The Differences Between a Financial Audit, Review & Compilation

	Audit	Review	Compilation
Performed by an accountant	✓	✓	✓
Analysis	In depth Evaluates risk of fraud Performs testing	Provides limited assurance that financial statements do not have any known errors	Extremely limited. Often considered unaudited financial statement
Follow-up	Ensures that relationships between figures are true and accurate.	Ensures that relationships between figures make sense	Only on information that is obviously incorrect
Reliability	Accountant will test documents in accordance with *Generally Accepted Auditing Standards*. Less than 5% chance that financial statements are materially misstated.	Accountant will ask many questions of the organization to gain an understanding of the accounting practices used.	Limited, the accountant does not usually discuss internal systems with organization leaders or test any of the presented numbers
Key Sentence	"In our opinion, the financial statements referred to present fairly, in all material aspects, the financial position of *XYZ Organization* as of June 30, *year*, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles."	"Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles."	"We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.
Cost	Significantly higher than a review or compilation	Usually costs between 40-70% of the cost of an audit	Least amount of work = lowest cost
Goal	To provide reasonable assurance that financial statements are fairly presented in accordance with GAAP.	To provide limited assurance that financial statements do not have any known errors and are in accordance with GAAP.	To compile the information in the general ledger into financial statements
Required	Required for organizations that receive $500,000 or more annually in federal grants	✗	✗