First may I say what a great pleasure it is to present on the work of the committee that I chair here in my home country. Today I will share with what the committee is doing, and plans to do, to support the SMP constituency – and in turn assist small- and medium-sized entities (SMEs). I will conclude this presentation with a look into the future in particular, the committee’s role in implementing the recommendations.

Respondents to the 2009 IFAC Global Leadership Survey said addressing the needs of SMEs and SMPs was the second most important issue currently facing the profession – and its importance will grow. Respondents also said that as the G-20 went about reforming global financial regulation it should avoid placing unreasonable burdens on SMEs. This makes the health of the SME sector a public interest priority. More so given SMEs hold the key to a sustainable recovery, a recovery which looks likely to be slow, fragile and clouded by the emerging sovereign debt crisis.

How can the accountancy profession help SMEs? First, we can help guard against overregulation of SMEs – that may stifle their ability to lead the global economy out of recession. Second, professional accountants, especially SMPs, can help SMEs perform better and conform to regulation. They can provide the business support and advice needed to help SMEs tackle challenges, such as access to finance, and exploit opportunities.

Unfortunately SMPs are confronted with unprecedented challenges – of regulatory complexity, of market competition, of operating efficiently, of providing what the clients want and so on.
SLIDE 3 (General)

Now let me turn to the work of my committee. IFAC can do little to help SMEs directly. IFAC is not, after all, an association of SMEs. But IFAC can, and is, doing much to help SMEs - for instance by helping to build the capacity of SMPs to provide high quality and relevant services to their SME clients. Naturally as an association of member bodies, IFAC’s primary way of helping SMPs is by helping its member bodies help their SMPs. Much, but not all, of this help comes from the SMP Committee.

The SMP Committee has its origins some 10 years ago – as a working group of this Board. On January 1, 2006 it became a full standing committee. Today we are a fully fledged committee with 18 members, many supported by technical advisors. We have formal working procedures, task forces, a strategy and work plan, and a full time senior technical manager. Except for this year we host an annual SMP Forum, the next one planned for mid-March next year in Istanbul where we expect to host delegates from over 50 member bodies. In all I think we have come a long way. But there’s still a long way left to go.

SLIDE 4 (Strategy)

The committee’s present strategy is two-fold. First, we help shape the form and content of international standards - primarily auditing & assurance, ethics, and accounting – by inputting to the standard setting process. Our input takes various forms – from comment letters to representation on the Consultative Advisory Groups. By doing this we help ensure their standards are relevant to SMPs and SMEs and capable of being cost effectively applied.

The second part of our strategy is the provision of practical support to SMPs including guidance and web-based tools. This support is intended to help SMPs efficiently implement international standards – so that they can deliver high quality, cost competitive services to their clients. But our support is also intended to help SMPs manage their practices better, help them remain relevant to their clients, and ultimately, help them be profitable. The SMP Review recommendations have prompted us to revise our strategy. I will come back to this shortly but first let me say a little more about our input to standard setting.
The SMP Committee supports the principle of a single set of auditing standards. But it is vital that the single set of standards in question – International Standards on Auditing (ISAs) – do not cause the costs of an SME audit to exceed the benefits. The committee is cautiously optimistic the ISAs strike the right balance. But it is too early to tell. We anticipate that the cost of an SME audit will increase. But with significant implementation support this increase should be modest and more than compensated by higher audit quality.

As the PIOB has said the public interest will only benefit if properly adopted and implemented. Implementation – especially by SMPs and SMEs, particularly those in transitional, emerging and developing economies – presents a considerable challenge. The IAASB has responded with various communication and implementation support initiatives. Later I will explain what my committee is doing to help.

Various other IAASB initiatives promise to help ensure its standards are suited to SMPs and SMEs in particular, clarity ISA implementation monitoring, impact analysis, implementation support and revision of the review and compilation standards.

We are concerned to be proactive and strategic in our input. With that in mind we intend making timely and substantial inputs to the development of the IAASB’s Strategy and Work Plan for 2012-2014. It is crucial that SMPs and SMEs do likewise. Only then will they be able to shape the very standards that one day they will have to implement. Therefore, I challenge all of you to do what you can to get SMPs and SMEs involved.

While input to the IAASB has been our primary focus we have also invested much time and effort monitoring the project to revise and redraft the Code of Ethics for Professional Accountants. We have some concerns over the extent of the requirements and the challenges SMPs face with implementing the new Code. We have just submitted a comment letter to the
Exposure Draft of its Strategy and Work Plan for 2010-2012. In this letter we encouraged the IESBA to closely monitor implementation and consider the need to eliminate requirements that cause undue burdens for SMEs. We stressed the need for greater clarification as to what is and is not permitted. We impressed on the need for more implementation support for SMPs: the survey conducted as part of the SMP Review revealed strong support for some form of Guide.

Finally while on standard setting a few words on financial reporting for SMEs. Last year saw the IASB issue the IFRS for SMEs. We like the final outcome: it addresses many concerns we had when we responded to the Exposure Draft in 2007. The IASB says over 60 countries have either adopted it, or signaled the intent to adopt it, in some way. The EC, once highly dismissive of the ED, has consulted member states on how the standard might be used and reported “divergent opinions”. To assist with implementation the IFRS Foundation has issued a comprehensive suite of free training materials. CAPA and ECSAFA have recently held workshops using these materials presented by IASB staff. We encourage others to do likewise. Finally we are seeking IFAC representation on the IASB’s SME Implementation Group. This Group will monitor implementation of and update the IFRS for SMEs.

**SLIDE 8 (Practical Support – Implementation Guides)**

As I said before SMPs have a key role to play in serving the SME sector - but are faced with a perfect storm of challenges. Hence, they need practical assistance so that they may provide high quality, relevant and cost effective services. So what is the SMP Committee doing to help?

First, we have developed two high quality implementation guides that can be downloaded free of charge from the IFAC website. Member bodies may promote their use as is, adapt for local use, take extracts from, translate, and reproduce - provided they obtain the necessary permissions. These guides are the *Guide to Using ISAs in the Audits of SMEs* (what we call the ISA Guide) and the *Guide to Quality Control for Use by SMPs* (what we call the QC Guide). Both guides have proved very popular being amongst IFAC’s most downloaded and translated publications. New improved editions of both guides will be issued later this year. And for 2011 we are considering providing materials to support their use for education and training purposes.

**SLIDE 9 (Practical Support – Business Advice)**
We are also starting to help SMPs provide business advice to SMEs. In April we issued a paper entitled the *Role of SMPs in Providing Business Support Services to SMEs* offering some insights on the what, why and how to, of providing business support services. The paper provides substantial evidence that accountants are seen as competent and trustworthy advisors, that accountants are the most popular source of external advice and support for SMEs, and that SMPs provide much of this advice and support. IFAC’s SME lending survey of last October provided some insights into how professional accountants can help SMEs obtain finance. We need to help position and equip SMPs to satisfy the appetite of SMEs for business advice. Going forward this will be a major focus of the committee.

**SLIDE 10 (Practical Support – Practice Management)**

We are also helping SMPs better manage their practices. Today I am pleased to announce that probably early next week the *Guide to Practice Management for Use by SMPs* will be available for free download from the IFAC website. The guide, developed in collaboration with CPA Australia, aims to help SMPs manage their practice. It comprises eight stand alone modules on key issues – including managing people, IT, risk, and client relations. It features case studies, checklists and forms, and an office procedures manual. As with our other guides member bodies may promote their use as is, adapt for local use, take extracts from, translate, and reproduce.

**SLIDE 11 (Practical Support – International Center for SMPs)**

The International Center for SMPs at [http://www.ifac.org/SMP/](http://www.ifac.org/SMP/) serves as the home for all the practical support. The Center includes: a portal to IFACnet; the committee’s publications; past copies of the free quarterly SMP eNews; links to other resource centers on the IFAC website; links to other free relevant resources on the websites member bodies and others; a discussion board; and an archive of all the speeches and presentations from our annual SMP Forums.

One can see that many parts of IFAC do work for the benefit of SMEs and SMPs. I would also like to highlight IFAC’s efforts, through the Developing Nations Committee to strengthen the capacity of member bodies, which should assist them in supporting their SMP constituency.
In your approving the recommendations of the SMP Review you have committed IFAC to do significantly more to support SMPs going forward. SMEs, like mine, will benefit from the enhanced capability of SMPs. The recommendations impact many parts of IFAC. Not surprisingly the SMP Committee will play the central role in their implementation. And as our Deputy President noted earlier implementation will be phased in. It will take time and more resources. But progress has already been made. The committee’s Terms of Reference have been revised and incorporate new objectives in the areas of; policy making and regulation; voice, visibility and communications; and monitoring and assisting SMP representation. This gives a better foundation for enhancing the influence, profile, capacity and relevance of SMPs. We have started to change the committee’s membership composition so that it is able to meet its new responsibilities. And we have already commenced work developing the committee’s Strategy and Work for 2011-2014.

Let me conclude. The success of the recommendations depends on many things. It depends on effective collaboration, primarily with and amongst member bodies. It depends on accepting a shared responsibility. And it depends on getting your SMPs and SMEs increasingly engaged including indentifying high quality candidates to serve on IFAC boards and committees. I would also like to thank the tireless and dedicated support of the SMP Committee Senior Technical Manager Paul Thompson and, more recently, the Director, Quality and Member Relations, Sylvia Tsen. I would also like to acknowledge the strong support from Russell Guthrie, Executive Director, Quality and Member Relations as well as the SMP Committee members and technical advisors. Ladies and gentlemen thank you. I’ll happily take your questions.