

Issues Relevant to SMPs – Feedback from Breakout Sessions

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IAASB CAG Meeting

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Agenda Item F.1

Changing Landscape

- Increasing tension in the standards – is this sustainable?
- Signal that IAASB needs to think about scalability of standards and how best to address this
- Are there gaps in the standards for services that are being performed?

Challenges Faced by SMPs

- Increasing audit thresholds – are other services valued?
- Impact of independence requirements on other services that may be performed (e.g. preparation of financial statements)
- Focus on control testing by regulators
- Staff retention
- Resource constraints in developing implementation guidance

Scalability and Implementation of ISAs and ISQC1

- **Challenges**
 - Abiding by the principles, while having practical application guidance for SMPs
 - Documentation – extent and nature
 - Scalability of ISQC 1
- **Actions taken**
 - SMPC guides
 - Educational initiatives (train the trainer, free forums)
 - Mandatory (available free) and recommended guidance (for a fee)
- **No scaling down on requirements for SME audits**

Nordic Federation's Auditing Standards for Smaller Entities

- Auditing standards should:
 - Have a common foundation
 - Have one body that governs the standards – keep profession as one
- Concerns re Nordic standards (or separate set of standards)
 - Create gap between SMP and other practitioners
 - Comparability of financial statements that are audited using different standards
 - Ability to move between different sets of standards
 - Other impacts: ethics and education?

Other Services

- Promote the value of reviews and compilations
- Educate end users which services are available
- Different levels of assurance on components of financial statements

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