CHOOSING THE RIGHT SERVICE

Comparing Audit, Review, Compilation and Agreed-Upon Procedures Services

Your company is navigating an increasingly challenging, complex and constantly changing business environment. Your accountant is here to help.

Professional accountants, as your trusted adviser and partner in business, can provide the specialized services, objective guidance, and expert advice crucial to your business's growth, as well as to support compliance with applicable laws and regulations.

There are many financial reporting services that may be provided that can be uniquely tailored to your purposes.

Not sure which service is right for you? This brochure describes the range of audit, review, compilation and agreed-upon procedures services offered by professional accountants in public practice in accordance with relevant international standards and the different benefits of each service.

FACTORS YOUR ACCOUNTANT WILL HELP YOU TO CONSIDER IN DETERMINING THE APPROPRIATE SERVICES INCLUDE:

- Your specific needs;
- Your financial statement users (e.g. investors, banks, customers, suppliers etc.);
- Applicable laws or regulations;
- Size, structure and complexity of your entity;
- Financing requirements; and
- Future business plans.

Consultation with the intended users of the financial statements about their needs may also be helpful.

The fees charged for performing each service type will vary as they are influenced by the above factors. Estimates for fees will be discussed with your professional accountant and will be addressed as part of a formal engagement letter.

AUDIT

REVIEW

COMPILATION

AGREED-UPON PROCEDURES

Significant differences between audit, review, compilation and agreed-upon procedures engagements are as follows:

Engagement Type			
AUDIT	REVIEW	COMPILATION	AGREED-UPON PROCEDURES
Standards			
ISA	ISRE 2400 (Revised)	ISRS 4410 (Revised)	ISRS 4400 (Revised)
Assurance			
Reasonable	Limited	None	None
Work Efforts			
Risk assessment and audit procedures that respond to the risks identified	Primarily inquiry and analytical procedures	Assisting management prepare financial information	Procedures as agreed upon in the terms of the engagement
Report			
Opinion (positive assurance)	Conclusion (negative assurance)	Report communicating the nature of the compilation engagement and the practitioner's role and responsibilities. (No assurance)	Report on the agreed-upon procedures performed and the related findings (No assurance)

AUDIT

WHAT IS AN AUDIT?

Your accountant issues a report that includes the opinion as to whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. The opinion depends on the findings of the auditor. When the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework, a 'clean' opinion is issued. If this is not the case, the opinion will be modified as appropriate.

The ISAs or International Standards on Auditing require your accountant to perform a variety of audit procedures in order to obtain audit evidence that is appropriate and sufficient in order to reach this opinion with a high, but not absolute, level of assurance.

WHEN IS AN AUDIT APPROPRIATE?

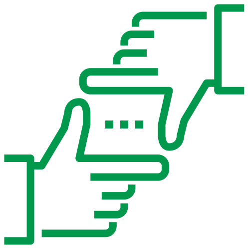
- Law or regulation require an audit.
- Financial statement users (e.g., investors) are seeking a high level of assurance.
- External users (such as creditors or banks) or circumstances (such as when preparing to sell a business) require an audit to provide assurance on the financial statements.

WHAT ARE THE BENEFITS OF AN AUDIT?

- An audit strengthens the credibility of the information in the financial statements.
- Weaknesses in internal control may be identified providing insights into business risks, and relevant recommendations for improvement may be provided.
- Misstatements may be identified (whether through fraud or error), that can be addressed and corrected by the entity.

REVIEW

WHAT IS A REVIEW?



Your accountant primarily makes inquiries and performs analytical procedures, to support a conclusion on whether the financial statements are prepared in accordance with the applicable financial reporting framework. The planned nature, timing and extent of the procedures performed will depend on the nature and circumstances of the engagement (and will likely significantly differ from audit procedures), and are performed to obtain limited assurance on whether your accountant has become aware of any matter that may cause the financial statements to be materially misstated.

WHEN IS A REVIEW APPROPRIATE?

- The entity is exempt from a statutory audit requirement, but users, such as shareholders or banks, require some form of assurance.
- It supports an internal review of the financial information of the business by management, acting as an additional control.
- It is requested by a group auditor in respect of a subsidiary or business unit forming part of a group .
- The financial statements are required to be reviewed to fulfill statutory or contractual obligations.

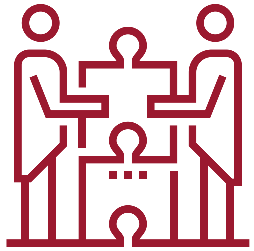
WHAT ARE THE BENEFITS OF A REVIEW?

- It may prepare a growing business for transition to an audit.
- It may assist in obtaining finance or may be useful when preparing to sell a business or seeking new investors.
- It is flexible and targeted — your accountant can focus time and attention on the things that matter according to the complexity of the financial statements, the nature of the business and the nature of the engagement.
- Your accountant is required to report all matters that in their professional judgment are of sufficient importance to merit management's attention.

COMPILATION

WHAT IS A COMPILATION?

Your accountant applies accounting and financial reporting expertise to assist management with the preparation and presentation of historical financial information. A compilation engagement is not an assurance engagement and so the accountant does not obtain any assurance, but external users (such as lenders, insurers or customers) will often value the involvement of a professional accountant in compiling the financial information.



WHEN IS A COMPILATION APPROPRIATE?

- Management may not have expertise in financial reporting and prefer to have an outside professional accountant involved.
- Users may need to know that a professional accountant has had some involvement with preparation and presentation of the financial statements.
- Management requires reporting on the financial statements for internal purposes and there are no external users.

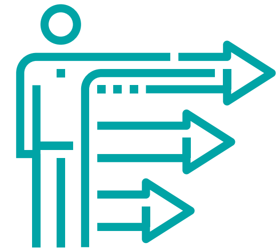
WHAT ARE THE BENEFITS OF A COMPILATION?

- Your accountant may not knowingly be associated with documents, reports or other information that contain a materially false or misleading statement.
- Management may benefit from assistance when making significant judgments or in addressing technical issues.
- Your accountant is required to report all matters that in their professional judgment are of sufficient importance to merit management's attention.

AGREED-UPON PROCEDURES

WHAT ARE AGREED-UPON PROCEDURES?

Your accountant only performs procedures on financial or non-financial subject matters, that have been agreed upon, either with you, or with someone other than yourself, who specifically requested the work. A report communicates the procedures performed and the related findings, no assurance is obtained, and neither is a conclusion nor opinion expressed.



WHEN ARE AGREED-UPON PROCEDURES APPROPRIATE?

- Management want to focus on specific areas of financial or non-financial subject matters to satisfy intended user's needs, such as comparing the inventory balance to the inventory sheet, agreeing the accounts payables balances to third party confirmations, tracing the use of grant funds, or recalculating the volume of greenhouse gas emissions.
- Management seek comfort that certain disclosures required by applicable standards have been provided.

WHAT ARE THE BENEFITS OF AGREED-UPON PROCEDURES?

- It offers flexibility, as the service can be tailored to different circumstances and focused on individual items of financial or non-financial subject matters.
- Management may request specific work be performed to satisfy intended user needs. External users can also specify the reporting format.
- Findings may be reported with respect to the effective operation of particular financial reporting processes and controls.
- An agreed-upon procedures report can be included as a supplement to the financial statements providing additional information to management, staff and other stakeholders in relation to specific elements of the financial statements.
- It may satisfy financing or supplier-specific needs that do not require any level of assurance.

Professional accountants in public practice performing these services are required to adhere to the highest quality control and ethical standards.

The International Standard on Quality Control (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB), or requirements that are at least as demanding, applies to all firms of professional accountants when performing audits and reviews of financial statements, and other assurance and related services engagements, in accordance with the IAASB's standards.

IFAC member organizations are required to comply with IFAC's Statements of Membership Obligations (SMOs) which include adopting and implementing audit and ethical standards no less stringent than those issued by the IAASB and by the International Ethics Standards Board for Accountants (IESBA) in the International Code of Ethics for Professional Accountants (including International Independence Standards). The SMOs stipulate that IFAC members also set requirements with respect to quality assurance review systems for their members who perform audits, review, other assurance and related services engagements as well as continuing professional development and investigative and disciplinary procedures to strengthen members' services and ensure compliance with international standards.

IFAC International Federation of Accountants