

IESBA – IFAC Small and Medium Practices (SMP) Committee Liaison**Background**

1. At the March 2013 meeting, the Board considered a proposed protocol governing the process for the IFAC SMP Committee (SMPC) to provide input to the IESBA's projects. This proposed protocol was based largely on the one currently in operation between the International Auditing and Assurance Standards Board (IAASB) and the SMPC.
2. The IESBA expressed support for maintaining a liaison relationship with the SMPC. In particular, the opportunity for the SMPC to provide input to the IESBA in the proposed manner was welcomed, especially given the challenge of obtaining input from the SMP constituency.
3. Some IESBA members, however, expressed concern about the level of prescription in the set of working procedures included in the proposed protocol. It was noted in particular that the detailed procedural requirements could open the Board to criticism for failure to comply with due process if a step in the protocol was not followed. It was suggested that consideration be given to simplifying the working procedures and making them less formal. It was also suggested that the focus should be on seeking early input from the SMPC.
4. The IESBA therefore asked staff to reconsider the proposed protocol and present a revised proposal for its further consideration in due course.
5. The Appendix to this paper sets out staff's revised proposal in the form of a statement of principles to guide the IESBA's liaison with the SMPC. This has been reviewed by the IESBA and SMPC Chairs.
6. Subject to the IESBA's consideration of the proposal, staff will liaise with SMPC staff to obtain the SMPC's views on the proposal at its October 2013 meeting. The SMPC's feedback will then be shared with the Board at the December 2013 IESBA meeting for consideration prior to the Board being asked to approve the statement of principles.

Action Requested

7. IESBA members are asked to consider the proposed statement of principles in the Appendix and provide feedback to staff.

APPENDIX

IESBA – IFAC Small and Medium Practices (SMP) Committee Liaison— Proposed Statement of Principles

Established [Month] 2013

Introduction

1. This statement sets out the key principles guiding the IESBA's liaison with the IFAC Small and Medium Practices (SMP) Committee (SMPC), the IFAC committee charged with representing the views of SMPs.

Objective of IESBA-SMPC Liaison

2. The objective of the IESBA's liaison with the SMPC is to enable the IESBA to establish a closer working relationship with the SMPC. This recognizes that interaction between the IESBA and the SMPC on matters of mutual interest is important and in the public interest given that SMPs form a significant part of the accountancy profession and that the small- and medium-sized entity (SME) market they serve represents a very large proportion of the global economy.

Scope of IESBA-SMPC Liaison

3. The scope of the IESBA-SMPC liaison encompasses broadly IESBA activities of relevance to SMPs and SMEs, and SMPC activities of relevance to the IESBA's remit.

Forms of Liaison

4. Liaison between the IESBA and SMPC may take various forms, including:
 - Input by the SMPC to the IESBA's strategy and work plan, including IESBA standard-setting projects of relevance to SMPs and SMEs.
 - Interactions between leadership, members and/or staff of the IESBA and SMPC on matters of mutual interest, including SMPC initiatives pertaining to the implementation of the IESBA *Code of Ethics for Professional Accountants* among SMPs and professional accountants working in SMEs.
 - Updates, presentations and public observer attendance at each other's meetings as necessary.
 - Invitations to join specific task forces or working groups, or to participate in specific task force or working group meetings.

Provision of Input on Specific Projects or Initiatives

5. The IESBA projects or initiatives on which the SMPC may input to, and the SMPC initiatives on which IESBA input may be sought, will be determined based on consultation between IESBA and SMPC leadership, other members and staff as appropriate.

Nature of Input

6. Input from the SMPC to IESBA projects or initiatives is expected to focus on issues pertinent to SMPs and SMEs. Likewise, any input the SMPC may seek from the IESBA with respect to SMPC initiatives is expected to focus on matters pertaining to the IESBA's remit.
7. Input may be provided on IESBA or SMPC agenda material as appropriate, on relevant task force or working group papers, or in response to requests for information such as surveys.
8. Input will generally take the form of comments provided in a letter or memorandum addressed to the relevant task force or working group chair.
9. Documents that are not available to the public should be clearly marked as such and treated as confidential.

Timing of Input

10. Input may be provided at various stages during the development process for a project or initiative, including on the relevant project proposal, issues papers, draft exposure drafts (EDs), EDs and draft final pronouncements. It is, however, recognized that input is likely to be most effective during the early stages of a project or initiative, for example, at the project proposal stage.
11. To enable timely consideration of the input, a comment date may be specified where appropriate.

Disposition of Comments

12. Where the SMPC has provided input to IESBA projects or initiatives, this will be acknowledged in the relevant subsequent IESBA agenda material and a summary of the SMPC's input incorporated therein together with its proposed disposition.
13. IESBA staff will endeavor to provide oral feedback on the disposition of the SMPC's comments to SMPC staff on a timely basis.

Other

14. This statement of liaison principles will be reviewed by the IESBA and SMPC at least every three years.