



IFAC SMP Committee Meeting Summary

Hong Kong Special Administrative Region, July 5-6, 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) and its other standards.

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, strong general support was expressed for the direction of the IAASB's Clarity project. The SMP Committee reiterated its belief that "an audit is an audit" and that, therefore, there should be a single set of generally applicable auditing standards, preferably drafted on a "think small first" basis.

[Input to International Ethics Standards Board](#)

The SMP Committee witnessed a presentation from a member of the International Ethics Standards Board for Accountants (IESBA) on its project to revise the independence section (Section 290) of the *Code of Ethics for Professional Accountants*. Topics covered included application to public interest entities, partner rotation for listed entities, management functions, and the provision of non-assurance services. The committee agreed to provide SMP/SME input prior to the revised Section 290 being exposed for public comment.

[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) project to develop International Financial Reporting Standards for Small- and Medium-sized Entities (IFRS for SMEs).

This will be done through the committee's representation on the IASB SME Working Group, regular contact with key IASB staff and members, and responding to the IFRS for SMEs Exposure Draft (ED) expected in September/October 2006.

Micro-Entity Research Project

The committee was informed that findings from the first phase of a small research project investigating the information needs of users of micro-entity financial reports are to be expected in August/September 2006. These will help inform its response to the IFRS for SMEs ED.

ISA Guide

At its meeting of June 1-2, 2006 in Beijing, China the IFAC Board approved funding for the development of an explanatory guide to the use of ISAs on SME audits (ISA Guide) by the Canadian Institute of Chartered Accountants (CICA). Work is likely to commence soon with a planned release of the ISA Guide in the second quarter of 2007 (subject to the timetable agreed for redrafting ISAs in the Clarity format).

Quality Control Guide

The SMP Committee agreed to issue an open request for proposal (RFP) for the development of a Quality Control Guide for use primarily, but not exclusively, by SMPs. The guide is intended to assist practitioners in the implementation of International Standard on Quality Control 1 (ISQC 1) *Quality Control for Firms that Perform Audits and Reviews of Historical Information, and Other Assurance and Related Services Engagement*. The RFP is scheduled for release by the end of 2006.

Practice Management Guide

The SMP Committee discussed the need to develop practice management tools. It was agreed that a project proposal on the development of a Practice Management Guide, or part thereof, be tabled for consideration at the next meeting.

SMP Support for SMEs

The SMP Committee discussed various ways in which it could help SMPs support SMEs. It was agreed to undertake a global fact finding survey, possibly using an online questionnaire, into the country specific requirements for an audit, review, compilation or other. The survey may also seek to clarify the exact nature of alternatives to audit such as review and compilation.

Outreach and Collaboration

The committee discussed the outcomes of the IFAC SMP Forum, co-hosted by the Hong Kong Institute for Certified Public Accountants and the Confederation of Asian and Pacific Accountants, held in Hong Kong on July 3. Over 130 delegates, primarily from IFAC member bodies, from some 35 countries discussed current SMP/SME issues and provided input to help shape IFAC's future strategy and work program in this area.

Next Meeting

The next meeting of the SMP Committee will take place on October 9-10, 2006 in Roma, Italy.