



Chapter 1

Introduction to Preparation, Compilation, and Review Engagements

Learning objectives

- Identify the types of engagements that require a report on the financial statements.
- Recognize how preparation engagements have evolved.
- Recognize the hierarchy of guidance that applies to preparation, compilation, or review engagements.
- Recognize the elements of a quality control system.
- Identify different forms of peer review.

Reporting on financial statements

Prior to 1978, accountants engaged to report on financial statements had two options: perform an audit of the financial statements or issue a disclaimer of opinion on the financial statements. Until that time, there was no option in the literature to offer reporting services that were less in scope than an audit that provided some level of comfort to users of financial statements. Accountants could, and still can, provide bookkeeping services, but those services are not subject to Statements on Standards for Accounting and Review Services (SSARSS). With the issuance of SSARS No. 1, *Compilation and Review of Financial Statements*, in 1978, accountants were provided other reporting opportunities related to their clients' financial statements.

Reporting options

When accountants are engaged to report on financial statements, available options include audit, review, or compilation. Each of these engagements is considered an attestation engagement in that the accountant has been engaged to issue a report on a subject matter or assertions (financial statements) that is the responsibility of another party (management). The services offer different levels of assurance, ranging from the reasonable assurance provided by an audit to no assurance provided by a compilation.

In an audit engagement, the accountant issues a report that expresses an opinion about whether the financial statements are fairly presented, in all material respects, in accordance with the financial reporting framework used to prepare the financial statements. In order to express an opinion on the financial statements, the auditor is required to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. The auditor obtains reasonable assurance based on a rigorous evaluation of the financial statements. An audit engagement begins with a set of financial statements that are the responsibility of management. In these financial statements, management asserts that the transactions and accounts underlying the financial statements (1) exist or occurred, (2) are complete, (3) represent rights and obligations of the company, (4) are valued and allocated correctly, and (5) are presented and provide disclosure in accordance with an applicable financial reporting framework, such as generally accepted accounting principles (GAAP). In order to obtain reasonable assurance, the auditor must obtain evidence — through such procedures as obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents; and others — to corroborate management's assertions about the financial statements.

When an engagement requires a lesser level of assurance, a review may be appropriate. The objective of a review is to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures. In addition to accumulating review evidence through inquiries and analytical procedures, a management representation letter is also required for a review engagement. There is no requirement to obtain an understanding of or to test the client's internal controls.

The lowest level of reporting service on financial statements is a compilation engagement. An accountant performing a compilation engagement obtains no assurance on the financial statements. The objective of a compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report in accordance with this standard without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework. Compilation engagements can be performed on full disclosure financial statements; financial statements that omit substantially all disclosures; and accounts, elements, or items of a financial statement.

Comparison of reporting options

The following table highlights several of the significant differences among audit, review, and compilation engagements. Most notable is the idea that increasing the level of assurance requires an increased rigor in obtaining evidence regarding the underlying assertions in the financial statements.

Service comparison

	Compilation	Review	Audit
Level of assurance that the financial statements are not materially misstated	CPA does not obtain or provide any assurance that there are no material modifications that should be made to the financial statements.	CPA obtains limited assurance that there are no material modifications that should be made to the financial statements.	The CPA obtains reasonable (defined as high, but not absolute) assurance about whether the financial statements are free of material misstatement.
Objective	To apply accounting and financial reporting expertise to assist management in the presentation of financial statements.	To obtain limited assurance as a basis for reporting whether the CPA is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.	To obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, thereby enabling the CPA to express an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with an applicable financial reporting framework and to report on the financial statements in accordance with the auditor's findings.
The CPA is required to be independent	No. If the CPA is not independent, the CPA is required to indicate lack of independence in the CPA's compilation report.	✓	✓

	Compilation	Review	Audit
The CPA is required to obtain an understanding of the entity's internal control and assess fraud risk			✓
The CPA is required to perform inquiry and analytical procedures		✓	✓
The CPA is required to perform verification and substantiation procedures			✓
The CPA issues a formal report on the financial statements	✓	✓	✓
Situations requiring different levels of service	Typically appropriate when initial or lower amounts of financing or credit are sought, or there is significant collateral in place. Outside parties may appreciate the business's association with a CPA, which is readily apparent in the formal compilation report.	Typically appropriate as a business grows and is seeking larger and more complex levels of financing and credit. It is also useful when business owners themselves are seeking greater confidence in their financial statements to evaluate results and make key business decisions.	An audit is typically appropriate and often required when seeking complex or high levels of financing and credit. Also appropriate when seeking outside investors, seeking to sell the business, or considering a merger.
Differences in cost for each level of service	Least time consuming of the services in which the CPA issues a formal report.	More time consuming than a compilation, but substantially less than an audit.	Involves the most work and, therefore, the most CPA time.

Evolution of engagements to prepare financial statements

Reporting services have continued to evolve with changes in the financial reporting landscape. Over time, other changes pointed to the need for basic accounting services beyond reporting on existing financial statements.

Compilation engagements in a changing landscape

Until 2014, accountants were required to perform a compilation of financial statements whenever they were (1) engaged to perform a compilation or (2) when the accountant submitted financial statements to the client or third parties. Submission was defined as “prepares and presents.” Whereas submission worked well as a trigger for the compilation service when SSARS No. 1 was issued in December 1978, cloud computing and other technology applications have made it difficult to answer the question concerning who (or what) has prepared the financial statements. SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification* (AICPA Professional Standards) issued in October 2014, eliminated the need for the accountant to determine an answer by eliminating the submission requirement and making the compilation literature apply only when the accountant is engaged to perform a compilation service.

The substance of SSARS No. 21 is reflected in chapters 4, 5, and 6 covering preparation, compilation and review engagements, respectively.

Preparation of financial statements

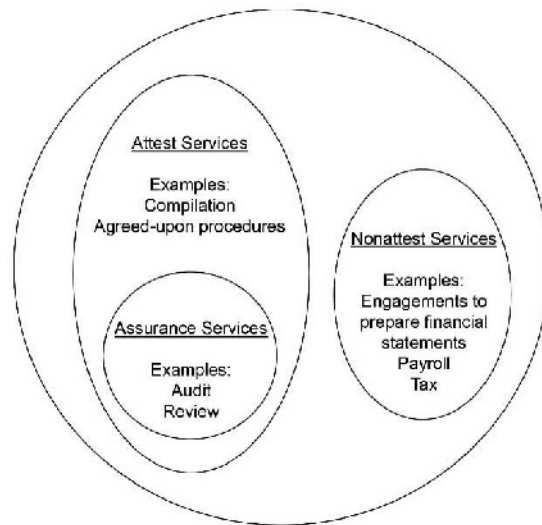
AR-C section 70, *Preparation of Financial Statements*¹ provides requirements and guidance when an accountant is engaged to prepare financial statements but is not engaged to perform an audit, review, or compilation with respect to those financial statements.

The accountant may accept an engagement to prepare financial statements without considering independence issues (because the service is a nonattest service). Once the engagement is accepted, the accountant is required to obtain an engagement letter that sets forth the nature and scope of services. The engagement letter is required to be signed by the accountant (or the accounting firm) and management (or, if appropriate, those charged with governance). After the financial statements are prepared, the accountant is not required to issue a report; however, the prepared financial statements are required to include an indication on each page of the financial statements stating that the accountant provides no assurance on them. If the accountant is unable to include a statement on each page of the financial statements, the accountant is required to either issue a disclaimer that makes clear that no assurance is provided on the financial statements, perform a compilation engagement in accordance with AR-C section 80, *Compilation Engagements*, or withdraw from the engagement. Such financial statements can be made available to third parties.

¹ All AR-C sections can be found in AICPA *Professional Standards*.

Comparison of engagements

In contrast to the circumstances in effect prior to 1978, today's accountants can offer their clients several types of services related to the preparation or presentation of financial statements. These services may be nonattest services (such as an engagement to prepare financial statements) or attestation services (such as compilation, review, or audit). Within the attestation services, the accountant may offer services that provide assurance on the financial statements (such as audit or review) or no assurance (such as the compilation engagement).



Knowledge check

1. In comparing an audit to a compilation, what should an accountant do?
 - a. Provide reasonable assurance on audited financial statements but no assurance on compiled financial statements.
 - b. Perform procedures such as inquiry and analytical procedures on both audit engagements and compilation engagements.
 - c. Provide reasonable assurance on audited financial statements and limited assurance on compiled financial statements.
 - d. Provide reasonable assurance on both audited financial statements and compiled financial statements.
2. Which service could an accountant perform prior to 1978?
 - a. An audit engagement.
 - b. A review engagement.
 - c. A compilation engagement.
 - d. A preparation engagement.

Hierarchy of standards and guidance

Accountants conducting preparation, compilation, or review engagements must comply with the AICPA's Code of Professional Conduct and with SSARSs. SSARSs are issued by the Accounting and Review Services Committee (ARSC) of the AICPA.

Code of professional conduct

Within the AICPA's Code of Professional Conduct, accountants performing preparation, compilation, and review services must comply with the "General Standards Rule" (ET sec. 1.300.001). The "General Standards Rule" requires members to comply with the following when performing a compilation or review engagement:

- *Professional competence.* A member should undertake only those engagements that he or she can reasonably expect to complete with professional competence.
- *Due professional care.* A member should exercise due professional care in the performance of an engagement.
- *Planning and supervision.* A member should adequately plan and supervise an engagement.
- *Sufficient relevant data.* A member should obtain sufficient relevant data to afford a reasonable basis for conclusions or recommendations in relation to an engagement.

In addition, accountants performing preparation, compilation, or review services must comply with the "Compliance With Standards Rule" (ET sec. 1.310.001). The "Compliance With Standards Rule" requires any AICPA member who performs preparation, compilation, or review engagements to comply with standards promulgated by the ARSC.

SSARS and interpretative publications

The ARSC issues standards in the form of SSARSs. These standards are codified in AICPA *Professional Standards* as AR-C sections 60–90. AR-C section 60, *General Principles for Engagements Performed in Accordance with SSARS*, sets forth the requirements for preparation, compilation, and review engagements. AR-C section 70 provides requirements for performing preparation engagements. AR-C section 80 provides requirements for conducting compilation engagements, and AR-C section 90, *Review of Financial Statements*, does the same for review engagements. Each of the SSARSs is covered in the following chapters.

SSARSs provide the standards used for fulfilling the overall objectives of the accountant's work. SSARSs address the general responsibilities of the accountant as well as the accountant's further considerations relevant to the application of those responsibilities to specific topics.

In addition to objectives and requirements, an AR-C section contains related guidance in the form of application and other explanatory material. It may also contain introductory material that provides context relevant to a proper understanding of the AR-C section and definitions. Appendixes form part of

the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related AR-C section or within the title and introduction of the appendix itself.

Beyond SSARSs, there is a significant body of literature to which accountants may turn for additional guidance, ranging from interpretative publications to other publications. Interpretative guidance is available in SSARS interpretations, the AICPA Audit and Accounting Guide series, and applicable AICPA Statements of Position. These interpretative publications are not standards for accounting and review services, but are recommendations on the application of SSARSs in specific circumstances. Interpretative publications are issued under the authority of the ARSC only after all ARSC members have had the opportunity to consider and comment on their consistency with SSARSs. It is generally expected that accountants will apply the guidance provided in the applicable interpretative publications.

When applicable guidance is not provided by SSARSs or interpretative publications, accountants may seek further guidance from other publications, including the following:

- AICPA General Accounting and Auditing Developments (contains information about preparation, compilation and review engagements and is published annually)
- Articles in the *Journal of Accountancy* and other professional journals
- Continuing professional education programs and instructional materials
- Textbooks, guide books, programs, and checklists
- Other publications from state CPA societies, other organizations, and individuals

Although these other publications have no authoritative status, they may help accountants understand and apply SSARSs. Accountants are not expected; however, to be aware of the full body of other publications relevant to preparation, compilation, or review engagements.

In applying the guidance obtained from other publications, accountants should exercise professional judgment when assessing the relevance and appropriateness of such guidance to the circumstances of the engagement. The accountant may presume that other publications published by the AICPA that were reviewed by the AICPA Audit and Attest Standards staff are appropriate. When determining whether an other publication that has not been reviewed by the AICPA Audit and Attest Standards staff is appropriate to the circumstances of the engagement, the accountant may wish to consider the degree to which the publication is recognized as being helpful in understanding and applying SSARSs and the degree to which the issuer or author is recognized as an authority in matters addressing preparation, compilation, or review engagements. Other publications that have not been reviewed by the AICPA Audit and Attest Standards staff that contradict other publications that have been reviewed by the AICPA Audit and Attest Standards staff are inappropriate.

Knowledge check

3. Which guidance has the highest level of authority for accountants providing preparation, compilation or review services?
 - a. Textbooks.
 - b. AICPA's General Accounting and Auditing Developments.
 - c. AICPA Professional Standards, "Compliance with Standards Rule."
 - d. Articles published in the *Journal of Accountancy*.

Quality control in engagements performed under SSARs

Quality control systems that are properly designed and implemented improve a firm's accounting and auditing services by reducing the risks of error and noncompliance with professional standards, reducing the risk of litigation, and enhancing the firm's professional reputation. Quality control systems may also increase the efficiency of delivering accounting and auditing services by standardizing operations and documentation, thereby increasing productivity. As administrative and operating procedures are clarified and improved, the firm's competitive edge and focused product strategy will be more effective.

Quality control standards

In addition to SSARs, AICPA members who perform preparation, compilation, or review engagements of financial statements are governed by the AICPA's Statement on Quality Control Standards (SQCSs).

Accountants must adopt a system of quality control in conducting an accounting practice. Accordingly, firms should establish quality control policies and procedures to provide reasonable assurance that personnel comply with SSARs in preparation, compilation, or review engagements of financial statements. The nature and extent of a firm's quality control policies and procedures may vary according to the size, degree of operating autonomy allowed to a firm's personnel, nature of the practice, its organization, and cost-benefit considerations. SQCSs establish requirements and provide guidance on a firm's system of quality control.

SQCSs and SSARs are interrelated; SSARs relate to the conduct of individual engagements to prepare and/or report on financial statements and SQCSs relate to the conduct of a firm's accounting practice. Quality control policies and procedures adopted by a firm may affect the conduct of an individual engagement as well as the accounting practice as a whole. Note, however, that deficiencies in a firm's quality control or specific instances of noncompliance with policies and procedures do not definitively indicate that a particular preparation, compilation, or review engagement of financial statements was not performed in accordance with SSARs.

QC section 10

QC section 10, *A Firm's System of Quality Control*², requires each firm to establish a system of quality control designed to provide the firm with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements, and that the firm or practitioners-in-charge issue reports that are appropriate in the circumstances. A system of quality control consists of policies designed to achieve these objectives and the procedures necessary to implement and monitor compliance with those policies.

² All QC sections can be found in AICPA *Professional Standards*.

Degree of responsibility imposed

The section and the SSARs use the same two categories of professional requirements to describe the degree of responsibility imposed on firms. Unconditional requirements are those with which the firms are required to comply in all cases in which such a requirement is relevant. QC section 10 uses the word “must” to indicate an unconditional requirement.

Presumptively mandatory requirements are also requirements with which firms are required to comply; however, in rare circumstances, the firm may depart from a presumptively mandatory requirement as long as the firm documents the justification for the departure and notes how the alternative procedures performed were sufficient to achieve the same objectives. QC section 10 uses the word “should” to indicate a presumptively mandatory requirement.

Documentation and communication

Each firm should document its quality control policies and procedures. The extent of documentation may vary according to the size, structure, and nature of the firm.

Each firm should also communicate to personnel its quality control policies and procedures. Effective communication will describe the policies and procedures and their associated objectives, and convey each firm member’s responsibility for the system of quality control. It is preferred, but not required, that this communication be in writing.

Elements of a system of quality control

The firm’s system of quality control must include policies and procedures addressing each of the following elements:

- Leadership responsibilities for quality within the firm (the “tone at the top”)
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance
- Monitoring

Engagement quality control review

QC section 10 defines the engagement quality control review and states that firms should establish criteria against which all engagements covered by this section should be evaluated to determine whether an engagement quality control review should be performed. The structure and nature of the firm’s practice are important considerations in establishing such criteria.

Engagement quality control review is a process designed to provide an objective evaluation before the report is released by a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom are part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgments that the engagement team

made and the conclusions it reached in formulating the report. This review is often referred to as a concurring review. The engagement quality control review should include

- discussion of significant findings and issues with the engagement partner;
- reading the financial statements or other subject matter information and the proposed report;
- review of selected engagement documentation relating to significant judgments that the engagement team made and the related conclusions it reached; and
- evaluation of the conclusions reached in formulating the report and consideration of whether the proposed report is appropriate.

Engagement level quality control—SSARs

AR-C section 60 provides additional requirements and guidance for establishing quality control at the engagement level for engagements covered by SSARs. The requirements of this SSARs section are in addition to, not in place of, the requirements set forth in QC section 10.

Many of the SSARs' requirements related to quality control at the engagement level focus on specific activities of the engagement partner. The standards recognize that within each engagement, quality control assurance depends on the engagement team, for which the engagement partner ultimately takes responsibility. Accordingly, the engagement partner should be competent and capable of performing the engagement. This necessitates that the partner will specifically be competent in the area of financial reporting.

With regard to each preparation, compilation or review engagement of financial statements, the engagement partner takes responsibility for each of the following:

- The overall quality of each preparation, compilation, or review engagement of financial statements to which he or she is assigned.

With regard to the overall quality of the engagement, quality may be affected by actions taken by the engagement partner as well as messages sent to the engagement team. The engagement partner is encouraged to reiterate the importance to overall quality of performing work that complies with professional standards and regulatory and legal requirements, as well as with the firm's quality control policies and procedures. In addition, the engagement partner is encouraged to emphasize that the engagement team can raise concerns with the partner without fear of reprisals.

- The direction, supervision, planning, and performance of the preparation, compilation or review engagement of financial statements in compliance with professional standards and applicable legal or regulatory requirements.

When considering the degree of direction, supervision, planning, and performance necessary for an engagement, the engagement partner may take into consideration the understanding and practical experience of the team with similar engagements; their understanding of professional standards and applicable legal and regulatory requirements; their technical expertise; their knowledge of relevant

industries in which the client operates; their ability to apply professional judgment; and their understanding of the firm's quality control policies and procedures. Certainly, as the engagement partner's confidence in the team increases, less oversight is required. The need for oversight, however, is never fully relieved.

- The performance of the engagement in accordance with the firm's quality control policies and procedures, including the following:
 - Confirmation that appropriate procedures regarding the acceptance and continuance of client relationships and engagements were followed, and that conclusions reached are appropriate (including the consideration of whether there is information that would lead the engagement partner to conclude that management lacks integrity).
 - Confirmation that the engagement team collectively has the appropriate competence and capabilities to perform the engagement and expertise in financial reporting to
 - perform the engagement in accordance with professional standards and applicable legal or regulatory requirements; and
 - present a report that is appropriate in the circumstances to be issued, if applicable.

Acceptance of responsibility for the maintenance of appropriate engagement documentation.

Quality control standards at the engagement level remain relevant throughout the conduct of the engagement. If, for example, the engagement partner becomes aware of information that would have caused the firm to decline an engagement, the partner should communicate that information promptly to the firm for its consideration. In addition, throughout the engagement, the partner should remain alert for any evidence of noncompliance by the engagement team or any relevant ethical requirements that affect the engagement. If the engagement partner becomes aware of any such information, he or she should determine the appropriate action in consultation with others in the firm.

In addition, the engagement partner should consider the results of the firm's monitoring process (see the aforementioned discussion of QC section 10) and whether any deficiencies noted in that information may affect the current engagement. A deficiency noted in the firm's system of quality control does not necessarily indicate that an engagement was not performed in accordance with professional standards.

Knowledge check

4. Which statement about QC section 10 is **not** correct?
 - a. Accountants are encouraged to adopt a system of quality control in conducting an accounting practice.
 - b. Firms should communicate their quality control policies and procedures to personnel.
 - c. The nature and extent of a firm's quality control policies and procedures may vary according to a number of factors.
 - d. Firms should document their quality control policies and procedures.

Peer review

Peer review is a systematic review of a public accounting firm's accounting and auditing services. It is performed by a peer reviewer, who is independent of the firm being reviewed, to ensure the work performed conforms to professional standards. Peer reviews help to ensure the quality and effectiveness of practices that provide accounting, auditing, and attestation services.

The AICPA requires that its members (firms or individuals) enroll in an approved practice-monitoring program if they have an accounting and auditing practice. The AICPA defines an accounting and auditing practice to include all engagements performed under Statements on Auditing Standards (SASs), SSARs, Statements on Standards for Attestation Engagements (SSAEs), generally accepted government auditing standards (GAGAS) issued by the U.S. Government Accountability Office, and certain engagements performed under PCAOB standards.

Types of peer reviews

There are two types of peer reviews: system reviews and engagement reviews. The purpose of a system review is to provide the reviewer with a reasonable basis for expressing an opinion about whether (during the year under review) the firm's system of quality control has been designed in accordance with QC section 10 and whether the firm was compliant with its own policies and procedures.

The system review tests a cross section of the firm's engagements. A firm is required to have a system review when the highest level of service engagements it performs, that are not subject to PCAOB permanent inspection, include the following:

- Audits under SASs or *Government Auditing Standards* (Yellow Book)
- Examinations under SSAEs
- Engagements under PCAOB standards

The system review is designed to provide an evaluation of a firm's quality control policies and procedures in effect during the peer review year. The peer reviewer typically tests a cross-section of the firm's engagements, focusing on engagements in various specialized, complex, or high-risk industries (such as banking, governments, employee benefit plans, and other engagements) in which there is a significant risk that the engagement was not performed or reported on in accordance with professional standards. The system review involves a team that performs the review at the reviewed firm's offices.

The purpose of an engagement review, on the other hand, is to evaluate whether engagements submitted for review are performed and reported on in conformity with applicable professional standards in all material respects. Unlike a system review, the engagement review only consists of reading the financial statements, or information submitted by the reviewed firm, and the associated accountant's reports and documentation required by professional standards. If a firm performs only engagements in accordance with SSARs or any engagements other than examinations in accordance with SSAEs (that is, not an audit or examination), that firm should have an engagement review. Engagement reviews are not available to firms that perform audits or examinations under SASs, GAGAS, SSAEs, or engagements

under PCAOB standards. Firms eligible for an engagement review may elect to have a system review. The engagement review typically involves only one team member who performs the review off-site.

Implications for engagements to prepare financial statements

When the ARSC issued SSARS No. 21, it was clear that engagements to prepare financial statements are subject to quality control policies and procedures. What was not clear at the time was whether such engagements would be subject to peer review. Although most state boards of accountancy require their licensees to participate in peer review, which may also be called compliance assurance, in order to continue practicing in that state, there is some diversity among states about whether compilation engagements are subject to peer review. For example, the Illinois state board specifically exempts firms that perform only compilation engagements from the peer review requirements. The state of Arizona requires that compilations of full disclosure financial statements be subject to peer review, but excludes compilation of financial statements that omit substantially all disclosures. Alternatively, firms in California and New Jersey that perform compilation engagements that do not result in a report (for example, the management-use-only option, which is no longer allowed under SSARS No. 21) are not subject to peer review. This is only one example of different requirements by state at the time of this writing. Practitioners should carefully consult the requirements for each state in which they operate.

In January 2015, the AICPA Peer Review Board (board) approved guidance that would not require firms that perform only engagements to prepare financial statements to be enrolled in an approved peer review program. However, if that same firm remains enrolled or elects to enroll, then it would be required to undergo a peer review. For a system review, engagements to prepare financial statements would not be required to be selected. For engagement reviews, engagements to prepare financial statements would be selected in certain circumstances. Although the board felt that a user of financial statements prepared by a CPA could inappropriately place reliance on those financial statements if they were subject to peer review, the board wanted to facilitate AICPA members' and others' compliance with the state board of accountancy licensing requirements and mitigate any mobility challenges that may arise if these engagements were not subject to peer review in some capacity.

The peer review guidance related to engagements to prepare financial statements is effective for peer reviews commencing on or after February 1, 2015.

Knowledge check

5. An engagement review
 - a. Evaluates whether the firm's quality controls have been designed in accordance with the SQCS requirements and whether the firm was compliant with its own policies and procedures.
 - b. Evaluates whether engagements are performed and reported on in conformity with applicable professional standards in all material respects.
 - c. Is required for firms whose highest level of service provided is an audit conducted under GAGAS.
 - d. Requires a peer reviewer to test a cross section of a firm's engagements.

Summary

We have just discussed the following points:

- The differences among the types of engagements to report on financial statements
- The evolution of engagements to prepare financial statements
- The hierarchy of standards and guidance that apply to preparation, compilation, and review engagements
- Quality control standards
- Peer review types and requirements

