



International Auditing and Assurance Standards Board

Assurance services for SMEs

Setting the scene

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# *Setting the scene*

- Regulatory pressure
- One audit
- Complexity of standards
- Documentation
- IAASB and IFAC responses
- Does audit get in the way of a valuable service?

# *Regulatory pressure*

- Constant regulatory change
- New accounting and auditing standards
- Monitoring of audit work
- Felt by all auditors, but falls particularly hard on SMPs

# *One audit*

- ‘An audit is an audit’
- Standard setters and professional bodies resistant to differential auditing standards
- Distinction between accounting and auditing standards

# *Complexity of standards*

- Two main reasons:
  - Business complexity (fair values and consolidations, for example)
  - Calls for more detail (both from auditors and regulators)

# *Documentation*

- Seen by many auditors as an unproductive use of time, but
  - Documentation is a foundation for quality
  - Documentation is a prerequisite of monitoring
- Standards therefore place more emphasis on documentation, especially where judgment is exercised

# *IAASB responses*

- Committed to ‘principles-based’ standards that avoid too much detail
- Clarity project to improve understandability
- Incorporation of SME considerations in standards
- SMP participation in standard setting process

# *IFAC responses*

- Small and Medium Practices Committee input to standard setting
- Guidance for SMPs using ISAs
- Possible quality control guidance



# *Does audit get in the way of other valuable services?*

- The need for independence
- SMP resources used for audit costs may not leave any for services that might be more valued by clients

# *Conclusion*

- Is there a need for an alternative assurance service for smaller entities, that would be:
  - Distinguishable by users
  - Understood by users
  - Significantly cheaper than an audit
  - Valuable to users



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