Trustee
Mr. Michael J. Hafeman	Trustee until September 30, 2023
Mme. Begoña Giner	Trustee until December 1, 2023
Mr. David M. Sullivan	Trustee
Mme. Sandra Peters	Trustee from March 8, 2023
Mr. Philippe Christelle	Trustee from March 8, 2023
Mr. Tomoyuki Furusawa	Trustee from March 8, 2023

16. Auditors' fees

This note shows the total fees payable (including VAT) by the PIOB to its auditors.

(in Euros)	2023	2022
Fees payable for the voluntary audit of PIOB's IFRS and statutory financial statements	6,655	6,655
Fees payable for ISAE 3000 – Assurance engagements on eligibility of costs and funding report provided to the EC	1,815	1,815
Total Auditors' fees	8,470	8,470

17. IT support

The increase in this cost item of EUR 33K, is due to the full implementation in 2023 of the external IT tool to store and organize documentation of the Foundation Technical and SSB Nominations Committees. The Foundation put in place this new IT service in October 2022.

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 17 constitute the Financial Statements of the Foundation for the year ended December 31, 2023.

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Martin Manuzi
Secretary General

April 9, 2024