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) - 27/04/2017 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 543 votes to 59, with 45 abstentions, a legislative resolution 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 European Parliament’s position, adopted at first reading following the ordinary legislative procedure, amended the Commission proposal as follows:

Evaluation of the Regulation: the amended text stated that the European Commission shall **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 to the IFRS Foundation and the IASB, Parliament stipulated that the report shall also **assess their governance**, in particular in terms of transparency, the prevention of conflicts of interest and the diversity of experts, and the steps that have been taken to ensure broad representation of interests and public accountability.

With regard to PIOB and its successor organisation, the report shall cover developments in the diversification of funding and shall assess how the work of PIOB contributes to the enhancement of audit quality.

With regard to EFRAG, the report shall assess as of 2018:

- whether the expanded public good criterion as recommended in the special advisor’s report has been respected during the endorsement process undertaken during the previous year;
- whether 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;
- whether the EFRAG financing structure is sufficiently diversified and balanced to enable it to accomplish its public interest mission in an independent and efficient manner; and
- the governance of EFRAG, in particular in terms of transparency, and the steps that have been taken to ensure broad representation of interests and public accountability.

Transparency standards: the report shall assess the actions taken **within IFRS Foundation and the EFRAG** in order to ensure high standards of democratic accountability, transparency, and integrity which, inter alia, concern public access to documents, open dialogue with European institutions and various stakeholders, the establishment of mandatory transparency registers.

The amended text encouraged the IFRS Foundation, PIOB and EFRAG to participate regularly, at least annually, in **hearings organised by the European Parliament** in order to provide a full account of the development of international financial reporting and auditing standards.

The Commission should also consider possible changes to the functioning and the private legal status of EFRAG in the long term.