Union programme to support specific activities in the field of financial reporting and auditing (2014-2020): co-financing of EFRAG for the period 2017-2020

2016/0110(COD) - 14/10/2016 - 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 amending Regulation (EU) No 258/2014 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 European Parliament's position adopted at first reading following the ordinary legislative procedure should amend the Commission proposal as follows:

Evaluation: the European Commission should provide the European Parliament and the Council with more regular information on the joint work of the International Financial Reporting Standards Foundation (IFRS Foundation), the European Financial Reporting Advisory Group (EFRAG) and the Public Interest Oversight Board (PIOB), given that those three agencies are funded by the Union and are working for the same purpose.

Regulation (EU) No 258/2014 requires the Commission to prepare an annual report on the activity of the IFRS Foundation as regards the development of IFRS, of PIOB and of EFRAG.

With regard the IFRS Foundation: Members stated that the report shall:

- assess whether further progress has been made as regards the governance of the IFRS Foundation and the IASB, in particular in terms of transparency, prevention of conflicts of interest and diversity of hired experts, and whether and what steps have been taken to ensure broad representation of interests (such as consumer representation agencies and finance ministries) and public accountability in order to guarantee high-quality accounting standards.

With regard to EFRAG, the report shall assess whether:

- the 'expanded public good' criterion as defined in the special advisor's report (i.e. that accounting standards should neither jeopardise financial stability in the Union nor hinder the economic development of the Union), has been fully respected during the endorsement process undertaken during the previous year;
- the European Parliament and the Council have been involved at an early stage when developing financial reporting standards in general and in the endorsement process in particular; and
- a more diversified and balanced financing structure.

In addition, it shall identify and assess the actions undertaken within EFRAG in order to **enhance democratic legitimacy, transparency, accountability and integrity** which, inter alia, concern public access to documents, open dialogue with diverse stakeholders, the establishment of mandatory transparency registers and rules on transparency of lobby meetings as well as internal rules, in particular prevention of conflict of interests.

Annual report: from 2017, the IFRS Foundation, PIOB and EFRAG shall prepare an annual report on the implementation of Union policies in the field of financial reporting and auditing and **participate regularly, at least annually, in hearings organised by the European Parliament** in order to give a full account of the development of international financial reporting and auditing standards.

The report also shall cover the **follow-up and implementation** of the recommendations and demands made in past or future resolutions of the European Parliament.

If appropriate, the Commission shall submit a legislative proposal to transform EFRAG into a public agency in the long term.