



International
Federation
of Accountants

Quality as Our Advantage

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LACPA 19th International Scientific Congress Audit
Complementarity Effects on Business Perspectives

Beirut, Lebanon

November 26-27, 2014

Agenda

- SMP Committee
 - Overview
 - IFAC Global SMP Survey
- ISQC 1
 - Overview
 - Proportional Application
- IFAC Resources
 - Quality Control (QC) Guide
 - Global Knowledge Gateway
- Connect With Us!

IFAC SMP Committee - Overview

- To represent interests of SMPs
- Comprised of 18 members from 17 countries
- Regular and robust input to policy, regulation, and international standards / guidance
 - For example, IAASB Strategy & Work Plan, Auditor Reporting, Disclosures
- Develops and shares tools and guidance
- Promotes the visibility and recognition of SMPs – presentations at over 25 events in 2014

IFAC Global SMP Survey—Open in 21 Languages!

- Arabic
- Chinese
- Dutch
- Finnish
- French
- German
- Hebrew
- Hungarian
- Italian
- Japanese

A central graphic with a light orange background. On the left, the text "Calling All SMPs!" is written in large green letters. Below it, in smaller blue text, are the phrases "Make Sure Your Voice Is Heard." and "Take the IFAC Global SMP Survey 2014.", followed by the URL "www.ifac.org/SMP". On the right side of the graphic, there is a silver wireframe globe and a green silhouette of a person standing on a small pedestal with their arms raised in a celebratory gesture.

Calling All SMPs!

Make Sure Your Voice Is Heard.

Take the IFAC Global SMP Survey 2014.

www.ifac.org/SMP

- Korea
- Latvian
- Lithuanian
- Polish
- Portuguese
- Romanian
- Russian
- Spanish
- Swedish
- Turkish

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IFAC Global SMP Survey – Preliminary Insights I

- About the respondents
 - Top 3 languages are English, French and Romanian
 - Top 3 countries are Canada, Israel and Nigeria
 - Europe accounts for over 40% of respondents
 - Over 60% are partners
 - Almost 75% are male
 - Almost 70% are sole practitioners or in firms of 2-5 partners & staff

IFAC Global SMP Survey – Preliminary Insights II

- Sneak peak at half-time scores
 - Top 4 challenges SMPs presently facing are rising costs, attracting new clients, keeping up with new technology and keeping up with new regulations and standards
 - Over 70% are not part of network, alliance or association – but 40% of these are considering joining one
 - Top 3 impacts in next 5 years are regulatory environment, competition and technology developments
 - Almost 75% said 2014 was the same or better than 2013
 - Advisory / consulting services and tax expected to be fastest growing service lines in 2015

Overview – ISQC 1 Implementation

- ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*
- Treat it as an exercise in change management
- Create an implementation plan and appoint a team leader
- Talk to your colleagues and clients now
- Take time to digest it all - recognize need to understand *all* of ISQC 1
- Determine requirements relevant to your practice

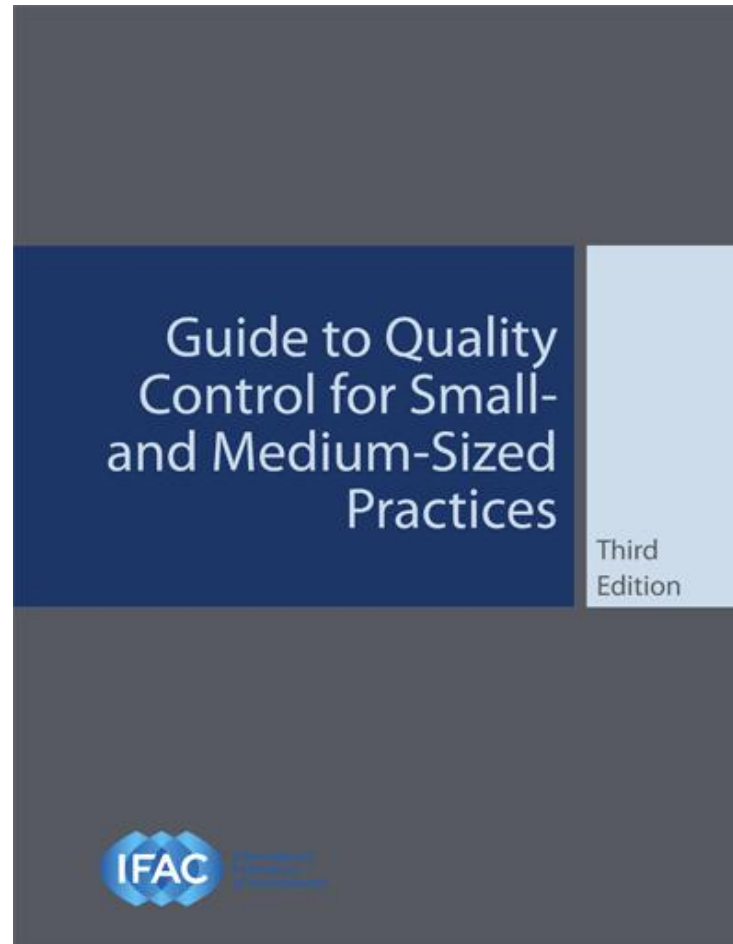
Overview – ISQC 1

- Applies to firms of all sizes that provide services covered by the IAASB's International Standards
- Clarity structure in which information is presented in separate sections: Introduction, Objective, Definitions, Requirements and Application and Other Explanatory Material
- The objective of the firm is to establish and maintain a system of quality control to provide it with reasonable assurance that:
 - The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
 - Reports issued by the firm or engagement partners are appropriate in the circumstances.

Proportional Application I

- Emphasis on professional judgment, the standard is principles-based which allows practitioners to tailor procedures
- Applying ISQC 1 proportionately to the size and complexity of the firm is key to its efficient implementation
- Requirement for the firm to comply with each requirement of the standard *unless, in the circumstances of the firm, the requirement is not relevant to the services provided...*
- ...hence some requirements may not be relevant to SMPs
- Contains special considerations for smaller practices (SMPs)
- Firms can draw on external resources to meet some of the requirements

Quality Control (QC) Guide I



Published
August 2011
French and
Arabic
translation at
<http://www.ifac.org/about-ifac/translations-permissions/translations-database>

QC Guide - Introduction I

- Helps SMPs apply ISQC 1 proportionately and efficiently
- Provides practical guidance, but is no substitute for:
 - Reading and understanding ISQC 1 (itself, a requirement of ISQC 1)
 - Using professional judgment
- Helps firms develop a system of quality control
- Promotes consistent application of quality control requirements within audit, review, and other assurance and related service engagements
- May serve as a reference document for training within a firm

Structure and Content I

- Modular approach to the elements of ISQC 1
 - Chapter 1: Leadership Responsibilities for Quality Within the Firm
 - Chapter 2: Relevant Ethical Requirements
 - Chapter 3: Acceptance and Continuance of Client Relationships and Specific Engagements
 - Chapter 4: Human Resources
 - Chapter 5: Engagement Performance
 - Chapter 6: Monitoring
 - Chapter 7: Documentation
- “Helpful Hints”

Structure and Content II

- Case study—M.M. and Associates
 - Fictional sole practitioner employing four staff
 - Performs review engagements and a small number of audits
 - Illustrates the value of a system of quality control and how its elements may be applied to practical situations
- Sample forms and checklists
- Two sample Quality Control Manuals
 - Sole practitioner
 - 2-5 partner firm

IFAC Global Knowledge Gateway - About

- News, views, resources, thought leadership
 - Access global resources
 - Learn about emerging areas
 - Stay connected to pressing news
 - Exchange views, make recommendations, share information and resources

International Federation of Accountants
Strengthening Organizations, Advancing Economies

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Interconnected Global Risks: No Man, or Business, Is an Island

By Morvyn King, Chairman, International Intepreted Reporting Council | April 16, 2014

The challenge of designing an economic model capable of identifying, and then responding to, systemic and interconnected risks is something the G-20 has been grappling with since the onset of the global financial crisis in 2008. It is also an urgent matter for businesses, which make up around half of the world's largest economic entities. The concept of "connectivity" of information in a business context acts to bring together the different parts of a business in recognition of the interdependencies between them. It forces a new kind of behavior—what we call "integrated thinking"—and is a central principle of integrated reporting, a new corporate reporting model being trialed in approximately 25 countries and embraced by companies as diverse as Hyundai, Popalco, National Australia Bank, and Unilever.

Read More

Business Reporting
Improving the usefulness of reported information for internal and external stakeholders
Discussions • Resources • News

Finance Leadership & Development
Responding to changing expectations of society and organizations, and preparing for leadership roles
Discussions • Resources • News

Performance & Financial Management
Improving organisational performance through better support for strategic and operational decision making
Discussions • Resources • News

Sustainability
Integrating sustainability into management, reporting, and assurance practices
Discussions • Resources • News

Practice Management
Supporting practitioners in managing and growing their practices
Discussions • Resources • News

Ethics
Reinforcing ethical practices and encourage an ethical workplace
Discussions • Resources • News

Governance
Improving the systems and structure by which entities make decisions, execute them, and monitor the results
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Risk Management & Internal Control
Addressing uncertainty in setting and pursuing the organization's objectives
Discussions • Resources • News

Audit & Assurance
Facilitating the adoption, implementation and development of international standards
Discussions • Resources • News

Recent Viewpoints

CIMA's Global Management Accounting Principles: Seeking Your Input
By Charles Tilley, Chief Executive, CIMA | March 27, 2014

The Chartered Institute of Management Accountants (CIMA) has launched a consultation on a set of Global Management Accounting Principles and we would very much like your help. Unlike financial reporting, which has standards to guide its practice, there has been little authoritative guidance to help CFOs assess and improve the quality of the management accounting practice and processes used in their organizations.

Deja Vu All Over Again
By James S. Turley, former Global Chairman and CEO, CFI | March 10, 2014

After the global financial crisis, the leaders of the G-20 countries called for global regulatory cooperation and collaboration, including the adoption of global accounting standards.

Introducing the IFAC Global Knowledge Gateway
By Pooja Chaturvedi, IFAC CEO | February 12, 2014

Welcome to the Global Knowledge Gateway, IFAC's newly minted global hub for accountancy news, views, resources, and thought leadership from IFAC, our member organizations, and other notable groups and individuals.

Read All Viewpoints

Latest Accountancy News

Asian Development Bank Lent \$3bn to Public Sector Last Year
April 22, 2014 - Public Finance International

Management Accountants Get an Edge at Penn State
April 22, 2014 - Accounting Web

US FASB Pushes Revenue Recognition Release to Late May
April 21, 2014 - Compliance Week

Survey: Accounting Jobs Can Take as Long as a Month to Fill
April 21, 2014 - Accounting Web

IAASB Re-Proposes Standard Addressing Information in Annual Reports; Further Clarifies Auditor Effort and Reporting Responsibilities
April 15, 2014 - International Auditing and Assurance Standards Board (IAASB)

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Global Knowledge Gateway – Topic Areas

- Business reporting
- Ethics
- Financial leadership & development
- Governance
- Performance and financial management
- Risk management & internal control
- Sustainability
- Audit & assurance
- Practice management
- *Islamic Finance (Dec.)*

Global Knowledge Gateway – Audit & Assurance



Audit & Assurance

Accounting firms offer a wide range of professional services to their clients, including audit, review, other assurance, and related services. These services are regulated, with many jurisdictions requiring compliance with international standards or national requirements that have been based on international ones. High-quality international standards increase the comparability, consistency, clarity, credibility, and transparency of financial information. And, high-quality financial information, in turn, increases the stability of the global financial infrastructure. [Read More](#)

Discussions

Resources

News

What is the Future of Audit and Assurance? FEE Opens Discussion

by Hilde Blomme, FEE Deputy CEO, and Noémi Robert, FEE Audit & Assurance Manager | May 14, 2014 |

As part of its commitment to promoting a public debate on audit and assurance, the Federation of European Accountants (FEE) has published a discussion paper, the *Future of Audit and Assurance*. The paper lays out initial observations that could result in potential longer-term developments in audit, assurance, and other services. As the start of a journey, this paper examines some areas of development and poses questions. [Read More](#)

Recommend

- Audit & Assurance
- All Global Knowledge Gateway

Recent News

Value of Audit Blog

May 14, 2014 - [Economia](#)

Value of Audit

May 6, 2014 - [Economia](#)

PCAOB Seeks Input on Reorganization of Auditing Standards

May 6, 2014 - [Accounting Web](#)

SME Auditing Options Explained

April 29, 2014 - [South African Institute of Professional Accountants](#)

Recent Resources

Auditing Special Purpose Frameworks: Flowchart Prep Tips

May 14, 2014 - [Accounting Web](#)

Auditing Special Purpose Frameworks: Key Controls

May 8, 2014 - [Accounting Web](#)

Factsheets on the EU Audit Directive and Regulation

Connect With Us!

- Follow us on [Twitter](#): IFAC_SMP
- Join us on [LinkedIn](#): IFAC SMP Community
- Sign-up for Global Knowledge Gateway updates
www.ifac.org/Gateway

References – General

- IFAC SMP Committee: www.ifac.org/SMP
- IFAC Global SMP Survey www.ifac.org/smp
- Global Knowledge Gateway (Audit & Assurance): <http://www.ifac.org/global-knowledge-gateway/audit-assurance>
- Global Knowledge Gateway (Practice Management): <http://www.ifac.org/global-knowledge-gateway/practice-management>
- Gateway resources for audit: <http://www.ifac.org/global-knowledge-gateway/audit-assurance?resources&topic=357>
- IFAC Translations Database: <http://www.ifac.org/about-ifac/translations-permissions/translations-database> (for Arabic & French translations of QC Guide)

References – IAASB

- Staff Q&A, *Applying ISAs Proportionately with the Size and Complexity of an Entity*: <http://www.ifac.org/publications-resources/staff-questions-answers-applying-isas-proportionately-size-and-complexity-ent>
- Staff Q&A, *Applying ISQC 1 Proportionately with the Nature and Size of a Firm*: http://www.ifac.org/sites/default/files/publications/files/Staff%20QA%20ISQC%201%20Proportionality_FINAL.pdf
- The Clarified ISAs—Findings from the Post-Implementation Review: <http://www.ifac.org/publications-resources/clarified-isas-findings-post-implementation-review>
- 2014 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements: <http://www.ifac.org/publications-resources/2014-handbook-international-quality-control-auditing-review-other-assurance-a>
- IAASB Clarity Center: <http://www.ifac.org/auditing-assurance/clarity-center>

References – Implementation

- Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities (Third Edition) (incl. companion manual and slides): <https://www.ifac.org/publications-resources/guide-using-international-standards-auditing-audits-small-and-medium-sized-en>
- Guide to Quality Control for Small- and Medium-Sized Practices (Third Edition) (incl. companion manual and slides): www.ifac.org/publications-resources/guide-quality-control-small-and-medium-sized-practices-third-edition-0
- Boosting the Quality and Efficiency of Smaller Entity Audits article: <https://www.ifac.org/news-events/2013-07/boosting-quality-and-efficiency-smaller-entity-audits>
- Tips for Cost-Effective ISA Application article: <https://www.ifac.org/publications-resources/tips-cost-effective-isa-application>
- Tips for Cost-Effective ISQC 1 Application article: <https://www.ifac.org/publications-resources/tips-cost-effective-isqc-1-application>