



## Services provided by accountants in practice

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Accountants in practice provide potentially several different services to their clients and it is not always easy to categorise these services neatly. In practice, the most common services provided are probably accounts preparation and tax services on the one hand and statutory audit work on the other. The fact that these services can be described in different ways and are governed by different International Auditing and Assurance Standards Board (IAASB) pronouncements can be confusing.

The following table attempts to summarise the position:

	<b>Auditing</b>	<b>← Audit Related Services →</b>		
<b>Nature of services</b>	<b>Audit (ISAs and ISQC 1)</b>	<b>Review (ISRE 2400)</b>	<b>Agreed-upon-procedures (ISRS 4400)</b>	<b>Compilation (ISRS 4410)</b>
Level of assurance provided by auditor	Reasonable Assurance	Limited Assurance	No assurance	No assurance
Report Provided	Positive Assurance	Negative Assurance	Report of factual findings only	Identification of compiled information only
Examples	Statutory Audit of a plc	Review of half-yearly financial statements of a plc	Report to management of a charity on extent of accidental overpayment of salaries	Financial Statements of a partnership
	<b>Assurance Services (ISAE 3000)</b>		<b>Non-assurance services</b>	

As can be seen, the table shows four categorisations of the work done by accountants. These divisions are based on IAASB pronouncements. Confusingly, these categories are sometimes referred to as “Auditing” on the one hand and “Audit Related Services” or just “Related Services” on the other; but sometimes though the different kinds of work are deemed to be divided in a slightly different way. In this instance, a division is made between “Assurance Services” and “Non-Assurance” services, the dividing factor is the type of report produced.

In the case of “Assurance Services” the report offers a degree of assurance – in effect, it makes a statement or offers an opinion that goes beyond the purely factual. In the case of an audit report this is the familiar “In our opinion the financial statements show a true and fair view....” . In the case of a review the wording is in the negative “Nothing has come to our attention that causes us to believe that the financial statements do not show ....”

Reports – inasmuch as they are made at all –on non-assurance services will certainly not contain any reference to an opinion and may specifically state that they do not contain an opinion. For this reason non-assurance work is often seen as less risky than assurance work.

For example, the following wording is often used in respect of compilation reports to emphasise that they are not assurance engagements:

COMPILATION REPORT TO.....

On the basis of information provided by management we have compiled, in accordance with the International Standard on Related Services (or refer to national standards or practices) applicable to compilation engagements, the balance sheet of ABC Company as of December 31, 20XX and statements of income and cash flows for the year then ended. Management is responsible for these financial statements. We have not audited or reviewed their financial statements and accordingly express no assurance thereon.

ACCOUNTANT

Date

Address

It is important to emphasise that non-audit services may or may not be carried out for audit clients. It is common enough in practice for accountants to take on extra (possibly once-off) assignments for their clients such as forensic accounting or fraud investigation. This can give rise to ethical problems in some situations but provided appropriate safeguards are implemented it is usually permissible to handle such assignments.

Such assignments may also be undertaken for entities that are not audit clients but an accountant requested to fulfil such a role should probably at least ask why the auditor is not being offered the work.

Sometimes, it is not entirely obvious if a particular assignment falls into the category of assurance or non-assurance service. Engagements are usually considered to be assurance engagements if they have the following elements.

- (a) A three-party relationship involving:
  - (i) a practitioner;
  - (ii) a responsible party; and
  - (iii) intended users
- (b) an appropriate subject matter;
- (c) suitable criteria;
- (d) sufficient appropriate evidence; and
- (e) a written assurance report.

Have a look at the following example before you read on:

**Example:**

State, with reasons, which of the following would be classed as an assurance engagement:

1. A report giving an opinion on a client's responses to a regulatory questionnaire on solvency.
2. Preparation of the entity's tax computation.
3. A report to members covering the effectiveness of the implementation of the new logo and corporate image by CPA Ireland.
4. Advice on the introduction of a new accounting system.
5. A due diligence report covering pension fund liabilities in a potential investee company.
6. A review of the effectiveness and adequacy of a company's internal control system.

A few other points are worth noting:

1. Information concerning the future (e.g. cash-flow forecast) can be the subject of an assurance engagement but only limited assurance can ever be given on such information.
2. In undertaking non-audit work accountants often find themselves reporting on Key Performance Indicators (KPIs) which are well outside their normal area of expertise e.g. a hospital might want assurance on statistics relating to deaths from certain medical conditions. Accountants should consider carefully the appropriateness of undertaking such work.
3. In undertaking work of this nature the wording of the Letter of Engagement and the Accountant's Report are of vital importance.

The following is suggested in relation to the example given previously:

1. This would appear to have all the necessary elements of an assurance engagement.
2. This is not normally considered assurance since no opinion is given.
3. This one is slightly ambiguous but could constitute an assurance assignment if an opinion is given by the person or entity carrying out the report.
4. According to ISAE 3000 advisory services are not assurance services.
5. Due diligence assignments are not normally assurance assignments. More usually they are in the nature of agreed-upon-procedures. However, the accountant providing such services should take care not to word the report in such a way as to offer an opinion and hence render the assignment an assurance assignment.
6. A review on the effectiveness of internal controls is almost by definition an assurance engagement since it requires some degree of opinion on whether controls are effective.