



International Federation of Accountants  
Guide to Using ISAs in the Audits of SMEs  
*Bernard Scicluna, Member, IFAC SMP Committee*

FEE NRF SME / SMP Congress  
Copenhagen, Denmark, 4 September 2008



**Around the ISA Guide**

**Through the ISA Guide - General**

**Through the ISA Guide –  
Case Study Exhibits**

**Proof of the pudding is in the eating**

## IFAC SMP Committee Guide to Using ISAs in the Audits of SMEs



### IFAC SMP Committee Purpose and Constituents

- Purpose:  
*“...to identify and represent the needs of the constituents and, where applicable, to give consideration to relevant issues pertaining to SMEs/SMPs.”*
- Constituents:  
*“...SMPs who provide accounting and assurance services principally but not exclusively to clients who are small and medium enterprises (SMEs). In so far as they provide services to SMEs other professional accountants are included as constituents.”*

## IFAC SMP Committee Overview



Chair – Sylvie Voghel (Canada)  
18 members  
Resources – one full-time senior technical manager  
Budget of US\$ 475k (2008)

## IFAC SMP Committee

### *SMP Committee Strategic and Operational Plan 2009-2012*

Two-pronged approach to helping SMPs (& SMEs) deal with standards overload:

- *Helping to shape form & content of international standards* through direct input to standard-setting
- *Providing practical support to SMPs* through, for example, provision of implementation materials & web-based information resources/tools

## Provision of Practical Support

### *Guide to Using ISAs in the Audits of SMEs (ISA Guide)*

- Objective - to help practitioners efficiently, effectively, and economically apply ISAs to SME audits
  - Published December 2007; Approx. 400 pages
  - Developed by Canadian Institute of Chartered Accountants (CICA)
  - IFAC quality review
- IFAC has full copyright
  - Member bodies & others can use as is *or* adapt
  - PDF downloadable free at <http://www.ifac.org/Store/>
  - CD version available on request

## Provision of Practical Support Implementation Materials

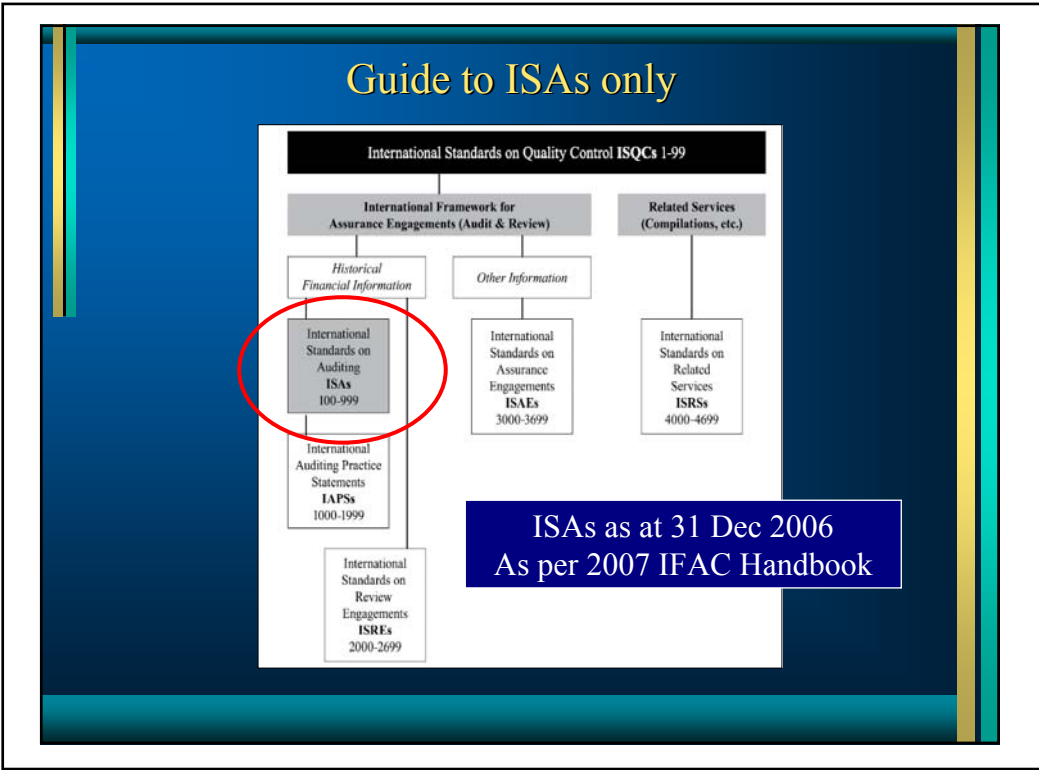
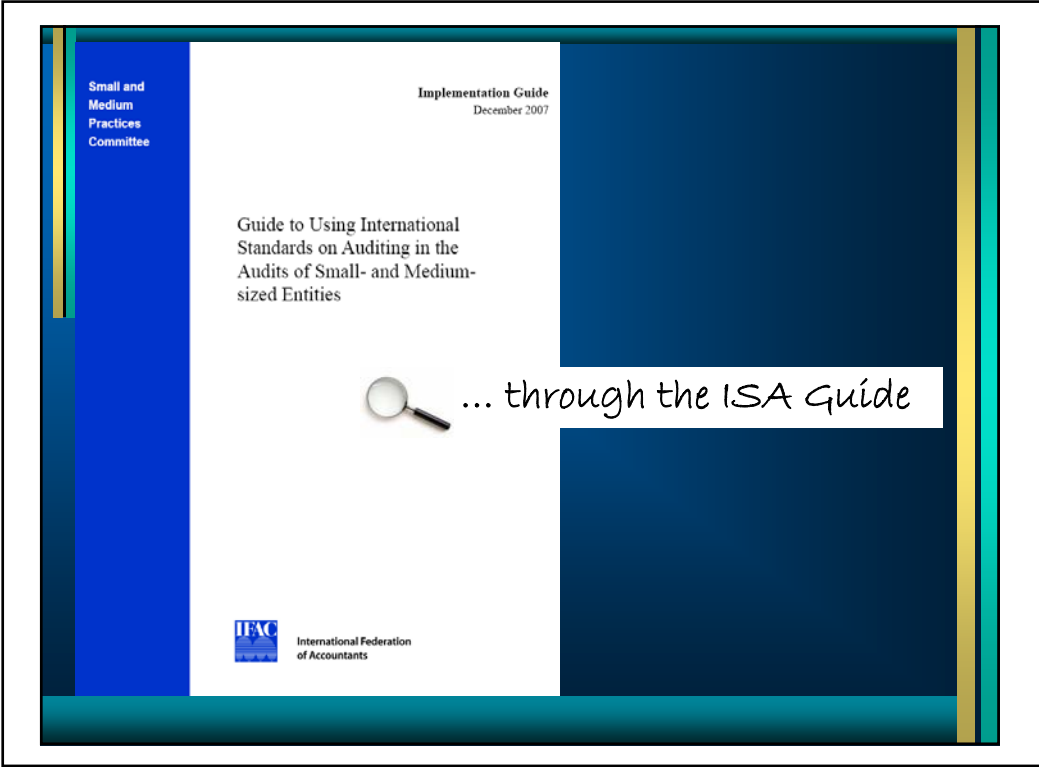
- Vision – facilitate development of range of high quality materials at reasonable cost to end users
- SMPC to develop itself only in specific instances
  - **Quality Control Guide** – to help SMPs operate a QC system in compliance with ISQC 1 (Q1 2009)
  - **Practice Management Guide** – to help SMPs proficiently operate and manage their practice (Q4 2009)
  - **IESBA Implementation Materials for SMPs** – to help SMPs apply independence section of Code of Ethics (2009)

## Provision of Practical Support ISA Guide - Attributes

- IFAC SMP Committee publication ✓  
≠ Approved/endorsed by IAASB
- *Non*-authoritative implementation guide ✓  
≠ SME audit standard
- Includes *all* ISA requirements ✓  
≠ Substitute for ISAs
- Integrated case study and some practice aids ✓  
≠ Full set of audit programs

## Derivative Products

- Training material, forms, checklists, software etc.
- Intended to be 'platform' product from which derivative products can be logically developed
- IFAC to *facilitate* development & dissemination of high quality derivatives at reasonable cost to users



## Scope of ISA Guide

- All ISAs; or
- Only focus on SME problematic ISAs
  - “The ISA Guide should incorporate all the bold letter requirements of all of the ISAs”
  - Only 2 ISAs not addressed
    - ISA 610 (Considering the work of Internal Auditing)
    - ISA 720 (Other info in documents containing audited financial statements)

## All ISAs or Focus on SME Problematic ISAs ?

Audit Risk Standards  
ISA 315, 330, 500

Fraud Standard  
ISA 240

Summary of ISAs not  
addressed elsewhere (x11)

Little or no SME specific  
guidance, eg audit report

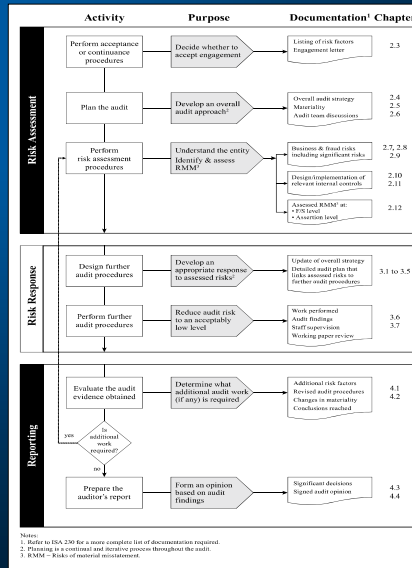
Chapter	Title	Primary ISA Reference
1.1	What is a Risk-based Audit?	330
1.2	Nature of Internal Control	315
1.3	Financial Statement Assertions	315
2.1	Understanding the Entity	315
2.2	What are Risk Assessment Procedures?	315
2.3	Client Acceptance and Continuance	180QC 1, 200, 210, 220, 300
2.4	Overall Audit Strategy	220, 300
2.5	Materiality	330
2.6	Audit Team Discussions	315, 315
2.7	Understanding Business Risk	315
2.8	Understanding Fraud Risk	315, 315
2.9	Significant Risks	315, 330
2.10	Understanding Internal Control	315
2.11	Assessing Internal Control Design and Implementation	315
2.12	Assessing the Risks of Material Misstatement	315
3.1	Detailed Audit Plan	330
3.2	Tests of Controls	330, 330
3.3	Substantive Procedures (Tests of Detail)	330, 320
3.4	Summary of ISAs not Addressed Elsewhere	250, 402, 501, 505, 510, 545, 550, 560, 570, 600, 620
3.5	Extent of Testing	330, 330
3.6	Documenting Work Performed	315, 315
3.7	Management Representations	580
4.1	Evaluating Audit Evidence	220, 330, 330, 540
4.2	Communicating with Those Charged with Governance	260
4.3	The Auditor's Report	700, 710
4.4	Modifications to the Auditor's Report	701

# Audit Methodology - The Three Rs

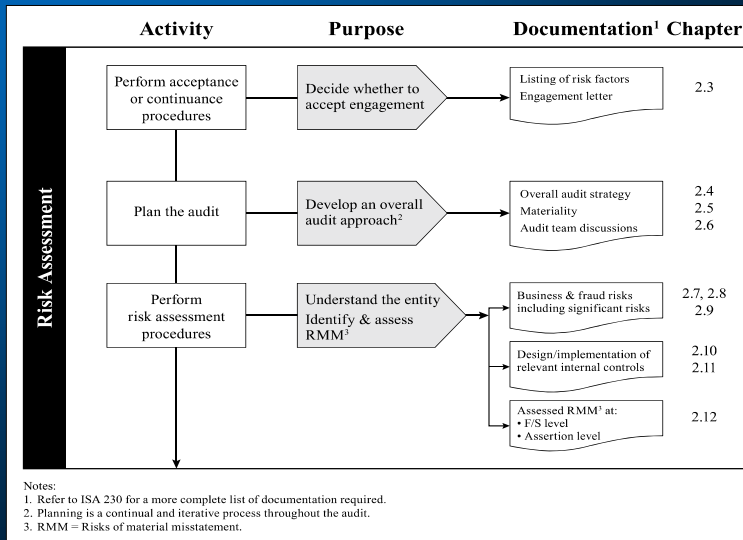
## RISK ASSESSMENT

## RISK RESPONSE

## REPORTING

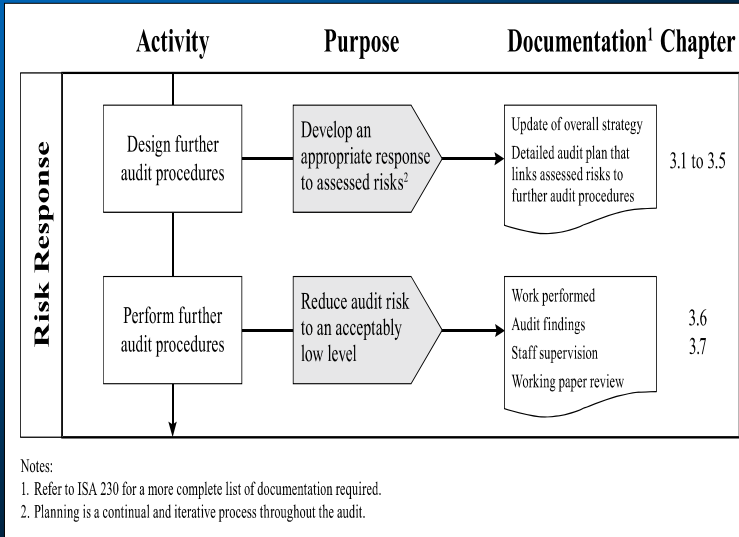


# Risk Assessment

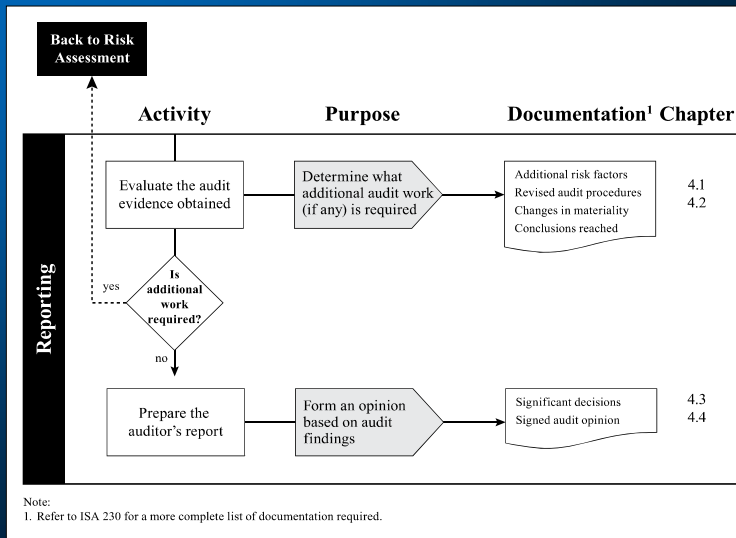




## Risk Response



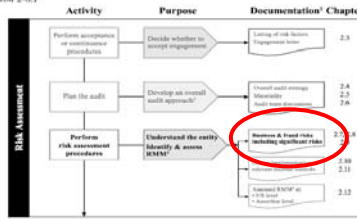
## Reporting



# Sample Chapter Layout

## 2.8 Fraud Risks

Exhibit 2-8.1



<sup>1</sup> Refer to ISA 120 for a more complete list of documentation required.  
<sup>2</sup> Planning is a continual and iterative process throughout the audit.  
<sup>3</sup> ASQM "A risk of error or misstatement."

Chapter Purpose	Primary ISA References
To outline the auditor's role in assessing risk factors that could result in financial statement fraud and misrepresentation of...	240, 315

### 2.8.1 Overview

ISA 315 states:

100. The auditor should identify and assess the risks of material misstatement at the financial statement level, and at the assertion level for classes of transactions, account balances, and disclosures.
108. As part of the risk assessment as described in paragraph 100, the auditor should determine which of the risks identified are, in the auditor's judgment, risks that require special audit consideration (such risks are defined as "significant risks").

# Use of graphics, tables, consider points

Exhibit 2-8.7

## Fraudulent Financial Reporting

### Tone at the Top

Pertains to management's abilities, pressures, style and attitude relating to internal control and the financial reporting process.

### 1. Pressures

- Bonuses**  
A significant portion of management or staff's compensation is represented by bonuses (or other incentives), the value of which is contingent upon the entity achieving unduly aggressive targets for operating results, financial performance, or market value.
- Forecasts**  
Management commits to financial reporting to achieve what appears to be unrealistic forecasts.
- Tax reduction**  
Management has an interest in minimizing reported earnings.

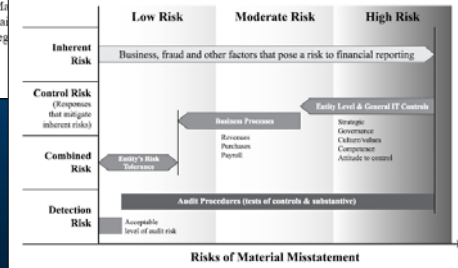
### 2. Opportunities

- Management's ability to override internal control**

When internal controls are in place, the risk of management override will need to be addressed through the performance of further audit procedures.

### Consider Point

In the audit of small entities, there is often a temptation to jump to the conclusion that internal control is non-existent and, therefore, is not worth evaluating. However, any entity that wants to continue operating will have some form of internal control. What business would not want to monitor that cash received is deposited or that goods shipped are invoiced?



integrity and competence of the owner-control activities ("segregation of duties")

internal control. It may be informal and

## Assertions

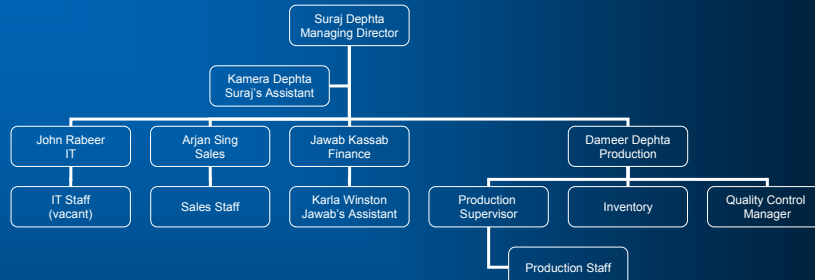
As per ISA 500.17

**C** Completeness  
**E** Existence  
**A** Accuracy & Cut-off  
**V** Valuation

Combined Assertions	Classes of Transactions	Account Balances	Presentation and Disclosure
Completeness	Completeness	Completeness	Completeness
Existence	Occurrence	Existence	Occurrence
Accuracy and Cut-off	Accuracy Cut-off Classification	Rights and obligations	Accuracy Rights and obligations Classification and understandability
Valuation		Valuation and allocation	Valuation

As per ISA Guide

## Dephta Furniture Inc.



### Business started by father

- Son Managing Director
  - Son Production Manager
  - Still holds 50% shares
- Largely family run
- 19 staff

### Family owned, but

- 15% held by daughter not involved in business
- 20% owned by family friend who also provides loan finance

Successful local businessman + his lawyer  
 daughter provide strategic business advice

Small and Medium Practices Committee

Implementation Guide  
December 2007

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

... through the ISA Guide - case study exhibits

International Federation of Accountants

## Client Acceptance & Continuance Overall Audit Strategy

Chapter 2.3 — CLIENT ACCEPTANCE AND CONTINUANCE

**Case Study — Client Acceptance and Continuance**

For details of the case study, refer to the Introduction to the Case Study in this Guide.

Assuming this is an ongoing audit engagement, the partner or senior manager in the audit firm would make some inquiries to identify and assess any new or revised risk factors relevant to deciding to continue with the audit engagement. For Dephta, this could include the following inquiries.

Dephta Furniture Inc.
<b>Inquiry</b>
1. Any change in the terms of reference or requirements for the audit engagement?
2. Any independence issues or conflicts of interest? This might include non-audit services provided, a financial interest with the client, business relationships other than the audit, or family/personal relationships with key client people by partners or staff.
3. Any circumstances that would cast doubt on the integrity of the client's owners? This could include convictions, regulatory proceedings/sanctions, suspicion or confirmation of illegal acts or fraud, police investigations, and any negative publicity.
4. Do the partners and staff planned for the engagement have sufficient knowledge of the accounting principles and practices of

Chapter 2.4 — OVERALL AUDIT STRATEGY

**Case Study — Overall Audit Strategy**

For details of the case study, refer to the Introduction to the Case Study in this Guide.

Once the decision is made to continue with the audit of Dephta Furniture, the next step is to develop and document an overall plan and strategy for conducting the engagement. This can be documented by a memo or by completing some form of planning checklist, as illustrated in the example below.

**Dephta Furniture Inc.**

**Overall Planning Memo**

**Scope**  
The scope of the audit has not changed this year. We are required to audit the financial statements in accordance with [insert applicable accounting framework] as at year end.

**Changes**  
The company is beginning to expand beyond the local area. As Dephta expands its sales to foreign countries and makes sales in foreign currencies, managing foreign exchange risk will become more important. Internet sales are also increasing, so Dephta's IT capabilities will be stretched.

Changes in the following applicable financial reporting framework will also need to be reflected in financial statement preparation: [insert].

Dephta is now selling to Franjawa Merchandising. This company is renowned for squeezing profit margins of suppliers in exchange for giving large orders. They also require suppliers to maintain additional inventories of some products for instant delivery as required.

**Internal Control Environment**  
Our assessment of risk in the financial statements based on [insert reference to WAP Ref. #]

# Audit Team Discussions Risk Assessment Procedures

GUIDE TO USING INTERNATIONAL STANDARDS ON AUDITING  
IN THE AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

## Case Study — Audit Team Discussions

For details of the case study, refer to the Introduction to the Case Study in this Guide.  
The business risk and fraud risk registers should be reviewed at the audit team meeting and any additional risk factors added. Time should also be taken to reinforce the need for professional skepticism at all times and to immediately report any possible warning signals of fraud occurring.  
The following example of the audit team discussion outlines other matters to address.

Area of Discussion
1. Materiality and significant account balances.
2. Timing, key dates, and availability of client personnel.
3. What can we learn from past experience such as issues/events that caused delays and areas of over/under auditing?
4. Any new concerns about management's integrity, going concern, litigation, etc.?
5. Changes this year in business operations and/or financial condition, industry regulations, accounting policies used, and people.
6. Susceptibility of the financial statements to fraud. In what possible ways could the entity be defrauded? Develop some possible scenarios and then plan procedures that would confirm or forestall any suspicions.

Chapter 2.2 — WHAT ARE RISK ASSESSMENT PROCEDURES?

## Case Study — Risk Assessment Procedures

For details of the case study, refer to the Introduction to the Case Study in this Guide.  
Risk assessment procedures are used to understand the entity. There are five key areas (industry factors, nature of entity, accounting policies, business plans, and performance indicators) for which information should be obtained or updated each year.  
The goal is to identify and assess risk factors and determine how management mitigates such risks. This information is then used for developing an appropriate audit response. Some information obtained as a result of these inquiries is contained in the business/fraud risk chapters, as well as the chapters about internal control.

**Dephta Furniture Inc.**  
Some typical risk assessment procedures that would apply to Dephta include the following:

### INQUIRIES

- Management and those responsible for financial reporting (Suraj, Jawad)
  - Review business objectives, industry trends, current issues, and management's planned responses.
  - Are there any significant changes in the corporate structure, operations, key personnel, bonus plans, internal control, and/or financial statement items?
  - Ask about the monthly management meetings. Are there minutes and action steps arising?
  - Discuss the entity's culture/values and expected employee behaviors.
  - Address how company values are communicated to employees.
  - Ask how management assesses risks and what processes are in place for monitoring and responding to such risks, including fraud and error in the financial statements.

# Risk Register - Business Risks Risk Register - Fraud

## Risk Register — Fraud

Materiality 15,000€  
Assess each risk in terms of likelihood and impact on a scale of 1–5 (1=low, 5=low).  
Discuss this worksheet (risk register) with management to ensure completeness and the appropriateness of the risk assessment.

Risks Identified	What Could go Wrong as a Result	FSA Impact — CAEV			Risk Assessment			Significant Risk?
		Assets	Liabilities	Inc. <sup>1</sup>	Likelihood to Occur	€ Impact	Combined Risk	
Pressure to minimize tax	Identified Risks	CA	C		4	4	16	N
Rapid growth putting pressure on financing	E/S manipulation to avoid banked thresholds	all	all		4	5	20	Y
Salesperson's certain thresholds	Assertions at risk	CV		E	3	3	9	N
Paying bribes to obtain contacts	Illegal acts	C	CE	A	2	3	6	N
Poor control	Risk Assessment	E			1	3	12	N
Poor control	Likelihood x Impact	E			4	3	12	N
Transactions with related parties	Some purchases could be undervalued/overvalued	V		V	3	3	9	N
Significant related-party	Significant Risk	V	V	V	4	5	20	Y
Rationalization								
Low morale among temporary workers	Goods stolen	E			3	2	6	N

The 1 = Income Statement

# Control Design Matrix

## Control Design Matrix — Receivables, receipts

Entity: *Dephta Furniture*

Process: *Receivable/Receipts*

Risk factors: what can go wrong	Internal Control (IC) component		Assertions at risk	
	CAE	AN	CAE	AN
1. Karla prepares the deposit slips but Jawad makes the cash deposit to ensure functions are segregated.	CA	P		
2. When opening the mail, cheques are stamped "for deposit only" with the Dephta's account number. Bank is instructed not to cash cheques.	CA	P		
3. Cheques received are listed, totaled and reviewed before deposit.	CA	P		
4. Accounts over 90 days are investigated by Saraj and Jawad and actions taken documented.	CA	P		
5. Cut-off procedures exist to ensure receipts are recorded in the correct period.	CA	P		
6. An aged accounts receivable listing is prepared regularly and distributed monthly to Saraj and Jawad.	IS			
7. Regular review of aged accounts receivable and follow-up of overdue accounts by Saraj. Accounts in default put on CDEE notes.	MO			
8. Do the control procedures mitigate the risk factor?				
9. Y = risk mitigated, S = some mitigation, N = material weakness exists.				

Identified Risks

Assertions at risk

Client ICs mitigation

Assessment of combined risk

Control weaknesses to report to TCWG

# Significant Risks Entity Level IC Documentation Business Process IC Documentation

**Chapter 2.6 — SIGNIFICANT RISKS**

**Case Study — Significant Risks**

For details of the case study, refer to the Introduction to the Case Study in this Guide. Significant risks can be identified from the listing of risk factors and their assessment. R "Risk Register" examples contained in the case study discussion for Chapters 2.6 and 2.7 form can also be used to cross-reference each significant risk to the related detailed and audit procedures developed that respond to the specific risk.

Significant Risk	Management's Response	Audit Response
Has the company violated the terms of its bank financing?	Preparation and monitoring of cash flow forecasts.	Look at the company's growth plans and whether the forecasted cash flows are realistic.
If so, the bank could call its loan. If this happened, the company would be unable to operate normally, which could result in major asset write-downs.	Renegotiating terms of financing.	
Financial statement manipulation could occur to avoid the bank conveners being violated.	None. Management not see this.	
Inconsistent revenue recognition.	Sales contracts review.	

**Chapter 2.11 — AUDIT TEAM DISCUSSIONS**

**Step 2 — Document Relevant Internal Control**

**Extract From Entity Level Internal Control Documentation**

Usually, the gathering of information on entity level and IT general controls will be combined with the walkthrough. As information is gathered, the auditor would ask for the supporting documentation.

Area of Inquiry	Results
Describe how management communicates the need for integrity and ethical values.	Saraj accepted our recommendation last year and prepared a code of conduct for employees. When a person joins the company, a session is held to ensure he understands the requirements with other matters, such as health safety.

**Extract From Business Process Documentation (Using a Narrative Approach)**

**Business Process — Revenue/Receivables/Receipts System**

**Sales Contracts**

Sales contracts for the retail and specialized orders are prepared by Arjan as they involve extensive work. The contracts are all based on a template that contains the estimated quantities, types of furniture, special requests as well as standard delivery and payment terms and conditions. Payment terms and conditions can vary by customer. A 15% deposit is required on all custom orders and is recorded as revenue at the time of sale.

All contracts are reviewed and signed for approval by Saraj prior to being given to the customer for signature. When the contract is signed by the customer for approval, the order is entered into the accounting system which assigns the order a sequential number automatically. When the order is ready for shipment, a shipping document is prepared, entered into the system, and matched with the order. Karla then prepares an invoice from the accounting system which assigns a sequential number automatically. It is a strict rule that no shipments can be made without the shipping document number being entered into the system. The system can then track which orders have been filled and which ones are still pending by delivery date.

**Regular Sales Orders**

Sales orders are prepared for each order received and entered into the accounting system. Sales

# Assessing Risk of Material Misstatement Detailed Audit Plan

GUIDE TO USING INTERNATIONAL STANDARDS ON AUDITING  
IN THE AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

## Case Study — Assessing the Risks of Material Misstatement

For details of the case study, refer to the Introduction to the Case Study in this Guide.

The final step in the risk assessment process is to assess the combined risks of material misstatement at the financial statement and assertion levels.

This assessment can be summarized using a form such as the one illustrated below.

Assessed Levels of Risk		As	IR	CR	Comb.	RMM	Document the key risks at risk assessment
Financial statement level							Management's attitude to people fill the key positions. The monthly meeting to review accountability to management. Management's attitude to people fill the key positions.
Assertion Level FSA or financial statement disclosure							
1 Sales	Revenue recognition policy	C	H	L	M		Revenue recognition policy
		E	L	L	L		Sales system operator user
		A	L	L	L		Sales system operator user
		V	NA	L	NA		
		C	L	L	L		No significant risks identified
2 Receivables	Subsequent payment rate	E	H	M	M		Subsequent payment rate
		A	L	L	L		
		V	H	M	M		Large retailer receivables concern over product quality
		C	L	L	L		
		V	H	M	M		

High-High-Medium-Low  
As = Assertion NA = not applicable  
IR = inherent risk CR = inherent control risk  
Comb. RMM = Combined risks of material misstatement  
FSA = Financial statement area

Chapter 3.1 — DETAILED AUDIT PLAN

## Case Study — Detailed Audit Plan

For details of the case study, refer to the Introduction to the Case Study in this Guide.

The following outlines the considerations and possible audit procedures that could be used in developing a detailed audit plan for accounts receivable at Dephta Furniture.

The questions to ask in developing the receivables audit plan are as follows.

Planning Considerations	Response
1. Are there assertions that cannot be addressed by substantive tests alone?	Not at this time. However if the Internet sales are further automated, there may be a loss of paper trail.
2. Is internal control over related transaction streams/processes expected to be reliable? If so, could the controls be tested to reduce need/scope for other substantive procedures?	We should design tests of controls to provide a "moderate" level of assurance for existence and completeness of sales. This will reduce the level of assurance required from other substantive procedures.
3. Are there substantive analytical procedures available that would reduce the need/scope for other audit procedures?	No.
4. Is there a need to incorporate an element of unpredictability or further audit procedures (such as to address fraud, risk, and so forth)?	Should be considered in responding to the fraud risks identified.
5. Are there significant risks that require	Not in relation to receivables (excluding additional work performed on related

# Test of Controls Substantive testing

GUIDE TO USING INTERNATIONAL STANDARDS ON AUDITING  
IN THE AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

## Case Study — Tests of Controls

For details of the case study, refer to the Introduction to the Case Study in this Guide.

The following outlines some of the possible documentation for a planned test of the operating effectiveness of controls over the existence of sales.

**Dephta Furniture**  
A planned test of operating effectiveness of internal control assurance for the existence and accuracy in this transaction

**Tests of Controls Design**  
Account balance/class of transactions *Revenues, Receivables*

**Describe test objective, assertion being addressed, and tested:**  
*To test accuracy of revenue by selecting a sample of transactions*

**Description of test:**  
Did the walk-through procedure confirm the controls exist appear reliable?  
If no, explain:  
Will controls for the entire period under review be tested?  
If no, explain:  
Will reliance be placed on tests of controls performed in the

Chapter 3.5 — EXTENT OF TESTING

## Case Study — Extent of Testing

For details of the case study, refer to the Introduction to the Case Study in this Guide.

The following is an outline of an audit program for accounts receivable. This program includes:

The planned tests of controls (refer to Chapter 3.2); and

The statistical sample of accounts receivable (refer to Chapter 3.4).

### Dephta Furniture Inc. Accounts Receivable – Audit Procedures

Client: Dephta Furniture

PROCEDURES	Assertions addressed	Work completed by (initials)	W/P Ref	Comments
<b>I. Analytical Procedures</b> Develop expectations for the period-end accounts receivable balances based on information obtained from understanding the entity.  Investigate significant changes or trends in the: Accounts receivable balance. Aging of accounts receivable by customer. Day's sales in accounts receivable. Credit balances in accounts receivable. Other unexpected variations. Explain. Other (non-trade receivables).	CEA	MAG	C.120	Accounts receivable have increased by 60% from the prior year. Debtor's days in accounts receivable have also increased from 39 days to 45 days.

# Evaluation of Audit Evidence Reporting to TCWG / Audit Report

Chapter 4.1 — EVALUATING AUDIT EVIDENCE

## Case Study — Evaluating Audit Evidence

For details of the case study, refer to the Introduction to the Case Study in this Guide.  
As a result of performing the planned audit procedures at Dephta Furniture, the following matters were noted.

Note: The planned responses may include additional risk assessment procedures or further audit procedures to address already identified risks.

Audit Finding	Planned Response
A number of clerical errors in the inventory valuation resulted in an understatement of 19,000C worth of	The nature of the errors should be reviewed to identify any area of weakness in internal control.

## Case Study — Communicating with Those Charged with Governance

For details of the case study, refer to the Introduction to the Case Study in this Guide.  
**Audit Matters of Governance Interest**  
Extract from the letter sent to management and shareholders in management letter.

**JAMEL WOODWARD**  
55 Kingston St, Caber town, U

(Date)  
Mr. Suraj Dephta, Managing Director  
Dephta Furniture  
2255 West Street  
North Caber town  
United Territories  
123-50214

Dear Mr. Dephta

The matters raised in this report arise from our financial statements that we believe need to be brought to your attention.

We have substantially completed our audit of Dephta Furniture's financial statements in accordance with professional standards. We expect to release our audit report dated April 25, 20X6 as soon as we obtain the signed letter of representation.

Our audit is performed to provide reasonable assurance whether the financial statements are free of material misstatements. Absolute assurance is not possible because of the inherent

Chapter 4.3 — THE AUDITOR'S REPORT

## Case Study — The Auditor's Report

For details of the case study, refer to the Introduction to the Case Study in this Guide.

Having completed the audit and performed such additional work as was necessary (refer to Chapter 4.1), it is the opinion of the auditors that sufficient audit evidence has been obtained to reduce the risks of material misstatement to an appropriately low level.

Therefore, the standard auditor's report will be used for Dephta Furniture Inc.

The proof of the pudding  
is in the eating





## ISA Guide – Popularity & Feedback

- High demand - 11,500+ downloads to end-June 08
  - Second most downloaded IFAC publication after the IFAC Handbook
- Several translations & reproductions in progress – e.g. Chinese, Spanish, Polish, Finnish, Lithuanian, Czech, Romanian
- Indicates a very real need for a product such as this
- Formal request for feedback in Guide
  - Some positive general comments
  - Too early to gauge usefulness

The screenshot shows the Knotia.ca website interface. At the top, there is a navigation bar with links for HOME, MY SUBSCRIPTIONS, MY BRIFCASE, and STORE. A search bar is located on the left side. The main content area displays the product 'International Audit Guide Forms' by Stuart Hartley, FCA, CA-IT. The product description states: 'The International Audit Guide Forms is a comprehensive practice assistance tool designed to assist practitioners with the implementation of International Standards in the audit of small- and medium-sized enterprises. Developed by the authors of IFAC's Guide to Using International Standards on Auditing in the Audits of Small- and Medium-sized Entities (ISA Guide), these forms will assist you in meeting the needs of individual engagements according to IFAC's international auditing standards, and provides you with the added functionality of completing them electronically.' Below the description, there is a table listing online resources and a table of products. The table of products has columns for Item Number, Price, and Qty. One product is listed: 'Annual Internet Subscription' with an item number of 57710612 and a price of \$125.00. There is an 'Add to Cart' button next to it. At the bottom of the page, there is a footer with contact information and copyright details.

• The Canadian Institute of Chartered Accountants (CICA) has developed pack of International Audit Guide checklists and forms for CAD 125 (approx. USD 125)

<http://www.knotia.ca/store/iagforms>

**Audit: manual now available for SMEs**

The Institute has launched an Audit Manual designed to assist auditors, particularly those who deal with small- to medium-sized entities (SMEs), in applying the current Australian Auditing Standards (ASAs). The Manual is based on the International Federation of Accountants (IFAC) Guide to using International Standards on Auditing in the audits of small- and medium-sized entities, issued by the IFAC small and medium practices committee.

The Manual, which is freely available on the Institute website, provides a detailed analysis of the ASAs, with an illustrative case study to further explain how the requirements apply to the audit of an SME. An accompanying Toolkit, complete with forms, checklists and programs necessary for conducting an audit, is available for purchase to supplement the Manual.

The comprehensive Toolkit has been designed to supplement the Manual and to be used as a practical tool to help you apply the Australian Auditing Standards. The Toolkit can be either tailored to suit individual practices or left as is. By having such flexibility, the Toolkit aims to help practitioners conduct high quality and cost effective audits.

The Institute will also be holding training sessions nation-wide to support the manual's implementation. Training dates are as follows:

Brisbane - Wednesday, 3 September 2008  
 Melbourne - Friday, 5 September 2008  
 Parramatta - Tuesday, 9 September 2008  
 Sydney - Wednesday, 10 September 2008  
 Adelaide - Friday, 12 September 2008  
 Perth - Wednesday, 17 September 2008

For more information on the training, to access a copy of the Manual or to purchase the Toolkit, please [click here](#).

**• The Institute of Chartered Accountants in Australia (ICAA) has adapted the ISA Guide & supplemented it with a toolkit of checklists and forms plus a road-show of training sessions**

<http://www.charteredaccountants.com.au/A121542159>

**Auditing Practices Board**  
 Albany House, 7, 8 Albany, London WC2E 6HE  
 Telephone: 020 7492 3300 Fax: 020 7492 3301  
[www.apb.org.uk/apb](http://www.apb.org.uk/apb)

Paul Thompson  
 Senior Technical Manager  
 Small and Medium Practices Committee  
 International Federation of Accountants  
 345 Fifth Avenue, 14th Floor  
 New York  
 NY 10017  
 USA

08 August 2008

Dear Mr Thompson

**Guide to Using ISAs in the Audits of Small- and Medium-sized Entities**

The Auditing Practices Board's SME audit sub-committee is pleased to provide its comments on the *Guide to Using International Standards on Auditing in the Audits of Small- and Medium-sized Entities* (the Guide). The Guide contains two main components: (1) conceptual material explaining the ISAs and (2) the Depthia Furniture case study material. We address the two components separately.

**Conceptual material explaining the ISAs**

The sub-committee takes the view that while the Guide may be of assistance to some groups (for example students and training providers) in understanding auditing, it will not be used by auditors of small and medium sized entities in the UK and Ireland to understand the application of the ISAs as:

- The conceptual material is written from a 'zero base' of knowledge about auditing, as a result it is much too long. Experienced practitioners need more emphasis to be placed on those areas which are new to the ISAs and where auditors of smaller entities are likely to experience implementation difficulties.
- The conceptual material is generic to all audits and does not focus sufficiently on particular issues relating to SME audits (except in the case of some of the 'Consider' points, which are generally helpful).
- It prescribes a 'controls intensive' audit approach which is unlikely to be effective on smaller audits. While ISA 315 requires a certain understanding of internal controls the sub-committee believes that the emphasis on controls promoted by the guide is excessive and will not be cost effective.

Yours sincerely  
 Louise Wedderburn  
 Louise Wedderburn FCA  
 Senior Technical Manager  
 Small and Medium Practices Committee  
 International Federation of Accountants  
 345 Fifth Avenue, 14th Floor  
 New York, New York 10017  
 Email: [paulthompson@ifac.org](mailto:paulthompson@ifac.org)

ICAEW Rep XXX08  
 ref: ICAEW Rep XXX08  
 ref: Thompson  
 ref: Technical Manager  
 Small and Medium Practices Committee  
 International Federation of Accountants  
 345 Fifth Avenue, 14th Floor  
 New York, New York 10017  
 email: [paulthompson@ifac.org](mailto:paulthompson@ifac.org)

Mr Thompson  
 DE TO USING INTERNATIONAL STANDARDS ON AUDITING IN THE AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES  
 Institute of Chartered Accountants in England and Wales (the Institute) is pleased to send to you a request for comments on the *Guide to Using International Standards on Auditing in the Audits of Small- and Medium-sized Entities*.  
 We would be pleased to discuss any of the points raised in the attached paper.  
 If you have any comments, please contact me should you wish to discuss any of the points raised in the attached paper.  
 I am sure you will find this a most interesting and useful paper.  
 I am sure you will find this a most interesting and useful paper.  
 I am sure you will find this a most interesting and useful paper.

IFAC Accountants' Hall  
 45 Moorgate Place London EC2P 2BU  
 UK  
 Tel: +44 (0)20 7620 8100  
 Fax: +44 (0)20 7620 0547  
 Email: [info@icacw.com](mailto:info@icacw.com)

**APB Practice Note 26 – Sep 07**  
**Guidance on Smaller Entity Audit Documentation**  
<http://apb.frcpublications.com/>

**Auditing Practices Board**  
Albion House, 71-81 Albion, London WC2E 4DF  
Telephone: 020 7492 3200 Fax: 020 7492 2299  
[www.apb.org.uk/apb](http://www.apb.org.uk/apb)

Paul Thompson  
Senior Technical Manager  
Small and Medium Practices Committee  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York  
NY 10017  
USA

Dear Sir

**Guide to**  
The Audit Committee (small) - an  
composite  
Paraphrase

**Concepts**  
The sub-  
groups it  
will not  
relate to

- T1
- T2
- T3
- T4
- T5
- T6
- T7
- T8
- T9
- T10
- T11
- T12
- T13
- T14
- T15
- T16
- T17
- T18
- T19
- T20
- T21
- T22
- T23
- T24
- T25
- T26
- T27
- T28
- T29
- T30
- T31
- T32
- T33
- T34
- T35
- T36
- T37
- T38
- T39
- T40
- T41
- T42
- T43
- T44
- T45
- T46
- T47
- T48
- T49
- T50
- T51
- T52
- T53
- T54
- T55
- T56
- T57
- T58
- T59
- T60
- T61
- T62
- T63
- T64
- T65
- T66
- T67
- T68
- T69
- T70
- T71
- T72
- T73
- T74
- T75
- T76
- T77
- T78
- T79
- T80
- T81
- T82
- T83
- T84
- T85
- T86
- T87
- T88
- T89
- T90
- T91
- T92
- T93
- T94
- T95
- T96
- T97
- T98
- T99
- T100

effective on smaller audits. While ISA 315 requires a certain understanding of internal controls the sub-committee believes that the emphasis on controls promoted by the guide is excessive and will not be cost effective.

August 2008  
ref: ICAEW Rep XX08  
ref:

Thompson  
or Technical Manager  
Small and Medium Practices Committee  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York  
NY 10017  
USA

- All ISAs or focused approach on SME issues
- Aimed at those already familiar with ISAs, or those moving to ISAs
- Too much emphasis on controls based audit
- Is the case study realistic for an SME and comprehensively developed
- Should Guide offer various approaches

**APB Practice Note 26 – Sep 07**  
**Guidance on Smaller Entity Audit Documentation**  
<http://apb.frepublications.com/>

IFAC

- About IFAC
- Media Center
- Exposure Drafts
- Compliance Program
- Standard-Setting Boards
- Committees
- Financial Reporting Supply Chain
- Forum of Firms
- Articles and Speeches Library
- Bookstore
- Translations and Permissions
- Jobs at IFAC

---

- Home
- Site Feedback
- Contact IFAC
- Leadership Intranet
- MemberNet

Sign up to get IFAC eNews

Sign Up!

IFAC Public Discussion

SMP/SME Discussion Board

IFAC Public Discussion» SMP/SME Discussion Board» What has been your experience in implementing the Guide to Using ISAs in SME Audits?

2 messages - 180 views

Bryan Hall  
2008-05-14

IFAC's Small and Medium Practices (SMP) Committee has released a free implementation guide to assist SMPs and other practitioners in applying International Standards on Auditing (ISAs) to the audits of small and medium entities (SMEs). The Guide provides a detailed analysis of all ISAs issued as of December 31, 2006 and their requirements in the context of an SME audit. This is the first version of the Guide. While we consider this Guide to be of high quality and useful in its present form, like any first edition it can be improved. Hence, we are committed to updating this Guide on a regular basis so as to ensure that it reflects current standards and is as useful as possible.

The next update is scheduled for late-2009 and will be based on the newly clarified ISAs that take effect for audits of periods beginning on or after December 15, 2009. In order to ensure the second version is even more useful than this one, we welcome comments from IFAC member bodies, national standard setters, practitioners, and others over the coming 18 months. These comments will be used to assess the Guide's usefulness and to improve it prior to publishing the second edition.

Hence, the SMP Committee is seeking your views, in particular, on the following

1. How do you use the Guide? For example, do you use it as a basis for training and/or a practical reference guide, or in some other way?
2. Is the cross-referencing to the ISAs sufficient for you to easily refer to the ISAs while reading the Guide?
3. Do you believe that the Guide has appropriately integrated all of the relevant ISAs into the audit process?
4. Do you consider the guidance to be conducive to the performance of an efficient, effective and economic ISA-compliant audit of smaller entities?
5. Do you find the illustrative case study helpful? In particular, do you consider the case study example documentation to be comprehensive and of practical assistance, particularly in connection with the audit of smaller owner-managed businesses?
6. Do you find the Guide easy to navigate? If not, do you have suggestions for how navigation can be improved?

<http://web.ifac.org/forum/topic/15/what-has-been-your-experience-in-implementing-the-guide-to-using-isas-in-sme-audits/1>

## Your Feedback

- Commitment to continuous improvement

GUIDE TO USING INTERNATIONAL STANDARDS ON AUDITING  
IN THE AUDITS OF SMALL- AND MEDIUM-SIZED ENTITIES

### **Request for Comments**

This is the first version of the Guide. While we consider this Guide to be of high quality and useful in its present form, like any first edition it can be improved. Hence, we are committed to updating this Guide on a regular basis so as to ensure it reflects current standards and is as useful as possible.

- First CICA Update – Dec 2009 (including Clarity) to accompany 2010 IFAC Handbook
- Second CICA Update – Dec 2010 to accompany 2011 IFAC Handbook

- **YOUR OWN & YOUR INSTITUTE'S FEEDBACK WOULD BE MUCH APPRECIATED**