



IFAC SMP Committee Meeting Summary

New York City, USA, March 27-28, 2006

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This meeting summary of the IFAC Small and Medium Practices (SMP) Committee has been prepared for information purposes only. Decisions reported are tentative and reflect only the current status of discussions on projects which might change after further deliberation by the SMP Committee.

Input to IAASB Standard Setting

The SMP Committee agreed to continue to devote a large proportion of its time and resources to providing input to the International Auditing and Assurance Standards Board's (IAASB) standard setting process with the goal of ensuring that SMP/SME issues are reflected in International Standards on Auditing (ISAs).

Presently, the SMP Committee is providing input to virtually all ISA projects. In addition, it has direct representation on three IAASB project task forces: Clarity, ISA 620 *Using the Work of an Expert*, and ISA 402 *Audit Considerations Relating to Entities Using Service Organizations*.

The SMP Committee expressed satisfaction with the way in which the IAASB was reflecting the needs of SMP/SME in drafting revised and new ISAs. In addition, the SMP Committee indicated general support for the direction of the Clarity project.

Input to IASB Standard Setting

The SMP Committee agreed to continue to lead IFAC efforts to track, influence and support the International Accounting Standards Board's (IASB's) project to develop International Financial Reporting Standards for Small and Medium-sized Entities (IFRS-SME)). This will be done through its representation on the IASB's SME Working Group, regular contact with key IASB staff and members, and by responding to the IFRS-SME exposure draft (ED) expected in mid-2006.

Micro-Entity Research Project

The SMP Committee is concerned that IFRS-SME will fail to adequately address the needs of users of smaller SME financial reports. Consequently, the SMP Committee has commenced a small research project to help it better understand the information needs of users of micro-entity financial reports. The findings will help inform its response to the IFRS-SME ED. Ultimately, this project may expand to an investigation into the need for a third tier of accounting standards/guidance.

ISA Guide

The SMP Committee agreed on the form of a proposal to develop an explanatory guide to the use of ISAs on SME audits (ISA Guide). The IFAC Board will be asked to approve funding for the proposal at its meeting of June 1-2, 2006 in Beijing, China. If approved, work is likely to commence soon after with a planned release of the ISA Guide in early 2007 (subject to the timetable agreed for redrafting ISAs in the Clarity format).

Information Sharing

At its February 2006 meeting, the IFAC Board approved funding for the launch of the PAIB Committee-led Resource Center, a web-based search engine for accountants. The SMP Committee emphasized its continued support for and full participation in this project.

Outreach and Collaboration

The SMP Committee considers ongoing dialogue with its constituents a key activity. The Committee reaffirmed its plans to hold a one-day IFAC SMP Forum each year. All IFAC member bodies and other relevant organizations will be invited to discuss current SMP/SME issues and to help shape IFAC policy in this area. The 2006 SMP Forum will take place in Hong Kong on July 3 with support from the Hong Kong Institute for Certified Public Accountants and the Confederation of Asian and Pacific Accountants.

Next Meeting

The next meeting of the SMP Committee will take place on July 5-6, 2006 in Hong Kong.