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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

on the activities of the IFRS Foundation, EFRAG and IOB in 2014

1. PURPOSE AND SCOPE OF THE REPORT

Regulation No 258/2014 of the European Parliament and of the Council, which extends a Union programme to support specific activities in the field of financial reporting and auditing for the period from 1 January 2014 to 31 December 2020¹, came into force on 9 April 2014 following its publication in the Official Journal².

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

The Regulation stipulates the beneficiaries of the programme.

In the field of financial reporting these are:

- the European Financial Reporting Advisory Group (EFRAG),
- the International Financial Reporting Standards (IFRS) Foundation

In the field of auditing, the beneficiary is:

- the Public Interest Oversight Board (PIOB).

According to Article 9 (3) of the Regulation, from 2015, the Commission shall prepare an annual report on the activity of the IFRS Foundation as regards the development of IFRS, of PIOB and of EFRAG. The scope of the report is further explained in Article 9 (4, 5 and 6) as follows:

- with regard to the IFRS Foundation, the report shall cover:
 - (a) 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.
 - (b) 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.
- with regard to EFRAG, the report shall cover:
 - (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

¹ The programme period with respect to EFRAG (European Financial Reporting Advisory Group) runs from 1 January 2014 to 31 December 2016.

² OJ L 105/1, 8.04.2014

(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.

- with regard to PIOB, the report shall cover developments in the diversification of funding³.

The report covers the activities of the IFRS Foundation, EFRAG and PIOB in 2014. However, certain events that took place in 2015 were also mentioned where it was deemed useful for the purpose of this report.

2. IFRS FOUNDATION

2.1. General principles against which new Standards have been developed

1.1.1. The IASB's Principle of Fair Presentation

IAS 1, Presentation of Financial Statements, requires financial statements to present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework. According to IAS 1, the application of International Financial Reporting Standards (IFRSs), with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation, which in view of a number of stakeholders is equivalent to a true and fair view. IFRSs seek to reflect economic performance, with a focus on transparency so that the economic circumstances are clear to investors.

The IASB's due process requirements for developing new Standards are built on the principles of transparency, full and fair consultation and accountability.

Transparency

Meetings of the IASB (as well as the IFRS Interpretations Committee) to discuss technical issues are open to the public, recorded and broadcast live via webcast. The technical Staff Papers for these meetings are made available on the IFRS Foundation website, together with recordings and webcasts of the meetings. Summaries of the decisions reached in these meetings are also published.

Full and fair consultation

The IASB also operates on the principle that wide consultation with interested parties enhances the quality of its Standards. This consultation can be carried out through various means, including individual meetings and fieldwork. Some consultation procedures are

³ If funding by the IFAC in a given year reaches more than two-thirds of the total annual PIOB funding, the Commission shall propose to limit its annual contribution for that year to a maximum of EUR 300 000.

mandatory e.g. exposing for public comment a draft of any proposed new Standard, proposed amendment to a Standard or proposed Interpretation - with minimum comment periods.

Accountability

The IASB is committed to the principle of accountability and assesses the likely costs and benefits, or effects, of proposed new requirements throughout the development of a new or amended Standard. The IASB's views on the likely effects are approved and published by the IASB.

In November 2014, the IASB published the report of the Effects Analysis Consultative Group, which had been established to advise the IASB on best practice in the assessment of the likely effects of a new Standard and, in doing so, to seek to enhance the confidence in, and efficiency of, the processes. The recommendations include strengthened analysis and close contacts with all stakeholders, including national standard setters and supervisors. They are in the process of being implemented.

2.2. The IASB's key achievements in 2014

In 2014 the IASB issued two major new Standards: IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. In addition, the IASB continued to work on a number of other major projects, in particular Leases, Insurance Contracts and the Conceptual Framework (which is considered in section 2.3).

a) IFRS 9 *Financial Instruments*

The IASB issued IFRS 9 Financial Instruments in July 2014 following the due process. This standard completed the IASB's response to the financial crisis. IFRS 9 includes a new model for classification and measurement, a forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting:

- The classification of financial assets determines how they are measured. The new approach will be driven by the cash flow characteristics of a financial asset and the entity's business model. It is a "mixed measurement model" including the use of fair values and historic costs.
- During the financial crisis, the delayed recognition of credit losses on loans (and other financial instruments) was identified as a weakness in existing accounting standards. The new impairment model has taken a long time to develop and is the IASB's answer to G20 criticisms of the existing standard, that it delivered too little, too late in loan loss provisions. The IASB's new, expected loss impairment model is expected to result in more timely recognition of expected credit losses based not only on backwards looking information (as in the present standard) but also current and forward-looking information as well.
- The new hedge accounting model aligns the accounting treatment with risk management activities, enabling entities to reflect these activities in their financial statements.

EFRAG has published a draft endorsement advice for public consultation. The European Commission expects EFRAG to finalise its endorsement advice on IFRS 9 in the second half of 2015. This will assess the standard against the criteria in the IAS Regulation including the ‘true and fair view’ principle and whether the standard is conducive to the European public good. The analysis will also explicitly consider business models, volatility, and prudence. The endorsement process will continue until early 2016.

Following endorsement, entities complying with IFRSs would be expected to apply the new standard from 1 January 2018 although earlier application is likely to be permitted as in the IASB text. The lengthy time allowed for implementation is largely due to the substantial changes introduced by the new loan loss model.

b) *IFRS 15 Revenue from Contracts with Customers*

Current standards for recognising revenue, IAS 18 Revenue and IAS 11 Construction Contracts, were issued more than 20 years ago and are now widely seen as incomplete and outdated. These two standards were completed over the years with a dozen of related interpretations.

The IASB issued its new revenue recognition standard, IFRS 15 Revenue from Contracts with Customers, in May 2014. The new standard, which will replace the previous standards (IAS 11 and 18) and interpretations in that area, was developed jointly with the US Financial Accounting Standards Board (FASB). IFRS 15 seeks to improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. The core principle of the new Standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new Standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The endorsement process of IFRS 15 is currently ongoing. EFRAG's endorsement advice concludes that the standard meets all relevant criteria, including the one on European public good. In particular, EFRAG found that benefits of IFRS 15 are likely to outweigh associated costs.

c) *Other key project achievements in 2014*

The objective of the Leases project, which is a project the IASB is working on jointly with its US counterpart, the FASB, is to improve the quality and comparability of financial reporting by providing greater transparency about an entity's leverage and the assets it uses in its operations. The IASB and the FASB have reached agreement on almost all aspects of this project – and, in particular, the requirement for lessees to recognise assets and liabilities for all leases, with some exemptions. Lease liabilities will include only economically unavoidable

payments. Many investors think that the current omission of such assets and liabilities can materially depress the leverage reported by some companies. This new accounting requirement will, when finalised, therefore represent a significant change in financial reporting. The IASB intends to publish the final Standard on Leases by the end of 2015.

The objective of the Insurance Contracts project is to bring transparency to the plethora of accounting practices currently used throughout the industry. The IASB published a revised ED Insurance Contracts in June 2013. Feedback on the ED suggested broad support for the principle of current value measurement of insurance contracts that incorporates all of the available information in a way that is consistent with observable market information. However, there were also areas of disagreement, in particular about performance reporting, and concerns about complexity. The IASB has now largely concluded its deliberations relating to non-participating contracts⁴ but continues to consider the accounting model for contracts with participating features. The IASB intends to complete its deliberations in the next few months and proceed to publication of the final Standard thereafter.

2.3. Development of a Revised Conceptual Framework

On 28 May 2015, the IASB published an Exposure Draft (ED) proposing changes to its Conceptual Framework. The Conceptual Framework describes concepts for general purpose financial reporting. These concepts will assist the IASB to develop and revise Standards, preparers of financial statements to develop and select accounting policies, and all parties to understand and interpret the Standards. Among other things, the ED discusses prudence, reliability, stewardship, an entity's business model, substance over form and long-term investment.

Prudence

The ED proposes to reintroduce prudence into the Conceptual Framework.

Prudence is described as the exercise of caution when making judgements under conditions of uncertainty. It is acknowledged that prudence may lead to asymmetry in recognition of assets / income and liabilities / expenses. It is also worth noting that, although the term 'prudence' was taken out of the Conceptual Framework in 2010, the IASB has maintained that prudence is reflected in their standards. It is likely that there will be further debate around this topic to assess whether the exposure draft meets constituents' expectations.

Reliability

Prior to 2010, the Conceptual Framework identified reliability as a characteristic of useful financial information. However, in 2010, the IASB replaced the notion of reliability with the notion that useful financial information should faithfully represent what it purports to represent ('faithful representation').

⁴ Contracts where policyholders are not participants in the interest and capital gains earned by the insurer on premiums paid.

Some of the IASB's stakeholders have expressed concerns about this change. In response, the ED seeks to address aspects of what the IASB believes stakeholders were seeking in expressing their concerns about reliability. The description of faithful representation in the ED is substantially the same as the description of reliability in the pre-2010 Conceptual Framework. The ED describes a perfectly faithful representation as complete, neutral and free from error.

The enhanced discussion in the ED explains the factors that enable users to rely on financial information to provide a faithful representation of what it purports to depict. In the IASB's view, this makes it unnecessary to reintroduce the term 'reliability'. Nevertheless, some stakeholders (potentially including EFRAG although they will not finalise their comment letter until the autumn) may continue to believe that it would be better to reintroduce the term reliability more explicitly.

Business model

The ED identifies how financial statements can be made more relevant if the IASB considers, when developing its Standards, how an entity conducts its business activities. This change, which is in the direction of EFRAG's position, acknowledges the role the business model should play in determining how items are measured for the profit or loss account and balance sheet.

Substance over form

The ED reintroduces substance over form which is welcomed as it is necessary to portray the economic consequences of transactions.

Long-term investment

When developing the ED, the IASB reached the conclusion that the package of proposals in the ED provides sufficient tools to enable the IASB to consider appropriately both the information needs of long-term investors and how an entity should account for long-term investments. We welcome the explicit consideration that the IASB has given to this topic and will pay attention to the question of whether long-term investors agree with the IASB's thinking on this matter.

3. EFRAG

3.1. Consideration of the true and fair view principle and strengthening EFRAG's assessments of impact of new IFRS on the public good

EFRAG provides its input throughout the standard setting process by commenting on IASB pronouncements and by providing proactive work to stimulate a debate in Europe on important accounting issues. The commenting and proactive activities are essential for ensuring that European views on the development of financial reporting are properly and clearly articulated in the standard setting process with the objective that the resulting standards are fit for Europe.

Before the implementation of the governance reform, EFRAG focused its endorsement assessments on whether IFRS were meeting all technical criteria of the IAS Regulation, i.e. whether they would provide relevant, reliable, comparable and understandable financial reporting and were not contrary to the true and fair view principle set in the Accounting Directive and the former 4th and 7th Company Law Directives. In addition, EFRAG also provided the Commission with an assessment of the cost/benefit trade-off of any new IFRS pronouncement that the Commission could use to support its endorsement decision. Following recommendations in the Maystadt report, EFRAG has also strengthened its assessment on whether new or proposed financial reporting requirements are conducive to the public good. This will include the interaction with financial stability and economic growth.

The Maystadt report also recommended that EFRAG in providing endorsement advice could be asked to analyse more thoroughly the compliance with prudence. In this respect, the Board of EFRAG has discussed the basis on which it would provide an explicit assessment of prudence in the endorsement process. Similarly, in the context of the public consultation on the IASB Conceptual Framework it has discussed how to reintroduce prudence in a meaningful way. The preliminary conclusion is that prudence should encompass both the exercise of a degree of caution in making judgments under conditions of uncertainty and the notion that it may be appropriate, under some circumstances, to have asymmetry in recognition of gains and losses.

In its request for endorsement advice concerning IFRS 9 Financial Instruments, the Commission after consulting the Member of the Accounting Regulatory Committee (ARC) identified a number of specific issues, including public good issues, that needed to be analysed by EFRAG. In particular it asked for an assessment of this standard in the light of the concept of prudence. It also asked for an assessment of the use of fair value and whether the changes brought could have detrimental effects on financial stability. EFRAG started working on the draft endorsement advice already in 2014. It issued a draft endorsement advice on 4 May 2015 where it seeks stakeholders' views both on its assessment of the Standard against the technical criteria in the EU and on its assessment of whether IFRS 9 is conducive to the European public good.

During 2014 EFRAG started the preparation of the endorsement advice of another major standard⁵ IFRS 15 *Revenue from Contracts with Customers*. The draft endorsement advice included an open question to constituents as to whether they had reasons to believe that IFRS 15 would not be conducive to the European public good. In finalising the endorsement advice the EFRAG Board took into account the feedback of constituents and considered that the new standard was conducive to the European public good as it found that IFRS 15 could be expected to have a positive impact on the cost of capital whereas it had not identified any potential negative effect for the European economy. The final endorsement advice issued in March 2015 included this assessment.

⁵ In 2014 EFRAG provided its endorsement advice with respect to several other (smaller) projects.

In 2014 EFRAG participated in the IASB consultation process and issued comment letters after public consultation on all IASB pronouncements, including the Conceptual Framework. In addition EFRAG continued discussions on the Leases project and the IFRS 4 Insurance contracts project.

3.2. Consideration of the diversity of accounting and economic models and views in the European Union

Since its establishment EFRAG has put in place a transparent due process that was further developed over time. This due process allows all European constituents to put forward their views for consideration by EFRAG and ensures that the diversity of accounting and economic models and views in Europe are taken into account and that the new IFRS respond to the Union's needs. As part of its due process EFRAG publishes draft positions for public consultation, undertakes field tests and other forms of effect analyses, organises outreach events and undertakes special surveys, publishes the results in feedback statements and publishes its final positions. In 2014 EFRAG issued comment letters and feedback statements on all IFRS proposals.

Meetings of the EFRAG Board and EFRAG Technical Expert Group (TEG) are held in public and the agenda and summaries of the meetings are published on EFRAG's website as well as the supporting agenda papers for the EFRAG Board meetings. The discussions are furthermore informed by input received from EFRAG Consultative Forum of Standard Setters and the specialised EFRAG Working Groups. The input received from the EFRAG User Panel is essential to the work of EFRAG. This input is reinforced by hearing more broadly from users thanks to the User Outreach Programme launched in 2012. The diversified composition of these groups as well as the EFRAG Board and EFRAG TEG both in terms of geographical and professional background, in addition to the due process ensures that all different perspectives are properly taken into account by EFRAG.

EFRAG conducts field work (including surveys/desk research; field tests⁶; and workshops/interviews) at various stages of the standard setting process, in coordination with National Standard Setters in Europe⁷. These field tests are intended to evaluate the effects of proposed changes, as part of EFRAG's due process and contribution to the final standards being under preparation. EFRAG's field work contributes to evidence-based standard setting.

⁶ These involve testing the application of proposed, pre-final and final requirements to existing contracts and transactions in order to assess the quality of the outcomes and/or the understandability of the requirements and the conditions of implementation.

⁷ In particular those of France, Germany, Italy and the UK

3.3. Implementation of the governance reform following recommendation of the Maystadt report

In July 2014, the Commission submitted a report to the European Parliament and the Council⁸ on the progress achieved in the implementation of the reform of EFRAG. The Commission came to a favourable conclusion regarding the progress made to date.

The reform involved a fundamental revision of the EFRAG Statutes and the EFRAG Internal rules to incorporate a new governance structure, which increased the legitimacy and representativeness of EFRAG. The revised EFRAG Statutes and EFRAG Internal Rules were approved on 16 June 2014 with an effective date of 31 October 2014. The period between June and the end of October was used to nominate EFRAG Board Members who were appointed on 31 October 2014⁹. On the same day EFRAG enlarged its membership¹⁰ and the new governance structure became operational with the EFRAG Board holding monthly meetings as of November 2014. The President of the Board is nominated by the Commission after consulting the European Parliament and the Council. Currently, one of the Board Members acts as the President pending the formal appointment.

The EFRAG Board takes all its decisions on a consensus basis after considering the results of EFRAG's due process. The Commission, European Supervisory Authorities and the European Central Bank have been contributing to the discussions of the Board as observers. The Commission ensures that the Accounting Regulatory Committee provides input to EFRAG or requests specific assessments where it is needed.

4. PIOB - DEVELOPMENTS IN THE DIVERSIFICATION OF FUNDING IN 2014

It is widely accepted that bodies carrying out a public-interest function should be financed in such a way as to preserve their independence. The PIOB which is in charge of overseeing the process leading to the adoption of International Standards on Auditing (ISAs) and other public interest activities of IFAC (The International Federation of Accountants) is one of such bodies. Proper diversification of funding sources helps not only to guarantee that independence but also to reinforce the perception of their independence. In the field of statutory audit the need for funding diversification was recognised internationally since the IFAC reform of 2003, which envisaged the creation of the PIOB, and it has always been defended by the Monitoring Group, the international organisation responsible for monitoring the governance reform of IFAC.

Since its creation in 2005 until 2010, when the Community funding programme established

⁸ <http://ec.europa.eu/transparency/regdoc/rep/1/2014/EN/1-2014-396-EN-F1-1.Pdf>

⁹ An acting EFRAG Board President was selected among the new EFRAG Board members pending the nomination of a President by the European Institutions.

¹⁰ Currently EFRAG has sixteen members: European Stakeholder Organisations: BUSINESSEUROPE, EACB, EBF, EFAA, EFFAS, ESBG, FEE and Insurance Europe; National Organisations: Denmark, France, Germany, Italy, Netherlands, Norway, Sweden and the UK.

by Decision 716/2009/EC became operative, the PIOB, apart from some in-kind contributions, was financed exclusively by IFAC. The funds made available by IFAC in a given year constitute a maximum IFAC guaranteed contribution which is made available to the PIOB without any further interference from IFAC. The EU contribution in the period 2010-2014 has spurred a number of donors to also make their own contributions. The purpose of non-IFAC contributions is to substitute and thus to reduce the IFAC contribution for that specific year. Ideally the IFAC funding portion of the total PIOB annual expenses should fall below 50%.

In year 2014 the PIOB expenses amounted to EUR 1,502,850. IFAC provided EUR 874,540 which represents 58% of the total. The European Commission provided EUR 272,000 which represents 18% of the total. The ADAA (the Abu Dhabi Accountability Authority) provided EUR 120,000 which represents 8% of the total. IOSCO provided EUR 100,000 which represents 7% of the total. The BIS (the Bank for International Settlements) provided EUR 55,000 which represents 4% of the total. The UK FRC (Financial Reporting Council) provided EUR 40,000 which represents 3% of the total. The balance EUR 5, 478 represents interest income.

Article 9.5 of the Regulation stipulates that if funding by IFAC in a given year reaches more than two-thirds of the total annual PIOB funding, the Commission shall propose to limit its annual contribution for that year to a maximum of EUR 300,000. In year 2014, this has not been the case because both (i) the IFAC contribution has been lower than two-thirds of the total annual PIOB funding, and (ii) the Commission contribution has been lower than EUR 300,000, namely EUR 272,000. Therefore, as the critical threshold stipulated in the Regulation has not been reached by the IFAC funding, the Commission does not need to review its annual contribution to the PIOB.

5. CONCLUSIONS

IFRS Foundation

In 2014, the IASB finalised two major standards that are of fundamental importance for users of financial statements, namely IFRS 9 *Financial Instruments* and IFRS15 *Revenue from Contracts with Customers* and made significant progress in other important projects. IFRS 15 seeks to provide companies with more complete and up-to-date guidance on revenue recognition. Following positive assessment of the standard by EFRAG, its endorsement process is currently ongoing. As far as IFRS 9 *Financial Instruments*, EFRAG issued a positive draft endorsement advice on 4 May 2015 and is expected to finalise it in the second half of 2015.

In respect of whether IFRS:

- take due account of different business models: IFRS 9 explicitly recognises the importance of business models in determining measurement of financial instruments. EFRAG's final endorsement advice will assess whether the standard achieves this

successfully. IFRS 15 is considered flexible enough to meet different business models. The Conceptual Framework (see below) gives business models more emphasis.

- reflect the actual consequences of economic transactions: EFRAG is currently in the process of assessing this aspect for IFRS 9, with a particular focus on the timely recognition of impairment losses on loans; IFRS 15 achieves this and, as noted below, the Conceptual Framework will introduce the concept of substance over form which is important for portraying economic transactions appropriately.
- are not overly complex: IFRS 9 is a complex standard however it has introduced simplifications in the accounting for financial instruments and IFRS 15 is more complex than the standard it replaces but this is justifiable as the previous standard was no longer appropriate to reflect the complexity of modern day business transactions. Moreover, the standard replaces both a standard and interpretations so the new requirements are organised in one place.
- avoid artificial short-term and volatility biases: the endorsement process for IFRS 9 will address this question. However, IFRS 15 is effective in avoiding such volatility as it contains specific provisions that apply where there is uncertainty in recognising future revenue.

As far as the Conceptual Framework is concerned, the Commission reiterates its support to the re-introduction of the concept of prudence and will closely follow the developments following the publication of the Exposure Draft in 2015. As mentioned in the recent Commission evaluation report on the IAS Regulation¹¹, it has also invited the IASB to consider the specific needs of investors with different investment time horizons and to provide specific solutions, in particular to long-term investors, when developing their standards. Finally, the Commission urges the IASB to strengthen their analysis of impact and to better coordinate with EFRAG.

EFRAG

In 2014, the governance reform of EFRAG has been implemented. It involved establishing a new Board of EFRAG, its new decision-making body, with balanced representation of public and private interests. As a result, EFRAG is now well equipped to strengthen the legitimacy of its positions and significantly contribute to the objective of Europe speaking with one voice.

EFRAG took account in its endorsement assessments of whether IFRS were meeting all technical criteria of the IAS Regulation. Following its governance reform, EFRAG has strengthened its scope of assessment of whether new or proposed financial reporting requirements are conducive to the public good. In that context the Commission welcomes EFRAG's willingness to further develop its capacities with respect to the analysis of the effects of standards including macro-economic effects such as any detrimental effects on financial stability or economic development in the EU.

¹¹ http://ec.europa.eu/finance/accounting/docs/ias-evaluation/20150618-report_en.pdf

Thanks to its extensive due process, EFRAG was in a position to provide adequate assessment of whether draft, new or amended international accounting standards responded to the Union's needs while taking into account the diversity of accounting and economic models and views in the EU. This activity proved particularly important in the development phase of new standards by the IASB where EFRAG has played a key role in ensuring the Union's needs and interests are taken into account.

PIOB

Regarding the PIOB, the diversification of funding sources has progressed significantly. The total portion provided by IFAC is 58%; not far away from the ideal benchmark of less than 50% and is also well below the two-thirds threshold stipulated in the Regulation. For the coming years, the Commission will continue monitoring the funding developments and will cooperate with other interested stakeholders, in particular with other Monitoring Group members, to ensure that the PIOB benefits from a clear, stable, diversified and adequate funding system so that it can accomplish its public interest mission in an independent and efficient manner.