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CHOOSING THE RIGHT SERVICE

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

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AGREED-UPON PROCEDURES

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

Professional accountants, as your trusted advisor and partner in business, can provide the specialized services, objective guidance, and expert advice crucial to your business's growth, as well as 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;
- Applicable laws or regulations;
- Size, structure, and complexity of your entity;
- Financing requirements; and
- Future business plans.

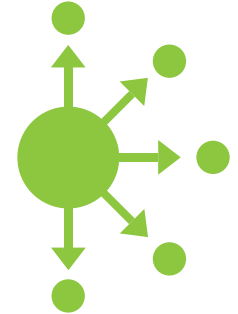
Consultation with the users of the financial statements about their needs may also be helpful.

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 in a formal engagement letter.

AUDIT
REVIEW
COMPILATION
AGREED-UPON PROCEDURES

WHAT ARE AGREED-UPON PROCEDURES?

Your accountant performs only specified procedures agreed with you in advance and provides a report based on factual findings regarding financial information—no assurance is obtained and neither is a conclusion nor opinion expressed. The report is not distributed publicly—it is restricted to those parties that have agreed to the procedures. The exact procedures are discussed and agreed with you and can focus on those areas which you believe will provide the most value.



WHEN ARE AGREED-UPON PROCEDURES APPROPRIATE?

- Management want to focus on specific areas of financial information to satisfy external user's needs, such as validating the inventory balance, confirming the accounts payables balances, verifying cash balances, or reviewing the appropriate use of grant funds.
- Management seek comfort that certain disclosures required by applicable standards have been provided.

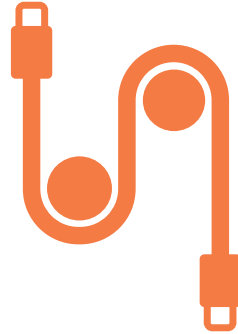
WHAT ARE THE BENEFITS OF AGREED-UPON PROCEDURES?

- It offers flexibility, as the service can be tailored to different circumstances and focused on individual items of financial data.
- Users may request specific work to be performed, as well as specify the format of required reporting.
- Factual findings may be reported with respect to the effective operation of financial reporting processes and controls.
- An annual agreed-upon procedures report can be included as a supplement to the financial statements adding credibility and comfort to management and staff.
- It may satisfy financing or supplier-specific needs.

COMPILATION

WHAT IS A COMPILATION?

Your accountant applies accounting and financial reporting expertise to assist management with the preparation and presentation of financial information in order to comply with the applicable financial reporting framework. A compilation engagement is not an assurance engagement, 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.

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
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	Obtaining evidence to support factual findings
Report			
Opinion (positive assurance)	Conclusion (negative assurance)	Report communicating the nature of the compilation engagement and the practitioner's role and responsibilities. (No assurance)	Restricted use report (reporting on factual findings)

WHAT IS AN AUDIT?

Your accountant issues a report that includes the opinion (often referred to as a clean audit opinion) as to whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework. If this is not the case, the opinion will be modified, as appropriate.

The ISA®, 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?

- Laws or regulations require an audit.
- Financial statement users (e.g., investors) request the highest level of assurance that a professional accountant can obtain.
- 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?

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



WHAT IS A REVIEW?

Your accountant makes inquiries and performs analytical procedures that are not the same as audit procedures, to support a conclusion on whether the financial statements are prepared in accordance with the applicable financial reporting framework. Your accountant performs procedures to obtain limited assurance on whether they have 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, require some form of assurance.
- It supports an internal review of the business by management, acting as an additional control.
- Limited assurance can be obtained on the financial statements of small subsidiaries that are 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 and nature of the business.
- Your accountant is required to report all matters that in their professional judgment are of sufficient importance to merit management's attention.