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

2012/0364(COD) - 01/10/2013 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted the report by Theodor Dumitru STOLOJAN (EPP, RO) on the proposal for a regulation of the European Parliament and of the Council on establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-2020.

The committee recommended that the Parliament's position adopted in first reading following the ordinary legislative procedure should amend the Commission proposal as follows:

Scope of the Programme: the report clarifies that the Programme must cover:

- **the International Financial Reporting Standards Foundation** (IFRS Foundation), which, through the International Accounting Standards Board (IASB), develops International Financial Reporting Standards (IFRS);

- **the European Financial Reporting Advisory Group (EFRAG)** which assesses whether or not an IFRS standard complies with Union company law as part of the endorsement process of the Union and provides inputs to the development of standards;

- **the Public Interest Oversight Board (PIOB)** which oversees international audit, ethics and education standards for the accounting profession.

Bodies working in the field of accounting and auditing which receive Union funding through the Programme shall have a **duty of care in ensuring their independence** and the economical use of public money, irrespective of the diverse funding streams they may receive.

The Programme must enable regulators to enforce prudential regulation and to **strengthen corporate governance.**

Beneficiaries of the Programme: any financing of new beneficiaries shall be subject to **approval by the European Parliament and the Council** in accordance with Article 294 TFEU.

The Commission will not have the power to adopt **delegated acts** for the selection of new beneficiaries.

Financing: this shall be provided in the form of operating grants on an annual basis, and shall be **conditional on compliance with criteria** relating to the objectives and content of the standards, and with criteria concerning developments in Union governance, namely regarding EFRAG, the IFRS Foundation and IASB.

The criteria relating to the standards and governance shall be based on certain principles such as the requirement of the **'true and fair view'** laid down in Article 4(3) of Regulation (EC) No 1606/200, of the European Parliament and of the Council on the application of international accounting standards as well as the **principles of prudence and reliability**.

The Commission shall conduct, annually, an assessment of whether the criteria are fulfilled and whether the beneficiaries have achieved the goals laid out in the Programme.

The Commission's assessment shall be presented and need to be approved by the European Parliament.

The financial envelope - over the period 2014-2020 this shall be EUR 58 010 000 in current prices. That figure may be **reduced or adjusted** if the Commission finds that the beneficiaries have not achieved the goals.

Evaluation: the Commission must:

- submit, by 31 March 2014, a first report on necessary governance reforms in the area of accounting and financial information (EFRAG and ARC) based);
- submit, by 31 March 2014, a report, accompanied by a legislative proposal to amend Regulation (EC) No 1606/2002 and, where appropriate, by a legislative proposal on reform in the area of accounting and financial information;
- with regard to the PIOB (or its successor organisation), monitor developments in the diversification of funding observed, for the first time in 2013, and subsequently on an annual basis;
- report by June 2019, on the achievement of the Programme's objectives.