



SMP / SME Audits

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IAASB

International Auditing
and Assurance
Standards Board

Agenda

- Feedback from SMP/SME Working Conference in Paris
- Scalability / Proportionality
- Breakout Session

SMP/SME Working Conference – Paris, January 2017

SMP/SME Working Conference

- Held in Paris in January 2017
- Over 100 participants from 28 jurisdictions; number of Board member and Staff attended
- IAASB focus on understanding needs for SMPs and challenges in performing audits of SME's
 - Day 1: Sharing views about what users want or need in different jurisdictions for services other than audits (including whether gaps exist in the International Standards)
 - Panel discussions about needs in different jurisdictions / presentations of standards in different jurisdictions (e.g. Danish extended review) / roundtable discussions and feedback
 - Day 2: Discussions about challenges of the implementation of the ISAs on audits of SMEs
 - Panel discussion about audit in different jurisdictions / presentations on audit tools / software (e.g. Descartes) / roundtable discussions and feedback

Services Other than Audits

- Important to understand needs of stakeholders when developing new standards – important that the IAASB continues to monitor
- Various presentations about national initiatives: preparation, preparation, extended review
- Support for AUP project, if flexible and including further consideration about multi-scope engagements
- Need for more guidance materials about how to use the standards for different kinds of engagements (not necessarily for IAASB)
 - Support for SMP Committee Guides
- More education about existing standards (i.e., what types of engagements are covered by existing standards, and how they may be adapted and applied)

International Standards on Auditing

- Strong interest for better support for small audits
- But mixed views re one single standard for audits of SME's versus continued support for the ISAs
 - ‘No new standards’ but more guidance needed (i.e., how to implement)
 - In current projects revising ISAs – “think simple first”
- Expectation gap between different stakeholders – more to be done to bridge the gap (e.g., use of professional judgment and expectations about documentation)
- More to be done to promote the value of an audit
- Think more about technology and software to assist (not necessarily IAASB)

IAASB – The Way Forward

- Communications about SMP/SME Working Conference
- IAASB remains open-minded as to how issues and challenges can be best addressed while committed to respond to concerns
- More thought by IAASB (and others such as SMPC and NSS) about how challenges can be addressed
 - Solutions are likely multi-faceted, e.g. re non-audit
 - IAASB to further consider what can be done in current or new ISA projects (think simple first); need for ad-hoc WG?
 - Further research to fully understand issues
- Commitment to a second conference later in 2018 – tangible results needed

Scalability / Proportionality

Proportionality and Scalability

- Intention is to focus on attributes in standard-setting
 - Delineate between concepts
 - Conditional application of requirements
 - Ability to calibrate response
- Important that concepts applied in standard setting
 - Is a framework needed?
 - Should criteria be established for the identification or inclusion of conditionality in the standards?
- Feedback

Breakout Sessions

Nordic Standard for Audits of Smaller Entities

- SASE—High quality, principles based, stand-alone standard tailored specifically for audits of small entities
- Scope – Small entities as defined in the EU Accounting Directive
- Ultimate goal was to develop into an International Standard
- One standard
 - Structured in line with a typical audit process
 - Minimum required audit procedures to issue a positive opinion
 - ISAs were not the starting point
 - Reinforcing auditors professional judgement
 - General documentation requirements
 - Experienced auditor concept
 - Internal controls – limited requirements

Nordic Standard for Audits of Smaller Entities (Cont.)

- Consultation Draft of Standard issued October 2015
 - Large no of responses (globally)
- Responses:
 - Broad support for the project and acknowledgement that something needs to be done
 - The challenge on how to apply the ISAs on SME audit is an international challenge
 - Different opinions on how this challenge should be handled
 - Separate standard vs. guidance on how to apply ISAs
 - Skepticism amongst the international networks on a standard not originating from IAASB
- No further progress – will wait for IAASB

Nordic Standard for Audits of Smaller Entities (Cont.)

- SMP / SME Audits Working Conference
 - Some supporters for separate standard for smaller audits
 - Costs of ISAs exceed benefits – concern about number of requirements and complexity of the standards
 - Question whether ISAs are really scalable – will take a lot of effort to make the ISAs scalable
 - Others did not support a separate standard
 - Concern about experienced auditor concept
 - What is an audit of an SME? Will differ globally
 - No appetite for two sets of auditing standards – bifurcate the profession
 - Market may be confused by two different kinds of audit

Questions for Breakout Groups

1. What more can the IAASB do to promote scalability / proportionality in the projects currently underway?
 - How can proportionality or scalability be demonstrated in current projects?
 - What else in the “toolbox”?
2. What are IAASB views on separate auditing standard(s) for audits of SME’s?
 - Should the IAASB explore whether to develop standard(s) for audits of smaller entities?
 - Should the Nordic draft standard be used as a base?
 - If not, how could a new standard for audits of small entities be developed?



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