



30 September 2010

Our ref: ICAEW Rep 102/10

Ms Françoise Flores
Chair
European Financial Reporting Advisory Group
13-14 Avenue des Arts
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By email: commentletters@efrag.org

Dear Françoise

EFRAG: CONSULTATION ON PROACTIVE WORK

ICAEW welcomes the opportunity to comment on EFRAG's *Consultation on Proactive Work*, published in June 2010.

ICAEW operates under a Royal Charter, working in the public interest. Its regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the Financial Reporting Council. As a world leading professional accountancy body, we provide leadership and practical support to over 134,000 members in more than 160 countries, working with governments, regulators and industry in order to ensure the highest standards are maintained. We are a founding member of the Global Accounting Alliance, which has over 775,000 members worldwide.

We set out below our answers to the questions posed in the consultation document.

1. Prior to this consultation were you aware of EFRAG's Proactive Accounting in Europe (PAAinE) publications? (Copies of publications can be found at <http://www.efrag.org/content/default.asp?id=4109>) Did you find them useful and why or why not? In what ways do you think they could have been improved? Do you think they had a sufficient focus on European issues?

We have been aware of EFRAG's Proactive Accounting in Europe (PAAinE) publications since they started. We see them as useful contributions to the debate on the various questions that they have addressed, and we particularly value their thoughtful and considered approach to issues. As EFRAG's own resources expand, while we would hope that it will continue to work with national standard setters and other relevant organisations, we believe that it should be able to contribute more to these exercises itself, which should in turn ensure a greater evenness of quality. We do not think that PAAinE should focus more on European issues, and we suspect that are few major issues in financial reporting that are exclusively or particularly European in nature. The intention should rather be to provide a European perspective on issues that will usually be of global interest.

2. Based on the description above (under 'How we influence the IASB'), at what point in the standard-setting process should EFRAG focus its proactive work? Also are there specific aspects of financial reporting where we should concentrate our activities?

We agree that EFRAG should focus its proactive work on influencing the IASB at as early a stage as possible in the standard-setting process. We do not think at the moment that there are specific aspects of financial reporting on which EFRAG should concentrate. While we can see that limited resources may argue in favour of concentration, in principle EFRAG should be able to tackle any important issue across the full range of the IASB's work. What it chooses to do at any particular time must depend on what seems to be most important at that time, taking into account what seems likely to become important, but we do not think that ruling certain areas in or out in advance would be sensible.

EFRAG's proactive work to date has focused on big issues. This is good in itself, but it may well be that there are smaller scale issues on which EFRAG could also make a proactive contribution (eg, looking at the appropriate discount rate for pension liabilities as opposed to the whole of pensions accounting). These should be less time-consuming and might have an even better chance of influencing the work of the IASB. We should emphasise that we are suggesting that such projects would be in addition to EFRAG's work on the big issues in financial reporting, not instead of it.

3. Table 2 'Proposed Proactive Projects' below identifies projects where EFRAG considers it may be useful to undertake proactive work. Can you rank the projects from most to least important based on EFRAG's strategic aims:

Proactive Strategic Aims

Aim 1: Influence the development of global financial reporting standards;

Aim 2: Engage with European constituents to ensure we understand their issues and how financial reporting affects them;

Aim 3: Provide thought leadership in developing the principles and practices that underpin financial reporting; and

Aim 4: Promote solutions that improve the quality of information, are practical, and enhance transparency and accountability.

We have put the nine projects listed into three groups in order of importance. We have placed all the proposed work on post-implementation reviews together and rated it as 'moderately important', but are not convinced that this work should really be regarded as 'proactive'.

Most important:

- Understanding the decision environments of users of the financial report.
- Application of IFRS to individual financial statements.

Moderately important:

- Post-implementation reviews: ie, European perspective on development of post-implementation reviews; European input to the IASB's post-implementation review of IFRS 3 *Business Combinations*; European input to the IASB's post-implementation review of IFRS 8 *Operating Segments*; post-implementation review of IFRIC 12 *Service Concession Arrangements*.

Less important:

- Government grants.
- Share-based payments.
- Performance Reporting – Phase 3.

4. If there are other projects you consider more important include them in your ranking and provide a short description of them along with your reasons as to why you believe they are important for EFRAG to consider.

We have no other projects to suggest except that, as we stated in answer to Question 2, it would be useful for EFRAG also to undertake proactive work on some smaller scale issues.

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

Yours sincerely

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