Consideration of
on this topic: Please indicate the relative importance of a focus on the following:

December
Agenda
Survey
Consultation
Responses
(Question 3)

This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the July 2016 Consultation on the IASB's Work Plan for 2017-2018 and Continuing Relevance of its Strategic Objectives can be found in Agenda Item 4-A of the IASB's December 2016 meeting (http://www.iasb.org/meetings/new-york-usa-14).

1 CFA Institute
2 Australian Securities and Investments Commission
3 Basel Committee on Banking Supervision
4 International Accounting Standards Board
5 Independent Regulatory Board for Auditors - South Africa
6 Ontario Securities Commission
7 SEC Thailand
8 SASB Commission of the Board (CVM)
9 New Zealand Auditing and Assurance Standards Board of the External Reporting Board
10 Ernst & Young Global
11 AICPA
12 International Organization for Standardization
13 International Federation of Accountants
14 Ernst & Young Global
15 Aitken Lambert Elsworth Inc
16 BDO International
17 KPMG network

If you are responding as an Organization, please name the organization:

Response number:

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Co-ordination with the IESBA: Please choose one: Please indicate the relative importance of a focus on the following:

Consideration of matters related to SMFs and SMEs: Please choose one: Please indicate the relative importance of a focus on the following:

In progressing all projects, the NZAASB strives the benefits of principles based standards, and cautioning against increasing the requirement burden on practitioners, not just in the context of SMPs, unnecessarily as this may ultimately detract from audit quality, decreasing the attractiveness of the profession, and impacting the ability to attract and retain new and experienced talent.

Consideration of matters related to SMFs and SMEs is very important to ensuring a sustainable business model for the auditing profession. SMFs are faced with the challenge of maintaining and adhering to high standards of quality and affordability for SMFs. Another challenge is operating in a more regulated market and having to meet audit licensing requirements. There is a real risk that the number of SMFs that perform audits will reduce and this will lead to a shortage of auditors in the market. Any ongoing increase in audit requirements needs to be carefully considered (and the costs quantified) to ensure that they do not have the unintended consequence of driving auditors becoming unfeasible for smaller entities (in particular the not-for-profit sector). It is in the public interest that these entities have access to high quality audit services which are cost effective and affordable, but not necessarily based on non-statutory audits.

The NZAASB is currently performing research on the assurance needs of non-statutory audits and the potential impact of increased requirements on the existing audit business model, which already under increasing pressure in jurisdictions of the size and nature of New Zealand. This includes the adoption of both ISAs and the IESBA Code of Ethics. The NZAASB is very supportive of close co-operation between these two Boards wanting to avoid differences in terminology and consistent use of defined terms. Efforts to remove conflicts and inconsistencies may enhance the usability of both the ISAs and IESBA's standards when they are to be applied to the same practitioners. In addition to ensuring that there are no conflicting requirements in the ISAs and the IESBA's Code, the NZAASB strongly encourages the IASB to remain mindful of the impact of changes proposed individually by the IASB and adopted by all IASB standard setting Boards, and the potential impact of increased requirements on the existing audit business model, which already under increasing pressure in jurisdictions of the size and nature of New Zealand.

SMFs are widely seen as critical in maintaining, and generating future growth in, economic activity. In many jurisdictions, many SMFs are subject to statutory audit requirements and in other cases are dependent upon non-statutory audits or other professional services to support the quality of, or to provide credibility to, their external financial reporting and endanger external stakeholders' trust. The IASB's international Standards support the quality of audits and other professional services that are generally provided by SMFs in this sector. It is important that these standards are both proportionate to the public interest in such entities and suitable for application to SMFs given the size and nature of both SMFs and SMPS. The IFRS has heard growing concerns from some stakeholders that continuing developments in the ISAs, primarily motivated by a desire to balance public perception in the audits of major public interest entities (such as listed companies and financial services entities) in the wake of the financial crisis, are becoming overly complex and expensive to implement for audits of smaller companies. At the same time, we have also found that the quality of internal financial reporting by listed SMEs, and of their audits, is often lower than for larger entities. One key result appears to be challenges in gaining access to high quality professional input. The IFRS therefore supports the IASB's plans to enhance its focus on the consideration of matters relating to audits of SMEs.

While coordination with the IESBA is important, there is a need to develop an effective oversight mechanism that can help ensure that the perspectives of each Board are taken into account as part of ongoing discussions and deliberations. This is an area that the IFAC SMP committee should focus on because that group has the expertise in dealing with matters affecting SMFs.

The IESBA is also the IESB, who should be consulted, and vice versa, and it should be independent of the standards committee. We should be mindful that adoption of the pronouncements of each Board vary geographically, and it is not always reasonable or possible to expect consistency.

Greater demands are being made by the South African market for guidance on engagements on SMEs. Further, other countries in Africa are also requiring this urgently. As is, the work to coordinate with stakeholders (i.e. strategic objective three), and not set up as a separate work stream. We would like to see the IAASB's information outreach and coordination efforts would also benefit from broader stakeholders, for example audit oversight bodies, audit inspectors, the International Forum of Independent Audit Regulators (IFIR), and the forthcoming EU Committee of European Auditing Oversight Bodies ("CEAOB").

The Committee recommends the consideration of matters related to small and medium-sized entities as lower priority, given the IAASB's present resource constraints.

Porcine plethysmography is a technique used in porcine physiology and medicinal research. It is an invasive procedure that involves the implantation of a small catheter into the aorta or one of its principal branches for the purpose of monitoring blood pressure and cardiac output. The procedure is typically performed under general anesthesia and requires the use of a specialized surgical technique to create an opening in the abdominal wall through which the catheter can be inserted. The catheter is then guided into the aorta or other desired location using fluoroscopy or other imaging modalities to ensure correct placement.

Since the requirements and principles of the IESBA code are key to performing an audit under ISAs, coordination between IASB and IESBA is crucial to establish a consistent and coherent framework for audits to apply. It is important the coordination efforts are properly managed to help ensure that the perspectives of each Board are taken into account as part of ongoing discussions and deliberations.

We believe that more application guidance is needed to apply ISAs in audits of SMEs and focus on scalability issues (e.g., in applying ISA 240, 315). However, we believe that this is an area that the IFAC SMP committee should focus on because that group has the expertise in dealing with matters affecting SMFs.

The standards are scalable and priority needs to be given to issues with the standards for capital markets, such as use of experts, substantive analytical procedures, sampling and materiality.

The IESBA as well as the ISASB should always be consulted, and vice versa, and it should be independent of the standards committee. We should be mindful that adoption of the pronouncements of each Board vary geographically, and it is not always reasonable or possible to expect consistency.

Greater demands are being made by the South African market for guidance on engagements on SMEs. Further, other countries in Africa are also requiring this urgently. As is, the work to coordinate with stakeholders (i.e. strategic objective three), and not set up as a separate work stream. We would like to see the IAASB's information outreach and coordination efforts would also benefit from broader stakeholders, for example audit oversight bodies, audit inspectors, the International Forum of Independent Audit Regulators (IFIR), and the forthcoming EU Committee of European Auditing Oversight Bodies ("CEAOB").

The independent Regulatory Board for Auditors - South Africa (IRBAS) has been established to protect the public interest. It is the responsibility of the IRBAS to ensure that the auditing profession operates in the public interest and that the profession is properly regulated to promote public confidence in the audits of medium and small entities. To this end, the IRBAS is mandated to ensure that the perceptions of each Board are taken into account as part of ongoing discussions and deliberations.

The IESBA is very important to our ISESBA as we believe it is critical to maintain high standards of audit quality and affordability. We believe the IESBA is very important in establishing a framework that is consistent and coherent for audits of SMEs. It is important to have a clear understanding of the IESBA and ISASB's standards and how they are applied in practice.

The IFAC SMP committee should focus on providing guidance and support to SMFs in the context of the ISAs. It is important to ensure that SMFs are able to perform audits in a consistent and effective manner. This will help to ensure that SMFs are able to maintain a consistent and coherent framework for audits, and that the perspectives of each Board are taken into account as part of ongoing discussions and deliberations.

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You must indicate the relative importance of a focus on the following:
Consideration of Coordination with the IESBA: Please use this space if you wish to share views on this topic; Please indicate the relative importance of a focus on the following:

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**Leon Margolis Chartered Accountant**

**Mary Crowther**

**PwC Cooper International Limited**

**PKF International Limited**

**MNAZVERS**

**SEPA ALP ASSOCIATES**

**SMK LATINAMERICA**

**Thread the Auditor Dance**

**ACCA**

**AICPA**

**Chartered Accountants Australia and New Zealand**

**CNCC and CSEO**

**CPA Australia**

**European Federation of Accountants and Auditors for SMEs (EFAA)**

**FAIR**

**If you are responding as an Organization, please name the organization:**

**Coordination of matters related to SMFs and SMEs:** Please use this space if you wish to share views on this topic; Please indicate the relative importance of a focus on the following:

**Consideration of matters related to SMPs and SMEs:** Please use this space if you wish to share views on this topic; Please indicate the relative importance of a focus on the following:

As the recent projects on revising ISA 250 and ISA 510 has shown, effective and easy coordination between the two Boards on projects of overlapping interest is critical in ensuring both an appropriate outcome and avoiding actual or perceived inconsistent positions being taken by the respective Boards.

We acknowledge the challenges raised by some stakeholders in relation to scalability of certain standards. Standards need to be appropriately scalable to audits of entities of all sizes and capable of being applied by SMFs.

We therefore support the IAASB's focus on this area in its current standard setting revision projects as scalability is important in ensuring the IASB meets its strategic objective of ensuring that ISAs continue to form the basis for high-quality, valuable and relevant audits. The proposed working group to explore SME issues and consideration of services other than audits of financial statements will also, in our view, help the IAASB achieve its strategic objectives.

While both IESBA coordination and SMF / SME considerations are important, the relative intensity of the IASB's focus could arguably be different. Engagement with IESBA can take place as needed, while SME and SMF matters need to be embedded in everything the IASB does.

While coordination between the IAASB and IFAC's SMP Committee works well, we are conscious that there remain challenges on the application of the IAASB's standards by SMFs with respect to the audits of SMEs. While IAASB's record in respect of SMFs and SMEs has been largely good, we support the boards' continuing diligence in ensuring that its standards can be applied to all types of audit.

As noted in our opening comments, we believe balancing the inputs and views on standard-setting for audits of listed versus non-listed (which impacts a significant portion of SMEs) is critical. We support this effort and planned formation of a working group to provide focused and measured evaluation of the planned changes to standards in this context.

We support the boards' efforts to co-ordinate their standard setting efforts where the activities of the IESBA affect assurance practitioners.

Of course it is important for the IAASB to coordinate with IESBA. However, Ethics and audit are two different issues and it is important that the IAASB remains free to determine the work effort required to reach reasonable assurance on an audit.

The impact of NOCLAR on ISA 250 is a typical example. It is good that the IESBA and the IAASB coordinated on the impact of NOCLAR on ISA 250 so that the Laws and regulations on which the auditor would potentially report in case on noncompliance be the same as the one he/she would include in its work effort for the purpose of the audit.

However, it is not to the ethics board to fix the audit work effort.

In addition, it is important to remember that many jurisdictions, in Europe for instance, have adopted the ISAs without adopting the Code of Ethics. One of the effect of the clarity project had been to render this separate adaption possible by removing reference to the code of ethics in the ISAs. It is important to stipulate that same line.

As stated above, we consider that the ISAs, under the pressure of the regulators are becoming more complex, rules based and sometimes over engineered. This increases the risk that they be perceived as not being suited anymore for the audit of SMEs and that the principle of their scalability be seriously challenged.

In addition the evolution of technology in the entity's environment certainly creates new needs from the SMEs that could be served by SMPs.

We consider that the IAASB should seriously tackle these two issues of:

- the relevance of the standards for engagements other than audits (ISRS and ISRE) to the new environment of SMEs
- the actual scalability of the ISAs to the audit of SMEs

This is why we welcome the organization of a working conference in Paris in January 2017 these issues of the services of SMFs to SMEs and the scalability of the ISAs.

We support the need to consider SMFs and SMEs and the scalability of the ISAs to smaller engagements further. We also support exploration of the need for other assurance engagements to meet the needs of smaller entities who may not be required to have an audit of their financial statements and for whom a full ISA audit may not be the optimal solution.

Co-ordination with IESBA is important to avoid duplication of effort or conflicting outcomes and to enable an efficient use of resources. However, projects may be delayed if delineation of responsibilities is not clearly established.

The scalability of standards for SMFs and SMEs we consider to be a high priority.

We recognize the importance of coordination with IESBA but would note that the matters of professional ethics is not solely linked to auditor independence. We feel that IAASB and IESBA should be alert to the workings of each other so as to not "miss a step" and where relevant they should be aligned but the fact that professional ethics is about more than independence.

We restate our comments in previous responses to the IAASB. We are supportive of the work that the IAASB performs particularly in light of its limited resources but we feel that the needs of all stakeholders should be addressed and that more focus should be given to the needs of SMFs and SMEs particularly in non-audit areas which would cover for example:

- Being alert to the continuing concerns of SMFs in the areas of proportionality of ISAs and other ISAs pronouncements including ISQC1 (as outlined in our response to (b) below): ISQC2 (as outlined in our response to (b) below).
- Realising the potential of ISAs to the audit of SMEs.
- The impact of NOCLAR on ISA 250.

SMF/SMEs are challenged by the complexity (in many cases unnecessary complexity) of the ISAs when designing and performing a simple audit of a small non-complex entity. Urgent consideration needs to be given to designing an audit approach that specifically addresses the audits of such entities. Co-ordination with IESBA should be selective i.e. concentrating on areas of the audit where the Code of Ethics has a direct impact and vice versa. We do not consider that there is a need for a permanent co-ordination group/committee for example.
## Consideration of matters related to SMPs and SMEs: Please choose one:
### Please indicate the relative importance of a focus on the following:

<table>
<thead>
<tr>
<th>Coordination with the IAASB: Please use this space if you wish to share views on this topic: Please indicate the relative importance of a focus on the following:</th>
<th>Consideration of matters related to SMPs and SMEs: Please use this space if you wish to share views on this topic: Please indicate the relative importance of a focus on the following:</th>
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<tr>
<td>Effective two-way communication and cooperation at an early stage between the IAASB and IESBA is vital considering the linkages between the International Standards on Auditing and the IESBA Code of Ethics for Professional Accountants. For instance, we encourage the fact that the issue of professional skepticism is considered jointly with the IAASB and the IESBA as it is essential to clarify the relationship of the ethical principles such as objectivity, independence of mind, professional competence, and professional due care to professional skepticism. Professional skepticism’s relationship with the concepts such as reasonable assurance and sufficient appropriate evidence is also critical. It is important that audit considerations should only be included in auditing standards; they should not be driven by revisions to the ethical standards. The Federation also would suggest the IAASB is cautious about seeking to extend the concept of professional skepticism beyond assurance engagements, as this may lead to inappropriate work effort for professional accountants not performing assurance engagements. However, we recognize that the IESBA: Code of Ethics is not as widely adapted as the ISAs. Ethical requirements are merely a national competence and it remains a difficult area to harmonize on a worldwide international standards that address services for entities that do not necessarily required an audit. On a different note, we also suggest that the factors guiding the identification of potential priorities and actions in future plans, as included in p.9 of the “Supplement to the IAASB Consultation on its Strategic Objectives and Work Plan for 2017-2018”, are rephrased in way to give due consideration on potential client’s changing needs, especially in the SME sector. We suggest that the IAASB re-examine the new and changing needs of smaller entities, especially in the SME sector.</td>
<td></td>
</tr>
<tr>
<td>The consideration of matters related to SMPs and SMEs is very important. Standards should be developed in a way that facilitates proportionate application for the audit of the smallest entities. We are, therefore, very supportive of IAASB’s intention to establish a Working Group in exploring the issues and implementation needs of SMPs as well as considering the need to harmonize International Standards on Auditing and ISAs and adapt them to address the needs of smaller entities.</td>
<td></td>
</tr>
<tr>
<td>The IAASB has recently focused heavily on audit. In many jurisdictions SMEs are the backbone of the economy and SMEs often seek SMPs to provide a range of services, including but not limited to assurance services. ISAs that have been issued recently are in general substantially longer and more complex than the standards they have replaced, and thus pose challenges to SMPs in particular. As several of the standards for services other than audit are now considerably outdated, the IAASB will need to be mindful of the need to ensure all its standards remain fit for purpose.</td>
<td></td>
</tr>
<tr>
<td>The Malaysian Institute of Certified Public Accountants (MIPCAP) Very important Very important</td>
<td></td>
</tr>
<tr>
<td>Institut der Wirtschaftspruefer e.V. (IDW) Very important Very important</td>
<td></td>
</tr>
<tr>
<td>Institute of Chartered Accountants in England and Wales (ICAEW) Moderately important Very important</td>
<td></td>
</tr>
<tr>
<td>The Institute of Chartered Accountants in Australia (ICAA) Very important Very important</td>
<td></td>
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<tr>
<td>Institute of Singapore Certified Accountants (ISCA) Moderately important Very important</td>
<td></td>
</tr>
<tr>
<td>The Singapore Institute of Certified Public Accountants (SICPA) Very important Very important</td>
<td></td>
</tr>
<tr>
<td>Singapore who do not have the required resources if they have to customize the ISAs for their own use.</td>
<td></td>
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The consultation of matters related to SMPs and SMEs is very important. Standards should be developed in a way that facilitates proportionate application for the audit of the smallest entities. We are, therefore, very supportive of IAASB’s intention to establish a Working Group in exploring the issues and implementation needs of SMPs as well as considering the need to harmonize International Standards on Auditing and ISAs and adapt them to address the needs of smaller entities. |

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**Belgian Institute of Registered Auditors (BIB-Re)**

| **Belgian Institute of Registered Auditors (BIB-Re)** | **Moderately important** | **Very important** |
|---|---|
| **Survey Consultation Responses** | **(Question 1)(http://www.iaasb.org/meetings/new-york-usa-14). An empty cell indicates respondent did not provide a response to the particular aspect of the survey.** |

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**The Federation of European Accountants (FEA)**

| **The Federation of European Accountants (FEA)** | **Very important** | **Very important** |
|---|---|
| **Survey Consultation Responses** | **(Question 1)(http://www.iaasb.org/meetings/new-york-usa-14). An empty cell indicates respondent did not provide a response to the particular aspect of the survey.** |

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**Hong Kong Institute of Certified Public Accountants (HKICPA)**

| **Hong Kong Institute of Certified Public Accountants (HKICPA)** | **Very important** | **Very important** |
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| **Survey Consultation Responses** | **(Question 1)(http://www.iaasb.org/meetings/new-york-usa-14). An empty cell indicates respondent did not provide a response to the particular aspect of the survey.** |

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**Institut der Wirtschaftspruefer e.V. (IDW)**

| **Institut der Wirtschaftspruefer e.V. (IDW)** | **Very important** | **Very important** |
|---|---|
| **Survey Consultation Responses** | **(Question 1)(http://www.iaasb.org/meetings/new-york-usa-14). An empty cell indicates respondent did not provide a response to the particular aspect of the survey.** |

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**Institute of Chartered Accountants in England and Wales (ICAEW)**

| **Institute of Chartered Accountants in England and Wales (ICAEW)** | **Moderately important** | **Very important** |
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**Institute of Singapore Certified Accountants (ISCA)**

| **Institute of Singapore Certified Accountants (ISCA)** | **Moderately important** | **Very important** |
|---|---|
| **Survey Consultation Responses** | **(Question 1)(http://www.iaasb.org/meetings/new-york-usa-14). An empty cell indicates respondent did not provide a response to the particular aspect of the survey.** |

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**The Singapore Institute of Certified Public Accountants (SICPA)**

| **The Singapore Institute of Certified Public Accountants (SICPA)** | **Very important** | **Very important** |
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**The Malaysian Institute of Certified Public Accountants**

| **The Malaysian Institute of Certified Public Accountants** | **Very important** | **Moderately important** |
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### Consideration of Coordination with the IESBA:

Please indicate the relative importance of a focus on the following:
- Consideration of matters related to SMPs and SMEs:
  - Please choose one:
    - Please indicate the relative importance of a focus on this topic:
      - Please indicate the relative importance of a focus on the following:
        - Coordination with the IESBA: Please use this space if you wish to share views on this topic: Please indicate the relative importance of a focus on the following:
          - Where matters of mutual interest or commonality are specifically identified. In such cases it is very important to ensure that the International Standards can continue to be applied effectively with the Code of Ethics and vice versa.


- We appreciate that there are steps in place to improve the coordination between the IAASB and the IESBA going forward, which is very important given the interaction of all of the IAASB's standards with the Code and the impact that changes to the Code may have on the take-up of the IAASB's standards.

### Responses (Question 3)

<table>
<thead>
<tr>
<th>Response number</th>
<th>Name of the organization</th>
<th>Importance of focus on this topic</th>
<th>Importance of focus on the issue: Please indicate the relative importance of a focus on the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>NBA</td>
<td>Moderately important</td>
<td>Important in general coordination with the IESBA is moderately important in our view. Although there are interrelations between the IESBA Code and the ISAs, they contain different areas. On the issue of professional skepticism it is important that both boards work together to achieve this issue.</td>
</tr>
<tr>
<td>46</td>
<td>South African Institute of Chartered Accountants (SAICA)</td>
<td>Very important</td>
<td>Where matters of mutual interest or commonly are specifically identified. In such cases it is very important to ensure that the International Standards can continue to be applied effectively with the Code of Ethics and vice versa.</td>
</tr>
<tr>
<td>47</td>
<td>South African Institute of Professional Accountants</td>
<td>Very important</td>
<td>Important in our view, coordination of the IAASB with the International Ethics Standards Board for Accountants merits consideration, especially in relation to the topics that are covered in the recent IASB’s FLC (quality control, group audits and professional skepticism), as well as in relation to emerging non-audit services, as mentioned in our response above. However, this work should be part of continuous collaboration between the IAASB and other stakeholders, such as audit oversight bodies and the forthcoming Committee of European Auditing Oversight Bodies (CEAOB) in the EU. Hence, we think that it is “moderately” important that the IAASB coordinates well with the IESBA.</td>
</tr>
<tr>
<td>48</td>
<td>IFAC SMP Committee</td>
<td>Very important</td>
<td>The vast majority of entities in Europe are SMEs. Whilst the medium-sized entities are subject to mandatory statutory audit, a significant proportion of SMEs within Europe are not. Nevertheless many SMEs voluntarily submit to audit and other assurance services because their stakeholders recognize the value of an opinion given by an independent auditor who upholds professional and ethical requirements. Accordingly we support the consideration of matters related to SMEs and SMPs as part of each project and initiative. These considerations should be on the one hand central on specific features of audits of SMEs (see for example the consultations of the Nordic Federation of Public Accountants for Audits of Small Entities), on the other hand it seems useful if IAASB promotes the value of voluntary audits and related assurance services as well.</td>
</tr>
<tr>
<td>49</td>
<td>Wirtschaftsprüferkammer (WPK)</td>
<td>Moderate importance</td>
<td>The largest number of audit engagements is related to small and medium-sized enterprises (SMEs) and small and medium-sized public interest limited liability companies (SMPs). The general public and, especially, the stakeholders of SMEs and SMPs believe that the professional judgment of the auditors is the foundation of the quality audits. They also appreciate that the IESBA and IAASB are coordinating their work. In our view, coordinating the IESBA with the International Standards Board for Accountants (IASB) is the best way to improve the professional judgment of the auditors. Therefore, we support the consideration of matters related to SMPs and SMEs in all projects and initiatives of IAASB.</td>
</tr>
<tr>
<td>50</td>
<td>Confederation of Danish Industry</td>
<td>Very important</td>
<td>It is important that the standards agree with and support IESBA pronouncements, since practitioners are expected to comply with both technical and ethical requirements simultaneously. Many requirements in the standards are focused on large entities only, and become very onerous and impractical in the SME environment. Please consider this important practically during all projects.</td>
</tr>
<tr>
<td>51</td>
<td>Individual</td>
<td>Very important</td>
<td>I do not know if the total separation of IAASB and IESBA rules and codes would be possible. This is a bit frustrating and confusing to find advice on a subject in separate frameworks. Globally the biggest part of the profession’s clients are SMEs.</td>
</tr>
<tr>
<td>52</td>
<td>Individual</td>
<td>Very important</td>
<td>We appreciate that there are steps in place to improve the coordination between the IAASB and the IESBA going forward, which is very important given the interaction of all of the IAASB’s standards with the Code and the impact that changes to the Code may have on the take-up of the IAASB’s standards.</td>
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