



EUROPEAN FEDERATION
OF ACCOUNTANTS AND AUDITORS
FOR SMES

EFAA KEY POLICY

POSITIONS AND RECOMMENDATIONS

June 2021

EFAA - European Federation of Accountants and Auditors for SMEs
International Non-Profit Organisation
4, Rue Jacques de Lalaing, B-1040 Brussels - Enterprise number: 0524.824.834
T +32 2 736 88 86 - F +32 2 736 29 64 - W www.efaa.com
E-Mail: secretariat@efaa.com Twitter: [@EFAAforSMEs](https://twitter.com/EFAAforSMEs)

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Introduction

Small and medium-sized enterprises (SMEs) are crucial to the future economic and social prosperity and stability of Europe. Due to their limited resources and technical accounting and finance expertise they rely heavily on external support. Small and medium-sized accountancy Practices (SMPs) often play this vital role in supporting SMEs through the provision of a range of high-quality professional services.

This document summarizes this vital role SMPs play supporting SMEs and then outlines EFAA's key positions and recommendations to policy makers and professional accountancy organisations (PAOs) to help SMPs better fulfil this role.

About EFAA

The European Federation of Accountants and Auditors for SMEs (EFAA) is an umbrella organisation for national accountants' and auditors' organisations whose individual members provide professional services primarily to SMEs in Europe. EFAA has 13 members throughout Europe representing more than 350 000 accountants, auditors, and tax advisors in Europe and beyond. EFAA is a sectorial member of [SMEunited](#) and a member of [EFRAG](#).



About SMPs

There is compelling evidence that SMPs are the most important and trusted business advisors of SMEs and personal advisors of SME owner-managers. This advice helps them address challenges and navigate difficult economic situations as well as leverage opportunities. Advice ranges from the technical through to the strategic, from that which lies at the core of their education, training, and experience, such as compliance with accounting regulation, through to that garnered from experience with multiple SME clients, such as industry knowledge and market positioning. SMPs provide a range of professional services to SMEs:

Audit and assurance

These services help SMEs improve the quality of their internal and published financial and sustainability information, in turn fostering trust and confidence in this information by investors, owner-managers, lenders and other stakeholders, as well as serve as a check on accounting systems and records, provide useful advice to management and improve internal control.

Accounting

These services help SMEs accurately and efficiently record their financial and non-financial transactions so they can effectively plan, control, and manage their business, as well as help them summarize, analyse, and report financial and sustainability information to investors and lenders, oversight agencies, and regulators.

Tax

These services range from helping SMEs compile their tax returns and pay their taxes in a timely and efficient manner through to helping them plan so that they pay what is legal and fair.

Advisory services

Can help SMEs in various ways from gaining insights from their financial and sustainability information to better plan, control and direct their business, gaining access to finance and efficiently comply with regulation through to growing their businesses internationally, sustainably, and safe from cyber-attack.

New and emerging professional services include advice on early warning, business resilience and continuity, intellectual property management, and sustainable business practices. In addition, we foresee significant growth in the reporting and assurance on sustainability information.

Special relationship between SMEs and SMPs

SMEs have unique characteristics that set them apart from larger businesses. An important characteristic is that most of their business relations are based on intimate and highly personal cooperation and mutual trust. Hence, SMPs need to provide services tailored to the individual needs of SMEs, their stakeholders, and the users of their financial and NFI. SMPs, who are SMEs themselves and are equipped with expertise and insights gained from multiple SME clients, are best placed to do this.

SMPs, as professional accountants, are required to comply with high standards of integrity and competence embodied in strict ethical codes and educational requirements. In the provision of professional services to their clients SMPs are required to apply professional standards. This helps ensure SMPs provide consistently high-quality services.

Key policy positions

Audit and Assurance of SMEs

- Assurance provides many benefits to SMEs and their stakeholders including building trust and confidence in the quality of published financial and sustainability information as well as serve as a check on accounting systems and records, provide useful advice to management, and improve internal control. We recommend that EU and local regulators should educate the market as to these benefits so that SMEs make an informed choice as to whether to have an audit, or some other assurance, on their financial statements.
- International Standards on Auditing (ISAs) are insufficiently scalable and proportional for use in the audit of an SME or less-complex entity (LCE) as they drive up cost with little corresponding benefit in terms of audit quality. We recommend the timely development of a standalone standard for the audit of SMEs or less-complex entities (LCEs), based on the same fundamental principles as the ISAs that is recognized in European Law.
- Assurance on sustainability information is expected to increase exponentially in the coming years. Presently International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information is available. We recommend that any new or revised standards on assurance should be tailored to the need and capacities of SMEs and SMPs. We also recommend that suitably qualified SMPs be allowed to conduct assurance on sustainability information.

- The EU market for audit and assurance services for listed and other public interest entities (PIEs) is highly concentrated and uncompetitive such that audit quality may be impaired. We recommend that serious consideration be given to finding ways of increasing competition, reinforcing a level playing field and bolstering audit quality for example, by mandating managed shared audit or joint audit.

■ Recent publications and events Annex 1

Reporting by SMEs

- There is a growing need for robust and internationally comparable financial reporting for SMEs. We recommend that financial reporting requirements for SMEs be simple but are increasingly harmonized across the EU.
- There will be exponential growth in the incidence and depth of sustainability reporting in the coming few years. Moreover, the EU will develop and issue sustainability reporting standards as the basis for this reporting. information. We welcome the development of separate, proportionate standards for SMEs which SMEs listed on regulated markets will be able to use these simpler standards to meet their legal reporting obligations, while non-listed SMEs could choose to use them on a voluntary basis. These SME standards can help SMEs play a full role in the transition to a sustainable economy. We recommend that these SME standards be carefully adapted to the capacity and needs of SMEs, making it easier for SMEs to report information to their stakeholders. We also support the robust participation of SMEs and SMPs in the development of these SME sustainability reporting standards. We recommend that sustainability reports produced in accordance with these standards meet the needs of, and are recognized as sufficient by, those in the SME's value chain as well as those providing finance to SMEs. In fact to EFAA for SMEs it is important to prioritize the standards of SMEs, reduce administrative burdens and establish mechanisms to encourage the preparation of these reports for SMEs with the advice of SMPs.

■ Recent publications and events Annex 2

Professional Regulation

- The EU does not presently benefit from a seamless and integrated single market in professional services. The primary impediment is the prevailing lack of harmonisation of tax and accounting laws and procedures across Member States. We recommend that considerable effort be invested in harmonizing tax and accounting laws and procedures across Member States.

- The financial health and stability of individuals and businesses, in particular SMEs, depends on the availability of affordable high-quality accountancy services. We recommend that this is best achieved by requiring that those that provide such services have a high standard of qualification, undertake continuing professional education, adhere to an ethical code that gives primacy to the public interest, and have their conduct carefully monitored. Membership of a professional accountancy organisation (PAO) can help ensure this.
- While we welcome the pursuit of a more open market for professional services, we must avoid the pursuit of competition and deregulation at all costs, especially that of damaging the local ecosystems on which most SMEs depend. We recommend the retention, and possible reinforcement, of regulation of professional services that safeguards the public interest by helping ensure the availability of high-quality services.

■ [Recent publications and events Annex 3](#)

Practice Transformation

- The EU vision post-COVID-19 is to build back better by way of a digital and sustainable transition of the EU economy and society. More than ever before the SMP is the trusted adviser to SMEs, helping them be part of this transition. But to do so effectively SMPs will need to change. We recommend that SMPs transform their practices through the accelerated adoption of digital technologies and diversification of their professional service offerings.
- Digital transformation of SMPs is key to accelerating the pace of change, ensuring durability, and driving better understanding of client needs. SMPs have significant opportunities to diversify their services to SME clients in areas such as improving business resilience and continuity, supply chain management, sustainable business practices, early warning, and broader digital transformation. SMPs can act as catalysts for innovation, helping SMEs develop new revenue streams and transform their business models. We recommend SMPs embrace change, develop new capabilities and skills, and consider cultural change.
- EFAA foresees significant growth in the reporting and assurance on sustainability information. SMPs stand to play a vital role helping advise SME clients on sustainable practices and preparing their sustainability reports just like they do their financial reports. We recommend SMPs prioritize preparing for this role.

■ [Recent publications and events Annex 4](#)

EFAA Members

ACCA

Association of Chartered Certified Accountants, United Kingdom



APFM

Association of Professional Financial Managers, Azerbaijan



CAAR

Chamber of Auditors of the Azerbaijan Republic



CAFR

Chamber of Financial Auditors of Romania



CCIS-CAS

Chamber of Accounting Services, Slovenia



CGE

Consejo General de Economistas, Spain



DStV

German Association of Tax Advisers



IEKA

Albanian Institute of Certified Public Accountants



ITAA

Institute for Tax Advisors and Accountants, Belgium



KSW

Austrian Chamber of Tax Advisors and Public Accountants



NBA

The Royal Netherlands Institute of Chartered Accountants



OCC

Portuguese Chartered Accountants Association



SCAAK

Society of Certified Accountants and Auditors of Kosovo



Annexes

RECENT PUBLICATIONS AND EVENTS ANNEX 1

- 03 May 2021: Position - EFAA Responds to the International Ethics Standards Board for Accountants (IESBA) Exposure Draft: Proposed Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code.

- 29 September 2020: Position - Response to the IAASB's Exposure Draft (ED), Proposed International Standard on Auditing 600 (Revised) Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).

- 23 July 2020: Webinar - Future of SME Auditing: Implications of COVID-19 and Standard for Audits of Less Complex Entities.

- 25 June 2020: Position - Response to the IAASB's Draft Non-authoritative Guidance: Special Considerations in Performing Assurance Engagements on Extended External Reporting.

- 15 May 2020: Position - Response to the IESBA's Exposure Draft, Proposed Revisions to the Non-Assurance Services Provisions of the Code.

- 15 May 2020: Position - Response to the IESBA's Exposure Draft, Proposed Revisions to the Fee-related Provisions of the Code.

- 12 September 2019: Position - Response to the IAASB's Discussion Paper, Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs.

- 24 June 2019: Position - Response to the IAASB's Consultation Paper, Extended External Reporting Assurance.

- 04 June 2019: Position - Response to the IAASB's Proposed Strategy for 2020–2023 and Work Plan for 2020–2021.

- 31 March 2019: Evidence on the Value of Audit for SMEs in Europe.

- 06 March 2019: Position - EFAA response to IAASB Exposure Draft, Proposed International Standard on Related Services 4400 (Revised) Agreed-Upon Procedures Engagements.

- 04 May 2018: Article - To audit or not to audit: Debunking the myths about audit for SMEs.

RECENT PUBLICATIONS AND EVENTS ANNEX 2

- 1 June 2021: Webinar – **The Future of NFR and the Role of SMPs.**
- 27 April 2021: Position - **EFAA for SMEs welcomes the EC proposal Corporate Sustainability Reporting Directive (CSRD).**
- 29 December 2020: Position - **EFAA Response to the IFRS Foundation Consultation Paper on Sustainability Reporting.**
- 26 October 2020: Position - **EFAA Response - Request for Information: Comprehensive Review of the IFRS for SMEs Standard.**
- 12 October 2020: Report - **The Financial Reporting of Intangibles by SMEs in Europe.**
- 27 August 2020: Position - **Response to the European Commission consultation on sustainable finance - Obligation for certain companies to publish non-financial information.**
- 9 July 2020: Webinar - **Future of SME Reporting: Implications of COVID-19.**
- 19 June 2020: Position - **Non-Financial Reporting by SMEs.**
- 9 June 2020: Position - **Response to the Public Consultation on the Revision of the Non-Financial Reporting Directive.**
- 12 September 2019: Position - **Response to the EFRAG European Lab Consultation on Future Projects.**
- 16 May 2019: Report - **Accountants Instrumental to Micro-Entities simplifying their Accounting.**
- 13 March 2019: Position - **EFAA response to targeted consultation on the update of the non-binding guidelines on non-financial reporting.**
- 24 January 2019: Position - **EFAA response to call for feedback: report on climate-related disclosures by the Technical Expert Group on Sustainable Finance.**
- 19 November 2018: Report - **Survey of Non-Financial Reporting Requirements for SMEs in Europe.**

RECENT PUBLICATIONS AND EVENTS ANNEX 3

- 31 March 2021: Position - **Consultation on 'Regulation of professional services - update of reform recommendations to Member States'.**
- 24 March 2021: Position - **EFAA's Contribution to the Public Consultation on Enhancing the Convergence of Insolvency Laws.**
- 15 February 2021: Position - **EFAA Response to the EU Consultation on Financial services – Improving Resilience Against Cyberattacks.**
- 08 January 2021: Position - **EFAA Response to the EFRAG public consultation on the ad personam mandate on non-financial reporting standard setting.**
- 13 August 2020: Position - **Response to the Public Consultation on an action plan for a comprehensive Union policy on preventing money laundering and terrorist financing.**
- 23 March 2020: Position - **Strengthening the Single Market for Services and the Role of Regulated Professions.**
- 09 January 2020: Position - **Response to the survey of the European Court of Auditors regarding the policy initiative of the European Commission on Capital Markets Union (CMU).**
- 05 July 2019: Position - **Response to the IAASB's Exposure Drafts for Quality Management at the Firm and Engagement Level, Including Engagement Quality Reviews.**

RECENT PUBLICATIONS AND EVENTS ANNEX 4

- 30 March 2021: Webinar - [Future of SMPs: Lessons from the Crisis and Practice Transformation.](#)
- 26 February 2021: Article - [The Role of EFAA and of SMPs in Early Warning for SMEs.](#)
- 15 October 2020: Webinar - [Future of SMPs: Building Digital Competency.](#)
- 15 September 2020: Webinar - [Future of SMEs: Liquidity and Business Continuity.](#)
- 07 September 2020: Report - [Digital Competency Maturity Model: Recommendations From Initial Results.](#)
- 07 September 2020: Article - [EFAA Digital Competency Maturity Model - At A Glance.](#)
- 22 June 2020: Webinar - [COVID-19 global survey: Inside business - impacts and responses.](#)
- 22 May 2020: Webinar - [EU Financial Instruments for SMEs.](#)
- 05 February 2020: Article - [Insights From EFAA's Digital Competency Rating Tool.](#)
- 22 November 2019: Article - [New Tool for SMPs Aims to Improve Digital Competency.](#)
- 08 November 2019: Article - [A Europe for SMEs: Think Small First and Single Market.](#)
- 07 March 2019: Article - [What can the European Profession learn from the 2018 IFAC Global SMP Survey?](#)
- 04 March 2019: Position - [Response to IAESB Exposure Draft, Proposed Revisions to IESs 2, 3, 4, and 8—Information and Communications Technologies and Professional Scepticism.](#)
- 19 February 2019: Position - [EFAA's Memorandum for Elections to the European Parliament 2019.](#)
- 24 August 2018: Article - [How Much Roadmap into the \(Digital\) Future is there in Europe for SMPs?](#)