

## 4 Summary of Engagements

	Preparation Engagement	Compilation Engagement	Review Engagement			Audit Engagement
	SSARS	SSARS	SSARS	SAS	PCAOB	SAS/PCAOB
Level of Assurance	None	None	Limited	Annual audit		Reasonable
Entities	Nonissuers only	Nonissuers only	Nonissuers	Nonissuers: Interim FS	Issuers: Interim FS	Nonissuers/Issuers
Knowledge Required	Knowledge of accounting principles and practices of industry; general understanding of client's business	Knowledge of accounting principles and practices of industry; general understanding of client's business	Same as compilation plus increased knowledge of client's business			Extensive knowledge of economy, industry, and client's business
Inquiry and Analytical Procedures Required	None unless information is questionable	None unless information is questionable	Inquiries of internal personnel Analytical procedures			Inquiries of external parties and internal personnel Analytical procedures Audit procedures
GAAP Disclosure Omitted	May omit, but need to disclose in the financial statement	May omit most without restricting use; warn with ending paragraph	All are required or modify review report			All are required or "qualified/adverse" opinion
GAAP Departures	May depart from GAAP, but need to disclose in the financial statement	Modify report to discuss GAAP departure	Modify report to discuss GAAP departure			Modify report; "qualified/adverse" opinion
Independence	Not required (non-attest engagement)	Not required but disclosure is required	Required			Required
Engagement Letter	Presumptively mandatory	Presumptively mandatory	Presumptively mandatory			Presumptively mandatory
Representation Letter	Not required	Not required	Required			Required
Understanding of Internal Control	Not required	Not required (no test work)	Not required (no test work)	Required	Required	Required

Nonissuer  
Private company

Issuer  
Public company

Errors and Irregularities Detection	Only obvious errors	Only obvious errors found when reading financial statements	Only errors discovered through inquiry and analytical procedures			Must be designed to provide reasonable assurance of detection of material misstatements
FS Reported on (BS/IS/RE/CF)	One or more financial statements may be prepared	One or more financial statements allowed to be reported on	One or more financial statements allowed if scope of inquiry and analytical procedures have not been restricted			One or more financial statements allowed if scope of audit is not limited and all necessary procedures are applied
Communication With Predecessor	Not required	Not required	Not required	Required	Required	Required
Subsequent Event Inquiries	Not required	Not required	Required			Required

Engagement Summary						
	Nonissuers			Issuers		
	Preparation	Compilation	Review	Review	Review	No Audit or Review
Service	Prepared	Compiled	Review	Review	Review	Unaudited
Worked on	FS	FS	FS	Financial information	FS	FS
Period	Any date	Any date	Any date	Interim only	Interim only	Any date
Standards	AICPA—SSARS	AICPA—SSARS	AICPA—SSARS	AICPA—SAS Annual audit	PCAOB	PCAOB
Procedures	Knowledge of industry Understand business Prepare the FS	Knowledge of industry Understand business Read the FS	Understanding with client Learn entity's business Inquiry Analytical procedures Review—other procedures Client rep. letter Professional judgment Accountant communicates results	Understanding with client Learn entity's business Inquiry Analytical procedures Review—other procedures Client rep. letter Professional judgment Accountant communicates results	Understanding with client Learn entity's business Inquiry Analytical procedures Review—other procedures Client rep. letter Professional judgment Accountant communicates results	None—however, CPA must read the financial statements for obvious errors
Findings	No assurance (include legend or disclaimer)	No assurance (disclaimer)	Limited assurance	Limited assurance	Limited assurance	No assurance (disclaimer)

Withdraw if  
False  
Fraudulent  
Deceptive  
Misleading

The following chart summarizes when each of four reports is required.



Recommended Reporting			
Report	REQUIRED BY		
	GAAS	Government Auditing Standards	Single Audits
Opinion (or disclaimer) on financial statements and supplementary schedule of expenditures of federal awards.	✓	✓	✓
Report on internal control and compliance with provisions of laws, regulations, contracts, and grant agreements.		✓	✓
Report on compliance and internal control over compliance applicable to each major program. This report must include an opinion (or disclaimer) on compliance.			✓
Schedule of findings and questioned costs.			✓



### Pass Key

Remember that government audits and single audits require more work and responsibility for the auditor. The examiners usually focus on the additional audit report requirements.



### Pass Key

Government audit and single audit reports focus the reader on compliance with laws, rules, and regulations; the internal controls associated with maintaining compliance; and any findings of noncompliance.

Each type of attestation service allows a different combination of reporting options:

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Attestation Service	Report Type		
	Examination	Review	Agreed-Upon Procedures
Agreed-upon procedures			✓
Prospective financial statements	✓		✓
Pro forma financial statements	✓	✓	
Compliance	✓		✓
MD&A	✓	✓	
Service organizations	✓		

Note that preparations and compilations are also allowed for prospective financial statements. However, with the issuance of SSAE 18, preparations and compilations of prospective financial statements are no longer addressed in the attestation standards and are instead governed by the SSARS standards.

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Pass Key

The following standards apply to services a CPA may provide:

- **Audit Engagements:** SAS (Statements on Auditing Standards); PCAOB standards for issuers
- **Preparation, Compilation, and Review Engagements:** SSARS (Statements on Standards for Accounting and Review Services)
- **Attest Engagements:** SSAE (Statements on Standards for Attestation Engagements)