



International Federation of Accountants

**Non Audit Services to SMEs – Review and
Compilation Engagements – Market Tools When a
Voluntary Choice Is the Only Solution**

Bernard Scicluna,
Member of IFAC SMP Committee

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SMP Committee Perspective

- Subject matter is directly relevant to two of the Committee's four strategic objectives:
 - To help shape the form and content of international standards so as to ensure their stability, relevance and proportionality to SMEs and SMPs
 - To provide and promote practical support to SMPs so as to enhance their ability to provide high quality and relevant professional services to their clients

IFAC Position - Overview

- An audit is an audit
- Not in public interest to develop a “light” audit
- If audit is not needed, we recognize SMEs often have alternative needs
- To meet these needs, IAASB has developed international standards over:
 - Reviews – ISRE 2400
 - Compilations – ISRS 4410
 - Agreed-upon procedures – ISRS 4400

SMP Committee Views

- Significant concern that the assurance needs of SMEs (including micro-entities) are not currently adequately catered for
- As exemption from statutory audit increases, the development of standards covering services other than audit is essential in order to meet the unique needs of SMEs and users of their financial information

Review Engagements

- Proposed revision of ISRE 2400 – ED open for consultation until 20 May 2011
- SMP Committee will comment
- We encourage member bodies and SMPs to comment too

Compilations

- Proposed revision to ISRS 4410 – consultation period ended 31 March 2011
- SMP Committee commented
- While generally in favor of the proposed new standard, we feel that smaller firms, particularly those who are not currently required to comply with ISQC 1, may require implementation support in respect of meeting the quality control requirements

Agreed-Upon Procedures

- SMP Committee has urged the IAASB to prioritize the revision of ISRS 4400
- Together with revisions to ISRE 2400 and ISRS 4410, would result in revised high quality standards being established for all alternative services to audit...
- ...which in turn may also prove to be a platform for the evolution of hybrid services, where demand exists

Interaction with Code of Ethics

- Fundamental Principles (Part A of the Code) applicable to all
- Independence – required for reviews (s290), not required for compilations

Interaction with ISQC 1

- ISQC 1 scope – firms’ systems of quality control for audits and reviews of financial statements, and other assurance and related services engagements
- Many small firms have found ISQC 1 and its documentation requirements particularly challenging and, perhaps, onerous.
- In response, the SMP Committee published its *Guide to Quality Control for Small- and Medium-Sized Practices*
- SMP Committee urges the IAASB to consider issuing more authoritative guidance to illustrate the scalability and hence the proportionate application of ISQC 1 to non-audit engagements

SMP Committee Publications

Guide to Using
International Standards
on Auditing in the
Audits of Small- and
Medium-Sized Entities

Volume 1 — Core Concepts
Second Edition



Guide to Using
International Standards
on Auditing in the
Audits of Small- and
Medium-Sized Entities

Volume 2 — Practical Guidance
Second Edition



Guide to Quality
Control for Small-
and Medium-Sized
Practices

Second Edition



ISA and QC Guides

- Both guides illustrate scalability of the standards
- ISA Guide case studies
 - Dephta Furniture Inc (medium-sized entity)
 - Kumar & Co (micro entity)
- QC Guide case study
 - MM and Associates (sole practitioner)

ISA and QC Guides

- Free to download
- Contact permissions@ifac.org

SMP Quick Poll – 18 May 2011

www.ifac.org under “Of Special Interest”

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