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MEPs question how EC will ensure IASB meets funding requirements

by Richard Crump

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EUROPEAN POLITICIANS have questioned how the European Commission will make sure the IASB meets certain conditions attached to its [receipt](#) of EU funding agreed by Member States last week.

In a question tabled by Syed Kamall [pictured], Sven Giegold and Wolf Klinz, the MEPs have asked the commission to explain what reforms it will introduce to ensure the work of the IASB is democratically accountable, and that the global accounting standard setter takes appropriate steps to avoid conflicts of interest.

Relations between the IASB and European policymakers have deteriorated over concerns about governance, transparency and conflicts of interest at the IFRS Foundation, the body responsible for overseeing the work of the IASB.

Last week, the European Parliament approved a [new](#) €50m (£42m) funding programme for the IASB and EFRAG, a European advisory group on how international accounting standards are incorporated into EU law, but with the proviso the funding could be pulled if it fails to meet certain conditions.

"Could the commission explain what reforms it will introduce to ensure that the work of the IASB, its recruitment processes and activities, its interaction with non-public sector entities and non-IFRS jurisdictions is fully transparent and democratically accountable?," the MEPs asked.

In view of the requirement that EFRAG and the IASB should "take all appropriate steps to avoid conflict of interests, including disclosure requirements adapted to the function and responsibilities of the different categories of staff employed by these [organisations](#)", the MEPs asked the EC to confirm how it "intends to ensure that these organisations have done so, within what timeframe it expects these organisations to have put in place those steps and how this information will be made available to the public?".

Concerns over the IFRS Foundation's governance were raised following the startling admission the body had consistently made late and inaccurate filings to [Companies](#) House. In some instances, the filings repository was only informed about the termination of the foundation's directors many years after the action had taken place.

A spokesman for the IFRS Foundation said: "The foundation takes seriously any such concerns and has already begun planning its constitutionally-required five-year review of its structure and effectiveness, to be undertaken during 2015, and we welcome any proposals to [improve](#) aspects of our work."

Tensions between the EU and IASB have been [simmering for some time](#), with politicians threatening last year that funding would be pulled unless the IFRS setter reinserted the concept of prudence into the framework that underpins the way it sets global accounting rules.

The EU is also understood to be unhappy about the attention given to the US as part of the IASB's attempts to converge global and US accounting rules, a policy which the standard setter has ditched in favour of a more multi-lateral approach.

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