



Audit vs. Review vs. Compilation

Attribute	Audit	Review	Compilation
Engagement is performed for the purpose of providing an opinion or report about whether the financial statements are presented fairly in conformity with GAAP.	Yes, engagement performed to provide reasonable assurance	Yes, engagement performed to provide limited assurance	No, engagement provides no assurance
CPA obtains an understanding of internal controls over financial statements.	Yes	No	No
CPA tests the effectiveness of internal control.	Frequently, but not always. The nature and extent of internal control testing depends on the auditor's judgment and conclusions pertaining to risk assessment	No	No
CPA verifies certain balances and transactions with third parties.	Yes	No	No
CPA performs procedures to provide reasonable assurance that financial statements are free of material misstatements whether caused by fraud or error.	Yes	No	No
Financial statements are the responsibility of management.	Yes	Yes	Yes
Financial statements are prepared by and are the responsibility of management.	Yes, but the CPA may assist in drafting.	Yes, but the CPA may assist in drafting.	Yes, but the CPA may assist in drafting.
CPA guarantees that the financial statements are accurate and free of fraud.	No	No	No
CPA evaluates the entity's policy decisions and use of resources.	No	No	No
CPA reports material weaknesses in internal control over financial reporting noted during the engagement to management and/or audit committee.	Yes	Not required, though frequently done if matters come to the CPA's attention	Not required, though frequently done if matters come to the CPA's attention
CPA acts as a whistleblower internally and reports identified fraud to management and/or audit committee.	Yes	Yes, unless clearly inconsequential	Yes, unless clearly inconsequential
CPA acts as a whistleblower externally and reports fraud and other matters to third parties, such as the IRS or state attorneys general.	No	No	No