



IFAC SMP Committee Meeting Summary

Chennai, India, January 10-11, 2007

Contact: Paul Thompson (paulthompson@ifac.org)

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.

Strategic Review

The committee opened the meeting with a strategy review. The intention is to finalize its Strategic and Operational Plan for the years 2007-2010 at the next meeting. The committee agreed to continue its current two pronged strategy of inputting to international standard setting, to help ensure the relevance of these standards to SMPs and small and medium entities (SMEs), and providing practical support to help raise the capacity of SMPs to apply these standards and to remain competitive.

Input to IAASB Standard Setting

The 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 and SME issues are reflected in its standards. The SMP Committee expressed satisfaction with progress on the IAASB Clarity project. The committee also reiterated its belief that "an audit is an audit" and that, therefore, there should be a single set of generally applicable auditing standards drafted using a "think small first" approach.

Input to IASB Standard Setting

The committee noted that the International Accounting Standards Board's (IASB) intends to issue an exposure draft (ED) of the proposed International Financial Reporting Standard for Small- and Medium-sized Entities (IFRS for SMEs) in February 2007. The committee indicated its support for this project and will lead the drafting of the IFAC response to the ED.

Micro-Entity Research Project

At its meeting, the SMP Committee approved the commencement of a second phase of research on its project on micro-entity financial reporting. This follows the release in December 2006 of an information paper entitled *Micro-Entity Financial Reporting: Perspectives of Preparers and Users*, which included a review of the existing research on the topic, a survey of the legal status of micro-entities in different countries, and the various definitions that exist in different jurisdictions.

The second phase of the project will test whether the proposed IFRS for SMEs is likely to meet the needs of users of financial reports of micro-entities. It will comprise interviews and surveys of users and preparers of micro-entity reports in various countries. Field work has already commenced in the United Kingdom and Kenya and more countries may follow. The research findings will likely be summarized in an information paper as well as used in the IFAC response to the IFRS for SMEs ED.

ISA Guide

The committee received an update on the project to develop a non-authoritative explanatory guide to the use of International Standards on Auditing (ISAs) on SME audits (ISA Guide) by the Canadian Institute of Chartered Accountants. The guide is intended to help practitioners around the world understand, comply with, and apply ISAs in SME audits. A complete draft is expected by the end of January, and the committee plans to approve the final publication at its next meeting in Tunis on May 3-4.

Quality Control Guide

The open request for proposal (RFP) for the development of a Quality Control Guide for use primarily, but not exclusively, by SMPs issued last November has elicited nine submissions as at the deadline date of end of December. Five of the submissions are from IFAC member bodies and the remainder from commercial publishers.

The committee plans to analyze the submissions and decide on the preferred supplier at its third and final meeting of 2007.

Practice Management Guide

The committee discussed a draft request for proposal (RFP) to commission the development of a Practice Management Guide. The guide would seek to improve the operational efficiency of SMPs and

make them more responsive to the needs of their clients. The committee agreed to defer approval of the RFP until its next meeting.

[IFACnet](#)

The committee discussed the expansion of the IFACnet search engine (www.ifacnet.com) to include additional member body websites with resources for SMPs. IFACnet will be re-branded as a resource for all professional accountants within the next month. At the last count, 18 member body websites and the IFAC website were included in the search engine, many of these containing substantial practice related material.

[Outreach and Collaboration](#)

The committee agreed to hold a one-day SMP Forum in conjunction with its third and final meeting of 2007 using a similar format to that used in Hong Kong in July 2006. The event is tentatively scheduled for October 2007 in Malta. The final date is to be determined.

[Next Meeting](#)

The next meeting of the SMP Committee will take place on May 3-4, 2007 in Tunis, Tunisia.