

30 July 2004

Allan Cook
Accounting Standards Board
Holborn Hall
100 Gray's Inn Road
London WC1X 8AL

Dear Allan

**IASB PROPOSALS ON AMENDMENTS TO INTERNATIONAL ACCOUNTING
STANDARD (IAS) 19 EMPLOYEE BENEFITS**

The Audit Commission welcomes the opportunity to comment on this consultation paper, which asks for views on the International Accounting Standards Board's proposals for short-term amendments to IAS 19 *Employee Benefits*.

Accounting requirements for the public sector in the UK are for the government to determine. Public sector accounting has been developed in recent years with the intention that it should be based upon UK generally accepted accounting practice ('GAAP') except where the nature of the public sector requires a different accounting treatment. In practice, this means that public sector accounting standards adhere closely to the promulgations of the UK Accounting Standards Board. UK GAAP will inevitably be influenced by the pronouncements of the IASB as a result of European Community decision to require adoption of IFRSs for listed entities preparing group accounts from 2005. This will impact on the public sector accounting framework. It is in this context that we are responding to your consultation. We are not proposing to respond in detail to each of the questions raised by the IASB, but there are some messages which we would like to share with the Board.

We welcome the proposals set out by the IASB – particularly those which will bring the IAS closer to the UK FRS 17. We agree with the Board that the immediate recognition of actuarial gains and losses is the correct approach and are pleased to note that the proposals will allow entities following international standards to adopt this approach. As set out in our response to your consultation on the strategy for international convergence, we also agree that the Board should not make piecemeal changes in an area subject to review and, therefore, we consider it is appropriate for the Board to defer amending FRS 17. We are pleased to note that the Board continues to have a key role in working with the IASB to strengthen the international financial reporting framework.

I hope this is helpful, but please do not hesitate to contact me if there is anything that you would like to clarify or discuss.

Yours sincerely

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