

Audit vs. Review vs. Compilation

Category	Compilation	Review	Category	Review +	Audit
Level of Assurance	Accountant does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements	Accountant obtains limited assurance that there are no material modifications that should be made to the financial statements	Level of Assurance	Accountant obtains limited assurance that there are no material modifications that should be made to the financial statements.	The auditor obtains a high, but not absolute, (Reasonable) level of assurance about whether the financial statements are free of material misstatement
Objective	To assist management in presenting financial information in the form of financial statements without undertaking to provide any assurance that there are no material modifications that should be made to the financial statements	To obtain limited assurance that there are no material modifications that should be made to the financial statements. No Opinion is expressed as to fairness of the financial statements.	Objective	To obtain limited assurance that there are no material modifications that should be made to the financial statements. *** not on the review report, but during the review +, we obtain a higher level of assurance than the limited assurance but lower assurance than high or reasonable assurance obtained during the audit.	To obtain a high level of assurance about whether the financial statements as a whole are free of material misstatement thereby enabling the auditor to express an opinion on whether the financial statements are presented fairly, in all material respects
Testing Procedures	No testing of transactions or balances is performed.	Limited analytical procedures and inquiries are performed to identify potential misstatements	Testing Procedures	Analytical procedures and inquiries are performed to identify potential misstatements. Substantive testing is performed, verification of account balances. Not Testing Internal Controls.	Analytical procedures and inquiries are performed to identify potential misstatements. Substantive testing is performed, including sampling and detailed verification of account balances, transactions, and internal controls. Internal Control Evaluation: To review and assess the effectiveness of the organization's internal control systems, providing recommendations for improvements where necessary to mitigate risks.
Assurance Provided to the User of the Financial Statements	None - the report states that no assurance is provided	No assurance is provided—the report clearly states that the accountant does not give any assurance about the financial statements.	Assurance Provided to the User of the Financial Statements	None - the report provides a statement that the accountant is not aware of any material modifications that should be made to the financial statements	None - the auditor provides an opinion as to whether the financial statements present fairly, in all material respects, the company's financial position, results of operations and cash flows
Category	Compilation	Review	Category	Review +	Audit
Accountant's/Auditor's Requirements	The accountant is not required to maintain independence for compilations, the accountant must maintain an unbiased approach and disclose any relationships that may impair independence.	The accountant is required to obtain an understanding of the entity's internal control and assess fraud risk; The accountant is required to perform inquiry and analytical procedures	Accountant's/Auditor's Requirements	The accountant is required to obtain an understanding of the entity's internal control and assess fraud risk; The accountant is required to perform inquiry and analytical procedures. The accountant may perform verification of account balances.	The auditor is required to obtain an understanding of the entity's internal control and assess fraud risk; The auditor is required to perform inquiry and analytical procedures; The auditor is required to perform verification, confirmations of account balances and perform substantiation procedures.
Typical Situations	Generally appropriate for privately held companies and are often prepared for simple situations (e. g., a lender needs GAAP financial statements instead of the statements the internal accounting system produces or the lender needs the comfort provided by knowing that an accountant read the financial statements)	Often prepared for privately held companies because of requirements of outside third parties (such as banks, creditors and potential purchasers) that are looking for comfort that the financial statements are not materially misstated	Typical Situations	Often prepared for privately held companies because of requirements of outside third parties (such as banks, creditors and potential purchasers) that are looking for comfort that the financial statements are not materially misstated	Often prepared for companies because outside third parties (such as banks, creditors, potential purchasers and outside investors) require an auditor's opinion on the financial statements
Cost	Involves the lowest amount of work and as a result is far less costly than a review or audit	More costly than a compilation but substantially lower in cost than an audit	Cost	More costly than a review but lower in cost than an audit	Involves the most work and therefore the cost is substantially higher than a review or compilation