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► **B** REGULATION (EU) No 258/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 3 April 2014

establishing a Union programme to support specific activities in the field of financial reporting and auditing for the period of 2014-20 and repealing Decision No 716/2009/EC

(Text with EEA relevance)

(OJ L 105, 8.4.2014, p. 1)

Amended by:

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		No	page	date
► <b><u>M1</u></b>	Regulation (EU) 2017/827 of the European Parliament and of the Council of 17 May 2017	L 129	24	19.5.2017

**▼B****REGULATION (EU) No 258/2014 OF THE EUROPEAN  
PARLIAMENT AND OF THE COUNCIL****of 3 April 2014****establishing a Union programme to support specific activities in the  
field of financial reporting and auditing for the period of 2014-20  
and repealing Decision No 716/2009/EC****(Text with EEA relevance)***Article 1***Subject matter and scope**

1. A Union programme (the ‘Programme’) is hereby established for the period from 1 January 2014 to 31 December 2020, in order 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.

2. The Programme covers the activities of developing or providing input to the development of standards, 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 that are carried out by the IFRS Foundation, EFRAG or PIOB.

*Article 2***Objective**

The objective of the Programme is to improve the conditions for the efficient functioning of the internal market by supporting the transparent and independent development of international financial reporting and auditing standards.

*Article 3***Beneficiaries**

1. The beneficiaries under the Programme shall be the following:

(a) in the field of financial reporting:

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(i) EFRAG;

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(ii) the IFRS Foundation;

(b) in the field of auditing: PIOB.

2. Bodies working in the field of financial reporting and auditing, which receive Union funding through the Programme, shall have a duty of care to ensure their own independence and that public money is used economically and efficiently, irrespective of the diverse funding streams from which they could benefit.

**▼B***Article 4***Award of grants**

Financing under the Programme shall be provided in the form of operating grants awarded on an annual basis.

*Article 5***Transparency**

Any beneficiary of funding awarded under the Programme shall indicate in a prominent place, such as a website, a publication or an annual report, that it has received funding from the budget of the Union and a breakdown of figures of other funding from alternative sources.

*Article 6***Financial provisions****▼M1**

1. The financial envelope for the implementation of the Programme for the period 2014 to 2020 shall be EUR 57 007 000 in current prices.

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2. The annual appropriations shall be authorised by the European Parliament and by the Council within the limits of the multiannual financial framework.

3. The indicative breakdown of the financial envelope laid down in paragraph 1 for the three beneficiaries shall be as follows:

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(a) for EFRAG: EUR 23 134 000;

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(b) for the IFRS Foundation: EUR 31 632 000;

(c) for PIOB: EUR 2 241 000.

*Article 7***Implementation of the Programme**

The Commission shall implement the Programme by establishing annual work programmes in accordance with Regulation (EU, Euratom) No 966/2012. Each annual work programme shall implement the objective of the Programme, as laid down in Article 2 of this Regulation, by specifying the following:

(a) the expected results;

(b) a breakdown of the budget per beneficiary, in accordance with the indicative amounts laid down in Article 6(3).

In order to ensure transparency, the annual work programme shall also mention, by way of reference, the objective laid down in Article 2, the method of implementation determined in Article 4 and the findings of the reports.

The Commission shall adopt the annual work programmes by means of implementing acts.

*Article 8***Protection of the financial interests of the Union**

1. The Commission shall take appropriate measures to ensure that, when activities financed under this Regulation are implemented, the financial interests of the Union are protected through the application of preventive measures against fraud, corruption and any other illegal activities, through effective checks and, if irregularities are detected, through the recovery of the amounts wrongly paid and, where appropriate, effective, proportionate and deterrent penalties.

2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on-the-spot checks, over all grant beneficiaries, contractors and subcontractors who have received Union funds under the Programme.

The European Anti-Fraud Office (OLAF) may carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Council Regulation (Euratom, EC) No 2185/96 <sup>(1)</sup> with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract concerning Union funding.

Without prejudice to the first and second subparagraphs, cooperation agreements with third countries and international organisations, grant agreements, and grant decisions and contracts resulting from the implementation of this Regulation shall expressly empower the Commission, the Court of Auditors and OLAF to conduct such audits, on-the-spot checks and inspections.

*Article 9***Evaluation**

1. By 31 March 2014, the Commission shall submit a first report to the European Parliament and to the Council on necessary governance reforms in the area of accounting and financial information in respect of EFRAG, taking into account, inter alia, the developments following the recommendations set out in the special advisor's report, and on the steps that EFRAG has already taken to implement those reforms.

2. By 31 December 2014, the Commission shall submit a report to the European Parliament and to the Council on the findings of the Commission's evaluation of Regulation (EC) No 1606/2002 including, where appropriate, proposals for amending that Regulation with a view to improving its functioning, as well as on governance arrangements for all relevant institutions.

<sup>(1)</sup> Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

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3. From 2015, the Commission shall prepare an annual report on the activity of the IFRS Foundation as regards the development of IFRS, of IOB and of EFRAG.

4. With regard to the IFRS Foundation, the report referred to in paragraph 3 shall cover its activity and in particular the general principles against which new standards have been developed. The report shall also cover whether IFRS take due account of different business models, reflect the actual consequences of economic transactions, are not overly complex, and avoid artificial short-term and volatility biases.

Following the issuance of the revised Conceptual Framework, the report shall address any changes that have been introduced in the Conceptual Framework, with a particular focus on the concepts of prudence and reliability.

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4a. With regard to the IFRS Foundation and the IASB, the report referred to in paragraph 3 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.

In addition, with a view to ensuring high-quality accounting standards and high standards of transparency, accountability and integrity, the report shall identify and assess actions taken within the IFRS Foundation which, inter alia, concern public access to documents, open dialogue with European institutions and various stakeholders, rules on transparency of stakeholders' meetings, and the establishment of transparency registers.

5. With regard to IOB and its successor organisation, the report referred to in paragraph 3 shall cover developments in the diversification of funding and shall assess how the work of IOB contributes to the enhancement of audit quality, including the integrity of the auditing profession. If funding by the IFAC in a given year reaches more than two thirds of the total annual IOB funding, the Commission shall propose to limit its annual contribution for that year to a maximum of EUR 300 000.

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6. With regard to EFRAG, the report referred to in paragraph 3 shall cover the following:

- (a) whether EFRAG in its technical work on international accounting standards takes appropriate account of the requirement of Article 3(2) of Regulation (EC) No 1606/2002, in particular, in assessing whether new or amended IFRS are consistent with the 'true and fair view' principle and conducive to the European public good;
- (b) whether EFRAG in its technical work on IFRS provides adequate assessment of whether draft, new or amended international accounting standards developed by the IASB are evidence-based, respond to the Union's needs, taking into account the diversity of accounting and economic models and views in the Union; and

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- (c) EFRAG's progress in the implementation of its governance reforms, taking into account developments following the recommendations set out in the special advisor's report.

If appropriate, the Commission shall submit a legislative proposal to continue financing of EFRAG after 31 December 2016.

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6a. With regard to EFRAG, the report referred to in paragraph 3 shall assess as of 2018:

- (a) 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;
- (b) 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;
- (c) 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
- (d) 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.

In addition, it shall identify and assess the actions taken within 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 and rules on transparency of stakeholders' meetings as well as internal rules, in particular prevention of conflict of interests.

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7. The Commission shall transmit the report referred to in paragraph 3 to the European Parliament and to the Council no later than 30 June each year.

8. No later than 12 months before the end of the Programme, the Commission shall submit to the European Parliament and to the Council a report on the achievement of the Programme's objective. That report shall appraise at least the overall pertinence and coherence of the Programme, the effectiveness of its execution and the overall and individual effectiveness of the beneficiaries' work programme in terms of achievements of the objective referred to in Article 2.

9. The Commission shall send the reports referred to in this Article to the European Economic and Social Committee for information.

*Article 10***Repeal**

Decision No 716/2009/EC shall be repealed with effect from 1 January 2014.

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*Article 11*

**Entry into force**

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

It shall apply from 1 January 2014 until 31 December 2020.

This Regulation shall be binding in its entirety and directly applicable in all Member States.