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Audit of SMEs: between opportunity and necessity

Why does an SME need audit?

1. The audit *product* has value for external stakeholders
2. Audit *procedures* provide value to internal stakeholders
3. Auditing *skills* are valuable to all types of professional accountant, and therefore also the economy

In a developed economy, audit is an **opportunity** for SMEs

- Developing a capacity in audit is essential for underpinning and enhancing economic growth
- But in countries where audit is more established, the audit itself must develop to meet the changing needs of users
- Potential to tailor the audit report for particular user needs, including the SME
- An **opportunity** for the profession to respond.



Integrating audit procedures/ skills



- The audit procedure can be hard to build into the limited resources of an SME
- Finance teams at SMEs generally need more assistance than those at larger companies
- There are solutions / alternatives to a traditional audit e.g. compilation engagement

Auditing standards

- Some stakeholders feel audit rules should distinguish between listed companies, unlisted companies, large and small enterprises
- However, there are benefits to a core approach to audit shared across the world
- Challenge for IAASB to make standards scalable and proportionate to SME needs



Audit exemptions: to be used sparingly



- Ethics is key
- Avoid 'erosion of the skill base of professional accountants (as number of audit engagements decreases)
- Use of audit exemptions should be based on maturity of local audit profession
- Developed economies ('opportunity' mode): scope to remove businesses from the need to have an audit
- Developing economies: audit remains more of a necessity, threshold should be used sparingly



Think Ahead

In conclusion...

