

IFAC SMP's Committee Program and Issues affecting SMPs in Kenya today

ICPAK - THE 28TH ANNUAL SEMINAR, 2012

*VENUE: PRIDEINN SAI ROCK BEACH HOTEL,
MOMBASA, KENYA*

Thursday 25 th May 2012

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Committee Member 2012-2013*

Technical Advisor-CPA Makokha Wanjala

Seminar Theme: **“Professionals for Change”**

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- IFAC-International Federation of Accountants-greetings from the IFAC President , Mr **Göran Tidström from Sweden**
- IFAC SMP Committee-greetings from the Committee Chairman Mr **Giancarlo Attolini , from Italy**
- **What is the Small and Medium Practices (SMP) Committee?**
- The Small and Medium Practices (SMP) Committee of the International Federation of Accountants represents the interests of professional accountants who work in SMPs. The committee develops guidance and tools, and works to ensure the needs of the SMP and small- and medium-sized entity (SME) sectors are considered by standard setters, regulators, and policy makers. The committee also speaks out on behalf of SMPs to raise awareness of their role and value, especially in supporting SMEs, and the importance of the small business sector overall.

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- The SMP Committee is made up of 18 volunteer members, including a chair and deputy chair. Members serve three-year terms can serve up to six years.
- all information about the SMPC, including links to internal and external resources, is easily accessible from our home page, <https://www.ifac.org/about-ifac/small-and-medium-practices-committee>

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Small and Medium Practices Committee



IFAC's Small and Medium Practices (SMP) Committee works to raise the profile and build the capacity of SMPs globally, representing their interests to standard setters and regulators and developing tools and resources to promote their continued success.

> [Learn More](#)

Discussion Board

What challenges does your practice face in offering more business advice to SME clients?

What regulatory change/measure do you think would most help ease the regulatory burden for your practice and its SME clients?

Do you agree that the concepts underlying Integrated Reporting will be equally applicable to SMEs?

How does increasing the thresholds for mandatory audit impact your firm and your SME clients?



SMP on twitter

- > Towards Integrated Reporting: communicating value in the 21st century - free webinar on November 15
<http://t.co/G3r7f4P9>
(3 hours ago)
- > The Top Ten Things the AICPA Wants You to Know about ?The Future of the Profession? -
<http://t.co/bGecaxGT> via @cpa_trendlines
(3 hours ago)

SMP eNews

Features news related to SMPs and their small- and medium-sized entity clients, including resources, the SMP Quick Poll, and more. [Subscribe here!](#)

- > [August 2011](#)
- > [April 2011](#)
- > [January 2011](#)

Key Contacts

- > Paul Thompson, Deputy Director, SME and SMP Affairs
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- > Paul Harrison, Technical Manager, SMP Committee
✉ paulharrison@ifac.org

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- **What are SMPs?**
- The definition of *small- and medium-sized practice (SMP)* will vary from one jurisdiction to another. The SMP Committee defines SMPs as practices that exhibit the following characteristics: its clients are mostly small- and medium-sized entities (SMEs); it uses external sources to supplement limited in-house technical resources; and it employs a limited number of professional staff. The SMEs that SMPs serve include not only small businesses, but also public sector organizations, such as small government agencies and not-for-profits.

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- SMPs typically offer a broad range of professional services that help their clients both comply with regulation and enhance their business performance. These services range from traditional accountancy-based services, such as audit, other assurance, accounting, and tax, to various forms of value-adding business advisory services, including advice on strategic planning, financial management, financing, and risk management. One of the ways that SMPs serve the diverse business needs of their clients is by maintaining relationships with trusted experts from other disciplines, including bankers, lawyers, and IT specialists, who also serve small businesses

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- ***Select 2011 projects and initiatives***
- • 2011 SMP Forum: March 21, 2011, Istanbul, Turkey
- • Tips for Cost-Effective ISQC 1 Application
- • Regular input to standards developed by the IAASB and IESBA
- • Companion Guide to support use of QC, ISA, and PM Guides
- • SMP Quick Poll: Quarterly throughout 2011

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- **Activities and Interest Areas**
- The SMP Committee's objectives as outlined in their [Strategy and Work Plan](#) fall into one of more of the following areas.
- **The Four Strategic Pillars**
- **Standard-Setting**
- The SMP Committee is dedicated to providing regular and timely input to the international standard-setting process in order to help ensure the stability, relevance, and proportionality of international standards to SMEs and SMPs. The committee monitors the activities of the [IAASB](#), [IESBA](#), and other relevant bodies, such as the [IFRS for SMEs](#) developed by the [International Accounting Standards Board \(IASB\)](#), and submits comment letters at all key stages of the development process, from project proposal to draft exposure draft (ED) and, often, post exposure. A representative from the SMP Committee attends all [IAASB Consultative Advisory Group](#) (CAG) and [IESBA CAG meetings](#), where the committee's comment letters are frequently included on the agenda.

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- Recently submitted comment letters:
 - [re: *Enhancing the Value of Auditor Reporting: Exploring Options for Change*](#)
 - [re: ISAE 3000 \(Revised\)](#)
 - [re: Exposure Draft, ISRE 2400 \(Revised\)](#)
 - [re: *Proposed IAASB Strategy and Work Program for 2012-2014*](#)
 - [re: ISRS 4410 \(Revised\)](#)
 - [re: Exposure Draft, IES 7](#)
- **Regulation and Policy**
- The committee works to increase the participation of SMPs and small- and medium-sized entities (SMEs) in global public policy and regulatory dialogue.
- Recent activities: The committee responded to the IFAC Board's ED on [SMOs 1 through 7 \(Revised\)](#) and the [IIRC's Discussion Paper, *Towards Integrated Reporting*](#) and contributed to IFAC's responses to the European Commission's Green Papers on [audit policy](#) and the EU corporate governance framework.

- **Resources and Tools**

- In order to foster the growth and development of this sector, the committee provides practical assistance to SMPs with a focus on implementation of standards, practice management, and business advisory. Click "More" for comprehensive lists of links to related resources in these areas from IFAC, our member bodies, and other relevant organizations.

- [More](#)

- **Communication**

- To raise awareness of the importance and value of this sector, the committee members and staff participate in [speaking engagements](#) at national, regional, and global events and meetings, organize and co-host the annual [SMP Forum](#), issue timely [press releases](#) and [SMP eNews](#), and support other initiatives, including articles for member bodies to share with their own members and the SMP Quick Poll ([January results](#), [April results](#), [August results](#), [December and Year-End Results](#)).
- See also the SMP Committee [Discussion Board](#) and [Twitter Feed](#)
- The SMP Committee also monitors the extent and effectiveness of IFAC groups.

- Future Challenges and Opportunities- we have currently task forces looking into various issues/developments

Task Forces

Strategic Planning Task Force (SPTF)

Role – develops and maintains the committee’s due process and operating procedures, develops committee strategy and work plans, establishes and determines membership and role of task forces, and monitors and reports on implementation of SMP Review recommendations

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- ***Public Policy and Regulation Task Force (PPRTF)***
 - **Role** – provides input to IFAC's policy development and regulatory dialogue
- ***IAASB Rapid Response Task Force (IRRTF)***
 - **Role** – inputs to IAASB projects, including strategy development and implementation, and assists CAG representatives
- ***Ethics Task Force (ETF)***
 - **Role** – inputs to IESBA projects, including strategy development and implementation, and assists CAG representatives

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- ***Implementation Guidance Task Force (IGTF)***
 - **Role** - oversees development, maintenance and promotion of implementation guides and related materials
- ***Practice Management Task Force (PMTF)***
 - **Role** - oversees development, maintenance and promotion of practice management guide and related materials, the SMP Committee website, and member body sharing initiative
- ***SME Business Support Task Force (SBSTF)***
 - **Role** - develops, maintains and promotes materials to help position and equip SMPs to support SMEs, and liaises with PAIB Committee on topics such as governance and sustainability

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- SMP Quick Poll
- The first set of polls was done in 2011 and we had a very good response from europe and asia
- We now have one currently on and I would urge you to take about 5 minutes and please give your input as Ifac wants to hear its member bodies and the individual qualified Accountants
- Please log on to
- <https://www.research.net/s/SMPQuickPoll-May-June-2012>

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- Mission: *“... is to serve the public interest by: contributing to the development, adoption and implementation of high-quality international standards and guidance; contributing to the development of strong professional accountancy organizations and accounting firms, and to high-quality practices by professional accountants; promoting the value of professional accountants worldwide; and speaking out on public interest issues where the accountancy profession's expertise is most relevant.”*
- SMEs hold key to sustainable economic growth – hence public interest priority
- SMPs play key role in supporting SMEs

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- Main focus - help IFAC member bodies support their SMPs
- SMPs can help SMEs through provision of high quality professional services (perform and conform)
- But SMPs confronted with unprecedented challenges
 - operational, regulatory, market

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- Universal quantitative criteria inappropriate
 - Need to recognize national and regional variations
- Some qualitative characteristics
 - Majority of clients and fee revenue from SMEs
 - Reliance on external technical sources (e.g., audit software)
 - Relatively few professional staff

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- **Participate in policy-making and regulatory dialogue**
 - Criteria for regulation *and* standards
 - Capable of application in manner proportionate to size and complexity of entity and practice
 - Stable platform (slow the pace of change)
 - Relevant to SMEs and SMPs
 - All policy/regulatory proposals need to be appraised in terms of impact on SMEs ('Think Small First')

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- proposals of most relevance to SMPs (and SMEs)
 - Restricting non-audit services - risk will be disproportionate for SMEs
 - Mandatory rotation - risk of greater audit market concentration (unless mitigating measures)
 - ISA adoption - risk of diverging approaches to proportional application to SME audits
 - Audit oversight - risk will be disproportionate for SMEs
 - Mandatory tendering/abolition of Big Four clauses - help improve competition and challenge perception that size means quality
 - European 'passport' - greater cross-border mobility of auditors

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- Global Accountancy Profession needs to
 - Speak with one voice, setting aside differences
 - Focus on evidence-based, public interest motivated arguments
 - Better articulate the value of the profession (competence, integrity etc.) and its services (audit, business advisory etc.)

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- **Input to development of international standards**
 - By way of comment letters, volunteer/staff dialogue, presentations and CAG participation
 - IAASB – future focus on auditor reporting, alternatives to audit (reviews, compilations & agreed upon procedures) and ISA proportionality
 - IESBA – future focus on suspected illegal acts, redrafting Code, and projects arising from SME/SMP Working Group

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- **Raise awareness of role and value of SMEs and SMPs**
 - SMP Quick Poll
 - Member body/firm articles
 - SMP eNews
 - Twitter
 - SMP/SME Discussion Board
 - Annual SMP Forum
 - Presentations

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- **Provide practical support to SMPs (free resources & tools)**
 - To build the capacity of SMPs to support business (SMEs) through provision of high quality professional services
 - Categories: Implementation Guidance, Practice Management and Business Advisory
 - Member bodies/firms can use guides as is or adapt, translate etc.
 - Recently issued materials to help support use of ISA and QC Guides
 - Future focus likely to be on helping SMPs with proportionate application of ISAs and ISQC 1 (modules, case studies etc.) and promoting implementation of new standards (ISRS 4410/ISRE 2400)

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- All the committee's publications and resources, including those I refer to below, are accessible at <http://www.ifac.org/about-ifac/small-and-medium-practices-committee/publications-resources>. Specific links to SMPC resources that practitioners can use are as follows:
- ISA Guide: <http://www.ifac.org/publications-resources/guide-using-international-standards-auditing-audits-small-and-medium-sized-en> (this page also includes further links to the companion manual and orientation slides, although these are products designed more for member bodies)

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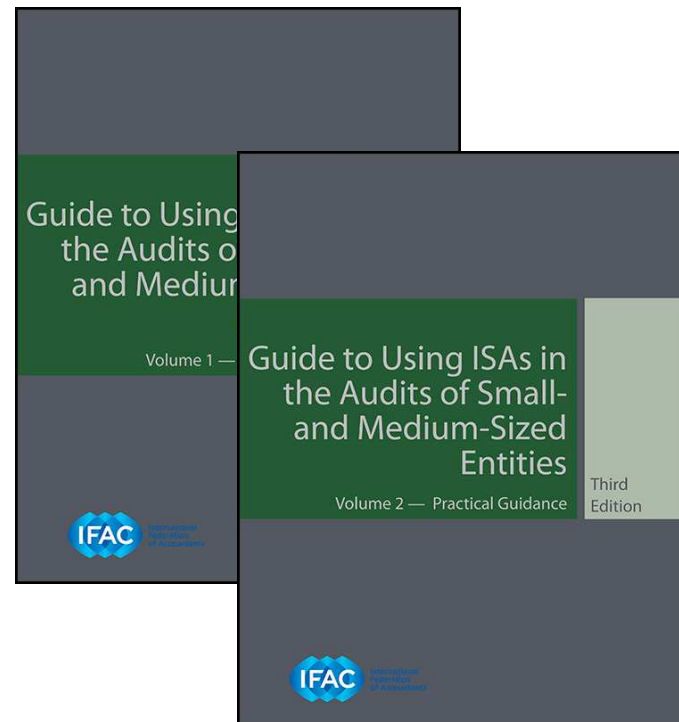
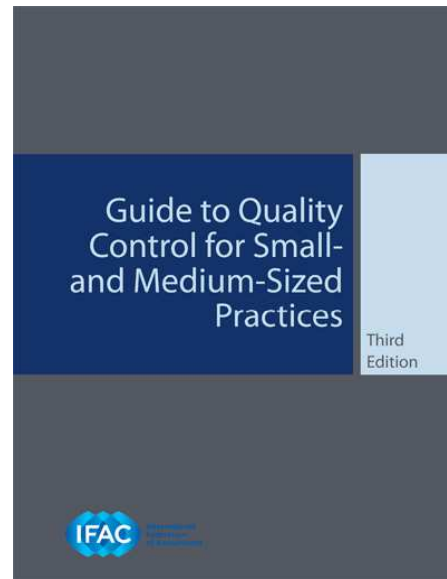
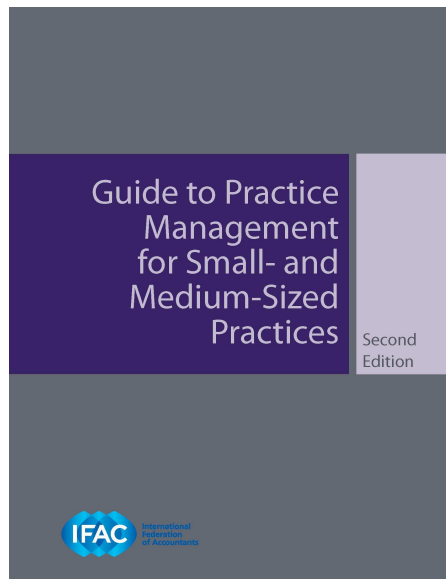
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- QC Guide: <http://www.ifac.org/publications-resources/guide-quality-control-small-and-medium-sized-practices-third-edition-0> (this page also includes further links to the companion manual and orientation slides, although these are products designed more for member bodies)
- practice Management Guide: <http://www.ifac.org/publications-resources/guide-practice-management-small-and-medium-sized-practices> (this page also includes further links to the companion manual; there are no orientation slides for the PM Guide)

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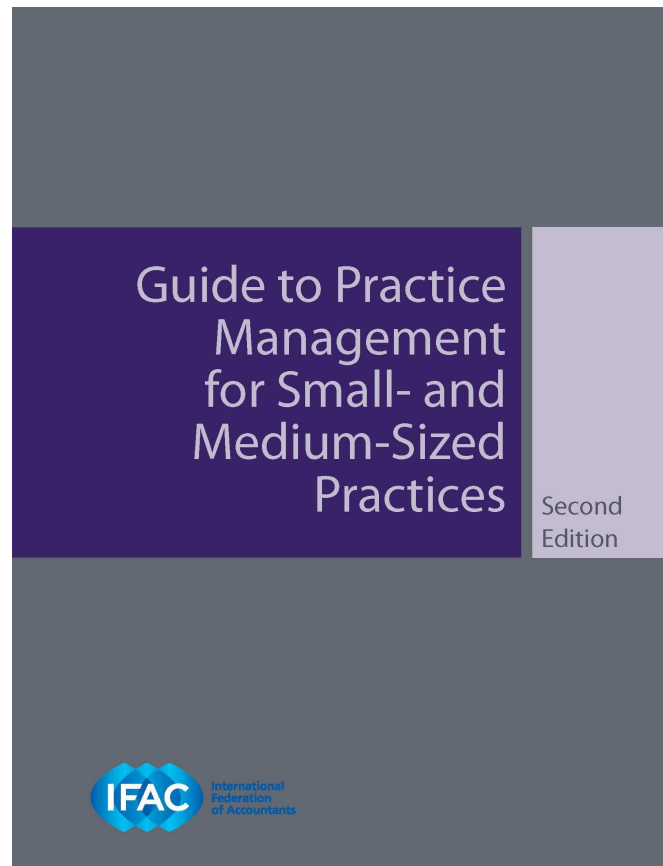
- Good Practice Checklist for Small Business:
<http://www.ifac.org/publications-resources/good-practice-checklist-small-business>



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- High quality and free to download from <http://www.ifac.org/about-ifac/small-and-medium-practices-committee/publications-resources>
- Non-authoritative guidance
- Regular updating – continuous improvement
- Many downloads – amongst IFAC's most popular products
- Many translations – see IFAC Translations Database <http://www.ifac.org/about-ifac/translations-permissions/translations-database>

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- Purpose
 - Improve the competitiveness, profitability and sustainability of SMPs
 - Provide practical assistance to help SMPs provide high quality services
 - Showcase global best practices and latest practice management techniques
- Second edition issued December 2011

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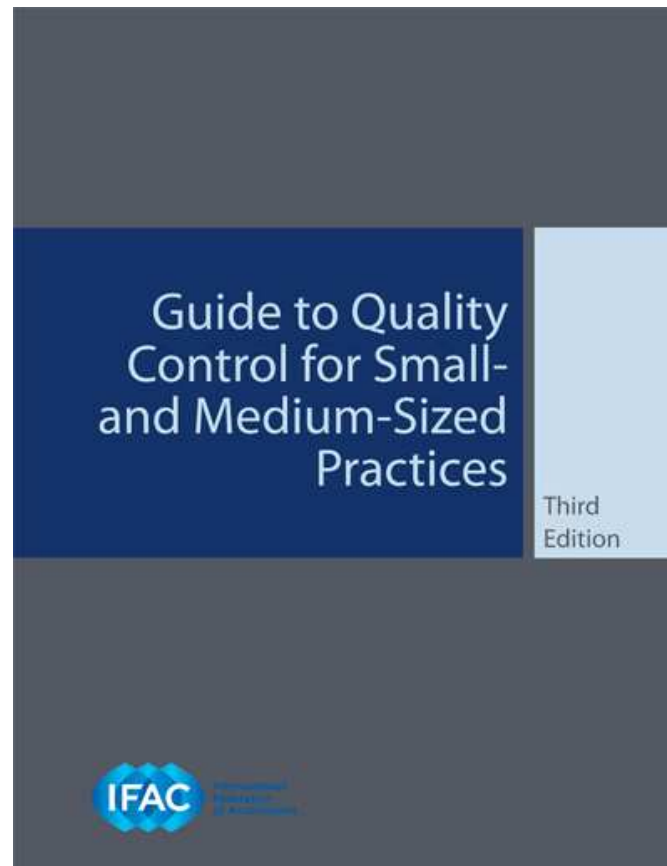
- Eight (largely) standalone modules
- Integrated case study
- Office Manual
- Hyperlinks (external) & links (internal)
- References and further readings
- Checklists/forms

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- Modules

1. Planning for your firm
2. Practice models and networks
3. Building and growing your firm
4. People power: Developing a people strategy
5. Technology and e-business
6. Client relationship management
7. Risk management
8. Succession planning

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IFAC SMP's Committee Program and Issues affecting SMPs in Kenya today

- Third edition issued August 2011
- 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

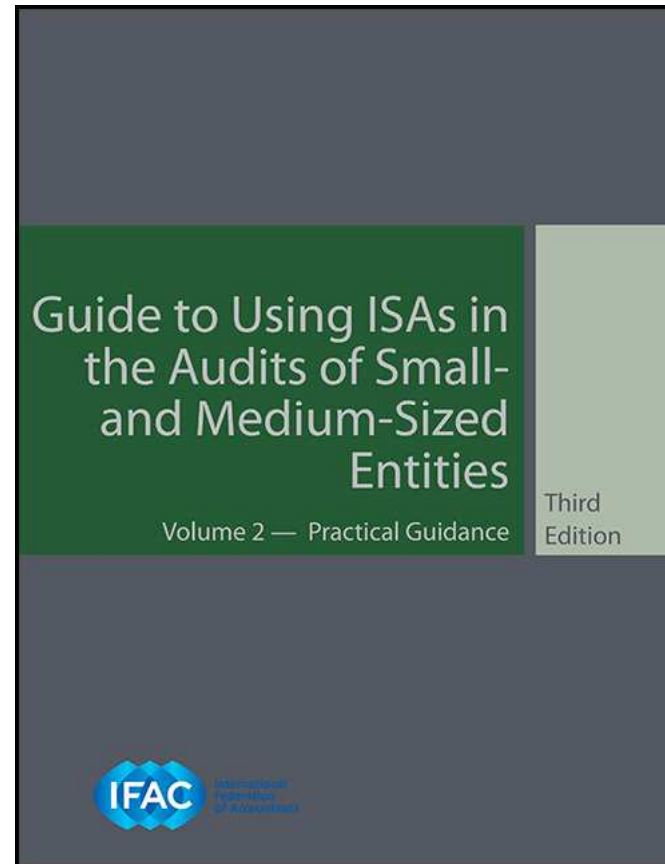
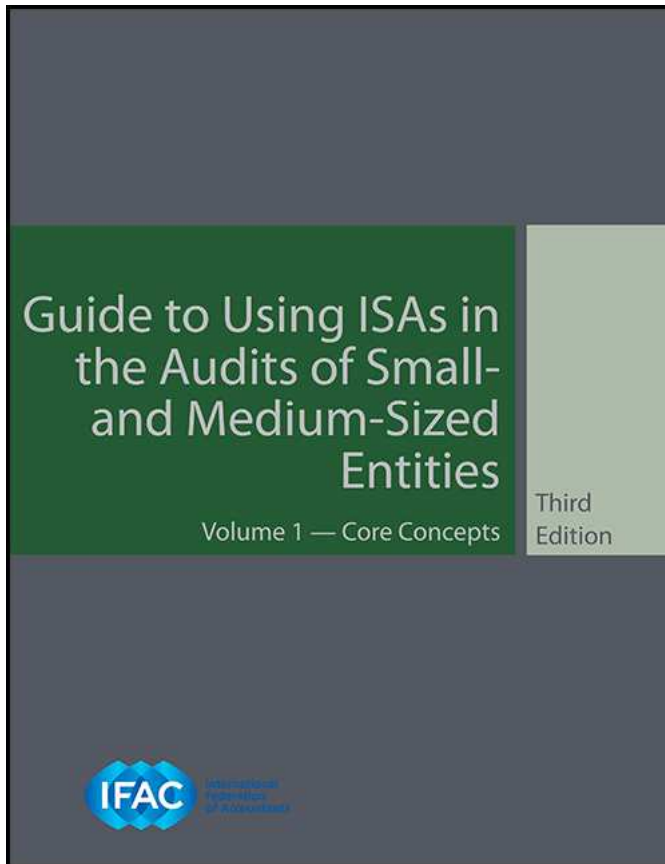
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- Modular approach to the elements of ISQC 1
 - Chapter 1: Leadership Responsibilities for Quality Within the Firm
 - Chapter 2: Relevant Ethical Requirements
 - Chapter 3: Acceptance and Continuance of Client Relationships and Specific Engagements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

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- 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

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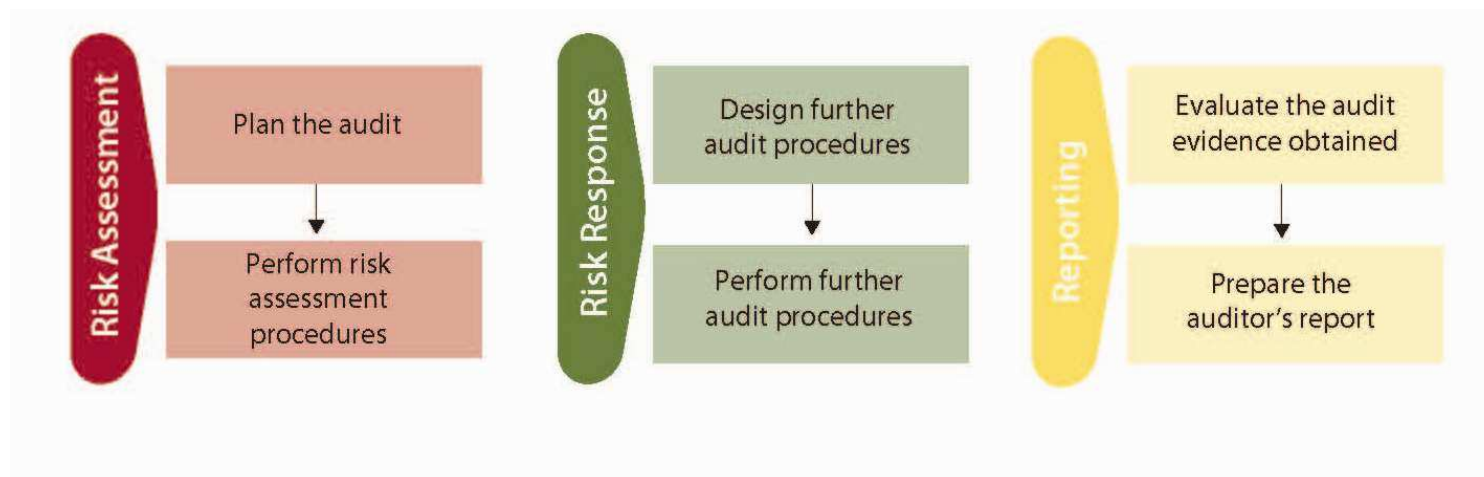
- Third edition issued November 2011
- Provides practical guidance, but is no substitute for:
 - Reading and understanding the ISAs (itself, a requirement of the ISAs)
 - Using professional judgment
- Helps develop a deeper understanding of an audit conducted in compliance with the ISAs, for example as
 - A basis for training and education
 - Reference material

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- Volume 1
 - Fundamental concepts of a risk-based audit in conformance with the ISAs
- Volume 2
 - Practical guidance on performing SME audits
 - Includes two illustrative case studies, one of an SME audit and one of a micro-entity audit

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Both volumes explain and illustrate the three phases of performing a risk-based audit—Risk Assessment, Risk Response, and Reporting



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Good Practice Checklist for Small Business

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- Can be used both by small businesses, to determine what business advice they may need from an accountant, and/or by SMPs, as a marketing/diagnostic tool to help determine what advice an SME client may need.

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- A series of videos, featuring interviews with leading edge practitioners, on how to develop a successful business advisory practice.

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- [IFAC SMP Quick Poll: 2011 Round-Up](#)
- Quarterly global poll started in Jan/Feb 2011
- 2,500 SMPs responded to Q4 poll
- 7 languages – Chinese, English, French, Italian, Portuguese, Romanian & Spanish
- Respondents not necessarily statistically representative as majority from Europe (62%)
- Some significant regional variations in responses

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- Regulatory burden and keeping up with new regulations and standards top concerns for SMEs and SMPs
- Pace of change is main source/reason for burden
- Economic uncertainty and difficulties accessing finance are also major concerns for SMEs
- Attracting/retaining clients second most important challenge for SMPs
- SMPs think 2012 will be better than 2011 (except Europe)
- Top drivers of practice growth in 2012 are additional revenue from existing clients then revenue from new clients

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- Main revenue earners: accounting and compilation then audit and assurance
- Fastest growing revenue sources: accounting and compilation then advisory/consulting services
- Top policy concerns: micro-entity financial reporting and global regulatory convergence
- 2012 polling
 - Semi-annual
 - Over 15 languages and more national/regional analysis
 - **Please support us** - H1 deadline June 14

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- Adapting to change
 - Competition from unqualified & non-accountants
 - Growth of business advisory
 - Sustainability agenda
 - Internationalization
 - IT developments – cloud computing
 - Referral networks: one-stop shop (ethical rules permitting)
- SMPs enjoy a reputation for competency, trust and responsiveness (according to our research)



Thankyou all

Abdulwahid aboo

www.ifac.org/smp