

Public consultation on the operations of the European Supervisory Authorities

Consultation document issued by the European Commission in March 2017

Comments from ACCA

16 May 2017

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management.

ACCA supports its 188,000 members and 480,000 students in 178 countries, helping them to develop successful careers in accounting and business, with the skills required by employers. ACCA works through a network of 100 offices and centres and more than 7,400 Approved Employers worldwide, who provide high standards of employee learning and development. Through its public interest remit, ACCA promotes appropriate regulation of accounting and conducts relevant research to ensure accountancy continues to grow in reputation and influence.

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Further information about ACCA's comments on the matters discussed here may be obtained from the following:

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ACCA welcomes the opportunity to provide views in response to the consultation from the European Commission. This was completed via an online questionnaire, with the text of our submission shown below.

SPECIFIC QUESTIONS ON WHICH COMMENTS ARE REQUESTED

Question 14

What improvements to the current organisation and operation of the various bodies do you see would contribute to enhance enforcement and supervisory convergence in the financial reporting area? How can synergies between the enforcement of accounting and audit standards be strengthened? Please elaborate.

The principal area of our interest covered by the consultation is that of financial reporting and so we are restricting our response to questions 14 and 15 and to the operation of ESMA.

ACCA supports the development and adoption of global standards of financial reporting and for auditing – in the form of International Financial Reporting Standards (IFRS) for reporting and International Statements on Auditing (ISA). We would not support arrangements where regulatory bodies are providing interpretations or additions to those global standards, for example to IFRS which have been endorsed for use in the EU.

We do not see a pressing case for revisions to the current structure for enforcement of either the audit or the accounting standards. These are both relatively newly functioning systems.

We consider there are good reasons why enforcement may be best done at a national rather than a European level. Effective, but appropriate enforcement requires familiarity with among other things the legal framework, the cultural context and the language within which reports or audits are conducted. National authorities will be best placed in these regards. Co-ordination of approach on specific issues and the convergence of general approach over time are desirable for fostering an effective European capital market. This is generally the current position as we understand it – national enforcement of the standards, but with some European co-ordination by ESMA and CEAOB.

It is not clear to us that there are many obvious synergies to be realised between the enforcement of accounting and of auditing standards. The two cases are different – in the matters to be considered, in the parties to be regulated and most importantly in the legal framework. IFRS are endorsed for compulsory application by listed companies for their consolidated financial statements, while ISA are not part of European law. If the Commission nevertheless does consider that there is a case for change, then that needs to be articulated more clearly, the advantages and disadvantages set out and the costs and benefits assessed.

Question 15

How can the current endorsement process be made more effective and efficient? To what extent should ESMA's role be strengthened? Please elaborate.

The current IFRS endorsement process is elaborate and less efficient than it might be. Most amendments to IFRS pose no issues for the European public good, are consistent with the Directive and have been developed after significant due process to ensure they represent high quality accounting. Such cases could be dealt with by the endorsement mechanism, including EFRAG, in a simpler and speedier way.

In terms of endorsement we consider that EFRAG is better placed than ESMA to carry out the main advisory role. EFRAG is more representative of the different capital market interests in IFRS. Fostering better communication between companies and investors is the primary role of IFRS, and while the regulators have important responsibilities and interests their perspective should not be dominant. However to maintain those interests, ESMA should fully participate in the EFRAG board as envisaged by the Maystadt reforms.