

**Meeting:** IESBA  
**Meeting Location:** New York  
**Meeting Date:** March 11-13, 2013

## Agenda Item

# 9

### IFAC SMP Committee Liaison

#### Objectives of Agenda Item

1. To receive a report-back regarding the February 2013 IFAC Small and Medium Practices (SMP) Committee (SMPC) meeting.
2. To consider a proposed protocol governing the process for the SMPC's input to the IESBA's projects.

#### Background

3. In the past, the SMPC has devoted a significant amount of its resources to the objective (as stated in its Terms of Reference) of directly working with the standard-setting boards supported by IFAC and other standard-setting bodies to ensure that they are aware of, and give due consideration to, issues relevant to SMEs/SMPs. The recommendations of the SMP Review Group that recently considered the nature and scope of the SMPC's activities confirmed that this should continue to be a significant focus of the SMPC and that the SMPC's responsibilities should extend to including monitoring the extent, and supporting the effectiveness, of SMP representation across all IFAC groups. Accordingly, one of the four elements of the SMPC's mission as per its *Strategy and Work Plan for 2013-2016*<sup>1</sup> is:

Standards and Guidance – Contributing to the development of international standards and guidance that are stable, relevant, and can be applied in a manner proportionate to the size of an entity or practice.

4. Until 2011, this aspect of the SMPC's mission largely involved working with the IAASB, whereas the SMPC's input to the IESBA was generally only via comment letters in response to certain public consultations, most recently in December 2012 on the Exposure Draft, *Responding to a Suspected Illegal Act*. However, the creation of the SMPC's Ethics Task Force in 2011 provides the SMPC with a vehicle to work on a more structured basis with the IESBA.
5. In support of this enhanced focus on inputting into the IESBA's work, the SMPC committed to the following in its Strategy and Work Plan for 2013-2016:

The SMP Committee is committed to helping ensure the Code is relevant to and capable of being cost effectively applied by SMPs and SMEs, and will therefore focus its technical input to IESBA projects of most relevance to SMEs and SMPs, including non-assurance services, redrafting the

<sup>1</sup> See <http://www.ifac.org/publications-resources/smp-committee-strategy-and-work-plan>.

Code, reporting suspected illegal acts, and projects relating to the Board-approved recommendations of the SME/SMP Working Group.

6. To help coordinate the SMPC's input, a draft protocol (see Agenda Item 9-A) governing the process for the SMPC's input to IESBA projects – similar to the one that has been in operation with the International Auditing and Assurance Standards Board (IAASB) since 2004 – has been agreed in principle at staff level. At its February 2013 meeting, the SMPC considered and did not raise objection to the proposed protocol.
7. Subject to the IESBA's consideration and approval of the proposed protocol, staff suggests that it be made effective from March 2013. Once the protocol is agreed, the SMPC is expected to make some minor conforming changes to its Due Process and Working Procedures.

#### **Material Presented**

Agenda Item 9-A          Proposed IESBA Working Procedures – Liaison with the IFAC SMP Committee

#### **Action Requested**

8. The IESBA is asked to approve the proposed protocol regarding the process for obtaining the SMPC's input to IESBA projects.