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The auditing and accounting business is undergoing rapid changes. Countries that had statutory audit regardless of the size of the entity have implemented thresholds and countries that already had thresholds have raised them. Worldwide, fewer and fewer companies are audited, despite the fact that audited financial reports bring confidence and trustworthiness.

Several studies, including a recent one from the International Federation of Accountants, have shown the accountant/auditor is the most trusted and appreciated business adviser for SMEs. In my opinion this relies on a confidence built up during a long period of time.

By working closely with SMEs and keeping a high regard to professional standards on ethics and independence as well as a high level of competence, we have reached that number one position.

### **No alternative**

In the current debate on audit thresholds, it is hard to find relevant and accepted assurance services to substitute for the audit. Regarding the debate about abolishing audit, we have ourselves to blame. When the 'old ISAs' were implemented some years ago, we were not critical enough. Instead of taking responsibility for public interest, we took the ISAs on and started digging our own graves. In Sweden, representatives of trade associations even publicly told the business world that now was the time for increasing fees.

Lucky for us, we now have revised ISAs on the way. With clarified, simplified and revised ISAs, we can bring audit back to basics – an intellectual process with endless opportunities for proportional approaches and tailor-made solutions, while staying within the framework.

By focusing on a simpler structure for documentation, the revised ISAs can make way for an audit that is not only cost-efficient but enhanced in quality and in the same time profitable for the auditor – a win-win situation.

I am not arguing for a statutory audit, but I am worried that we risk losing the finest tool we have in our tool-kit.

Many of my colleagues talk about assurance services and compilations. We need to face the fact that a compilation will never be something that in itself builds credibility and trust. Those relying on a compilation will always do so due to a misconception that the compiler 'has a finger' in the quality and reliability of the financial report. With this 'knowledge', they trust the report.

Regarding assurance services as an alternative to audit for SMEs, from

what I understand, a professional who takes on an assurance service has to perform certain agreed upon tasks. If there are demands for more evidence, the assurance service can very easily expand into a service more comprehensive and expensive than an audit. And then what have we accomplished?

Abolishing audit and instead doing just light assurance services could put us in a position where we risk becoming one of many in the categories of consultants and money-makers, and then we would probably no longer be the number one adviser, nor be able to recruit the best students to the profession.

In light of this, we should argue to reclaim the audit of SMEs. We would gain public trust, remain profitable, keep our position as the number one adviser and last but not least, do good for the public interest.

A long and continuous relation with a client is normally healthy for all parties and society as well. Benjamin Franklin once said, 'when you finish changing, you're finished'. In these times of financial turmoil, let us take on the revised ISAs and change our own situation as well as the conditions for SMEs.'

Mats Olsson is a board member of Swedish institute FAR SRS and Sweden's representative on the Federation of European Accountants working party for SMEs and SMPs. His thoughts in this article are his own as a practitioner.

Sweden is expected to introduce an exemption for SMEs from statutory audit during the new year (see Sweden prepares for momentous changes to accounting landscape).