Introduction

1. The Advisory Council decided in 2010 to conduct a self-review of its performance. In September 2010 questionnaires were sent to Council members, IASB members and IFRS Foundation Trustees. The results of the Council members' questionnaire were presented to the Council at the November 2010 meeting (agenda paper 5) and in general Council members seemed quite satisfied with how the Council was performing. The results of the IASB members' and the Trustees' questionnaires are presented in agenda paper 3a. In addition, the comments made by Council members in the questionnaires have been shared within the Council.

2. At the November 2010 meeting it was decided to continue discussing the results from the self-review questionnaires at the February 2011 meeting. A sub-group of Council members led by vice-chair Charles Macek would work on identifying matters that would warrant further consideration by the Council. The sub-group has met through conference calls to identify and discuss matters that it considers important for the Council to address. This paper has been prepared by the sub-group and provides an overview of the main matters which it thought should be discussed by the Council:

   (a) the scope of the Council's activities;

   (b) the most effective way for the Council to provide advice on the IASB's agenda;

   (c) how best to use the Council's expertise; and

   (d) the Council's communication issues in general.

3.   Agenda paper 3b for this meeting provides recommendations arising from the discussions within the sub-group for further discussions by the Council in the break-out session.

Issues for further discussion by the Council

Scope of the Council's activities

Role in advising the IASB

4.   It was clear from the responses to the self-review questionnaires that many Council members are disappointed with how the Council has been utilised by the IASB with regard to the IASB's technical agenda and the related priorities. The discussions within the sub-group were therefore on how the Council can best work to provide advice on the IASB's agenda and not become excessively involved in individual technical matters. It follows that some members think that the focus of the Council should perhaps be more on the processes that the IASB uses, such as for setting the agenda and priorities, including outreach that it performs to gather views from constituents.

5.   There is a view that the Council's activities should be more focused on giving strategic advice on the IASB's agenda, predominantly on the longer-term agenda. During the past few years the Council has tried to give the IASB advice on its current agenda, with limited apparent success and without receiving any indication of why the Council's views were not accepted. For example, in 2009 and 2010 the Council (or at least many Council members in discussions on the IASB work plan) had raised concerns because they perceived that the IASB's agenda was too full and that as a consequence it would not allow all the projects on the agenda to be completed within the timeline that had been set.

6.   The increased outreach activities by the IASB also mean that the Council's involvement in issues relating to active technical projects has become less important. Accordingly, the Council should focus more on medium- to long-term issues, which might include the future strategy and governance of the IASB.

7.   The Council also needs to have a more clearly defined role in relation to the IASB's processes and procedures. The Council should therefore consider whether its advisory role should largely move beyond giving advice on the IASB's active agenda projects. Some members of the Council think that it should focus more on 'peripheral issues'. By that, they mean implementation issues, issues around outreach and communication activities, issues about audit, translation, education, interpretations, the use of XBRL and the timing of implementation.

Role in advising the Trustees

8.   It was also clear from the self-review questionnaires that Council members think that the Council should have a role in advising the Trustees. Some Council members suggested that the Council could, for example, provide the Trustees with advice on such issues as governance, due process matters, the budget and other procedures. Having a role in advising the Trustees would effectively increase the Council's role in the oversight of the IASB's due process and could create a clearer role for the Council within the governance structure of the IFRS Foundation. That, in turn, raises the question of how the Council should interact with the Trustees.

9.   Council members also think that the Council should interact more effectively with the Trustees. Council members clearly want more Trustee participation in Council meetings. One way of increasing the interaction between the Council and the Trustees would be to set up a similar mechanism as is used for the IASB, whereby one or two Trustees would be designated to liaise with the Council and Trustees would attend full Council meetings on a rota basis.

Another way to increase the interaction between the Council members and the Trustees would be to have Council meetings adjacent to Trustees' meetings or by organising opportunities for these two groups to hold joint meetings.

The most effective way for the Council to provide advice on the IASB's agenda

10. It is important that the Council should set out how it sees its role in the IASB's agenda-setting process and how it thinks it should go about executing that role.

11. The Council has a responsibility to give advice and should try to increase its effectiveness in doing so. How should that be done? How should the Council formulate its view formally? The Council must come up with a clear view and the processes for doing so need to be refined. The Council must also consider what the most effective process is for it to articulate more clearly its views and to be effective in giving advice. The IASB should be required to consult the Council at an early stage in the decision-making process.

12. Council members seem to think that the Council has been consulted too little and too late and that therefore its role has been somewhat 'secondary'. There is also a feeling among Council members that when the Council is consulted it is not on a timely basis. As an example of this, they cite the decision that the IASB made regarding limited re-exposure of IAS 37 and the Trustee paper on the strategy review, which was published the day after it was discussed at the Council meeting in November 2010.

13. The Council as it is functioning now is probably better suited to advising on the processes used by the IASB than advising on specific projects on the agenda. Council's advisory role needs to be discussed with the IASB members and the Trustees and consensus should be reached on how the advisory role should be executed. There is currently disappointment on the part of Council members, because they think that the Council is not being consulted appropriately by the IASB. In addition, it is not always clear what the IASB and Trustees are hoping to get from the Council's discussions. To many Council members, the aim should be to achieve a consultative relationship in the governance framework

and practice whereby the IASB will be obliged to involve the Council in its agenda-setting. It does also need to be clarified whether the IASB should ask for the Council's advice or whether the Council should offer its advice on its own initiative.

14. Should there be an annual review of the IASB's agenda by the Council, which would result in the Council giving the IASB advice on it, or should the focus be more on the longer-term agenda?

15. Then there is the issue of how the IASB deals with the Council's advice. Has Council's advice been discussed in public meetings? This is not clear to Council members and it should be clarified whether the IASB should be obliged to discuss Council's advice in public meetings.

16. There is currently a structure in place by which the Trustee Due Process Oversight Committee monitors the IASB's due process in standard-setting. The Council could perhaps have a similar role in the IASB's agenda-setting process.

17. The process regarding agenda consultation has up to this point not been meeting the expectation of Council members. The IASB discussed the Council's advice on the post-June 2011 agenda (which was formulated in a paper to the IASB) in private. The paper that the Council submitted has therefore not been discussed in a public meeting. The IASB plans to publish a request for views on the IASB's agenda in April 2011. Council members have had the opportunity to comment on the draft paper before it is released to the public. The full Council will also get an opportunity to discuss further the consultation on the agenda at the February meeting.

How best to use the Council's expertise

18. There is some concern within the Council that the current structure is not the best way for the IASB and Trustees to use the Council's wealth of experience and expertise. The Council is currently not providing views on most issues, or trying to reach consensus on them or at least articulating a majority view;

instead, it simply discusses these issues. There have also been limited attempts to achieve a consensus or a direct vote of Council. A notable exception to this is the paper that the Council sent to the IASB on the post-2011 agenda in which it communicated its advice.

19.   Another issue relates to how the IASB is to make use of hearing the individual views of a variety of Council members, when it is clear that in some cases it would be more effective and beneficial to the IASB to get a collective message on issues from the Council as a whole, which would not mean communicating only the majority view. In addition to this, discussions at meetings are of limited value as advice if few IASB members or Trustees are present.

20.   There is also the issue of how the Council should arrive at decisions. Should this be done by vote? Because members are representatives of organisations, they need time to consult on issues before being able to vote. This makes it therefore difficult, if not indeed impossible, to vote on issues at meetings. The consensus view of Council, or a sounding to determine if there is a majority view, has therefore to be achieved by other means.

21.   The agenda-setting of the Council should be reviewed and more involvement by Council members outside the agenda committee has been and should be encouraged.

22.   More of the Council's work should be done in small groups, which has proved to be a very good way of getting all Council members involved in discussions. Different compositions of small groups could also be used to get a common view from different stakeholder groups, such as investors, preparers and auditors. Using small groups should also enable more involvement by IASB members. In order to get more focused discussions within the groups, templates could be used.

23.   Rebalancing of the Council needs to be considered. The appointment of a new Council at the end of 2011 should provide an opportunity to do so. There does not currently seem to be much appetite for a decrease in the number of Council

members, but there does seem to be support for some rebalancing, to be based on geographical areas and on the representation of stakeholder groups. This has already been discussed with the Trustees' Nomination Committee.

The Council's communications in general

24. Greater clarity is required on the interaction between the Council, the IASB and the Trustees.

25. Important messages arising from each Council meeting should be reported to the IASB and the Trustees. This is currently done to some degree, because the Council's chair reports to the Trustees and the IASB after each meeting. A way to enhance this process could be in the form of a paper that would be prepared immediately after each meeting. Council members would be given 24-48 hours to comment on the paper before it would be released to the IASB and the Trustees. Consideration needs also to be given to how the IASB gives feedback to the Council.

26. The profile of the Council needs to be raised and the Council needs to be made more visible to the outside world. This could be done by greater participation by Council members in financial reporting conferences. Members should be encouraged to speak at events as members of the Council. The Council should also be represented at 'key conferences'. The Council could also play a greater role in identifying 'implementation' issues around the world. There is also a need to build a stronger relationship with other organisations such as the National Standard Setters (NSS), World Standard Setters (WSS), Asian-Oceanian Standard-Setters Group (AOSSG) and the International Federation of Accountants (IFAC).