



ANNUAL REPORT

2022

EFAA - European Federation of Accountants and Auditors for SMEs

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Foreword

Dear Members and Friends,

I am pleased to present to you the EFAA Annual Report 2022. I hope you will enjoy reading it.

2022 has proved to be a year of recovery and renewal. We have emerged from an unprecedented global pandemic, a pandemic that severely tested business and society. I believe that the global and European accountancy profession has emerged stronger and smarter as have also, with it, EFAA for SMEs, our member organisations, and the many thousands of small- and medium-sized accountancy practices (SMPs) they represent across Europe.

EFAA continues to grow - in size, in scope and influence. At our Annual General Meeting in June 2022, in Alicante, Spain, we welcomed three new members to the EFAA family – the Association of International Accountants (AIA) from the UK, the Conseil National de l'Ordre des Experts-Comptables (CNOEC) from France and the Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises (IBR-IRE) from Belgium.

Our key objectives – which are articulated and the actions supporting them catalogued at www.efaa.com – are as follows: speaking out on behalf of SMPs; helping SMPs be future-ready; promoting professional standards that are fit for SMPs and SMEs; and positioning SMPs as leaders on sustainability. This last objective, positioning SMPs as leaders on sustainability, is a cross-cutting objective. It emerged as our primary focus in 2021 and in 2022 reinforced its primacy. And going forward, certainly for the coming few years, it, together with the pervasive implications it has for attracting, retaining, and reskilling talent, looks set to remain our primary focus. EFAA aims to place SMPs at the forefront of the movement to transition the EU's economy and society towards a sustainable one. SMPs are the trusted business advisor of SMEs and best placed to support SMEs as they make this transition while leveraging digital technologies.

In 2022, EFAA for SMEs has actively pursued its agenda to protect and promote the interests of SMPs in Europe. For many years, we have been the primary and unique voice for SMPs and, today, it is more important than ever that the voice is heard and understood. On the following pages you will see the most important accomplishments and activities from 2022, activities shaped by our strategy and guided by our various technical and working groups. I would like to emphasize the extent of this activity – ranging from events, speaking engagements, meetings with relevant stakeholders, through to the Latest from Brussels electronic newsletter and our social media – that demonstrate that we are a highly productive organization with strong members.

Last, and by no means least, on behalf of EFAA I wish to thank all the members of the EFAA team – the Board of Directors, the staff, the chairs, vice-chairs and the members of our expert and working groups, our Special Advisors, and our members (see pages [6](#) to [7](#)). Together, we serve and support Europe's SMPs and, in turn, their SME clients. Ensuring their voice is properly heard in Europe has never been easy, yet it is imperative that this voice be heard and understood.

With best wishes,

Salvador Marín
EFAA President

2022 in Numbers

The European Federation of Accountants and Auditors for Small- and Medium-sized Enterprises ([EFAA for SMEs](#)) is an umbrella organisation for national accountants' and auditors' organisations whose individual members provide professional services primarily to SMEs in Europe.

Small- and medium-sized practitioners are the trusted advisor of SMEs, they contribute to the wellness, sustainability and stability of the economy.



EFAA Members

EFAA for SMEs is an umbrella organisation for national accountants' and auditors' organisations whose individual members provide professional services primarily to SMEs in Europe. In 2022, EFAA had 15 members throughout Europe representing more than 380 000 accountants, auditors, and tax advisors in Europe and beyond. As of 1 January 2023, EFAA's 15 Ordinary Members were as follows:

ACCA

Association of Chartered Certified Accountants
United Kingdom



AIA

The Association of International Accountants
United Kingdom



APFM

Association of Professional Financial Managers
Azerbaijan



CAAR

Chamber of Auditors of the Azerbaijan Republic
Azerbaijan



CAFR

Chamber of Financial Auditors of Romania
Romania



CCIS-CAS

Chamber of Accounting Services
Slovenia



CGE

Consejo General de Economistas
Spain



CNOEC

Conseil national de l'ordre des experts-comptables
France



DStV

German Association of Tax Advisers
Germany



IBR-IRE

Instituut van de Bedrijfsrevisoren - Institut des Réviseurs d'Entreprises
Belgium



IEKA
Albanian Institute of Certified Public Accountants
Albania



ITAA
Institute for Tax Advisors and Accountants
Belgium



NBA
The Royal Netherlands Institute of Chartered Accountants
The Netherlands



OCC
Portuguese Chartered Accountants Association
Portugal



SCAAK
Society of Certified Accountants and Auditors of Kosovo
Kosovo



Key Achievements

This section summarizes our strategy and our key achievements in the execution of this strategy.

Strategy

Objectives

EFAA has three strategic objectives: [Speaking for SMPs](#) - representing and advocating on behalf of SMPs while promoting their visibility and recognition in Europe; [making Future-Ready SMPs](#) - sharing and developing insights and ideas, practical guidance, tools and resources to help SMPs transform their practices so as to be future-ready; and [Promoting Professional Standards](#) - providing regular and timely input to the European and international standard-setting process in order to help ensure the stability, relevance, scalability and proportionality of European and international professional standards for SMEs and SMPs.

Cutting across these three objectives is a fourth objective - [SMPs Supporting Sustainability](#). SMEs collectively account for a significant, if not majority, share of environmental and social impacts by private sector business. Consequently SMEs, and the SMPs that provide professional services to them, stand to play a vital role in making the EU economy sustainable.

Guiding Principles

To help it prioritize its activities in support of the above objectives EFAA adheres to three guiding principles: focusing on Europe; enhancing value-added to individual members; and collaborating with relevant stakeholders.

EFAA recognizes that collaborating with others is the key to rendering effective support to its member organisations and SMPs. Accordingly, we collaborate with many others (see box below) including our own members.

EFAA for SMEs is a sectorial member of [SMEunited](#). We are a member of the [European Financial Reporting Advisory Group \(EFRAG\)](#), and represented on its [Sustainability Reporting Board](#). We are a network partner of the [International Federation of Accountants \(IFAC\)](#). We are represented on the Consultative Advisory Groups (CAGs) of the [International Audit and Assurance Standards Board \(IAASB\)](#) and the [International Ethics Standards Board for Accountants \(IESBA\)](#). We are a member of the [Edinburgh Group](#). We have an MOU with the [European Union Intellectual Property Office \(EUIPO\)](#), and [Accountancy Europe](#). And we are a partner in the [INTEgrated REporting for SMEs Transparency \(INTEREST\)](#) ERASMUS+ Strategic Partnership and of the [Early Warning Europe Network](#).



Value Proposition

EFAA's value proposition to its members is three-fold: to inform – keep EFAA members and stakeholders informed of developments that most impact their individual members; to advocate – speak out on issues most relevant for the members of EFAA and the profession as a whole; and to connect – facilitate the communication and cooperation between EFAA members and in turn foster closer contact between individual members across Europe and other relevant stakeholders.

Sustainable Development Goals

The EU is fully committed to the sustainability agenda with the [17 United Nations Sustainable Development Goals \(SDGs\)](#) at its core. EFAA shares this commitment and ‘practice what we preach’. For example, we are committed to the maxim of ‘reduce, reuse, and recycle’. We conduct many meetings virtually or in hybrid format. We strive for diversity of staff and volunteers.

Promoting Practice Transformation of SMPs

Even before the global pandemic struck EFAA had come to realise the need for SMPs to change, to transform their practices so that they become stronger, smarter, and sustainable. The pandemic, and movements in the tectonic plates of global and European economy and society, made the need for transformation more urgent and necessary.

Practice transformation is critical if SMPs are to fulfil their key part in the sustainable and digital transition of the EU economy and society – that of helping SMEs make this transition. To help share ideas, information and insights on practice transformation we made it the central theme of the [EFAA International Conference 2022, Practice Transformation: SMPs Embracing Change](#).

The key message, a message that EFAA is relentlessly promoting, is that SMPs needed to accelerate the digitalization of their practices and diversify into new services. SMPs are the trusted business advisor to SMEs, advising SMEs on a range of issues including sustainable and digital transition, protection and management of intellectual property, business continuity and early warning. And to be most effective in this advisory role demands that SMPs embrace digital tools.

In December 2022 our [Membership Convention](#) was an opportunity for our members to discuss how they and their SMPs can prepare for the anticipated surge in demand for sustainability services. One of the key outcomes was the need to attract, retain, and reskill talent and for that reason the [EFAA International Conference 2023](#) will focus on talent.

“Practice transformation is a never ending journey to ensure the accountancy profession remains relevant and prepared to service the ever changing needs of the SME community. With the reduction of available staff and the complexity of changing needs in the SME clients, firms continue to require support to digitally transform how they conduct services along with the very services we provide. EFAA’s focus on supporting firms is spot on to what’s needed to accomplish all of this. Digitizing what we do and adding services such as ESG, technology assurance and outsource services will be essential for the future.”

[Mark Koziel, President and CEO, Allinial Global](#)

Helping SMPs and SMEs in their Sustainable Transition

In 2021, we issued a [Call to Action: SMPs Supporting Creation of the Sustainable Economy to SMPs and their professional bodies](#). It calls upon SMPs to play a key role in achieving the sustainable transition of the European economy and society – by offering sustainability services to SMEs to help them make this transition. In 2022, we helped realise action - by helping to shape sustainability reporting and assurance standards and by building the capacity of SMPs to offer such services.

“Sustainability is about future-proofing a business to be more resilient. This fast-evolving area offers huge opportunities for SMPs and their SME clients.”

[Monica Foerster, Chair, IFAC SMP Advisory Group](#)

Shaping Standards

In June 2022, the EU finalized the [Corporate Sustainability Reporting Directive \(CSRD\)](#). The CSRD is a ‘game changer’. It supports the [European Green Deal](#), a set of policy measures designed to transition the EU to a sustainable, modern, and competitive economy. And it does this by mandating, from 2025 onwards, that some 50,000 large and listed EU companies start publishing sustainability reports prepared using European sustainability reporting standards (ESRS). In December 2022, EFRAG submitted to the European Commission the first tranche of ESRS and these are expected to be adopted in summer 2023. EFRAG is now working on developing sustainability reporting standards for SMEs.

EFAA foresees a tsunami of impacts on the many SMEs that are in the value chain of larger companies that are required to report in accordance with the CSRD – these SMEs can expect to have to supply sustainability information to these larger companies. EFAA had the foresight to join EFRAG’s sustainability pillar and to have our President Salvador Marin serve and speak out on the [EFRAG Sustainability Reporting Board \(SRB\)](#). EFAA is keen to see that all ESRS are as scalable and proportional as possible, that they do not place too great a burden on SMEs in the value chain, and that ‘fit for purpose’ SME standards – simple, standalone, scalable - are developed as soon as possible.

Sustainability reports issued in accordance with the CSRD will need to be subject to assurance and the IAASB is working furiously to have a robust sustainability reporting assurance standard in place in time. Likewise, the IESBA is fast tracking necessary revisions to its Code of Ethics for Professional Accountants (Code). EFAA, through its advocacy and technical input, is working to ensure the new standard and revised Code are suitable for assurance undertaken by SMPs on SME sustainability reports.

“The EU’s experience with reporting and assuring sustainability information demonstrates the evolution that IFAC believes will happen in other jurisdictions—more reporting, more connected disclosure, and high-quality assurance obtained from professional accounting practitioners.”

Kevin Dancey, CEO, IFAC

Building capacity

EFAA has invested much time and effort raising awareness around the need for SMPs to offer sustainability services. Now is the time for EFAA and its PAOs to help SMPs on this journey – by helping them build capacity through the provision of guidance.

EFAA foresees many SMPs being asked by SMEs to help prepare their sustainability reports, much like the way SMEs ask them to prepare financial reports. Accordingly in December 2022 we issued the guide [Sustainability Reporting: How SMPs Can Build the Capacity to Support SMEs](#). We also foresee a role for SMPs providing assurance on sustainability reports and so a guide will follow in early 2023.

Shaping the Future of SME Audit

EFAA, supported by our own research, believes that regulators, policy makers and the business community may understate the true value of audit for SMEs. The primary benefit from an SME having an audit are that in providing external assurance to various users and this in turn fosters trust and confidence in the financial information that SMEs publish or provide to specific stakeholders. But that’s not all: an SME audit also provides an invaluable check on accounting systems and records, advise management, and improve internal control.

EFAA believes, however, that International Standards on Auditing (ISAs) are not suitable for the audits of SMEs owing to their complexity and their lack of scalability, proportionality, and understandability. Accordingly, EFAA is fully supportive of the IAASB’s endeavour to develop a new stand-alone audit ISA for less-complex entities – [ISA for LCE](#) - as soon as practicable. This project promises many things. To ensure the viability of the LCE audit. To serve the public interest by fostering trust and confidence in SME financial statements. And to help build the profession in emerging economies.

We have intensely advocated for this and provided timely input to the IAASB every step of the way. While EFAA welcomes the fact that the draft standard is based on the same fundamental concepts as the ISAs and follows the chronological sequence of an audit, EFAA impresses on the need for a concerted communication and education effort to ensure stakeholders recognize that it will provide the basis for an audit of equivalent quality to that of an ISA audit.

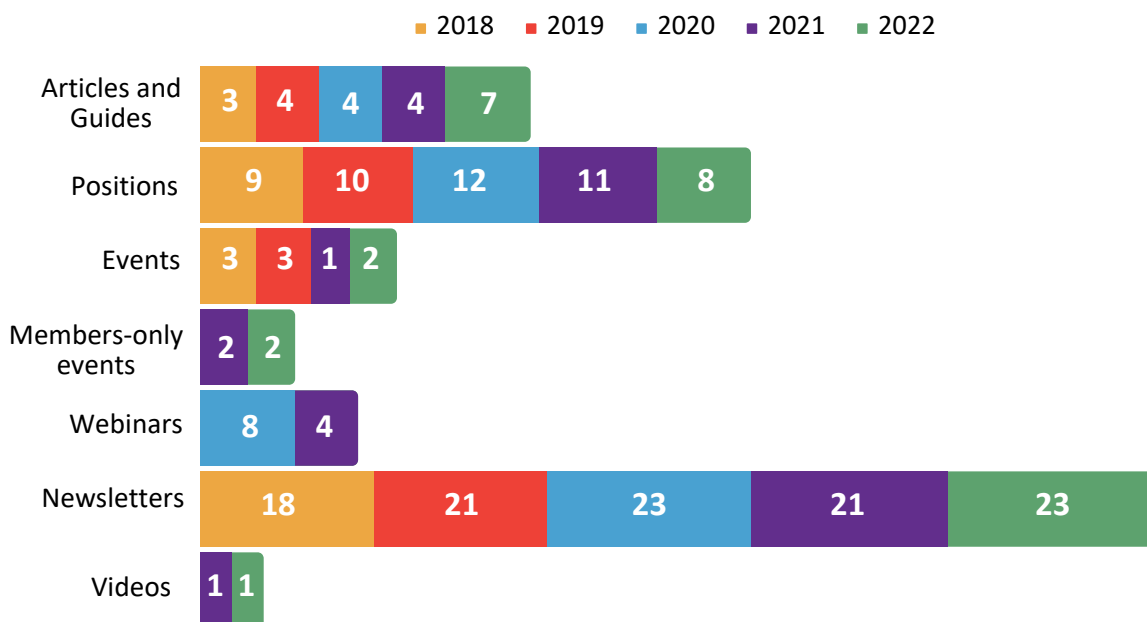
On 16 February 2023 EFAA, IAASB and IFAC hosted [Global Webinar: Audits of Less Complex Entities Update](#). EFAA believes it is now time to start preparing for the planned finalization of the ISA for LCE in late 2023 and to ensure all interested parties recognise that this standard will provide the basis for an audit of equivalent quality to an audit performed using the ISAs.

“We recognize that reflecting increasing market complexity, the IAASB’s standards have evolved and now include additional requirements and guidance that may be less relevant to the circumstances of smaller, less complex entities (LCE). The IAASB is developing a new LCE standard to provide a more proportionate, tailored, and globally consistent approach. EFAA has provided consistent encouragement to the IAASB and valuable input and insights on behalf of its members during the LCE standard’s development.”

[Tom Seidenstein, Chair, IAASB](#)





Activities

Overview



EFAA’s activities are described in detail on the EFAA website [here](#) and, together with outreach activities, described in issues of the [Latest from Brussels](#). The EFAA 2022 International Conference was organised as an hybrid event. Two members-only events were also organised.

EFAA’s activities are primarily conducted or led by its various [technical groups](#). EFAA has four technical groups – the Accounting Expert Group (AccEG), the Assurance Expert Group (AssEG), the Digital Working Group (DWG) and the EU Professional Regulation Expert Group (EUPREG). Members of these groups are proposed by EFAA’s member organisations and acknowledged by the EFAA Board of Directors. In 2022, these groups met 6 times by video conference. Two joint meetings were also organised.

Technical Group		Chair	Vice-Chair	Number of meetings	Number of experts
EU Professional Regulation Expert Group		Salvador Marín EFAA	Marc Lemanczyk DStV	1	13
Accounting Expert Group		Richard Martin ACCA		1	11
Assurance Expert Group		Paul Thompson EFAA	Ciprian Mihailescu CAFR	2	10
Digital Working Group		Martin de Bie NBA		1	13

Events

EFAA 2022 International Conference



On 2 June 2022, over 250 participants joined, either in person or online, the [EFAA 2022 International Conference – Practice Transformation: SMPs Embracing Change](#) hosted at EUIPO, the [European Union Intellectual Property Office](#). We discussed and shared information on how our professional accountancy organisations (PAOs) can support their SMP members seeking to embrace change by extending the range of services they provide, supporting the EU sustainability agenda as well as engaging in data ownership and cryptocurrency.

The conference highlighted that to grow and prosper, SMPs must embrace changes - they need to embrace digitalization, in their operations and the services they offer, and diversify their service offerings to include, for example, advisory services on intellectual property and sustainability services.

The keynote address was given by [Monica Foerster](#), Chair of IFAC's SMP Advisory Group and Managing Partner of a Brazilian SMP. Monica gave a presentation on IFAC's initiatives on practice transformation, including the publication [Practice Transformation Action Plan](#), a roadmap to the future for SMPs. EUIPO staff shared their activities relevant to SMPs including training SMPs to advise SMEs on intellectual property matters. EUIPO have the [Ideas Powered for business SME Fund](#), a grant scheme designed to help EU small and medium-sized enterprises (SMEs) intellectual property (IP) rights. EUIPO presentation was followed by a panel sharing best practices on how Professional are helping their SMP members to become more sustainable. Later in the day, [Mark Koziel](#), President and CEO of Allinial Global, was interviewed virtually in real time, and shared his insights from the US and his global network, on how SMPs can prosper through transforming their practices.

The slides, the videos and the pictures of the event are available [here](#).



EFAA 2022 Membership Convention

On 2 December, we were extremely pleased to welcome our members in Brussels. The meeting was an excellent opportunity to discuss the challenges which member bodies are facing and share best practice on how to support SMPs. Keynote speakers were [Patrick de Cambourg](#), Chair of the EFRAG Sustainability Reporting Board; [Sven Gentner](#), Head of Unit C1 - Corporate reporting, audit and credit rating agencies, Financial Markets, DG FISMA, European Commission and [Abrial Gilbert-d'Halluin](#), Political advisor to MEP Pascal Durand.



Articles and Guides

In 2022, EFAA for SMEs published several articles on topical issues impacting SMPs and their professional bodies. EFAA's member organizations and others are encouraged to use these articles for their own use including translation and reproduction in their own journals and newsletters.

- 28 March – [Guide: Emergence of Sustainability Reporting: Implications for SMPs and EFAA Response](#)
- 22 April – [Guide: How SMPs Can Support the Sustainable Transition of SMEs: Insight From Experts](#)
- 11 July – [Interview with Salvador Marín "SMEs Are Not Ready to Report Under ESRS and Won't Be Any Time Soon"](#)
- 20 July - [Interview with Salvador Marín and Paul Thompson, "Learn From Financial Reporting Mistakes," SMEs tell Commission and EFRAG](#)
- 24 October - [SMPs and the Sustainability Agenda](#)
- 6 December - [EFAA Publishes Summary of Key Policy Positions and Recommendations 2022](#)
- 15 December - [EFAA Publishes Guidance for SMPs on Sustainability Reporting](#)



Sustainability Reporting Assurance How SMPs Can Build the Capacity to Support SMEs

APRIL 2023

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Position Papers and Comment Letters

In 2022, EFAA for SMEs published 8 comment letters and position statements as listed below.

- 27 January - [Comments on the Exposure Draft, Proposed International Standard on Auditing of Financial Statements of Less Complex Entities](#)
- 3 February - [Response to the EC consultation on Corporate Reporting – Improving its quality and enforcement](#)
- 17 May - [Response to the International Ethics Standards Board for Accountants \(IESBA\) Exposure Draft: Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits](#)
- 23 June - [Response to the International Ethics Standards Board for Accountants \(IESBA\) Exposure Draft: Proposed Technology-related Revisions to the Code](#)
- 5 July - [Response to the IESBA Strategy Survey 2022](#)
- 29 July - [Response to the IFRS S1 and IFRS S2 Exposure Drafts](#)
- 2 August - [Response to the EFRAG Public Consultation on the First Set of Draft ESRS](#)
- 12 October - [Position regarding EU-Initiative SAFE \(Securing the Activity Framework of enablers\) to tackle the role of enablers that facilitate tax evasion and aggressive tax planning in the EU](#)

Meetings and Speaking Engagements

EFAA represents its member organisations and thereby Europe's SMPs with one voice at the European and global level. We are ensuring that our voice is heard by regulators, standard setters, and other important stakeholders by responding to public consultations, participation and presentations at events and conferences, and direct dialogue with political stakeholders in meetings. In 2022, **EFAA represented SMPs at almost 100 events and meetings.**

Key Communication Tools

EFAA represents its member organisations and thereby Europe's SMPs with one voice at the European and global level. We are ensuring that our voice is heard by regulators, standard setters, and other important stakeholders by responding to public consultations, participation and presentations at events and conferences, and direct dialogue with political stakeholders in meetings. In 2022, EFAA represented SMPs at over 40 events and meetings.

Latest From Brussels



In 2022, EFAA for SMEs issued 23 [Latest From Brussels](#), an HTML newsletter distributed by email primarily to members but also key stakeholders and other interested parties, featuring short articles on regulatory, policy and technical developments, EFAA and EFAA member activities, useful practical guidance for SMPs, and other developments relevant to the profession. At the end of the newsletter there are two sessions devoted to guidance to SMPs: one focuses on digital transformation and the other one on sustainability. All relevant resources aiming to help SMPs in sustainability issues are collected [here](#). The newsletter is an essential instrument for providing timely and relevant information to our members as well as stimulating their advocacy efforts to well over 450 recipients. The newsletter archive is hosted [here](#) and the free subscription is open to anyone.

Social Media

In 2022, EFAA kept increasing its use of social media both as a vehicle to help inform its members, and their members, of relevant developments and to raise wider awareness and recognition of the activities of EFAA and its members. [EFAA’s Twitter account](#) has now over 1,270 followers and the [LinkedIn page](#) 520. The LinkedIn group, [EFAA Member Forum](#), is used to share relevant developments and provide a means for representatives of EFAA member organisations to share ideas, information, and insights.

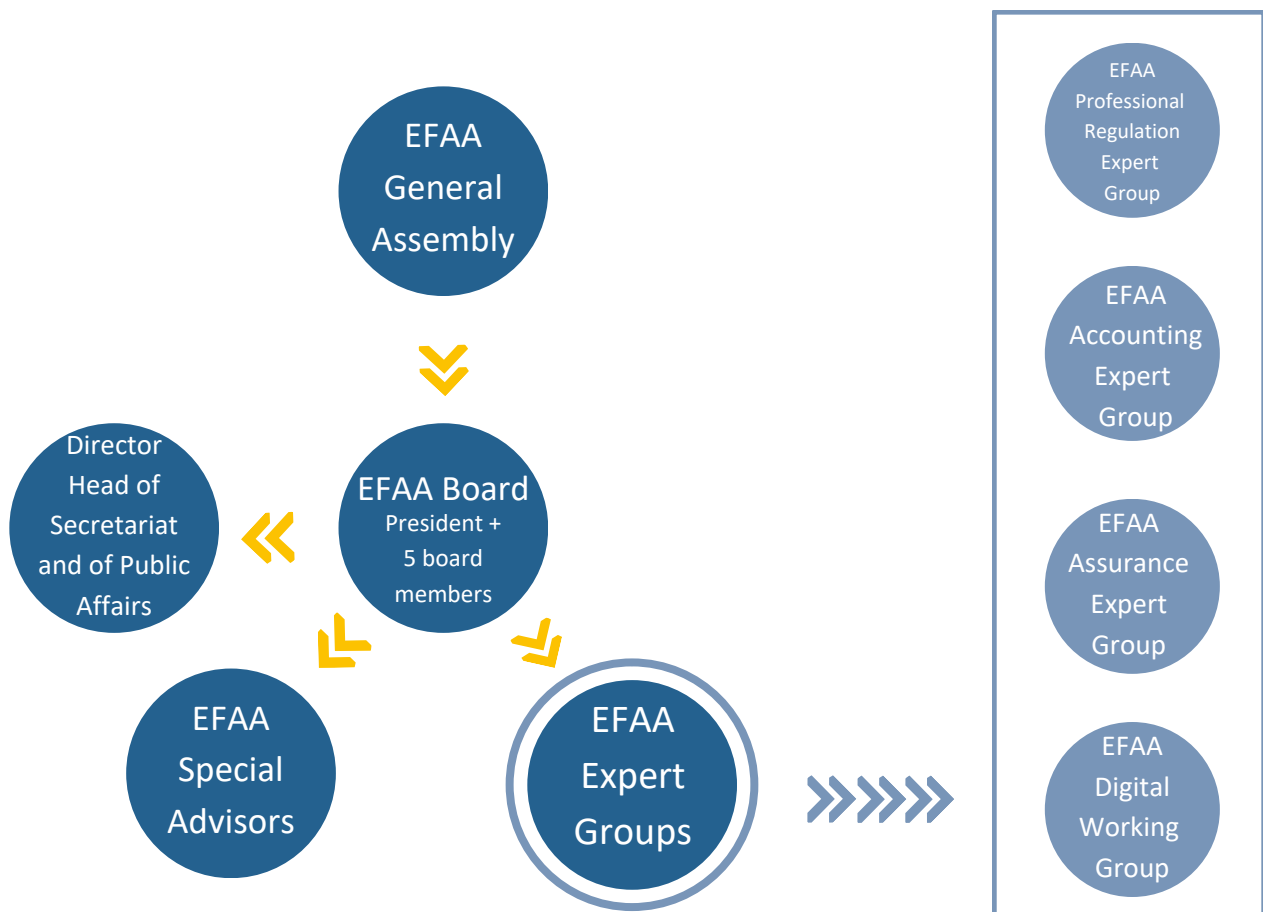
An overview

Financial Highlights

While EFAA has undertaken numerous activities in 2022, it remained well within its budget by focusing on efficient and effective use of its limited resources.

As of 31 December 2022, reserves were equivalent to a year of operating expenditure. This is mainly the result of a reduction in travel and event expenses, due to an increased use of virtual events and meetings, and thus due to an adequate management of our resources, looking for the maximum efficiency, visibility and promotion of EFAA for SMEs.

EFAA Structure



Board - Status 31/12/2022



Salvador Marín
President
Economistas - Spain



Johan De Coster
Board member
ITAA - Belgium



Gerard van IJendoorn
Board member and Treasurer
NBA - The Netherlands



Carlos Menezes
Board member
OCC - Portugal



Aleksander Štefanac
Board member
GZS - Slovenia



Marcus Tuschen
Board member
DStV - Germany



Paul Thompson
EFAA Director



Sara Zambelli
Head of Secretariat and
of Public Affairs



Robin Jarvis
Special Advisor



Esther Ortiz-Martinez
Special Advisor



Luca Brusati
Special Advisor



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