



4 October 2005

Our ref: ICAEW REP 01/05

Technical Corrections Comments
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH

Dear Sirs

TECHNICAL CORRECTIONS

The Institute of Chartered Accountants in England and Wales welcomes the opportunity to submit comments on the consultation draft, *IASB [Proposed] Policy on Technical Corrections*, published by the International Accounting Standards Board ('the Board') for comment in August 2005. The Institute is the largest accountancy body in Europe, with more than 126,000 members operating in all sizes of business, public practice and within the investor community. The Institute operates under a Royal Charter, working in the public interest.

In principle, we support a strategy that leads wherever possible to the modification of standards as significant issues arise rather than the development of a supplementary layer of interpretative material. A single set of robust and well-understood standards is far more effective in promoting high quality financial reporting than a complex body of accounting literature. We also recognise that there is a case for dealing with some uncontroversial changes to standards relatively quickly. However, we have a number of concerns over how the proposed policy on 'technical corrections' might operate in practice. Our support for the Board's proposals is conditional on those concerns being addressed through the introduction of appropriate safeguards, as discussed below.

Firstly, we would expect technical corrections to reflect the express intentions of the Board, as articulated in pronouncements during the course of developing the standard needing correction. Those pronouncements might include discussion papers, *Update*, or the Basis for Conclusions attached to a standard. It should be obvious to all that the words of the standard conflict with the Board's intentions.

Secondly, proposed technical corrections that attract a significant level of adverse comments should not be implemented. If the 'fast track' procedure is designed for non-contentious items, the Board should expect to receive very few adverse comments. If more than a small number of constituents raise objections, the Board should revert to its full due process.

Thirdly, if in practice more than one or two technical corrections per year are required, it might suggest that the Board's due process is not effective. If this proves to be the case, the Board should further review its procedures, including the process for fatal flaw review.

Finally, the need for the procedure to remain in place should be reviewed at an early stage. Ideally, there should be no need to supplement the existing mechanisms of editorial changes, IFRIC interpretations and changes to standards published after full due process.

Even with these safeguards in place, we doubt that technical corrections should reflect 'unexpected consequences of a standard', as opposed to situations where it is clear that the words in a standard do not properly convey the Board's intentions. A 'quick fix' approach is unlikely to be appropriate in such cases. The solution might lead to further unintended consequences or to more substantial changes to standards than would be acceptable without full due process. More extensive and effective use of field testing should, in any case, reduce the incidence of unexpected consequences.

We would also point out that the existence of the endorsement mechanism in the EU may reduce significantly the impact of the new policy. IFRS users in Europe will be unable to take advantage of the corrections until the endorsement process is complete.

We would be pleased to discuss any of these points with you at an early date, particularly as we note that the Board has already begun to operate the new policy.

Yours sincerely



Dr NV Sleight-Johnson
Head of Financial Reporting
Tel. 0207 920 8487
Email: Nigel.Sleight-Johnson@icaew.co.uk