

Union programme to support specific activities in the field of financial reporting and auditing (2014-2020)

2012/0364(COD) - 19/12/2012 - Legislative proposal

PURPOSE: to establish a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the crisis in the financial markets which has unfolded since 2008 has put **the issue of financial reporting and auditing at the centre of the Union's political agenda**. A well- functioning common financial reporting framework is essential for the internal market, for the effective functioning of the capital markets and for the realisation of the integrated market for financial services in the EU.

In a global economy, there is a need for a global accounting language. International Financial Reporting Standards (IFRS) developed by the International Accounting Standards Board (IASB) were adopted by the EU in 2002 and used in many jurisdictions around the world. Accordingly, Europe will **need more weight in the international standard setting process for its voice to be heard**.

It is in the interests of the EU to:

- promote the global adoption of IFRS;
- ensure the EU's weight in influencing the formation of IFRS;
- contribute to the independence of audit standard settings' public oversight.

[Decision No 716/2009/EC](#) of the European Parliament and of the Council established a Community programme to support specific activities in the field of financial services, financial reporting and auditing. On the basis of that Decision, (i) the European Financial Reporting Advisory Group (**EFRAG**), the European Commission's technical adviser in accounting matters, (ii) the International Financial Reporting Standards Foundation (IFRS Foundation; the legal successor of the International Accounting Standards Committee **Foundation, IASCF**) and (iii) the Public Interest Oversight Board (**PIOB**) benefit from Union co-financing in the form of operating grants until 31 December 2013.

The purpose of the proposed Regulation is to **renew that Programme** for the next financial framework (2014-2020) and enable direct contributions to the funding of the Programme's beneficiaries from the Union budget during that period.

IMPACT ASSESSMENT: in the *ex ante* evaluation accompanying this proposal, the Commission found that the Programme for 2009 to 2013 had met the expectations and objectives set and that financing should be continued.

Moreover, the financing Programme was set up with the aim of meeting long-term objectives. Thus, it is appropriate to propose it being continued in the next financial framework of 2014-2020.

LEGAL BASIS: Article 114 of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the proposal aims to establish a Union programme for the period from 1 January 2014 to 31 December 2020 **to support the activities of bodies which contribute to the achievement of the policy objectives of the Union in relation to financial reporting and auditing.**

The co-financing programme is expected to contribute to the objectives of:

- ensuring comparability and transparency of company accounts throughout the EU;
- ensuring the global harmonisation of financial reporting standards by promoting the international acceptance of IFRS;
- promoting convergence and high quality international standards for auditing in all Member States.

The programme also contributes to the Europe 2020 strategy by reinforcing the single market of financial services and capital, and contributes to the strategy's external dimension as well.

The Programme covers: (i) the activities of developing or providing input to the development of standards; (ii) activities relating to applying, assessing or monitoring standards or overseeing standard-setting processes in support of the implementation of Union policies in the field of financial reporting and auditing.

The **beneficiaries** under the Programme are the following:

- in the field of financial reporting: (i) the European Financial Reporting Advisory Group (EFRAG); (ii) the International Financial Reporting Standards Foundation (IFRS Foundation);
- in the field of auditing: the Public Interest Oversight Board (PIOB).

Within the current institutional framework, the new funding arrangements will ensure stable, diversified, sound and adequate funding to enable the relevant bodies to carry out their Union-related or Union public interest mission in an independent and efficient manner.

BUDGETARY IMPLICATIONS: the total amount to be borne by the Union's budget is **EUR 58.01 million** in commitment appropriations for the 2014-2020 period. The financial envelope is divided up as follows:

- IFRS Foundation: EUR 32 227 000
- EFRAG: EUR 23 508 000
- PIOB: EUR 2 275 000 EUR.

DELEGATED ACTS: the proposal contains provisions empowering the Commission to adopt delegated acts in accordance with Article 290 of the Treaty on the Functioning of the European Union (TFEU).