



THE INSTITUTE  
OF CHARTERED  
ACCOUNTANTS  
IN ENGLAND AND WALES

22 September 2008

Our ref: ICAEW Rep 112/08

Your ref:

Goran Tidstrom  
Chairman of the EFRAG Supervisory Board  
European Financial Reporting Advisory Group  
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By email: [info@efrag.org](mailto:info@efrag.org)

Dear Mr Tidstrom

## **ENHANCEMENT OF EFRAG – PROPOSALS**

The Institute of Chartered Accountants in England and Wales (the Institute) welcomes the opportunity to comment on the consultation paper *Enhancement of EFRAG – Proposals for Public Consultation* published by EFRAG. The Institute operates under a Royal Charter, working in the public interest and is a founding member of the Global Accounting Alliance with over 700,000 members worldwide.

We recognise the importance of bolstering and better coordinating European input to the international standard setting process, given the scale of the IASB's work programme and the likely impact of US migration to IFRS on the international standard setting process. We also agree that, whilst in principle EFRAG is the appropriate body to deliver this improved input, major changes are needed before EFRAG can be viewed as the authoritative European voice on financial reporting. We note, for example, that some proactive papers published by EFRAG have been timely and high quality, but others have been regarded less favourably.

In this context we would emphasise that EFRAG's primary objective should be influencing IASB thinking directly and effectively. EFRAG also has a role in encouraging and enhancing the level of debate across Europe, assisting constituents to understand current thinking on key issues, the historical background to the debate, and some of the principal merits and drawbacks of commonly-held views. However, these two roles should not be confused. Papers submitted to the IASB should contain clear, substantive proposals regarding topics that are or should be on the IASB's agenda, supported by detailed and compelling technical analysis and reasoning.

We broadly support the proposed new structures, including the enhanced role envisaged for the national standard setters. It will be vital for the success of the new regime to ensure that the relationship with the standard setting bodies is unambiguous, and enjoys the full support of the key players, including the standard setters themselves. We would also point out that given the proposed increase in resources and activities, it will be vital to develop and maintain the quality of technical staff and members of the technical boards, particularly TEG.

We do have four concerns regarding the proposals, as detailed below:

- **EFRAG as a standard setter** - the paper makes only a brief reference to the fact that EFRAG does not intend to become a standard setter. This is vitally important and we would have welcomed a fuller discussion of this issue, the risks involved in straying into standard-setting territory and how those risks will be managed. We suggest this clarification is made available before the current proposals are finalised.
- **Proposed composition of the Supervisory Board** - in our view, users should be predominant amongst its members. We recognise the longstanding difficulty of identifying high calibre users willing and able to assume such responsibilities, but would urge EFRAG to leave no stone unturned in seeking suitable candidates. We are also unsure why preparers should be allocated five places, with only four allocated to accountants (and four to users). We also suggest that the reference to accountants is changed to 'auditors'; we assume that some of the preparers and other members of the Board will also be accountants.
- **Planning and Resource Committee (PRC)** - the PRC will set the agenda for EFRAG's proactive work and 'monitor progress of the work concerned'. EFRAG may find that this arrangement gives rise to concerns about technical independence, especially given the reservation of four places on the PRC for public policy members. This would less likely if it is clear that final technical decisions and ultimate editorial control lie with the TEG - we are unsure from the consultation paper whether or not that is the intention.
- **General Assembly** - the ICAEW recognises the importance of the involvement of European organisations in EFRAG and notes the relevant proposals concerning the General Assembly in this respect. In time, however, it may be more appropriate to move towards a public interest oversight body for EFRAG. We believe it is important that the structure and governance of EFRAG are subject to a public review in an appropriate time-frame (for example, three years) to ensure that the arrangements do enable EFRAG to operate optimally and independently in the public interest. This review would be directed as much at addressing external perception and appearance issue as the practical working of the arrangements themselves. This will further strengthen Europe's contribution to the international standard setting process, which the enhancement of EFRAG is designed to achieve.

Please contact me should you wish to discuss any of the points raised in this response.

Yours sincerely



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