



## IFAC SMP Committee Meeting Summary

Rome, Italy, October 9-10, 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 and small and medium entity (SME) issues are reflected in its International Standards on Auditing (ISAs) and other standards.

The SMP Committee expressed satisfaction with the way in which the IAASB was reflecting the needs of SMPs/SMEs 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 comprehensive presentation from the chair of the Independence Task Force of the International Ethics Standards Board for Accountants (IESBA) on the proposed revisions to the independence section (Section 290) of the *Code of Ethics for Professional Accountants*. Topics covered included application to public interest entities, partner rotation for public interest entities, and the provision of non-assurance services. It was agreed that feedback from the committee would be communicated to the IESBA at its meeting in Sydney, Australia on October 16-18, 2006.

## Input to IASB Standard Setting

The SMP Committee agreed to continue to lead IFAC's 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 exposure draft on IFRS for SMEs which is expected to be released before the end of the year.

## Micro-Entity Research Project

The committee discussed the findings of the first phase of its research project looking into micro-entity financial reports. The draft report, *An Investigation into the Preparers, Users and User Information Needs of Micro-Entity Financial Reports*, includes a comprehensive literature review and the findings from a short IFAC member body survey posted to the IFAC website in May 2006. The committee agreed to publish this report by the end of the year.

The SMP Committee also agreed in principle to commence a second phase to the project that will test the applicability of IFRS for SMEs to micro-entities and, if not, to determine the case for a third tier of standards/guidance directed at micro-entities. This second phase is contingent upon securing adequate funding and logistical support. The project will be timed to coincide with the exposure period for the IFRS for SMEs so that the findings can be used in the IFAC response to the exposure draft.

The committee discussed the significance of this project to emerging and developing nations and agreed to work with other relevant interested parties on this project such as the United Nations Conference on Trade and Development's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting.

## ISA Guide

The committee received an update on the project to develop a non-authoritative explanatory guide to the use of ISAs on SME audits (ISA Guide) by the Canadian Institute of Chartered Accountants. Contracts are about to be signed and work has already commenced. An international advisory panel, the ISA Guide Advisory Panel, has been established to review the draft guide. The ISA Guide is expected to be launched in the second quarter of 2007.

## 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 would be intended to assist practitioners in the implementation of International Standard on Quality Control 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 October 2006.

## Practice Management Guide

The SMP Committee discussed a project proposal to commission the development of a Practice Management Guide, or part thereof. A draft RFP will be tabled for consideration at the committee's next meeting.

## Assurance Services other than Audit

The SMP Committee agreed to undertake a global fact finding survey, possibly using an online questionnaire, into the country specific requirements for assurance on SME financial statements including audit, review and other. The survey may also seek to clarify the exact nature of assurance services other than audit. The object will be to supply the findings to the IAASB at one of its proposed public forums.

## IFACnet

The SMP Committee discussed the expansion of the IFACnet search engine to incorporate SMP information through the inclusion of additional member body websites. IFACnet will be launched to SMPs by March 1, 2007.

## Outreach and Collaboration

The committee agreed to hold a one-day SMP Forum in the latter half of 2007 using a similar format to that held in Hong Kong on July 3. The dates and location will be confirmed in due course.

## Next Meeting

The next meeting of the SMP Committee will take place on January 10-11, 2007 in Chennai, India.