



**ACCOUNTANCY
EUROPE.**



International
Federation
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UPDATE



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ACCOUNTANCY EUROPE UPDATES

REDISCOVERING THE VALUE OF SME AUDIT

Accountancy Europe published an information paper the current developments in Sweden and Denmark, where national authorities are assessing the consequences of exempting small and medium-sized enterprises (SMEs) from mandatory audit.

Sweden found that the impact of abolishing the SME audit requirement created more costs than benefits. This has prompted Denmark to start a similar investigation. These countries' empirical facts-based approach is a good practice of sound policy-making. We encourage all policy-makers to follow such an approach and to consider the benefits of SME audit.

We have formed a group of experts to enhance the debate at European level on how best to respond to the challenges of SME audit. We will also keep analysing national developments in the area of SME audit policy.

You can find the paper [here](#).

SAVE THE DATE - ACCOUNTANCY EUROPE DIGITAL DAY ON 19 JUNE 2018

Our Digital Day 2018 dives deeper into the impact of technology on professional accountants. What are the ethical challenges? What do Smart Society, RegTech and using big data mean for us? What are the latest innovations in tax, accounting and reporting? Join us to learn and get inspired!

More information on [our website](#).

ACCOUNTANCY EUROPE SME INITIATIVES

You can now find all of Accountancy Europe's work on SMEs in 2017 in [this visual](#). Feel free to explore the infographic, you can click on all the key words to find out more about what is behind it.

NEW GDPR GUIDELINES AVAILABLE

The European Commission published new guidelines on how to comply with the General Data Protection Regulation (GDPR). This includes an infographic for SMEs and general information and FAQs. You can find more information [here](#).

Aside from the Commission, the EU's committee of data protection authorities (WP29) adopted guidelines to support the implementation of the GDPR. This includes guidance on mechanisms under the GDPR to transfer personal data outside the EU and on how to use consent as a legal basis to process personal data. You can find all WP29 guidelines [here](#).

To recall, every organisation dealing with personal data will need to comply by 25 May 2018. Failure to do so can result in heavy fines.

You can find more information on what the GDPR means for you in Accountancy Europe's factsheet [What do the new EU data protection rules mean for you?](#)

DATA TRANSFERS TO USA UNDER THREAT

The WP29 reviewed the EU-US Privacy Shield adequacy decision. The Privacy Shield is one of the main tools for businesses to transfer personal data from the EU to the US.

WP29 identified significant concerns and calls for an action plan from the Commission and the US to demonstrate that these concerns will be addressed. The data protection authorities provided 2 deadlines:

- 'prioritized concerns' need to be resolved by 25 May 2018, when the General Data Protection Regulation starts to apply
- 'other concerns' need to be addressed by the second annual review of the Privacy Shield, which is expected for Autumn 2018

The data protection authorities will challenge the Privacy Shield in court if their deadlines are not met.

Given the controversy of the Privacy Shield, it is advisable for EU accountancy practitioners that store or process personal data in the US to closely follow these developments.

DATA PROTECTION IMPLICATIONS OF BREXIT

The Commission [published](#) in January an information notice to stakeholders about the legal repercussions of Brexit for compliance with the General Data Protection Regulation (GDPR).

This will affect accountancy practices that are based in a EU non-UK Member State and which process personal data in the UK. For example, when making use of a cloud service provider with servers in the UK. Therefore, it is important to check with IT suppliers whether any personal data is transferred to the UK.

Because of Brexit, the UK will become a 'third country' from 30 March 2019. From that moment, the GDPR's rules for transfer of personal data to third countries will apply to such transfers from EU Member States to the UK.

There are three ways to remain compliant in such scenario:

- the Commission adopts an 'adequacy decision' to allow the transfer of personal data

- data controllers, e.g. accountancy practices, adopt appropriate safeguards such as standard data protection clauses¹ or binding corporate rules
- data controllers make use of ‘derogations’, which allow transfers in specific cases

This is subject to any transitional arrangement that may be contained in a possible withdrawal agreement.

COMMISSION PROPOSES MORE LEEWAY FOR MEMBER STATES ON VAT RATES, AND NEW VAT ALLEVIATIONS FOR SMES

The European Commission has published its long-awaited new VAT package. This consists of two core elements:

- a proposed reform of VAT rates, giving member states more leeway on setting their national rates. The proposal is accompanied by an Annex listing the goods and services on which reduced rates and exemptions may not be applied
- a proposed reform of the special VAT scheme for SMEs

Accountancy Europe responded to both the consultation on the SME scheme as well as on VAT rates.

Both proposals will have to be adopted by unanimity in the Council. As always with tax files, the European Parliament will be consulted but its eventual opinion is legally non-binding. The whole process will take several months at best.

You can read more about these proposals in our [Tax Update](#).

COMMISSION LAUNCHES PUBLIC CONSULTATION ON FACILITATING SME LISTINGS

The Commission has launched a public consultation on building a more proportionate regulatory regime for SME listings.

In its July 2017 CMU Mid-term Review, the Commission committed to assessing whether targeted amendments to EU rules could deliver a more conducive regulatory environment to support SME listings on SME Growth Markets.

The consultation forms a part of this exercise, and will help the Commission to identify ways to cut red tape and build a more proportionate and supportive regulatory environment for SMEs.

The Commission seeks, in particular, a balance between creating a lighter regime without undermining investor protection and market integrity.

Accountancy Europe intends to respond to the consultation.

STAY INFORMED ON EU POLICY

Check our monthly newsletter and other updates. You can subscribe to them [here](#).

¹ See for example: http://ec.europa.eu/justice/data-protection/international-transfers/transfer/index_en.htm

AUP ENGAGEMENTS A GROWTH AND VALUE OPPORTUNITY

A new publication [Agreed-Upon Procedures Engagements A Growth and Value Opportunity](#) describes AUP engagements, when they are appropriate, and, identifies key client benefits. It also covers examples of financial and non-financial information AUP engagements and provides six short case studies with example procedures that might be applied.

INTERNATIONAL STANDARDS: 2017 GLOBAL STATUS REPORT

A report [International Standards: 2017 Global Status Report](#) provides an analysis of the status of adoption of international standards and best practices, the role of IFAC member organizations in the adoption process, and their fulfillment of IFAC requirements—the [Statements of Membership Obligations](#). The data was collected by the IFAC Member Compliance Program and covers 104 member organizations and the 80 jurisdictions in which they operate. It also highlights useful available resources, guidance, and examples of best practices.

TRANSFORMING SMP CHALLENGES INTO OPPORTUNITIES

A compilation of the articles from the Global Knowledge Gateway was produced [Transforming SMP Challenges into Opportunities](#). The articles address some of the key challenges facing SMPs and provides information, tips, best practice examples and highlights available tools and resources.

LATEST GATEWAY ARTICLES AND VIDEOS

- [Auditor Reporting Standards Implementation: Key Audit Matters](#)
- [The Changing Face of the Accountancy Profession](#)
- [Generation Next and Small- & Medium-Sized Practices](#)
- [What Top Skills Do Professional Accountants Need for the Future?](#)
- [Small Practices: Leverage Traditional Services to Adapt to New Client Needs](#)
- [Building Your Firm's Accounting Advisory Services](#)
- [Why Accountants Must Embrace Machine Learning](#)
- [Will External Audits Vanish in the Blockchain World?](#)
- [Root Cause Analysis Is Transforming Audit Quality](#)
- [External Assurance on Non-Financial Information: Providing Confidence](#)

COMMENT LETTERS

The IFAC Small and Medium Practices (SMP) Committee submitted a [comment letter](#) to the International Ethics Standards Board for Accountants (IESBA) in response to its Exposure Draft [Proposed Revisions to the Code Pertaining to the Offering and Accepting of Inducements](#). Comments included that overall, it appears the proposals are far more rules-based than the current threats and safeguards (principles-based) approach in other parts of the Code and concern about the level of detail in the revised inducement provisions, which could lead to overly onerous documentation – in particular for SMPs.

The IFAC SMP Committee is currently formulating a response to the IESBA's [Fees Questionnaire](#). All SMPs are invited to comment. The IESBA has extended their deadline to **March 1, 2018**.

THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB)

The IAASB Data Analytics Working Group issued a [Feedback Statement](#) which provides an overview of the key messages from the responses to the questions in the Request for Input (RFI), [Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics](#). RFI.


The IAASB Emerging forms of External Reporting (EER) Task Force published a Feedback Statement to highlight the responses received on the August 2016 Discussion Paper, [Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements](#).

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