

## **Differences between an Audit, Review or Compilation performed by an Independent Auditor/Accountant**

There are important differences between an audit, a review, and a compilation performed by an independent auditor/accountant.

An audit is an examination of an entity's financial records and underlying support to ensure that the financial statements are materially (not 100 percent) correct and not misleading. The auditor examines corroborating evidence and performs various mathematical tests to support disclosures (e.g., bank statements, invoices, footing for accuracy all reported numbers).

A review is less in scope than an audit. No examination of corroborating evidence is required. Instead, mathematical tests and analytic procedures (e.g. comparing last year to current year revenue and expenses) are performed to provide a degree of comfort that the financial statements are materially correct.

A compilation is simply the act of compiling or putting together information in the form of financial statements. No tests are performed, and the preparer does not make any assertions about the validity of the reported figures.

Regardless of the type of service performed, the financial statements should be prepared in conformity to Generally Accepted Accounting Standards (i.e. GAAP).