

IFRS Foundation

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This document is provided as a convenience to observers at IFRS Foundation meetings, to assist them in following the discussion.

INFORMATION FOR OBSERVERS

IFRS Foundation Trustees Meeting, Washington, 6 July 2010

AGENDA PAPER 6

**Report of the Advisory Council chairman on the June 2010 Advisory Council meeting
to the Trustees**

1. The Advisory Council met in London on 21-22 June. 43 Council members and all three observer organizations were present. In addition, 6 Board members (including Sir David) and two Trustees were present for portions of the sessions.
2. You will appreciate that these are my personal observations and I would welcome comments from those of you who were also in attendance.
3. On behalf of the Council I want to express our appreciation for your support of the Council and in particular to Vice-chair Glauber and Sir Bryan for attending and participating in the meeting.

Open sessions

4. **Update on the current IASB work plan.** Sir David and Alan Teixeira gave an update on the status of the current IASB work plan. The report was significantly constrained by the fact that a public announcement of the details of the changes that will be made to the work plan had not yet been made.
5. The ensuing discussion of the updated IASB work plan was of a more general nature as details of the updated work plan had not yet been announced. Members reiterated their strongly held view that the quality of the standards is more important than the

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speed at which projects are completed, but also recognize the importance of completing the current work plan as quickly as possible. Members are also very concerned about the ability of stakeholders to cope with the volume of new standards coming into effect in the next few years. An informal survey of members' personal views conducted earlier in 2010 indicated that only three projects (financial instruments, consolidations and insurance) were generally highest in priority, a few were generally considered as lowest priority (income taxes, joint ventures, emission trading schemes) and most were ranked in the middle. A low ranking does not necessarily mean that members think the project unimportant. Members were merely asked to identify the five highest and five lowest projects on the work plan. It was agreed that the survey results were very preliminary and required careful analysis, that further analysis by Council was not warranted and the survey results should be shared with the Board for their information.

6. **Updated criteria for selection of IASB agenda items.** At previous meetings, members expressed the view that the agenda selection criteria in the Due Process Handbook should be reconsidered in light of current circumstances and the recent clarification by the Trustees that convergence is not an objective but an interim step toward adoption of IFRS, which the Council strongly supports. There was general agreement that the criteria should be revised and there should be no rank ordering of the criteria allowing the Board to exercise judgment in the application of the criteria, which should be used as a tool rather than a rule, and in evaluating 'significance'. Submissions had been received from two external organizations with proposed revised criteria. Council members cautioned that the criteria must not be so stringent as to stunt the evolution of IFRS and the ability of the IASB to respond to changes in the environment. The current criteria include 'resource constraints' which should be construed broadly to include all stakeholders. In members' views, proper

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consideration of resource constraints would result in a significant curtailment in new standards in the next few years- what is sometimes (inaccurately) referred to as a ‘period of calm’.

7. **Post-2011 work plan.** A small sub-group of members assisted staff in preparing the papers. Council considered and unanimously approved (subject to redrafting) a paper summarizing its advice to the Board on the general direction of the post-2011 work plan. Consistent with what I reported to you in March, the main heads of discussion are:

- (a) high quality financial reporting;
- (b) a continued focus on investors;
- (c) a ‘period of calm’ in issuing new standards;
- (d) consistency and quality of interpretation and application of the standards;
- (e) timely completion of an updated conceptual framework;
- (f) outreach activities;
- (g) the future direction of financial reporting; and
- (h) managing the relationship between IFRS and IFRS for SMEs.

We recognize several of the activities we have identified do not involve standard setting per se but nonetheless believe they are central to the success of IFRS and that the IASB should play a major role in these endeavours. A final draft will be circulated to members as soon as possible and I would expect the paper to be submitted to Sir David in August.

8. **Members also discussed the results of a survey conducted last month on potential post-2011 standard setting and research projects.** Interestingly, the two projects

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that received by far the greatest support were the conceptual framework and a disclosure framework (it could be argued that the latter is subsumed in the former). A number of members attached highest priority to projects of broad application and lowest priority to those of narrower application. Members recognize that the Board must balance a variety of factors in making agenda decisions and that a great deal more information is needed to evaluate properly the technical issues and potential benefits to be derived from a proposed project. Accordingly, members were not comfortable making recommendations to the Board and instructed staff to share the results of the 31 responses received from members with the Board for its information.

9. **Process for public consultation on IASB technical agenda.** This was an interesting exchange of ideas on how the process should be conducted for maximum effectiveness. Members welcome the decision to require periodic public consultation on the technical agenda. Members agreed that information about the general strategic direction would help stakeholders inform their views but would not be sufficient. A proposed work plan spanning an appropriate number of years would enable respondents to react and provide more meaningful input. It will take time and effort to reach out to stakeholders in all regions.
10. **Criteria for annual improvements.** Members supported developing enhanced criteria and provided a number of suggestions on how the proposed criteria might be improved for consideration by staff in the paper to be discussed by you at this meeting.
11. **Responding to constituents' concerns.** It is inevitable that views will be divided on many issues even after completion of due process. Members think IASB is on the right track and doing the right thing both in terms of due process and communication/outreach. The outreach performed on IFRS 9 is widely praised as the

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role model for future projects. Members also noted that more time is required to assess the full benefit of recent innovations adopted or in process, such as effects analyses, feedback statements and post-implementation reviews. The important thing is that constituents feel they have had a reasonable opportunity to provide input and that their views have been heard and evaluated and, if rejected, a compelling rationale is provided (in the Basis for Conclusions)

12. **Update on IFRS-related developments.** Several members reported encouraging developments in the adoption of IFRS, the IFRS for SMEs and related education and training initiatives. This included reports from Africa, Australia, Brazil, Canada, Europe, Japan, Korea, Singapore and the international analyst community, among others.
13. **Financial Statement Presentation.** Members received an update from the project staff and provided input on the proposals relating to disaggregation, classification and format.

Closed sessions

14. Bob and Bryan updated members on the Trustees' upcoming strategy review and the review of Council's effectiveness. Members welcome the review and will form a small working group led by Charles Macek, Patrice Marteau and myself to assist in the process. We intend to seek input from the Trustees and the Board as well as complete a self-assessment process. It was noted that the role of Council will likely evolve in light of recent developments such as the new public consultation process on the IASB technical work plan. This may affect the objectives, and hence performance evaluation, of the Council in future.
15. It will take time to develop suitable questionnaires, allow members reasonable time to consult within their organizations and evaluate the feedback. We also think it

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invaluable to have the opportunity for a face-to-face discussion with the Trustees. We will develop a plan and timetable as soon as possible but Charles, Patrice and I doubt we can do a quality job and have it finished by year end. We wonder if it might be possible to extend the deadline somewhat?

16. Meeting outside London. Members believe there could be significant benefit if Council met periodically elsewhere and Council has already received two offers to host such a meeting. We do, however, recognize the reality of cost constraints but members bear their own travel and accommodation costs.

Other related events:

17. Optional education sessions were held on the leases project and the IFRS for SMEs. Both were well attended, indicating a high level of interest in these initiatives.
18. Breakfast meeting with investor representatives.
19. Lunch meeting with FASAC Chair Dennis Chookaszian to discuss areas of mutual interest.