

Agenda Item 4

IESBA

INTERNATIONAL ETHICS STANDARDS BOARD FOR ACCOUNTANTS

545 Fifth Avenue, 14th Floor, New York, New York 10017 USA
Tel +1 (212) 286-9344 ■ Fax +1 (212) 856-9420 ■ www.iesba.org

Meeting Location: InterContinental Eros, Nehru Place, New Delhi

Meeting Date: February 6-8, 2011

SME/SMP Issues

Objectives of Agenda Item

1. To consider the IESBA SME/SMP Working Group's Terms of Reference (see Agenda Paper 4-A).
2. To consider a status report summarizing the Working Group's progress to date and next steps (see Agenda Paper 4-B).

Background

At its November 2010 meeting in Singapore, the Board approved formation of the IESBA SME/SMP Working Group. This Working Group has now been established, with members¹ bringing a range of SME and SMP experience as professional accountants, including:

- Employment by SMEs;
- Public practice in SMPs and larger firms providing audit, review and other services to SMEs; and
- Service with IFAC member bodies setting, interpreting, monitoring compliance with and obtaining feedback related to ethics standards for professional accountants in SMEs and SMPs.

In Singapore, the Board discussed and did not change the Working Group's draft Terms of Reference, but deferred approval until the Working Group had an opportunity to

¹ The IESBA SME/SMP Working Group is comprised of the following members:

| | | |
|--------------------|---------|----------------|
| Don Thomson | (Chair) | Canada |
| Giancarlo Attolini | | Italy |
| Stuart Black | | Australia |
| Hilde Blomme | | Belgium |
| Tony Bromell | | United Kingdom |
| Kim Gibson | | United States |
| Larry Kean | | United States |
| Marie Lang | | United Kingdom |

provide input. The Working Group has now considered and supports approval of these draft Terms of Reference (Agenda Paper 4-A).

The objective of the Working Group is to determine what unique and challenging issues SMEs and SMPs face in complying with the IESBA Code, understand these issues, and recommend to the IESBA ways in which the Board might address them.

In December, Working Group members were asked to share their preliminary thoughts on the most challenging issues. This input influenced the development of an agenda for a January meeting in London at which the Working Group began to identify and consider unique and challenging issues, and ways in which the Board might address them. The focus at this meeting was on identifying issues for consideration. Further research and discussion is required before the Working Group will be ready to consider any recommendations to the Board.

Exposure draft responses and other relevant background information available from the Board's and SMP Committee files have been provided to Working Group members for their information.

Next Steps

Research is now being performed to investigate more fully the issues identified by Working Group members, and action that may be appropriate to address these issues. The Working Group will consider the results of this research and give further thought to other issues that may warrant attention.

The next Working Group meeting is to be held in Istanbul on March 19-20, immediately prior to IFAC's SMP Forum at which the Working Group Chair will participate on a panel and, together with other Working Group members, will lead a breakout session on helping SMPs implement the Code. Following the Forum, the Working Group Chair will meet with the SMP Committee. Additional input will be considered as the Working Group validates its findings.

Action requested

- 1. Approve the IESBA SME/SMP Working Group's Terms of Reference.**
- 2. Receive and comment on the Working Group's Status Report.**

Material Presented

| | |
|------------------|--|
| Agenda Paper 4 | This Agenda Paper |
| Agenda Paper 4-A | IESBA SME/SMP Working Group's Terms of Reference |
| Agenda Paper 4-B | IESBA SME/SMP Working Group's Status Report |