

## 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 the results of the IASB members' and the Trustees' questionnaires were presented to it at the February 2011 meeting (agenda paper 3a). In addition, the comments made by Council members in the questionnaires have been shared within the Council. In general, respondents were quite satisfied with how the Council was performing and made a number of suggestions for improvement.
2. The discussions at the February 2011 meeting focused on four main potential areas for improvement:
  - (a) the consultative relationship between the Council and the IASB regarding the IASB's technical agenda;
  - (b) Council's advice to the IASB and IFRS Foundation on other significant strategic issues ('peripheral issues');
  - (c) how best to use the Council's expertise; and
  - (d) the Council's communication issues.
3. This paper summarises the principal recommendations for improvement that were identified at the February meeting and the actions taken or proposed to take matters forward.

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This paper has been prepared for discussion at a public meeting of the IFRS Advisory Council of the IASB.

The views expressed in this paper are those of the authors.

Comments made in relation to the application of an IFRS do not purport to be acceptable or unacceptable application of that IFRS—only the IFRS Interpretation Committee or the IASB can make such a determination.

The tentative decisions made by the IASB at its public meetings are reported in IASB *Update*. Official pronouncements of the IASB, including Discussion Papers, Exposure Drafts, IFRSs and Interpretations are published only after it has completed its full due process, including appropriate public consultation and formal voting procedures.

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**Council's recommendations for improvement**

***The consultative relationship between the Council and the IASB regarding the IASB's technical agenda***

*Strategic advice*

4. The Council should be more focused on the longer-term issues such as the IASB's mission, function, strategic direction and long-term agenda. There is also a view within the Council that there is a need to discuss broader issues, such as the underlying trend of where accounting standard-setting is heading, for instance on the use of fair value and cross-cutting issues.
5. The increased outreach activities by the Board have reduced the importance of the Council's role in analysing in detail the technical merits of proposed new and revised standards. Consequently, the focus of the Council should be on strategic prioritisation and providing input on specific projects. The Council could discuss technical issues in more detail in education sessions.

*Agenda consultation*

6. The new triennial public consultation requirements require the IASB to consult with constituents on its agenda. In order to fulfil its terms of reference, the Council proposes that consultation occurs with it at a minimum, before consultation documents are issued to other parties and again after the IASB has deliberated comments received, but before final decisions are made on the agenda. This will enable the IASB to demonstrate that it has consulted the Council and taken its views into account in developing tentative and final decisions on major issues. As Council members are appointed in a representative capacity, the consultation process must allow members sufficient time to reflect and to consult the organisations that they represent.

*Advice on projects*

7. IASB agenda decisions are critically important. The Board is required to consult with the Council before approving the addition of items to its agenda and on

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deciding the priorities [paragraph 61 in the IASB's Due Process handbook].

The Council believes it should also be consulted before individual major projects are deleted, fundamental scope revisions of projects are made and major changes in timing of projects are decided.

8. Council members recognise that it is difficult to strike the right balance between technical and strategic advice, but they should not to be too far removed from the technical issues, especially those associated with significant standard-setting issues. The nature of the Board's work is inherently technical and the Council should not remove itself completely from technical discussions.

***Council's advice to the IASB and IFRS Foundation on other significant strategic issues ('peripheral issues')***

9. Many factors that are critical to the success of the IASB do not relate only to the IASB's technical agenda. The Council believes that its deliberations and advice would enhance the work of the Foundation on the so-called 'peripheral issue' and therefore it proposes that its mandate also include providing advice to the IASB and the IFRS Foundation on these issues. The Council should therefore be willing to discuss and to take onto its agenda the following issues:

- (a) outreach and communications:
  - (i) with committees and bodies at Foundation and Board level (advisory groups, national standard-setters and other groups);
  - (ii) separation of activities, totality of activities; and
  - (iii) the structure of the outreach performed.
- (b) consultation on the need for and means of translations (including issues regarding translations of exposure drafts (EDs), the use of English as the only language for comment letters and the use of interpreters at meetings);
- (c) XBRL, the IFRS Foundation's strategies and activities in this area and how they relate to standard-setting;

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- (d) education; and
  - (e) implementation, transition, brand positioning and protection.
10. The Council has already started looking at some of these issues and the topic of translations and ‘branding’ are on the agenda for its June meeting. Education and XBRL are potential agenda items for the October meeting.

***How best to use the Council’s expertise***

*Matters on which the Council’s advice is sought*

11. The Council proposes that IASB and the Trustees set out in writing the matters on which they seek Council’s advice, clearly articulating their expectations and objectives. Timing is also an important factor. Any request for advice needs to provide adequate time window so that the Council is able to give that advice after consulting with its own constituents. The Council’s ability to give advice should not be limited to Council meetings. Members can be consulted on issues between meetings via the website, by email or by holding conference calls. These steps are intended to strengthen the relationship with the Trustees and the Board and ensure that the Council is dealing with relevant issues.

*Communicating the Council’s advice*

12. The Council should aim to communicate a clear, and, when appropriate, a collective message on the issues it discusses. This does not mean, however, that the Council should only communicate the majority view on issues on which it has not achieved consensus. There is also a need to decide what should be communicated and how. More structure is also needed in how the Council is expected to express its views (eg details on whether one view has a significant majority, and whether views vary depending on stakeholder groups, geography or others criteria).

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*The Council's agenda-setting*

13. The agenda-setting of the Council should reflect its priorities and the main focus should be on longer-term issues. The agenda-setting process needs to be open to all members who should provide input to the Council's agenda committee about issues that require its attention.
14. The Council's agenda committee currently meets by conference calls and all members are welcome to take part in these calls. The Chair has also called for members to submit issues that they think should be added to the agenda. Draft agendas are posted on the Council website well in advance of meetings and members are encouraged to comment on these drafts and to make recommendations.
15. Agenda papers should be made available to the Council not later than two weeks before a meeting, to enable members to consult within their organisations. Members do, however, realise that meeting this deadline is not always possible and later submission of papers should not prevent issues from being discussed at meetings. However, submission of papers less than two weeks before a meeting should be an exception.

*More use of breakout sessions at Council meetings*

16. The Council should use breakout sessions more at meetings. This will allow wider participation in discussions and is also a more effective way of discussing issues within such a big group. It is a more effective way of gathering views, focusing the discussions and of giving all members the opportunity to be heard. Participation of Board members and Trustees in these sessions should be encouraged. The Council has already implemented this, three breakout sessions were held at the February 2011 meeting and two are scheduled for the June meeting.

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*Use of small working groups*

17. The Council should make more use of small working groups of members to develop and work on issues between meetings. The Council has already made use of such work groups in its performance self-review.

*Council membership*

18. The Council is a diverse forum that includes a wide range of expertise. There is a need to increase the awareness among Board members and Trustees as well as the public of the Council members' expertise. This could be done by circulating CV's of Council members to the Board and by conducting face to face meetings between new Council members and Board members.
19. The Council should remain substantially unchanged in size but some rebalancing might be required. This rebalancing that is needed is to balance geographical representation and the representation of stakeholder groups. The Council should agree in principle on its composition and should communicate that to the Trustees via the Chairs. More clarity, both in terms of composition of the Council and qualification of members is also needed when inviting nominations for the Council. There is also a need to stagger the terms of Council members in order to provide continuity, because currently all members have the same term, which ends at the end of this year.

***The Council's communications issues***

*Board member and Trustee participation in Council meetings*

20. More active involvement of Board members and Trustees in Council meetings should be encouraged. The Council proposes that at least one-third of Board members should attend each meeting and that all Board members should attend at least one Council meeting each year. The number of Board members attending each meeting should not be capped in the Council's opinion. The Council recommends that the Trustees consider nominating a contact person to play a similar role in their interactions with the Council as Stephen Cooper has

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on behalf of the Board. In the Council's view it is important that representatives of the Trustees attend all Council meetings in order to hear first-hand the views of members and ensure that members understand the views and concerns of the Trustees.

*Communication between the Council and the Board and Trustees*

21. Written reports to the IASB and the Trustees should be prepared after each meeting, with drafts posted on the Council website for comments. These reports are already being prepared by the Chair of the Council.
22. Currently there is little feedback provided from the Board or the Trustees with respect to the Council's advice to them. Closing the feedback loop between the Board and Trustees and the Council is important. The Council needs formal feedback from the Board and the Trustees on its advice, especially if it is not taken, in order to improve the Council's effectiveness and to reflect thorough discussions of the issues raised by the Council. Additionally, the responses of the Board and the Trustees should be made public. The specific process to ensure these objectives needs to be set up and discussed with the Board and Trustees in order to set up a process that meets everyone's expectations.

*Participation in and attendance at conferences*

23. The Council also encourages increased attendance and participation of its members at conferences, to raise awareness of the Council. There are, however, some points that need further clarification, such as the purpose of participation and whether members should speak as individuals or as a part of an IASB delegation. This topic will be referred to the Agenda Committee as a potential agenda item for a future meeting.
24. To better inform Council members about forthcoming major IFRS-related conferences and meetings where participation of members might be particularly useful, specific regions or countries could be allocated to individual Council members who would then be responsible for getting that information posted on

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the Council's website. The website would then serve as an up-to-date source of information about conferences and meetings.

***Other issues***

25. The Council's role in relation to the Monitoring Board needs to be considered and discussed with the Monitoring Board. It is also clear that the increased focus on strategic and governance reviews offers the Council more opportunities to provide insight and advice on these matters.
26. The Council should develop a closer relationship with other bodies such as the World Standard Setters (WSS), National Standard Setter (NSS), Asian-Oceanian Standard-Setters Group (AOSSG) and International Federation of Accountants (IFAC). Organisations such as these will play an important role in supporting the work the IASB.
27. The IFRS Foundation should consider conducting at least one meeting of the Council each year outside of London.