The accountant reports!
Explanation for users of the compilation report issued by an accountant.
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An accountant may carry out different types of engagements on historical financial information, depending on the request of the client (hereafter: the organisation or its management) or users’ information needs. He reports on the engagement by issuing a report. The most common reports are the reports on financial statements. This can be either:

- A compilation report – the accountant assists the client with the preparation of the financial statements;
- An auditor’s report – the accountant (auditor) provides an opinion on the financial statements with reasonable assurance; or
- A review report – the accountant provides a conclusion with limited assurance.

Regardless of the type of engagement, an accountant should always act in a professional, competent and objective manner, and with due care and integrity, and treat information as confidential.
Compilation report

When an accountant assists the organisation’s management with the preparation of the financial statements, he issues a compilation report. This report contains the following information:

- The nature of the engagement.
- The responsibilities of management.
- The responsibilities of the accountant.

Since the accountant assists management with the preparation of the financial statements, he therefore uses the information provided by management. The accountant does not normally examine whether this information is correct.

The accountant sometimes assists management in making accounting estimates or by selecting suitable accounting policies. He will always discuss this with management and ensure that management understands the choices made, to ensure that management can take responsibility for the financial statements.

When the financial statements have been compiled, the accountant will read the financial statements in light with his understanding of the organisation. If the accountant believes that the information provided by management is incomplete or inaccurate, he will request management for additional information. If necessary he himself will propose adjustments.

If the accountant is unable to complete the engagement due to lack of information provided by management or its refusal to make adjustments to the financial statements, he withdraws from the engagement. In that case he informs those charged with governance, such as the supervisory board, when such body exists.

Because the accountant assists management with the preparation of the financial statements, he does not express an opinion or a conclusion on the financial statements. If the users of the financial statements request an opinion or a conclusion, he should perform an audit or a review engagement.
Auditor’s report

In an audit engagement the accountant verifies whether the financial statements prepared by management provide a fair presentation of the financial situation of the organisation. In the auditor’s report, he expresses his independent audit opinion. He does this for users of financial statements, such as shareholders, suppliers and banks, which make economic decisions based on the information in the financial statements.

The financial statements must give a true and fair view of the organisation's financial position and its result. But this does not mean that the financial statements must be accurate down to the last euro. The financial statements must be accurate enough for the common user to be able to make informed decisions based on them. In other words, the financial statements must be free of material misstatements.

The objective of an audit engagement is to enable the accountant to express with a high level of assurance whether the financial statements are free from material misstatement. The accountant does not provide an absolute level of assurance, because he can be intentionally misled by an organisation, the accounting estimates made in the financial statements are often subjective, and because it is not economically feasible to investigate all individual transactions. This is what the accountant means with reasonable assurance.

The accountant carries out extensive procedures in order to support his opinion. For example, he will:

- Identify areas where material misstatements are likely to arise and perform adequate audit procedures as response
- Investigate sales and purchasing transactions
- Attend at a physical inventory counting
- Ask a customer to confirm an account balance
- Perform analytical procedures
- Make inquiries of management and others in- and outside the organisation.

The vast majority of the issued auditor’s reports are unmodified. This is due to the fact that any material misstatement is corrected by the organisation in consultation with the auditor before the report is issued.

However, it is also possible that material misstatements exist in the financial statements. Depending on the pervasiveness of the misstatements, the accountant can express an adverse opinion or a qualified opinion. Sometimes the accountant doesn’t have sufficient and appropriate audit evidence to support his opinion on the financial statements. Depending on the pervasiveness of this, he expresses a disclaimer of opinion or a qualified opinion.

Because the accountant expresses an opinion in his report and users must be able to rely on this, it is important that he is independent. He must therefore comply with independence regulations.
Review report

Also in a review engagement the independent accountant examines whether the financial statements provide a fair presentation of the financial situation of the organisation. However, the accountant performs less procedures. These procedures will mainly consist of:

- Identifying areas where material misstatements are likely to arise and perform adequate procedures as response
- Making inquiries of management and others, and
- Performing analytical procedures.

Because less procedures are performed by the accountant, he will provide less assurance on the financial statements. His conclusion provides limited assurance. The choice for the level of assurance depends on the users’ demand for assurance in relation to costs.

If the accountant believes that the financial statements are not free from material misstatements, he performs additional procedures.

In the review report the accountant states: ‘nothing has come to our attention that causes us to believe that the financial statements do not give a true and fair view of the financial position and the result of the company’. In doing so he reports that the information in the financial statements seems plausible. As in an audit engagement the accountant may also conclude that the financial statements are incorrect or that he cannot obtain sufficient and appropriate evidence about the financial statements. To express this he modifies his conclusion.