



Auditing and Assurance



Survey on the Provision of Alternative Assurance and Related Services Across Europe

July 2009



Federation of European Accountants
Fédération des Experts comptables Européens

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of Alternative Assurance
and Related Services Across Europe**

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FEE Auditing Working Party



About FEE

FEE (Fédération des Experts comptables Européens – Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all of the 27 EU Member States.

In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 500.000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent, and sustainable European economy.



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1. INTRODUCTION

1.1. Background to the survey

The issue of the provision of alternative assurance or related services to smaller entities is increasingly being addressed by professional accountancy bodies, regulators, national and international standards setters and various European Institutions. Although their primary focus is on alternative assurance or related services on financial statements, these services are also being considered more widely.

In popular terms, alternative assurance or related services are broadly used to describe all services offered to entities other than an audit of their financial statements. Alternative assurance or related services on financial statements ordinarily are not reasonable or positive assurance engagements although some countries are considering to deviate from this principle. Alternative assurance and related services are primarily services provided to entities to review their financial statements (also known as a limited or negative assurance engagement) or to compile their financial statements or financial information.

The following recent developments are driving this heightened focus on alternative assurance and related services:

- The increases in the audit exemption thresholds in various European Union (EU) Member States in 2007, 2008, 2009 and expected in the future result in fewer smaller entities being submitted to a statutory audit, creating an opportunity to offer an alternative level of assurance to such smaller entities;
- Proposals and discussions in the European Institutions related to 'limited audit' (High Level 'Stoiber' Group), the creation of micro-entities (JURI and ECON Committees of the European Parliament), and overhaul of the Fourth Accounting Directive (European Commission);
- Proposals for standards in a number of EU Member States introducing alternative assurance services for smaller entities;
- The planned revision of the review and compilation standards by the IAASB;
- The October 2008 IFAC paper supporting a single set of auditing standards and the implications for audits of small- and medium-sized entities.

1.2. Purpose of the Survey

A number of important observations, as noted below, resulted in FEE's decision to perform a survey related to alternative assurance and related services:

- FEE is a strong supporter of the view that 'An audit is an audit', as for instance expressed in its September 2006 Briefing Paper on the Implementation of International Auditing Standards (ISAs) for all Statutory Audits in the European Union (EU)¹;

¹ http://www.fee.be/publications/default.asp?library_ref=4&content_ref=606



- Consideration and possible proposals related to alternative assurance and related services leave the concept of 'An audit is an audit' intact;
- Such alternative assurance and related services are to be situated in-between an audit and a compilation engagement or are a compilation engagement. In this in-between area, currently reference is made only to 'negative or limited assurance engagements' or 'reviews of financial statements';
- Therefore, it is of vital importance to understand that the provision of an alternative assurance or related service can ordinarily not be a limited audit, as it is not an audit;
- Further explanations of the area between an audit and a compilation deserve further attention as it is becoming clear that 'negative or limited assurance' is not widely understood.

Therefore, FEE has decided to prepare, based on a survey of FEE Member Bodies and consideration of material of other relevant organisations (like the International Federation of Accountants (IFAC), the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA)), an inventory of the different alternatives for assurance or related services for smaller entities, both existing and in development.

1.3. Survey

FEE has launched a survey with its Member Bodies to provide an insight into the existence, implementation and consistency of alternative assurance and related services in the 27 European Union (EU) Member States and in Norway and Switzerland. The Survey took place between January 2009 and April 2009. These insights into the existence and implementation of alternative assurance and related services can contribute to the understanding of the similarities or differences applicable within Europe.

The FEE survey consisted of questions regarding the current and proposed alternative assurance and related services standards. The questions also focused on differences, when arising, compared with the IAASB Framework and Standards.

Responses were received from 26 of the 27 EU Member States and from Norway and Switzerland.

Set out below is an analysis and discussion of the main findings and results and some conclusions regarding alternative assurance and related services in Europe. A country per country summary of the alternative assurance and related services standards existing and used or proposed for use in countries is also included.

Annex A summarises the survey results for each country included in the analysis.

Annex B reproduces the survey questionnaire.



2. ANALYSIS AND DISCUSSION OF FINDINGS

2.1. Audit exemption thresholds

As noted in the introduction to this paper, audit exemption thresholds in certain Member States of the European Union, but also in other European countries, have increased in recent years. Further increases are expected in the future.

Therefore, FEE has included hereafter the background to the development of and an overview of the audit exemption thresholds across Europe.

Since the size of the audit market or the number of companies on which a statutory audit report is given in a country varies considerably with the size of the economy and companies but also because of “audit exemption thresholds”, which are applied in a country, the audit exemption thresholds for limited liability companies are also to be considered to form an idea of the size of the audit market in each country as well as the potential size of its market for alternative assurance and related services. In some countries, no audit exemption thresholds apply, whereas in other countries, maximum thresholds as indicated below are applied.

The EU Fourth Company Law Directive on “the annual accounts of certain types of companies” (78/660/EEC)² applies to all limited liability companies and provides options for the EU Member States to ease the financial reporting requirements on small and medium-sized companies (SMEs). On 16 August 2006, amendments to the EU Fourth Company Law Directive of 14 June 2006 (2006/46/EC)³ were published in the Official Journal of the European Union. These amendments increased the existing threshold by approximately 20 percent. In a lot of countries, the small company definition and audit exemption thresholds match.

The definition of what constitutes a small company varies considerably between EU Member States. Additionally, the Directive’s thresholds for what is defined as small companies are not used in all Member States. Member States have the opportunity to allow small companies, if defined, to draw up abridged accounts and notes to the accounts and exempt small companies from the requirement for a statutory audit and audit opinion as well as from drawing up an annual report.

The amendments to the Directive define companies as “small” companies if, for two consecutive years, they do not exceed the limit of two of the following three criteria:

- Balance sheet total: €4.400.000;
- Net turnover: €8.800.000;
- Average number of employees during the financial year: 50.

However, these limits in the criteria for the definition of a small company are not mandatory and EU Member States do not have to implement these particular amendments to the Fourth Directive.

In virtually all countries, listed entities, financial institutions, insurance companies and certain public interest entities are required to have an annual statutory audit.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:31978L0660:EN:HTML>

³ http://eur-lex.europa.eu/LexUriServ/site/en/oj/2006/l_224/l_22420060816en00010007.pdf



A statutory audit is to be performed in accordance with the Directive of the European Parliament and of the Council of 17 May 2006 on “Statutory Audit of Annual Accounts and Consolidated Accounts” (the Statutory Audit Directive) which was published in the Official Journal of the European Union on 9 June 2008⁴. It deals with approval, education and registration of auditors, professional ethics and independence, auditing standards and reporting, provisions for public interest entities (PIEs) and the international aspects related to these matters.

The use of audit exemption thresholds which are currently applied for limited liability companies in the European Union, Norway and Switzerland are as follows, categorised based on balance sheet total and net turnover:

| Audit exemption thresholds | Countries | % |
|--|------------------|----------|
| Maximum or near maximum thresholds: (Austria, Belgium, Germany, Ireland, Italy, Luxembourg, the Netherlands, Romania, Slovenia, Switzerland ⁵ , United Kingdom) | 11 | 38 |
| Balance sheet total: between € 2.500.000 and 3.000.000 Net turnover: between € 5.000.000 and 5.700.000 (Greece, Poland and Spain) | 3 | 10 |
| Balance sheet total: between € 1.000.000 and 1.800.000 Net turnover: between € 2.000.000 and 3.100.000 (Czech Republic, France (except for SA ⁶), Lithuania, Portugal and Slovak Republic ⁵) | 4 (1) | 14 |
| Balance sheet total: between € 500.000 and 900.000 Net turnover: between € 1.000.000 and 1.800.000 (Estonia ⁵) | 1 | 4 |
| Balance sheet total: between € 100.000 and 500.000 Net turnover: between € 200.000 and 1.000.000 (Bulgaria, Denmark ⁵ , Finland ⁷ , Hungary ⁵ and Latvia ⁵) | 5 | 17 |
| Balance sheet total/ net turnover: €0 (Cyprus ⁸ , France (for SA ⁶), Norway, Malta ⁸ , Sweden ⁹) | 5 | 17 |
| | 29 | 100 |

Over the last few years, audit exemption thresholds have been increased in a number of European countries, in some cases from very low or even unexisting thresholds. Such increases are expected to continue in the near future. In a number of countries with the maximum or near maximum audit exemption thresholds, such maximums have been increased by 20 percent since the 2006 amendments to the EU Fourth Company Law Directive.

⁴ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:157:0087:0107:EN:PDF>

⁵ Introduction or increase in 2007, 2008 or 2009

⁶ SA or Société Anonyme

⁷ Decrease in 2007

⁸ For tax purposes

⁹ Expected increase to maximum thresholds in 2010



2.2. Assurance and the IAASB and IESBA Standards

As explained in the introduction to this paper, FEE uses the terms “alternative assurance services” and “related services” to broadly describe all services offered to entities other than a full audit of their financial statements.

The International Auditing and Assurance Standards Board (IAASB) is the independent standard-setting board under the auspices of the International Federation of Accountants (IFAC). The IAASB’s mission is to enhance the quality and uniformity of practice throughout the world and to strengthen public confidence in the global auditing and assurance profession.

FEE strongly supports the international auditing and assurance standards as issued by the IAASB: the International Standards on Auditing (ISAs), recently clarified, for audits of financial statements and the other IAASB standards for alternative assurance and related services. An overview of the relevant IAASB standard as well as the international ethical and independence standards as issued in the IFAC Code of Ethics of Professional Accountants by the IESBA is therefore included hereafter.

2.2.1. The IAASB International Framework for Assurance Engagements and ISAE 3000 on Assurance Engagements Other than Audits or Reviews of Historical Financial Information

In 2003, FEE published an issues paper entitled “Principles of Assurance: Fundamental Theoretical Issues with Respect to Assurance in Assurance Engagements”. The paper explored the concept of assurance and introduced the concepts of reasonable and limited assurance. Reasonable assurance was seen as a relative concept which depends on the circumstances, and may vary over time and across different subject matters and criteria, engagement processes and jurisdictions. Anything less than reasonable assurance was by definition limited assurance and it was for professional accountants to communicate the way in which the assurance they had obtained was limited through their reports.

The FEE paper had a significant impact on the IAASB standard development. The IAASB separated ISAE 100 “International Standard on Assurance Engagements” into two documents in 2004:

- The fundamental elements of an assurance engagement are defined and described in the “IAASB International Framework for Assurance Engagements” (the IAASB Assurance Framework), intended to apply to all assurance engagements including audits and provides a frame of reference for preparers, users and professional accountants;
- Basic principles and essential procedures for the performance of assurance engagements are set out in ISAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”.

These documents introduced the terms reasonable assurance and limited assurance in place of high and moderate levels of assurance whereby:

- The objective of a reasonable assurance engagement is a reduction in assurance engagement risk to an acceptably low level in the circumstances of the engagement as the basis for a positive form of expression of the practitioner’s conclusion. Where the subject matter of the reasonable assurance engagement is a set of financial statements, the engagement is referred to as an audit and the International Standards on Auditing (ISAs) as issued by the IAASB are applicable;



- The objective of a limited assurance engagement is a reduction in assurance engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for a negative form of expression of the practitioner's conclusion. Where the subject matter of the limited assurance engagement is a set of financial statements, the engagement is referred to as a review engagement and the International Standards on Review Engagements (ISREs) as issued by the IAASB are applicable.

As part of the IAASB Strategy and Work Program, 2009-2011, the IAASB approved a project proposal in March 2009 to revise ISAE 3000. A working draft of revised ISAE 3000 is expected to be created by the end of 2009 with the revised ISAE 3000 scheduled for issuance by March 2012.

2.2.2. ISRE 2400 on Engagements to Review Financial Statements and ISRE 2410 on Review of Interim Financial Information

ISRE 2400 defines a review engagement as one which provides a moderate level of assurance that the information subject to review is free of material misstatement. This is expressed in the form of a negative statement that nothing has come to the professional accountant's attention that causes them to think otherwise.

Under ISRE 2400 professional accountants perform management enquiry and analytical review procedures and issue a review conclusion, supported by additional work if necessary. ISRE 2400 is accompanied by a list of some 90 detailed procedures consisting of management enquiry, analytical review and some substantive tests.

ISRE 2410 is used when the auditor undertakes an engagement to review interim financial information of an audit client.

There are a number of issues with ISRE 2400-type services which need to be addressed. In September 2008, the IAASB issued a consultation paper on "Matters to Consider in a Revision of International Standard on Review Engagements 2400, Engagements to Review Financial Statements". This paper, prepared by standard setters from Australia, Canada, New Zealand and South Africa who have existing review standards, shows the limitations of such standards because they effectively do not take into account some of the technical developments of the past decade, including those that are reflected in the IAASB Assurance Framework. For instance, a technical issue for resolution in the area of assurance arises in understanding the practical difference, if any, between the concepts of moderate assurance (as reflected in ISRE 2400) and limited assurance (as reflected in the IAASB Assurance Framework).

As part of the IAASB Strategy and Work Program, 2009-2011, the IAASB approved a project proposal in March 2009 to revise ISRE 2400 but also to revise ISRS 4410 and to consider other alternatives to audit. Final revised standard(s) is (are) expected by either end of 2011 or end of 2012 depending on the need for further external consultation.



2.2.3. ISRS 4410 on Engagements to Compile Financial Information

ISRS 4410 “Engagements to Compile Financial Statements” states that the objective of a compilation engagement is for the professional accountant to use accounting expertise to collect, classify and summarise financial information. However, users of the compiled financial information derive benefits as a result of the professional accountant’s involvement as the service has been performed with professional competence and due care because of the need for professional accountants to comply with quality control standards and the ethical requirements of the IFAC Code of Ethics for Professional Accountants.

In particular, the principle of integrity is one of five Fundamental Principles within the IFAC Code of Ethics and specifies that a professional accountant should not be associated with information where they believe that it contains a materially false or misleading statement, contains statements or information furnished recklessly, or omits or obscures information required to be included when such omission or obscurity would be misleading. Because of this obligation, professional accountants engaged to compile financial statements based on information made available to them, often undertake other procedures. Currently this is only required in circumstances where the professional accountants become aware that management has provided information that is incorrect, incomplete, or otherwise unsatisfactory.

Compilations are non-assurance services. Accordingly, the professional accountant will issue a statement that no assurance is expressed on the financial information. The provision of an overall conclusion or opinion by the professional accountant is the primary distinguishing feature of assurance engagements.

As stated above, the IAASB approved a project proposal in March 2009 to revise ISRS 4410. A final revised standard is expected by either end of 2011 or end of 2012.

2.2.4. ISRS 4400 on Engagements to Perform Agreed-Upon Procedures Regarding Financial Information

ISRS 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” states that the objective of an agreed-upon procedures engagement is for the professional accountant to carry out procedures of an audit nature to which the professional accountant and the entity and any appropriate third parties have agreed and to report on factual findings. The subject matter of the agreed-upon procedures engagement can be elements, accounts, items or financial and even non-financial information, provided the auditor has adequate knowledge of the subject matter in question and reasonable criteria exist on which to base findings.

The professional accountant provides a report of the factual findings of agreed-upon procedures, no assurance is expressed. Instead, users of the report assess for themselves the procedures and findings reported by the professional accountant and draw their own conclusions from the professional accountant’s work. Use of the report is restricted to those parties that have agreed to the procedures to be performed to avoid misinterpretation.

The professional accountant performing the agreed-upon procedures engagements has to comply with the ethical requirements of the IFAC Code of Ethics for Professional Accountants.



2.2.5. ISA 805 on Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

ISA 805 deals with special considerations in the application of ISAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. A classical example is the audit of a balance sheet together with a summary of significant accounting policies and other explanatory information. ISA 805 does not override the requirements of the other ISAs nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement. The object of ISA 805 is to address appropriately the special considerations that are relevant to:

- The acceptance of the engagement;
- The planning and performance of that engagement; and
- Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

ISA 805 is mentioned as, although technically an auditing standard, its subject matter is not a full set of financial statements.

2.2.6. The IFAC Code of Ethics for Professional Accountants

The general sections of the IFAC Code of Ethics are applicable to all professional accountants. Currently, the IFAC Code of Ethics includes specific provisions applicable to non-financial statement audit assurance clients. These provisions are applicable when professional accountants perform alternative assurance and related services.

Mid 2009, the revised IFAC Code of Ethics is expected to be published. The general sections of the Code will continue to be applicable to all professional accountants. As far as independence requirements are concerned, 'Section 290 Independence – Audit and Review Engagements and 'Section 291 Independence – Other Assurance Engagements' will be applicable for alternative assurance and related services being review engagements, and, other alternative assurance and related services, respectively.

2.3. Discussion of findings

2.3.1. The use of international and national alternative assurance and related services

The results of the survey show that there are a variety of approaches to the use of, or lack thereof, of alternative assurance and related services and other services in European countries. The provision of such services is based on a mixture of international standards as issued by the IAASB, national standards closely aligned to international standards or entirely national standards.

As the survey predominantly covers voluntary services, the applicable legislative framework may considerably vary in each jurisdiction. Consequently, there was some degree of subjective interpretation of the survey questionnaire by respondents and in the summaries below.

The table below shows the use of international and national standards and guidance for review and interim review engagements, compilation engagements, agreed-upon procedures engagements and other existing and proposed national standards for a variety of other engagements.

| Alternative assurance or related services provided: | Countries | Total number of countries |
|---|---|----------------------------------|
| Alternative assurance or related services <i>not</i> or rarely used | Cyprus, Denmark, Greece, Lithuania, Malta and Poland | 6 |
| IAASB Standards used, including ISRE 2400, ISRE 2410, ISRS 4400 and ISRS 4410 | Bulgaria, Estonia, Finland ¹⁰ , Hungary, Latvia, Norway (except for ISRS 4410), Slovak Republic and Slovenia | 8 |
| National review engagement based on ISRE 2400 | Denmark (expected), France, Germany, Malta (expected), the Netherlands, Portugal (expected), Spain, Sweden, Switzerland, United Kingdom | 10 (3 expected) |
| National interim review engagement based on ISRE 2410 | Austria (expected), Belgium, Czech Republic, Ireland, Italy, the Netherlands, Portugal (expected) and Spain | 8 (2 expected) |
| National compilation engagement based on ISRS 4410 | Germany (Type I) (expected), the Netherlands, Sweden, United Kingdom | 4 (1 expected) |
| National agreed-upon procedures engagement based on ISRS 4400 | France, the Netherlands and Sweden | 3 |
| National presentation or compilation engagement standard | France and Germany (Types II and III) (expected) | 2 (1 expected) |
| National standard for continuous assurance | Italy and Romania | 2 |
| National standard for “simplified” or “limited” audit or examination for smaller entities | France and Ireland | 2 |
| Proposed national alternative assurance standards in preparation or being considered | Cyprus, Denmark, Estonia, Finland, Germany, Malta and Poland | 7 |

Section 2.3.2. below on “Initiatives in some European countries” includes further details on existing and proposed national standards for a variety of alternative assurance and related services.

¹⁰ Refer to Annex A on page [49]; these assurance and related standards do not substitute audits in SMEs



2.3.2. Initiatives in some European countries

In this section, particular national initiatives for alternative assurance or related services which have been taken or which are currently considered, are discussed in some further detail.

This discussion excludes details on the countries (six) where currently no alternative assurance services or related services are offered. In some of these countries, there is no recognised need for such services as there are no or very low audit exemption thresholds resulting in basically all limited liability companies being subject to statutory audit.

Some other countries (eight) where the IAASB Standards, mainly including ISRE 2400, ISRE 2410, ISRE 4400 and ISRS 4410, have been adopted and are followed when alternative assurance or related services other than audit are provided to clients are also excluded in the discussion.

This is also the case for the countries where national standards on review or interim review engagements, on compilation engagements or on agreed-upon procedures engagements are very closely aligned to the IAASB Standards.

The national initiatives for alternative assurance or related services which include particular features are discussed hereafter:

| Countries | Alternative assurance or related services provided |
|-----------------------------|---|
| Denmark (draft standard) | <ul style="list-style-type: none"> • The Danish Institute (FSR) is in the process of drafting an alternative assurance service for SMEs which is expected to be less demanding than an audit. The final outcome of the work will depend on the approval by the authorities. |
| Estonia (awaiting approval) | <ul style="list-style-type: none"> • Audit Act to implement the Statutory Audit Directive is expected to include increased audit exemption thresholds and to introduce statutory reviews in line with ISRE 2400; • Statutory review for companies exceeding 2 of the 3 following criteria: <ul style="list-style-type: none"> - Turnover: €600,000; - Balance sheet total: €300,000; - Number of employees: 10; But not exceeding 2 of the 3 following criteria: <ul style="list-style-type: none"> - Turnover: €1,800,000; - Balance sheet total: €900,000; - Number of employees: 30; • Statutory review is expected to be mandatory. |
| Finland (proposal) | <ul style="list-style-type: none"> • Proposal for reasonable assurance “limited” audit by laymen for certain very small entities housing companies. The adoption of this proposal is still uncertain. It does not concern SMEs in general and does not substitute audits for SMEs. • Audit opinion on revenues, expenses, assets, liability and Board of Directors report; • Expected to be mandatory. |
| France | <ul style="list-style-type: none"> • “Presentation” engagement with negative assurance on consistency and plausibility of financial statements. |

| | |
|-----------------------------------|---|
| Germany (draft standard) | <ul style="list-style-type: none"> • Draft standard on the preparation of financial statements by a qualified professional; • Compilation with 3 Types of reports on the work performed; <ul style="list-style-type: none"> - Type I: report on compilation work; - Type II: limited assurance and negative opinion on the plausibility of vouchers, books and records of entity, not on its financial statements; - Type III: reasonable assurance and positive opinion on the propriety of vouchers, books and records of entity, not on its financial statements. <p>NOTE: This draft Standard will be finalised towards the end of 2009, at the earliest. It is probable that the final Standard (IDW S7) will deviate from the above description. For example, the wording of the report(s) is subject to further consideration.</p> |
| Ireland | <ul style="list-style-type: none"> • Small charities and small pension schemes can have an “accountant’s report” (an independent, qualified person approved by the authority) instead of an auditor’s report. |
| Italy | <ul style="list-style-type: none"> • Continuous integrated reasonable assurance with positive opinion by Collegio Sindacale related to compliance with law and due process of directors’ resolutions, and appropriateness of the internal control system; • By Collegio Sindacale. |
| Malta (being considered) | <ul style="list-style-type: none"> • Alternative assurance services being considered: <ul style="list-style-type: none"> - Expected compilations for micro-entities (to be defined); - Expected review engagements for SMEs (to be defined). |
| Romania | <ul style="list-style-type: none"> • “Censor” control or verification for unaudited trading companies; • Limited assurance with short or long form report. |
| Switzerland | <ul style="list-style-type: none"> • Moderate assurance engagement, including substantive audit procedures in risk areas; • Negative opinion issued by licensed auditors or licensed audit experts; • Mandatory for SMEs > 10 employees but under the audit exemption threshold. |
| United Kingdom (interim guidance) | <ul style="list-style-type: none"> • 2006 - 2009 ICAEW initiative on the provision of “limited” assurance service by its members; • The service consists of a review plus substantive procedures determined by some consideration of risk; • Negative opinion issued by professional accountant. |



As indicated before, this table demonstrates that there are a variety of views on services other than audit or how such services ought to be developed in the near future:

- The vast majority, but not all, of the alternative assurance or related services are developed for small and medium-size entities (SMEs). It appears that the increases in audit exemption thresholds over the last few years in a number of European countries have exacerbated the need for alternative services for SMEs, for instance in Switzerland. This trend is also expected to continue in the (near) future, for instance in Denmark and Estonia. In these countries, these services are made or are considered to be made mandatory;
- A review or a compilation engagement is not always seen as a valid alternative for an audit of SMEs. In some countries, like in Denmark, France and Ireland, another alternative has recently been adopted or is expected to be adopted in the near future. It is not clear whether this is due to the perception that the work effort related to a review or a compilation engagement is sometimes considered to be too low and the issuance of a negative or no assurance opinion is considered to be confusing or is misunderstood;
- It is also left to IFAC, the IAASB or the FEE Member Body in the individual jurisdiction in question, all IFAC Member Bodies, to judge whether such services fit within the IAASB Assurance Framework or not;
- Another trend appears to be the opening-up of the provision of some alternative assurance or related services to others than the professional accountant or auditor, for instance laymen, a person approved by the authorities, etc.

2.3.3. Discussion of other findings

The FEE survey also included a number of other questions, the responses to which are analysed in further detail below.

2.3.3.1. Fitting European alternative assurance and related services into the IAASB Assurance Framework

As far as how the alternative assurance or related services currently provided or expected to be provided within European countries fit into the IAASB Assurance Framework, there is not always a clear-cut determination possible. This is particularly important when considering the relationship between the work effort performed by the professional accountant or auditor, the level of assurance provided and the type of assurance report and opinion issued:

- In France and Germany, the presentation or compilation engagements being offered or proposed are not defined within or go beyond the IAASB Assurance Framework;
- The same is the case for the “simplified” or “limited” audit or examination services provided for in Finland, France and Ireland;
- This is also true for the continuous examination of compliance with law and due process of directors’ resolutions, and appropriateness of the internal control system as provided for in Italy and for the continuous examination of internal controls as provided for in Romania;

As indicated before, it is left to IFAC, the IAASB or the FEE Member Body in the individual jurisdiction in question, all IFAC Member Bodies, to judge whether such services fit within the IAASB Assurance Framework or not.

2.3.3.2. The documentation requirements for alternative assurance or related services

All international standards for alternative assurance and related services include requirements to prepare sufficient and appropriate documentation of matters important or significant in providing evidence to support the assurance report issued and evidence that the service was carried out in accordance with the standard, the terms of the engagement and/or applicable legal and regulatory requirements.

Similarly, most national alternative assurance and related services standards include requirements to prepare appropriate documentation, to document important matters, to document conclusions required by law or to evidence the standard was complied with. However, some national standards do not include documentation requirements.

2.3.3.3. Entities for which alternative assurance and related services are provided

Related to the types of entities for which alternative assurance or related services are provided, a wide variety of approaches is noted:

- Most nationally developed alternative assurance or related services are provided for entities under the audit exemption threshold or SMEs as defined in the national jurisdiction;
- A few others are provided for entities as specified by national law or regulation;
- Interim review engagements are mainly performed for listed entities or public interest entities and their subsidiaries;
- In a number of countries however, the provision of all or some alternative assurance or related services is not regulated by law nor determined by the professional accountancy body and can be provided to any entity.

2.3.3.4. Providers of alternative assurance and related services

In respect of who can provide the alternative assurance or related services, a range of different approaches are noted:

- The vast majority of these services should be provided for by the statutory auditor as defined in the Statutory Audit Directive;
- However, in five countries, all or some alternative assurance and related services can be offered by any “provider”;
- In three countries with a profession where a distinction is made between “auditors” as defined by the Statutory Audit Directive and other “accountants in practice”, the other accountants in practice can also provide the alternative assurance or related services;
- In a few other countries, these services can also be provided by (as defined) a “qualified person”, an “independent expert”, a “censor”, the “collegio sindacale”, a tax advisor or a layman. It should however be noted that in such countries, statutory auditors appear not to be prohibited to provide alternative assurance or related services.



2.3.3.5. Voluntary or mandatory provision of alternative assurance or related services

As alternative assurance and related services are often offered to entities outside of the audit requirement, they are offered to entities on a voluntary basis in the majority of European countries. However, there are a number of exceptions to this general observation:

- The provision of interim reviews is mandated by law or regulation in a limited number of European countries;
- Certain specific services are regulated by law and are therefore provided for on a mandatory basis in a few countries. These relate for instance to special reports for certain types of entities or certain types of activities in certain entities like banks, listed entities, charities, etc.;
- The provision of alternative assurance or related services is also mandated for certain types of smaller entities in certain countries if no voluntary audit is performed by a statutory auditor;
- The same is the case for the “simplified” or “limited” audit or examination services provided for in France and for the continuous examination of internal controls as provided for in Romania;
- In Italy the continuous examination of compliance with law and due process of directors’ resolutions, and appropriateness of the internal control system is mandated when the entity has to appoint a Collegio Sindacale (which is for limited liability companies (Srl or Società responsabilità limitata) above certain thresholds and for joint stock companies (SpA or Società per Azioni) regardless of their size).
- In Switzerland, there is a mandatory statutory review for smaller entities, as defined;
- In a number of other countries, similar developments are anticipated. In Estonia, a mandatory statutory review for certain smaller entities, as defined, is expected to be approved as part of the transposition of the Statutory Audit Directive. The limited assurance services being developed or being considered in Denmark and Malta would also be expected to be mandated.

2.3.3.6. The ethical and independence requirements to be complied with when alternative assurance or related services are provided

In virtually all countries, providers of alternative assurance and related services have to comply with ethical and independence requirements:

- In the majority of countries, professional accountants performing alternative assurance and related services have to comply with the provisions of the IFAC Code of Ethics, or its national equivalent, applicable to non-financial statement audit assurance clients;
- However, in a number of countries, the same ethical and independence requirements as applicable to providers of audit services are also applicable to providers of alternative assurance and related services;
- In some other countries, less stringent ethical and independence requirements are applicable to providers of alternative assurance and related services.



2.3.3.7. The quality assurance arrangements applicable in relation to the provision of alternative assurance and related services

In the vast majority of countries, providers of alternative assurance and related services have to comply with internal quality assurance requirements and in the majority of countries, also with external quality assurance requirements:

- In a considerable number of countries, the internal and external quality assurance arrangements for providers of alternative assurance and related services are the same as for auditors performing (statutory) audits;
- In a number of countries, there are internal and external quality assurance arrangements for providers of alternative assurance and related services, but these are not necessarily the same as for statutory auditors;
- In a few countries, there are internal quality assurance requirements for providers of alternative assurance and related services but no external quality assurance requirements;
- The internal quality assurance requirements are in about half of the countries based on the requirements of the International Standard on Quality Control (ISQC 1) as issued by the IAASB.

2.3.3.8. Public and professional oversight over providers of alternative assurance and related services

Related to public and professional oversight over providers of alternative assurance and related services, there are two distinct approaches which prevail:

- In about half of the countries, providers of alternative assurance and related services are submitted to oversight. In most cases, they are submitted to public oversight but in a few countries, they are submitted to the oversight of the professional accountancy body;
- In the other half of the countries, providers of alternative assurance and related services are not submitted to oversight by the public oversight body or professional accountancy body;
- In a very limited number of countries, a specific oversight regime for providers of alternative assurance or related services has been set up, mostly when the provider of the services is not an “auditor” as defined by the Statutory Audit Directive.

2.3.3.9. The frequency of use of alternative assurance or related services

Related to the frequency of use of alternative assurance or related services, there is again a considerable amount of difference between the different services offered in different countries:

- For almost half of the alternative assurance or related services, no information is available related to the frequency of their use. In some cases, this is due to the fact that the service is used as and when required by law or regulation, for instance for mandatory interim reviews;



- In about a third of the cases, the use of alternative assurance or related services is frequent, widespread or regular;
- The use of alternative assurance or related services is either less common or limited in the other cases.

2.3.3.10. The use of eXtensible Business Reporting Language (XBRL) for reporting in relation to alternative assurance or related services

Related to the use of XBRL for reporting in relation to alternative assurance or related services, a variety of differing approaches are noted:

- In the vast majority of countries, XBRL is currently not used for reporting in relation to alternative assurance or related services;
- The use of XBRL for reporting in relation to alternative assurance or related services is currently not even allowed in three countries;
- The use of XBRL is currently allowed for reporting in relation to alternative assurance or related services in three other countries;
- Using XBRL for reporting in relation to alternative assurance or related services is being considered in three further countries.

2.3.3.11. The use of the IFAC Small and Medium Practices (SMP) Committee 'Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities'

In respect of the promotion, translation and use of the IFAC Small and Medium Practices (SMP) Committee 'Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities' (the SMP Guide), a range of different approaches are noted:

- The SMP Guide is being promoted or made available in English in ten European countries;
- Up to now, it has only been translated into the local language in two European countries but further translations are being performed in a few other countries;
- One country has issued a national SMP Guide to the use of national auditing standards.



3. CONCLUSIONS

A wide variety of alternative assurance and related services are offered in European countries.

Although a number of such services appear to have a longstanding tradition in certain countries, most result from more recent initiatives taken in European national jurisdiction. Some are a response to increases in audit exemption thresholds, others are answers to specific market demands and needs. A few may result from the reconsideration of the need for more expensive and more regulated voluntary audits.

The vast majority, but not all, of the alternative assurance or related services are developed for audit-exempt entities. It appears that the increases in audit exemption thresholds over the last few years in a number of European countries have exacerbated the need for alternative services for SMEs. This trend is also expected to continue in the (near) future. In some countries, these services are, or are considered to be, mandatory.

The types of services provided and planned are broadly classified as accounts compilation and agreed-upon procedures services (non-assurance engagements), moderate level of or limited assurance services (eg, reviews) and reasonable assurance services. They cover not only services related to the historical financial statements of private companies but also other subject matter such as internal controls and other types of preparers including listed companies, charities and partnerships.

In relation to the financial information of private limited companies that are audit-exempt, eleven countries have national standards or guidance on agreed-upon procedures and thirteen have or will have on accounts compilation services. These are broadly based on the standards issued by the IAASB, namely ISRS 4400 and ISRS 4410. However, in two countries standards on compilation go beyond ISRS 4410.

There is a wide variety of moderate level and limited assurance services. Twenty-three countries have adopted ISRE 2400 or have standards or guidance on other types of moderate level of or limited assurance services, four countries expect to adopt such standards or guidance.

There are two types of engagements that involve the provision of a positive opinion that appears to express reasonable assurance. One of them involves detailed examination of accounting records culminating in a positive assurance opinion and another involves continuous integrated assurance or continuous examination of internal controls based on which a positive assurance opinion is issued.

Another trend appears to be the opening-up of the provision of some alternative assurance or related services to others than the professional accountant or auditor, for instance laymen, a person approved by the authorities, etc.

However, providers of alternative assurance and related services in virtually all European countries have to comply with ethical and independence requirements and in the vast majority of European countries with the applicable quality assurance arrangements. In about half of the European countries, alternative assurance and related services are subject to public or professional oversight.

It can also be noted that a review or a compilation engagement is not always seen as a valid alternative for an audit of SMEs. It is not clear whether this is due to the perception that the work effort related to a review or compilation engagement is sometimes considered to be too low and/or the issuance of a negative or no assurance opinion is considered to be confusing or is misunderstood.



However, the market driven tension between the tendency to do less work than in an audit (for smaller entities), but more work than in a review, and the wish to be able to link this to some sort of a positive opinion is apparent in some countries.

Therefore, FEE calls on the IAASB to consider the results of this Survey when revising ISRE 2400 and ISRS 4410 (but also ISAE 3000) as FEE believes that it is important for professional accountants to be able to offer and provide equivalent services to their clients in different countries which respond to the needs of their clients and the market in general. As initiatives for alternative assurance services are being considered, taken or finalised in a number of countries in Europe, but also elsewhere around the globe, the need for international standards for alternative assurance services which respond to client and market demands is urgent. FEE therefore calls on a swift IAASB response as an early indication of the latest international thinking in relation to alternative assurance services would undoubtedly help limit national initiatives from going in different directions.

If no urgent action is taken, the risk of fragmentation in relation to the development and provision of alternative assurance and related services between European countries will increase.

FEE also calls on the national auditing and assurance standard setters in Europe, European Union Member States, other European regulators and FEE Member Bodies to reconsider their initiatives in light of the expected revisions to the IAASB assurance services standards.

4. COUNTRY SUMMARIES

Austria

There is a professional standard for the conduct of review services regarding interim financial statements as required by sec 87 Stock Exchange Act (Börsegesetz), as amended to transpose Article 5 of the Transparency Directive (2004/109/EC) recommendation KFS/PE 16.

It is expected in the near future that a technical Committee (“Fachsenat”) of the Austrian Chamber of Chartered Accountants and Auditors will issue a professional standard on review engagements for the recommendation KFS/PE 16 issued by the “Fachsenat”.

The level of assurance to be provided in relation to the (expected) alternative assurance service will be negative assurance which is in conformity with ISRE 2410; additionally it will consider details of the specific regulation (sec 87 Stock Exchange Act).

KFS/PE 16 reports are issued for listed stock corporations. The proposed new standard on review engagements will apply for all types of entities. The expected report and type of opinion to be issued will be in accordance with ISRE 2410 for review engagements and will be provided by Licensed Auditors (Chartered Accountants). These services will be offered on a voluntary basis and will be mandatory if regulated by sec 87 Stock Exchange Act.

The Licensed Auditor (Chartered Accountant) has to comply with the general professional regulations in Austria, including broad ethical and independence requirements.

Engagements for a review of financial statements are not subject to the statutory external quality control system, but shall be subject to the internal quality system of the auditor.

The use of assurance-related services engagements is frequent in Austria.

Belgium

There is a national standard and a recommendation related to limited review.

The level of assurance provided by the Belgian national standard is limited assurance (negative assurance). The recommendation only deals with a review engagement performed by the auditor of the entity (the equivalent of ISRE 2410). Belgian auditing standards do not include a standard related to a review engagement as performed in accordance with ISRE 2400.

Alternative assurance services will be provided for those companies which are legally required to submit their interim financial situation to a limited review (public interest entities). An interim review engagement is voluntary for other types of companies.

The review report issued explains clearly the scope of the engagement and the work to be performed by the auditor as well as a comparison and a discussion of the information given by the management. The report has to specify that an assurance engagement leading to a reasonable assurance was not conducted under this scope. The conclusion of the report has to be written in a negative form. It is legally required that the providers of such services must be auditors (members of the Belgian Institute of Auditors (Instituut der Bedrijfsrevisoren (IBR) – Institut des Reviseur d’Entreprises (IRE)).



The ethical and independence requirements as regulated by the Belgian Royal Decree of 10 January 1994 regarding the obligations imposed on Belgian Registered Auditors are applicable. Additionally, there is a specific Belgian Standard dealing with some supplementary independence requirements.

As far as quality assurance inspections are concerned, the specific Belgian Standard on Quality of 15 September 2008 is applicable.

The scope, responsibility and authority of the public oversight bodies are the same as for statutory audits.

The frequency of use of the afore-mentioned standards is much less than the use of the Belgian standards related to an audit of financial statements.

The board of the Institute has decided to propose to the public oversight bodies (High council for the Economic professions and the Ministry of Economy) the adoption of the ISRE 2410 instead of the national standard and recommendation on review engagements.

Accountants and auditors also have the competence to perform 'verifications'. Such 'verifications' form part of the provision of advice to partners of a partnership or company in the context of the performance of their individual control powers within the partnership or company when the latter is not subject to statutory audit. The service is aimed at verifying and correcting accounting records.

Bulgaria

There are no national professional standards for the conduct of alternative assurance services in Bulgaria. Such services are conducted in Bulgaria following the relevant standards issued by the IFAC such as: ISRE 2400, ISRE 2410, ISAE 3000, ISAE 3400, ISRS 4400 and ISRS 4410.

The level of assurance provided for alternative services complies with the above-mentioned standards. The potential users of such services have not been defined as these assurance services are not regulated by Law, therefore there are no specific requirements. As far as the qualified professionals to perform the work those have to be Statutory Auditors.

As already commented, alternative assurance services are offered on a voluntary basis and are not regulated by Law. When providing alternative assurance services the auditor has to comply with the requirements of the IFAC Code of Ethics and with the International Standards on Quality Control (ISQC).

The standards used guarantee the internal and external quality assurance in the provision of the work done.

The alternative assurance services are not subjected to public oversight.

The standards or guidance on assurance services are rarely used in Bulgaria.

Cyprus

At present there are no national professional standards for the conduct of alternative assurance services in Cyprus. All limited liability companies, irrespective of their size, are required to have a statutory audit for tax purposes on an annual basis.



The possibility of introducing the option of alternative assurance services in lieu of a full scope audit for small and medium-sized entities is currently under consideration, but no formal position has been reached as yet.

Czech Republic

There is no national legislation as far as the provision of alternative assurance services is concerned. In case of an interim review on financial statements, it is provided on a voluntary basis. ISRE 2410 is the applicable standard to be used in the Czech Republic for an interim review.

Compilation services are generally not used in the Czech Republic. The level of assurance in case of a limited review service is negative assurance in line with ISRE 2410.

A limited review in accordance with ISRE 2410 can be provided to any entity, however, it is generally provided to select listed companies and subsidiaries of larger groups.

As interim reviews are provided on a voluntary or contractual basis, they could theoretically be provided by anyone. However, the Chamber of Auditors is not aware of any cases where these services are not being provided by an authorized auditor or audit firm.

The ethical and independence requirements to be complied with are in accordance with the IFAC Code of Ethics.

As these services are provided on a voluntary/contractual basis, they are not subjected to any quality assurance system or oversight unless the audit firm itself, the group auditor or the foreign group auditor's regulator requires a specific quality assurance control.

ISRE 2410 is applied regularly for limited reviews on a voluntary basis.

Denmark

All assurance and related services applied in Denmark are national standards closely aligned to international standards issued by IAASB. Any differences to IAASB's standards are a reflection of national requirements exceeding the requirements of IAASB's standards.

There is currently no national standard for the provision of other alternative assurance or related services in Denmark. The Danish Institute (FSR - Foreningen af Statsautoriserede Revisorer) is in the process of drafting an alternative assurance service for SMEs which should be less demanding than an audit. The final outcome of the work will depend on the approval by the authorities.

Estonia

On a voluntary basis, all the services which can be offered based on IFAC standards are available in Estonia. Such services are conducted following the relevant standards issued by the IFAC such as: ISRE 2400, ISRE 2410, ISAE 3000, ISAE 3400, ISRS 4400 and ISRS 4410.



The level of assurance provided for alternative services complies with the above-mentioned standards. The potential users of such services have not been defined as these assurance services are not regulated by law, therefore there are no specific requirements. The qualified professionals to perform these services have to be Statutory Auditors.

The alternative assurance services fit all into the IAASB assurance framework.

There are plans to introduce a statutory review in Estonia in 2009.

The statutory review would be performed in accordance with the ISRE standards. The level of assurance would be limited assurance.

The type of entities for which a statutory review would be introduced are all those entities:

Exceeding two of the following three thresholds:

- Sales over €0,6 million;
- Assets over €0,3 million;
- Employees over 10.

But not exceeding two of the following three thresholds above which a statutory audit would be required:

- Sales over €1,8 million;
- Assets over €0,9 million;
- Employees over 30.

The professionals to perform such statutory review will continue to be statutory auditors and the review would be provided to companies on a statutory or mandatory basis.

The auditor has to comply with the requirements of the IFAC Code of Ethics for all services performed. Quality assurance arrangements would be equal to the ones already in place for statutory audits.

In Estonia, there will also be a Public Interest Oversight Board (in accordance with Statutory Audit Directive requirements) for oversight of the audit profession and covering all professional activities including review services.

Finland

There are no alternative assurance or related services or any national professional standards to conduct alternative assurance services in Finland to substitute full audits in small and medium entities (SMEs). This is because an audit has traditionally been required even in the smallest companies.

The current auditing act came into force on 1 July 2007. The exemption thresholds for a statutory audit were lowered and set as listed below (when two out of three listed criteria are exceeded). Smaller companies can engage an auditor on a voluntary basis or use no audit services.

- Turnover € 200.000
- Balance Sheet Total € 100.000
- 3 Employees



Previously the audit exemption thresholds were higher: balance sheet total of € 340.000, turnover of € 680.000 and 10 employees. Companies with thresholds below two out of these three thresholds had to appoint a layman auditor.

The only exception to the current audit exemption thresholds is the proposed law on housing companies, which is at the moment in the Finnish Parliament. The adoption of its proposal on audits is, however, still very uncertain. There are approximately 80.000 housing companies in Finland and a statutory 'layman' audit has been proposed for very small housing companies (with less than 30 apartments or if the current audit exemption thresholds are not exceeded). The proposed audit system for housing companies would be mandatory for these very small housing companies unless the Annual General Assembly decides otherwise.

The nature of the proposed 'audit' system in the Housing Companies Act is more like an internal audit than an external audit. Principally, the level of assurance would be reasonable assurance. However, the level of this exceptional assurance for small housing companies would possibly be closer to a limited audit, since it is carried out by non-professionals. These services do not fit into the IAASB assurance framework.

In accordance with the proposed law for the Housing Companies Act, an opinion would be given whether the company's revenues, expenses, assets and liabilities are included in all material respects in the financial statements and whether the Report of the Board of Directors includes, in all material respects, the information required by law.

In accordance with the proposed draft, the providers of such services would be non-qualified persons (laymen). These persons may, however, not be under guardianship, in bankruptcy and their legal capacity may not be restricted. They should have an (undefined) knowledge of financial and legal matters necessary to carry out the (statutory) layman audit.

As far as ethical and independence requirements are concerned, the proposed draft includes that the "layman auditor" has to be independent. The draft law on housing companies lists a few circumstances which may compromise the independence of the "layman auditors".

No internal or external quality assurance arrangements are put in place. No reference is made to an oversight body in the specific proposal for a draft law for housing companies.

The following standards issued by IFAC have been translated into Finnish and can be used for special assurance services, when necessary: ISRE 2400, ISRE 2410 (e.g. review of interim financial information of listed companies), ISAE 3000 (e.g. an opinion on matters prescribed by the Companies Act for limited liability companies), ISAE 3400, ISRS 4400 (e.g. reports concerning travel agencies' advance payments) and ISRS 4410. Assurance services have not, however, been proposed to substitute audits for SMEs.

France

There is no compulsory assurance related service provided by statutory auditors for Small Medium Entities (SMEs). All alternative assurance services are offered on a voluntary basis.

Alternative assurance services are not foreseen for statutory auditors, since the Compagnie Nationale des Commissaires aux Comptes (CNCC) has just completed a standard for the audit of certain SMEs.



Indeed, in March 2009, there were some amendments to the French legislation (Article L823-12-1 of the Commercial Code and Article R 823-7-1 of the Decree of 2 March 2009) related to the auditing standards for certain specific legal forms of companies under certain thresholds, following the voting of the "simplified auditing standards". The simplified auditing standard allows for the use of audit procedures adjusted to the nature, timing and extent of a simple and small entity with the increased use of professional judgement and audit documentation adjusted to the size and complexity of the audited entity.

These simplified auditing standards can only be used for SMEs as follows:

- For Sociétés par Actions Simplifiée (SAS) exceeding at the end of the financial year the limit of two of the three following criteria:
 - Balance sheet total: Euro 1.000.000;
 - Net turnover: Euro 2.000.000;
 - Average number of employees during the financial year: 20; and
 - Not exceeding at the end of the financial year the limit of two of the three following criteria:
 - Balance sheet total: Euro 1.550.000;
 - Net turnover: Euro 3.100.000;
 - Average number of employees during the financial year: 50.
- For Sociétés en Nom Collectif (SNC), Sociétés en Commandite Simple (SCS) and sociétés à responsabilité limitée (SARL) not exceeding at the end of the financial year the limit of two of the three following criteria:
 - Balance sheet total: Euro 1.550.000;
 - Net turnover: Euro 3.100.000;
 - Average number of employees during the financial year: 50.

On the other hand, if an SME is exempted from statutory audit, the chartered accountants ("experts-comptables") can provide on a voluntary basis the following services:

- A review of the financial statements;
- A "presentation" engagement ("mission de présentation") which leads to a negative assurance opinion on the consistency and the plausibility of the financial statements;
- Some "agreed-upon" procedures whereby the chartered accountant would perform procedures on the financial statements or elements of the financial statements for a particular purpose specified by the entity and issue a report of factual findings, without issuing any assurance opinion or conclusion on these financial statements or elements of the financial statements.

The review and agreed-upon procedures standards are based on the corresponding IAASB standards. Those services are provided to SMEs exempted from statutory audit by experts-comptables (chartered accountants). The review or limited assurance is expressed in a negative form, as in the IAASB standards (ISRE 2400).

The "presentation" engagement ("mission de présentation") is a limited assurance engagement. The "presentation" engagement is expressed in negative form on the consistency and plausibility of the Financial statements

These two services are based on the corresponding IAASB standards (review and agreed-upon procedures), therefore they fit into the IAASB assurance framework, i.e. moderate/limited assurance and no assurance. The "presentation" engagement is also a moderate/limited assurance engagement which would fit below the review on the continuous spectrum of assurance levels.



The entities for which those services can be provided, are those which are not subject to statutory audit. The type of report would be as the one used in the IAASB standards (ISRE 2400 and ISRS 4400). Those services are provided for on a voluntary basis.

The Ethical Code of the Experts-Comptables is applicable for chartered accountants that perform reviews of financial statements and other assurance and related services engagements.

The French ethical Code of the Experts-comptables establishes ethical requirements that do not differ from those contained in the part A of Code of Ethics for Professional Accountants of IFAC.

A quality assurance review is mandatory for all chartered accountants performing alternative related services. Quality assurance reviews are monitored by the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC). The oversight body is the Finance Ministry (Ministère de l'économie et des finances) which oversees the profession of "experts-comptables".

The use of the "presentation" engagement is frequent. The Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC) has developed several guidance documents regarding assurance-related services.

Germany

Neither National legislation or regulations require the provision of alternative assurance services. However, reviews of certain financial information specified under the thin capitalization rules of German tax law must be undertaken at the request of the German taxation authorities.

In addition, with the implementation of the Transparency Directive, pursuant to Article 37w and Article 37x (para3) of the Wertpapierhandelsgesetz [German Securities Trading Law], interim financial statements of capital market oriented entities may undergo a review on a voluntary basis starting with the business year 2007. The law stipulates basic principles of these review engagements in line with the professional standards on review engagements.

IDW Professional Standards cover review engagements and compilation engagements of the latter, one type is a pure compilation engagement (Type I engagement), a second type also includes review-level assurance on the underlying books and records but not on the financial statements that the practitioner compiles (Type II engagement), and a third one includes audit-level assurance on the underlying books and records but not on the financial statements that the practitioner compiles (Type III engagement).

IDW AuS 900 "Generally Accepted Standards for the Review of Financial Statements" covers review engagements whereby – limited assurance (moderate level of assurance) would be expressed in negative form. IDW AuS 900 complies with ISRE 2400.

There is no specific standard for reviews of interim reports, as IDW AuS 900 is applicable. In 2007 IDW published additional guidance with examples of review reports in the context of interims.

The IDW Statement HFA 4/96 "Generally Accepted Standards for the Compilation of Annual Financial Statements by Wirtschaftsprüfer", will be replaced by the finalized version of the current exposure draft IDW ES7 of the same name. This Statement/ Draft Standard respectively deal with compilation engagements of the three types Type I, II and III.



NOTE: The revision of this Standard will be finalized towards the end of 2009, at the earliest. It is probable that the final Standard (IDW S7) will deviate from the outline provided in this Survey. For example, the wording of the report(s) is subject to further consideration.

Summary of the main elements of IDW ES7:

For a compilation engagement (Type I) the practitioner:

- Prepares financial statements on the basis of vouchers, books and records submitted by the entity;
- Takes into account additional information received by the client;
- Requires knowledge of the applicable financial reporting framework and supplementary provisions in the articles of incorporation/partnership agreement;
- Must have an appropriate understanding of the entity's business environment and industry.

The practitioner:

- Does not express any opinion on the vouchers, books and records presented to the practitioner;
- May not be associated with any valuations, presentations etc. the practitioner recognizes as not permissible, in particular related to going concern;
- On becoming aware of obvious issues causing doubt about whether the books etc. have been properly maintained:
 - Must take action in respect of errors or deficiencies of which the practitioner becomes aware during the engagement, including, if necessary, modifying the report and informing management;
 - Must withdraw from the engagement if the client refuses to cooperate;
 - Is required to issue a report detailing the compilation work.

In a Type-II Engagement, in addition to the above the practitioner:

- Performs appropriate inquiry and analytical procedures on the entity's vouchers, books and records in order to:
 - Obtain limited assurance as to the plausibility of the vouchers, books and records submitted; and
 - Express an opinion as to plausibility, in negative form, restricted to the entity's vouchers, books and records submitted by the entity;
- Obtains a sufficient understanding of internal control relevant to financial reporting by appropriate procedures;
- Performs tests of design and implementation or of operating effectiveness of internal control;
- Performs further procedures only when the practitioner has reason to believe there may be:
 - Material misstatement; or
 - False information.
- Expresses no opinion on the financial statements.

Compilation with comprehensive audit-type procedures (Type III) involves:

- Audit-type procedures on vouchers, books and records submitted by the entity;
- Audit procedures analogous to IDW Auditing Standards:
 - Reasonable assurance obtained;
 - Positive formulation of opinion as to the propriety of the information and documents submitted to the practitioner;
 - But no opinion on the financial statements is given.



Other Matters

When the practitioner has been involved in the bookkeeping:

- There is no opinion to the extent the practitioner has been involved in maintaining the books and prepared inventory and the scope of the practitioners' involvement is described within report.
- The opinion on plausibility/propriety is only allowed on aspects where there has been no practitioner involvement.

The requirements set forth in IDW ES7 relevant to a Type I engagement (compilation only) comply with the requirements of International Standard on Related Services (ISRS) 4410 "Engagements to Compile Financial Statements" relevant to compilation engagements. The other engagements have not been vetted to see if and how they may fit into the IAASB assurance framework.

Neither standard specifies any restriction as to the type of entities for which the engagement may be performed.

Providers of alternative assurance services such as reviews of interim reports according to Wertpapierhandelsgesetz may only be performed by members of the German auditing profession (Wirtschaftsprüfer).

For other engagements, there is no legal prohibition that others (e.g. German tax advisors) provide such services, since any individual or firm that is empowered by German law to provide taxation advisory services (according to the Steuerberatungsgesetz [German law on tax advisory services] this means lawyers, tax advisors and auditors) may provide such general accounting services to the public. These compilation and review services are not mandatory.

German Public Auditors must comply with the ethical requirements set forth in German law (Article 43 et seq. WPO ["Wirtschaftsprüferordnung": German Law Regulating the Profession of Wirtschaftsprüfer] and professional requirements and regulations, which together comprise the German equivalent to the IFAC Code of Ethics. In addition, Article 49 WPO applies to all kinds of engagements: "The Wirtschaftsprüfer must refuse to act if this leads to a breach of his professional duties or if there is reason to doubt his independence in performing an engagement."

German lawyers and tax advisors are not subject to the same ethical and independence requirements. The ethical and independence requirements applicable to German public auditors are far more stringent than those for German lawyers and tax advisors.

German Public Auditors must comply with the IDW and WPK joint statement on quality control standard VO 1/2006, which complies with ISQC 1 and ISA 220. Lawyers and licensed tax advisors are not subject to any internal or external quality assurance standards.

If German Public Auditors use their professional seal for assurance reports, these engagements are then also subject to external Quality Assurance Reviews. Such reviews are carried out through the German Chamber of Public Auditors under the control of the Auditor Oversight Commission.

Lawyers and tax advisors are not subject to any internal or external quality assurance. Lawyers and tax advisors are subject to professional oversight of their respective chambers, but such oversight is cursory in nature.



As far as the IDW is aware, other than in respect of interim financial statements, review engagements have not been widely used in Germany. Compilation engagements of the three noted types are far more widespread. In particular, reports resulting from Type II compilation engagements are widely accepted by banks in loan negotiations; Type III engagements are less common.

Greece

There are no national professional standards for the conduct of alternative assurance services in Greece. All “Sociétés Anonymes” have to be audited under Greek Law.

In order to be audited by a *Certified Public Accountant*, companies have to exceed two out of three of the following criteria during two consecutive years:

- Turnover of €5 million;
- Total assets of € 2.5 million;
- Personnel of 50 employees.

According to a recent regulatory framework change (Law 3604, article 46), “accounting firms” are eligible to undertake “audit reviews” for companies with annual turnover between € 1 and 5 million which fulfill the criteria described by the above law.

The stipulations in the above Greek Company Law provide that such companies should be “audited” by two accountants with specific experience and fulfilling criteria that are called “auditors”. However, these “audits” are not performed by audit firms and Certified Public Accountants as mentioned above. Furthermore, those “auditors” are not registered in the official registry of Soma Orkoton Elegton Logiston (SOEL) and are not subject to any kind of supervision.

Hungary

National legislation is in accordance with the IAASB assurance framework. If a company is over the audit exemption threshold, an audit is mandatory and no alternative services can be provided instead of a statutory audit. All additional services in accordance with the IAASB assurance framework can be offered.

The types of alternative assurance and related services and level of assurance provided for vary as follows:

- ISREs: review engagement whereby a negative assurance report would be issued;
- ISRSs: related services in the form of agreed upon procedures or compilation engagements whereby no assurance reports are issued;
- ISAEs: other limited or reasonable assurance engagements than audit or review of historical financial information could be subject to a negative assurance or a positive assurance report, respectively.

The scope of the provision of the alternative assurance and assurance related services is full compliance with the IAASB assurance framework. The entities subject to such services are all entities including business companies, non-profit organizations, public- interest entities, etc.



The alternative assurance and related services are offered on a voluntary basis.

Auditors are required to be fully compliant with the IFAC Code of Ethics. Quality assurance reviews and oversight applicable to statutory audits are also applicable to alternative assurance and related services.

The use of non statutory audit services is frequent in Hungary.

Ireland

Alternative assurance services, as opposed to an audit, are currently not required in the Republic of Ireland by legislation, statutory regulations, or professional standards, for companies generally.

Certain categories of entities, if specific criteria are met, have the option to prepare a report which will be the subject of an Accountants Report, rather than an Audit Report. The criteria are specified in law, with the reporting content determined by the accounting profession in consultation with the relevant regulator(s).

In Ireland, the current alternative assurance services are as follows:

- Section 50, Charities Act, 2009, permits a charity whose turnover does not exceed a maximum of € 500.000 (to be specified in Ministerial Regulations) to opt to prepare (simplified) accounts which may be examined, as an alternative to an audit, by “an independent person approved by the Authority”.

Officials in the Department of Communications, Gaeltacht and Rural Affairs will meet with the accounting profession in the development process of the Ministerial Regulations which will detail the accounting and reporting requirements for such “small charities”.

- Section 30, Property Services (Regulation) Bill, 2009, requires the application for a statutory license by an auctioneer/ estate agent to be accompanied by various documents including:

“A certificate in the specified form by a duly qualified accountant that proper financial systems and controls are or will be in place for the protection of client moneys”.

The format of such Accountants Report and the conclusions therein have yet to be determined. They will be the subject of discussions between the profession and officials in the Ministry for Justice, Equality and Law Reform.

- Section 56, Pensions Act, 1990, as amended, permits a defined benefit pension scheme with less than 100 members, or a defined contribution pension scheme, to present an Accountants Report on its accounts instead of subjecting them to an audit. The content of that Report is specified in the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 – S.I. 301 of 2006.

The Accountants Report on the accounts of relevant pension schemes consists of the conclusion required by law.



- Listed companies registered in the Republic of Ireland are required to publish a half-yearly interim report. Each company has the option of having its report reviewed by its auditors.

The report provided on interim financial statements “Review of Interim Financial Information” follows an approach which is consistent with ISRE 2410.

The following professionals are qualified to perform the alternative assurance services:

- Charity Accounts: person qualified to be statutory auditor of a charity, or a “qualified person”. Section 45, Charities Bill, 2007 defines the latter as “A person who has the requisite ability and practical experience to carry out a competent examination”.
- Pension Accounts: person qualified to be statutory auditor of the pension scheme, or, where some or all of the relevant benefits are secured under insurance contract, by a person designated by the insurer.
- The recently published Property Service (Regulation) Bill, 2009, refers to a “a duly qualified accountant”, which term is not (yet) defined.

The ethical and independence requirements, which are consistent with, but not identical to, the IFAC Code of Ethics govern all professional activities of practitioners in Ireland.

Persons providing these services, who are not members of our own profession, are subject to the requirements, if any relevant, of the organisation, if any, of which he is a member.

The use of the standards on interim financial statements and on pension schemes is frequent; on auctioneers and charities, it is not yet applicable.

Italy

The Italian legislation foresees alternative assurance and related services to be provided mainly to listed entities which are performed by the same auditor performing the audit of the annual financial statements. Such services include alternative assurance services on interim financial information (not mandatory, negative assurance), on quarterly financial information (not mandatory, negative assurance), on proposals for increases in share capital, or for mergers and spin-offs involving a share-for-share exchange, on proposals for the distribution of interim dividends and on pro-forma financial information (negative assurance).

All these assurance-related services are in compliance with the IAASB framework.

The entities that would be subject to the alternative assurance services are listed companies and other Public Interest Entities (PIEs) except for the proposals for mergers and spin-offs involving a share-for-share exchange which are applicable to all type of entities.

All the alternative assurance services must be rendered by an auditor.

In Italy, there is also a kind of “continuous assurance” or “on going” assurance, which is an addition to the audit of historical financial information, and which is performed by the Collegio Sindacale. It can be considered as an “integrative” service rather than an “alternative” one.

Continuous assurance performed by Collegio Sindacale is applicable to both PIEs and non-PIEs. Only in non-PIEs the Collegio Sindacale may also perform statutory audits of the financial statements.



Continuous assurance is mandated when the entity has to appoint a Collegio Sindacale (which is for limited liability companies (Srl or Società responsabilità limitata) above certain thresholds and for joint stock companies (SpA or Società per Azioni) regardless of their size).

The main areas covered by this positive assurance engagement are:

- Compliance with law, regulations and company by-laws;
- Assessment of the administrative system and the internal control system.

The Collegio Sindacale:

- Oversees the decision making process by attending the meetings of the Board of Directors; it may not vote but it has the right to speak and may formally dissent to any board decision;
- Has unrestricted, continuous access to company accounts and to all company's documents and information;
- Has reporting duties to the General Assembly of Shareholders;
- Has a duty to report to Enforcement Authorities in case of misconduct of the company's directors or when there is a risk of company failure.

The independence requirements and quality assurance arrangements for alternative assurance and related services are the same as when performing an audit.

Members of the Collegio Sindacale have to comply with the independence requirements of Article 22 of the Statutory Audit Directive.

The oversight body depends on the type of entity to which the service is provided:

- Consob in the case of assurance engagements provided to listed entities and other PIEs;
- Ministry of Justice (Ministero della Giustizia) or assurance engagements provided to non-PIEs.

Alternative assurance and related services are rendered frequently in Italy.

Latvia

There are no locally developed standards for alternative assurance services. Only IFAC Standards including IAASB Standards are used.

Taking into account that IAASB Standards are the only framework used in Latvia, the main tasks performed by auditors correspond to the definitions in the Law on Sworn Auditors. The assurance services provided are in fact audit, financial statements review, agreed upon procedures and compilations.

There are no specific requirements on alternative assurance services set by law. In practice auditors may be asked to perform such services by the clients (any type of entities).

In the current market situation, the FKFK (the regulator of financial institutions and listed entities) is requesting auditors to perform particular agreed upon procedures which are set in accordance with IAASB Standards.

The report to be issued in relation to these alternative assurance and related services are in accordance with the IAASB guidelines and requirements.



Latvia's "Law on Sworn Auditors" refers to Certified Auditors as those who can perform or provide these alternative assurance services. Alternative assurance and related services are offered on a voluntary basis, except in some rare circumstances, whereby this year agreed upon procedures on financial institutions (IMF requirement) are being carried out.

In Latvia, there is an Ethics Code based on the IFAC Code of Ethics. There is also a Quality Control Committee (LACA) which is in charge of quality controls on certified auditors. All services regulated by the Law on Sworn Auditors are subject to this quality control although the focus is on statutory audits.

The use of alternative assurance and related services as compared to the provision of statutory audits is much less frequent.

Lithuania

There are no national professional standards for the conduct of alternative assurance services in Lithuania.

Malta

At present all limited liability companies in Malta, irrespective of their size, are required to have a statutory audit in accordance with ISAs on an annual basis. To date there is no legislation, regulation, professional standard or professional practice that includes alternative assurance or related services.

The issue of introducing an alternative service (or alternative services) to full-scope audits keeps on coming up regularly however, to date, no formal decision has been taken by the Institute or by the Accountancy Board, the public oversight body. The issue was also discussed during the Institute's conference of November 2008 and the Minister of Finance, the Shadow Minister and the Profession were then of the opinion that an alternative needs to be considered. Nevertheless, it is premature to assert that such a service is planned or expected.

As far as the level of assurance to be provided is concerned, for example a compilation type of engagement for micro entities and a review type of engagement for small entities could be provided. Based on informal discussions, it would seem likely that a hybrid approach would be adopted, medium and large entities would continue being subjected to a full-scope audit requirement.

If alternative services were to be adopted, these would probably be provided to owner-managed entities that are relatively small in size and that attract no public interest accountability.

Due to the lack of legislation in respect of this matter, it is too premature to comment on the types of reports and opinions that might be issued. It would be the intention to clearly identify these forms of reports and opinions from the audit report and opinion.

Based on informal discussions, certain companies (yet to be defined) would be 'required' to have an assurance-related service as a minimum. Nevertheless it would be the intention to allow all companies to have a full scope audit in accordance with ISAs in lieu of the assurance-related engagement.



Companies which would qualify to be subject to (possible) alternative engagements would probably be required to undergo such an engagement on an annual basis in lieu of a full scope audit.

Netherlands

The Netherlands have voluntary audits, review engagements and compilation engagements as well as agreed upon procedures.

These assurance services follow the standards of the “Nadere Voorschriften Controle- en overige standaarden” (NV COS). The NV COS is based on the IFAC engagement standards.

There are no concrete plans for the implementation of alternative assurance services. Nevertheless NIVRA as an accounting body encouraged the IAASB in its response to the IAASB Consultation Paper – Matters to Consider in a Revision of International Standard on Review Engagements 2400, *Engagements to Review Financial Statements* to be creative in developing a product that might combine elements of a review and compilation engagement. It is important to define alternative products based on discussions with potential users of these kind of products.

The type of entities subject to alternative assurance services are all except the entities subject to a statutory audit. The expected type of report issued in such services is currently based on IFAC Standards.

In order to provide a statutory audit it is necessary for the chartered or certified accountant to have a license from the public oversight body. All chartered or certified accountants can provide a voluntary audit, review engagement or compilation engagement. The services are offered on a voluntary basis and are not regulated.

The ethical and independence requirements are based on the IFAC Code of Ethics.

There are internal and external quality assurance controls in place as follows:

- Internal: Local NIVRA / NOvAA Regulation based on ISQC1;
- External: NIVRA- College Kwaliteitsonderzoek (CKO).

The public oversight body for providers of alternative assurance services is the NIVRA- CKO.

The use of compilation engagements is widely spread, but with regards to review engagements, it is presumed that the usage is rather limited, as no details are available on actual numbers.

Norway

There are no additional national services to the services covered by standards from the IAASB, whereby the latter are applicable in Norway, except for ISRS 4410.



Poland

The national professional standards do not provide guidelines for any alternative assurance or related services. The Polish Chamber of Auditors has formed a project team to review this area.

In case of a client request for alternative assurance or related services, the auditors can follow the IFAC Standards but they are not required neither by Polish law nor the Institute.

Alternative assurance and related services are not defined in the Polish legislation. Thus its provision is not restricted to any profession. This service can be provided by anyone. As it is not regulated nor defined in Polish law, there is no mandatory basis for it.

If alternative assurance and related services are provided by Chartered Accountants, they are required to follow the professional Code of Ethics (based on the IFAC Code of Ethics). However when such services are performed by other experts (not being members of the Polish Institute), no code is to be observed.

No quality assurance inspection or oversight is required for such services in Poland either by the Institute or by any external oversight bodies.

Portugal

The national legislation includes interim reviews that are performed under certain circumstances. A professional standard exists and it is "ISA" based. Alternative assurance services to replace an audit by a review have not so far been considered in Portugal.

The current national review standard is the former ISA 910 that has on international level been replaced by ISRE 2400, which is still not incorporated into Portuguese Audit law. It is however expected that Portugal will adopt ISRE 2400 and 2410.

The interim reviews are limited assurance services for which a negative opinion is issued.

The companies subject to interim reviews are mainly listed companies. The type of report to be issued is a report with a negative opinion.

Only statutory auditors registered with the OROC (Ordem dos Revisores Oficiais de Contas, the Portuguese Institute of Auditors) are allowed to perform such services.

Reviews are mandatory in certain circumstances (mainly for listed entities). They can also be performed on a voluntary basis if requested by the client.

The ethical and independence requirements are the same as required for an audit. Review engagements have to be performed in compliance with the Portuguese Code of Ethics.

Reviews are subject to the Portuguese External Quality Control Program. The oversight body is the Conselho Nacional de Supervisão de Auditoria (Public oversight body created under the dispositions of the Statutory Audit Directive).

The alternative services are rendered rarely.



Romania

National legislation includes assurance-related services. The Trading Companies Law states that trading companies may have statutory auditors or censors. The censor's activity is regulated by the Professional Standard No 23 issued by CECCAR (The Body of Expert and Licensed Accountants of Romania) in 2001.

The Censors Commission is composed of at least three members (uneven number) being elected by shareholders in the General Assembly; they cannot be employees of the entity.

The activities developed by censors are the following:

- Supervision of the entity's management during the whole year, according to an intervention program;
- Verification of the regularly keeping of the accounting registers;
- Verification of the accurate transfer of the information from the accounting registers to the monthly account balances and in the annual financial statements;
- Verification whether the accounting rules were observed for the valuation of assets;
- Verification of the way of profit distribution;
- Convocation of the General Assembly of shareholders for cases stipulated by law;
- Verification of the actual achievement of capital increase:
 - Censors take part in the Shareholders' General Assembly meetings and in the Administration Council meetings; they can intervene in the debates, but they do not have the right to vote;
 - They verify and report on the statute observance of the shareholders general assemblies.

The level of assurance provided is limited assurance.

In order to adjust national regulation to the IAASB framework, the national standard no 23 is currently being revised to bring it in accordance with ISAE 3000 following a recommendation from IFAC.

The censor's activity can be provided to trading companies (that are not audited), organisations, associations, cooperatives etc.

Censors do not issue an opinion; they elaborate "conclusions" concerning the objectives they are obliged to observe; this obligation is stipulated by law. For each verified objective (stipulated by law or established by the Shareholders General Assembly), after the respective verification, the censors elaborate their conclusions. Conclusions are meant to inform target groups about the issues verified by censors.

The conclusion may be expressed in a positive or negative form.

The type of report to be issued can be:

- A long form report or a short form report;
- The censor's report is attached to the annual report and presented to the General Assembly of the Shareholders.

The providers of audit services are expert accountants and other professional accountants with a university education and practice.



The national Code of Ethics for professional accountants, through which the IFAC Code of Ethics has been adopted, has to be complied with when performing assurance-related services.

The Professional Standard No 23 includes the evaluation criteria for the quality assurance control of the censor. The oversight body is CECCAR.

The use of the standard is frequent.

Slovak Republic

National legislation is in accordance with the IAASB assurance framework. The Slovak Republic Act on Audit and Oversight of the Audit Performance number 540/2007 establish that: "An auditor and an audit firm are required to comply with International Auditing Standards "ISA", internal regulations issued by the Authority and the Chamber of Auditors, and the Code of Ethics".

The types of alternative assurance and related services and level of assurance provided for vary as follows:

- ISREs: review engagement whereby a negative assurance report would be issued;
- ISRSs: related services in the form of agreed upon procedures or compilation engagements whereby assurance reports are issued;
- ISAEs: other limited or reasonable assurance engagements than audit or review of historical financial information could be subject to a negative assurance or a positive assurance report, respectively.

The scope of the provision of the alternative assurance and assurance related services is full compliance with the IAASB assurance framework. There are no entities which are mandated to be subject to such services.

The alternative assurance and related services are offered on a voluntary basis and are not regulated by law.

Auditors are required to be fully compliant with the IFAC Code of Ethics. Quality assurance reviews and oversight applicable to statutory audits are also applicable to alternative assurance and related services.

The use of non statutory audit services is lower than the use of audits in the Slovak Republic.

Slovenia

International Standards on Review Engagements (ISRE), International Standards on Assurance Engagements (ISAE) and International Standards on Related Services (ISRS) are used in Slovenia directly on the basis of the Auditing Act.

Additionally, Slovenia has established their national related position papers on the basis of the standards issued by the IFAC:



Limited assurance is provided for based on the following position papers of the Auditing Council of the Slovenian Institute of Auditors:

- Position paper 8 (*Stališče 8*): *The Auditor's Review and the Auditor's Report Regarding Annual Reports and Other Legal and Regulatory Requirements of Banks* whereby limited assurance (based on the use of ISRE 2400 (Engagements to Review Financial Statements)) is provided for the quality of the information system of a bank.
- Position paper 9 (*Stališče 9*): *The Audit of the Report Regarding Financial Status and Operation of the Debtor* whereby limited assurance (based on the use of ISRE 2400) is provided for the review of the lists of the ordinary creditors, of the sub-ordinary creditors and of the separated creditors of the debtor, and for the review of the average annual costs of the debtor's operation.
- Position paper 11 (*Stališče 11*): *The Auditor's Review and the Auditor's Report Regarding Annual Report and Other Legal and Regulatory Requirements of Stockbroker's Companies* also includes limited assurance for the quality of the information system of a stockbroker company.

The level of assurance provided when the above mentioned position papers are used is limited assurance with a negative assurance opinion. The use of ISRE 2400 assures compliance with the IAASB assurance framework.

Auditing firms (statutory auditors) are the services providers as established on the basis of the Auditing Act. Those services are regulated and are offered on a mandatory basis.

Compliance with IFAC and national ethical and independence requirements applied to auditors performing assurance related services are applicable.

Internal quality assurance arrangements are in line with ISQC 1. External quality assurance arrangements as provided by the Auditing Act are to be followed.

The public oversight bodies are as follows:

- The Agency for the Public Oversight of Auditing – supervision of the assurance –related services, investigation, penalties and sanctions;
- The Slovenian Institute of Auditors – supervision of the assurance-related services.

The frequency with which those services are rendered varies depending on the nature of the work done:

- On the basis of the Position paper 8: once a year;
- On the basis of the Position paper 9: in case of solvency problems;
- On the basis of the Position paper 11: once a year.

Spain

There are no alternative assurance or related services in Spain, although professionals provide other assurance engagements, such limited reviews, etc.



The *Instituto de Contabilidad y Auditoria de Cuentas* (ICAC), regulates the work of the auditors as follows:

- a) Statutory and voluntary audits;
- b) Special reports required by law for financial supervisory bodies to be performed by auditors.

The Spanish law states that some reports have to be performed by an “independent advisor” (usually an auditor) which do not fall into the scope of the regulation.

There are no voluntary alternative assurance or related services in Spain. Limited reviews and agreed-upon procedures engagements are rendered but not regulated, and the law specifically forbids the auditor to sign those reports in his role as auditor.

All non-regulated engagements may be performed by Spanish auditors applying their own standards. The *Instituto de Censores Jurados de Cuentas de España* (ICJCE) has however issued several guides based on ISRE 2400, ISRE 2410 and ISAE 3000 including the translation of those guides into the Spanish language which its members are enforced to apply. All non-regulated engagements can be performed for all kinds of entities.

When providing assurance services, the ICJCE professionals have to comply with the requirements of the ICJCE Code of Ethics, which is based on the IFAC Code of Ethics (which is in process of adoption).

Sweden

As far as alternative assurance and related services for Small Medium Entities (SMEs) are concerned, there are three professional standards available in Sweden:

- A standard for review engagements based on ISRE 2400;
- A standard for agreed-upon procedures based on ISRS 4400; and
- A standard on how to perform and report on a compilation engagement.

It should be noted that currently all limited entities (aktiebolag) in Sweden are required to have a statutory audit.

The Swedish review standard (SÖG 2400) is almost identical to the current ISRE 2400.

A standard for accounting consultants (Reko) was developed by FAR SRS (Sweden's professional institute for authorized public accountants) in 2008. The standard indicates important procedures for accounting consultants in the exercise of their profession, including a compilation report.

The correlation of the Swedish alternative assurance and related services with the IAASB framework is as follows:

- The review standard (SÖG 2400) provides limited assurance in line with the ISRE 2400.

Reporting on a compilation according to the Reko-standard in comparison to ISRS 4410:

- The accountant states that the engagement was performed in accordance with the Reko-standard (instead of ISRS 4410);
- The accountant may not issue a compilation report if he is not independent from the company (independence as defined in the Reko-standard);



- The accountant must state certain key figures from the financial statements in the compilation report for identification purpose. This is not required by ISRS 4410;
- The Reko-standard requires a statement that no audit has been carried out. ISRS 4410 requires a statement that neither an audit nor a review has been carried out (however, the Reko-report should be understood in the same way);
- Material departures from the applicable financial reporting framework disclosed in the financial statements, shall not be referred to under the Reko-standard, but should be under ISRS 4410;
- The financial statements compiled by the accountant need not be marked with unaudited etc. under the Reko-standard as is required under ISRS 4410;
- The Reko-standard appears to require the accountant to determine the reasonableness of the accounting material to a greater extent than required by ISRS 4410 (par. 11-16).
- The Swedish compilation standard is a compilation only engagement whereby no assurance is provided.

A compilation report based on the Swedish compilation standard can be provided to all entities, except when the accounting firm is also providing limited or reasonable assurance to the entity. The Reko-standard is presently under review (June 2009) by FAR SRS.

The type of opinion issued varies depending on the report issued:

- For reviews in accordance with ISRE 2400;
- The compilation report as per Reko does not include any conclusion or opinion, i.e. no assurance is provided.

The providers of alternative assurance and related services may be any service provider.

However, if an alternative assurance or related service providing positive or negative assurance is performed by an audit firm, the audit firm must assign a registered auditor to sign the report. There are no such restrictions for service providers that are not audit firms.

The alternative assurance or related services are offered on a voluntary basis. There are no regulations in Sweden requiring entities to arrange for any assurance of their financial statements, except for those entities that have a statutory audit requirement as described above.

FAR SRS ethical rules are based on the IFAC Code of Ethic and they are to be applied by FAR SRS members for review, agreed-upon procedures and compilation engagements.

Review assignments performed by registered auditors are in the scope of the external supervision and disciplinary actions by the Public Oversight Board in Sweden. For compilation services, FAR SRS has implemented a quality assurance system in 2009 with mandatory inspections every six years.

The scope of the Public Oversight Board (Supervisory Board of Public Accountants) is all assurance engagements performed by registered auditors.

For compilation services performed by audit firms there is some uncertainty whether the Public Oversight Board will regard those services as within the scope for oversight or not. Compilation services performed by other than audit firms are not within the scope for public oversight.

Review engagements of SMEs are not frequent at all.

Related to compilation engagements, as the Reko-standard was published recently, there are no statistics yet on how frequently the standard has been applied.



Switzerland

The Swiss Commercial law (Code of Obligations) has been significantly amended with respect to audit requirements effective as from 1 January 2008.

Since then, all limited liability companies (especially corporations (Aktiengesellschaft) and closed corporations (Gesellschaft mit beschränkter Haftung)) are either subject to a statutory full scope audit ("ordentliche Revision") or a limited statutory examination ("eingeschränkte Revision").

The Swiss alternative assurance service is called limited statutory examination, as it provides a moderate level of assurance that the financial statements are free of material misstatement. This is expressed in a negative way in the assurance report (thus similar to a review). Nonetheless, certain substantive audit procedures are required for certain balance sheet or income statement items in case of a heightened risk in that area. In any case, third party confirmations, inventory observations and internal control testing are not part of the limited statutory examination.

The examination is based on a standard which has been prepared by the Institute of Certified Accountants and Tax Consultants (Treuhand-Kammer).

A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as certain substantive tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of a limited statutory examination.

If, during the performance of a limited statutory examination, certain matters come to the auditor's attention, the auditor has to describe those matters and should quantify the possible effect, unless it is impracticable to do so. Situations of material scope limitations are also possible. Insofar, the new assurance service does not materially differ from review engagements widely applied worldwide.

The limited statutory examination is strongly related to a review as laid out in ISRE 2400. The structure of the Swiss standard for the limited statutory examination is thus comparable to ISRE 2400.

The limited statutory examination is a compulsory assurance service for small and mid-sized companies.

The types of entities subject to limited statutory examination assurance are entities *not* meeting two out of the following three criteria in two consecutive years as such entities are subject to statutory audit:

- Balance sheet total over 10 million Swiss Francs (approximately €6,6 million);
- Net sales over 20 million Swiss Francs (approximately €13,3 million);
- Employees over 50 (full-time equivalents on average per year).

The following entities are always subject to a full scope audit:

- Companies with listed equity or debt financing; or
- Companies, contributing at least 20% to the balance sheet total or net sales of another company's group accounts, provided this other company has either listed equity or listed debt financing; or
- Companies, which have to prepare group accounts; or



- Companies, which exceed the thresholds as mentioned above.

Nonetheless, the company might decide for an opting-out. Under the opting-out rule the company might decide to go without any audit - assurance engagement, provided that the company does not employ more than ten employees on a full employment basis and provided that all shareholders agree with this opting-out.

On the other hand, a company being subject to a limited statutory examination might also decide for an opting-up, i.e. it decides to have a full scope audit on its financial statements.

Under the Auditor Oversight Act (AOA), Swiss practice differentiates between licensed auditors and licensed audit experts. There are higher education and qualification requirements for licensed audit experts.

Licensed auditors and licensed audit experts are both allowed to perform limited statutory examinations, but only licensed audit experts are legally permitted to conduct full scope audit engagements required under Swiss Law.

The limited statutory examination is both mandatory and regulated.

In case of a limited statutory examination, the independence requirements are less strict than for a full scope audit. Thus, advisory services including bookkeeping services are allowed provided certain safeguarding measures are adhered to and disclosed in the report.

In general, licensed auditors performing the limited statutory examination are not subject to firm and file reviews (inspections) undertaken by the Federal audit oversight authority.

Nonetheless, licensed auditors have to adhere to high quality standards and compliance with these standards has to be confirmed regularly in connection with re-licensing procedures.

In case sole practitioners perform the limited statutory examination, they are subject to an external quality control (peer review). The peer review system is currently being established and is expected to be implemented in 2010.

All auditors who want to perform audit services regulated by Swiss Law (full scope audits, limited statutory examinations, audits in respect of capital decreases, contributions in kind etc.), have to register with the Swiss audit oversight body.

United Kingdom

The national legislation in the UK covers the regulation on the alternative assurance services as follows:

Mandatory services

1. Audit exempt charities of certain sizes;
2. The Independent Examination of Charity Accounts required by Charities Act & Charities Accounts (Scotland) Regulations 2006 (limited assurance).



Voluntary services

Audit-exempt entities:

3. Accounts compilation services (no assurance): individual professional accountancy bodies. The Consultative Committee of Accountancy Bodies (CCAB) member bodies are working together to develop a cross-profession compilation report and associated guidance on communicating the advantages of utilising the services of a professional accountant;
4. The Institute of Chartered Accountants in England and Wales (ICAEW) Assurance Service (limited assurance).

Mandatory services

1. Independent Examination of Charity Accounts

The Independent Examination of Charity Accounts makes no reference to the IAASB Assurance Framework, but is a limited assurance service. The report issued includes a negative opinion.

The Independent Examination of Charity Accounts can be provided for by an independent person who is reasonably believed by the charity trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts. (Section 43(3)(a), Charities Act)

Where the accounts are prepared on the accruals basis in accordance with the 2005 Regulations, a commensurate understanding of accountancy principles and accounting standards will still be needed. Experience of charity administration and accounting is desirable.

Where the gross income of the charity exceeds £250,000 and the charity is not subject to statutory audit (i.e. gross income does not exceed £500,000 and gross assets are £2.8 million or less), the 2006 Act introduces a requirement that the independent examiner be a member of a specified accountancy body.

For an examiner to be independent that individual should have no connection with the charity trustees which might inhibit the impartial conduct of the examination.

Where a potential independent examiner is a member of the charity, for example a member of a church congregation, provided they have not been involved in the day to day decision making or administration of the charity, for example by serving on a committee or sub-committee convened by the charity, and are not connected with the charity trustees, then they may normally act as an examiner, subject to then having the necessary qualification or experience required.

When carried out by a practising member of one of the professional accountancy bodies, Independent Examinations of Charity Accounts are subject to the practice assurance/quality review scheme provided by the respective professional accountancy body (unless the engagement is carried out in a personal, voluntary capacity), but not to external quality assurance.

As the Independent Examination of Charity Accounts is a mandatory requirement for audit exempt charities of certain sizes as explained above, the application of this service is supposed to be 100%.



2. *Services for Scottish charities*

The stipulations as explained above are applicable. In addition, certain specific requirements are applicable for Scottish charities, as detailed below.

The reporting criteria are the relevant requirements of Charities and Trustee Investment (Scotland) Act 2005 and Charities Accounts (Scotland) Regulations 2006 for Scottish Charities and Companies Act 2006, and Statement of Recommended Practice for Charities where applicable.

The independent examiner for Scottish charities must be reasonably believed by the charity trustees to have the requisite ability and practical experience to carry out a competent examination of the accounts. Where the charity prepares fully accrued accounts, the independent examiner must also be a member of a specified accountancy body or Auditor General for Scotland.

For Scottish charities, independence definitions are broadly similar to the other services commented previously.

Voluntary services

3. *Accounts compilation services*

Accounts compilation services are broadly in line with ISRS 4410, do not result in the issuance of an opinion and can currently be provided by anyone. It is not necessary to be a member of a professional body. However, the issuance of an accounts compilation report that is based on the technical guidance issued by a CCAB member body, ie. ICAEW, ICAS, ICAI, ACCA, CIMA and CIPFA, may be restricted to professional accountants. While individual technical guidance remains effective, CCAB (the Consultative Committee of Accountancy Bodies) bodies are working to develop a single CCAB accounts compilation report which may be used by professional accountants who are CCAB members in public practice.

When accounts compilation services are provided for by members of professional accountancy bodies, compliance with the body's Code of Ethics is required. Independence, in the sense in which it is applied to assurance engagements, is not essential to engagements to prepare financial statements. For those unqualified, there are no ethical or independence requirements.

When carried out by a member of one of the professional accountancy bodies, accounts compilation services are subject to the practice assurance/quality review scheme provided by the respective professional accountancy body. When carried out by an unqualified accountant, there are no quality assurance arrangements.

There is no information on the frequency of use as accounts compilation services are voluntary services and no filing requirements exist.

4. *The ICAEW Assurance Service*

The ICAEW Assurance Service is in line with the IAASB International Framework for Assurance Engagements. The technical guidance for the service (AAF03/06) adopts limited assurance (in contrast to reasonable assurance) instead of moderate assurance as used in ISRE 2400. The key characteristic of AAF 03/06 is its focus on the practitioner's judgment as to the work effort required to reach a limited assurance conclusion.



Under AAF 03/06, the practitioners are expected to perform additional or alternative procedures where minimum defined procedures (analytical review and management enquiry) do not provide them with the assurance required to reach a limited assurance conclusion. The report issued includes a negative opinion.

The reporting criteria are the relevant requirements of the Companies Act 2006 and Generally Accepted Accounting Practice in the UK ('UK GAAP').

The ICAEW Assurance Service is provided for by practicing members of the ICAEW. Where a firm complies with the relevant Regulations concerning the control of firms and general affiliates of the ICAEW but is not permitted to use the term Chartered Accountant(s), it can still provide the service by amending the title of the report.

In carrying out an assurance engagement, accountants who are members of the ICAEW are subject to ethical guidance as laid down by the ICAEW's Code of Ethics. When conducting an assurance engagement, there are additional requirements in Independence for Assurance Engagements within the Code. This applies to all assurance engagements outside the scope of audit and is in compliance with the IFAC Code of Ethics.

If practitioners are registered as practising members of one of professional accountancy bodies, they are subject to the practice assurance scheme provided by the respective professional accountancy body. The practice assurance is conducted in line with relevant standards.

In addition, International Standard on Quality Control (UK and Ireland) (ISQC (UK and Ireland)) 1 *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements* is applicable to firms providing audits and reviews of historical financial information, and other assurance and related services engagements.

There is no information on the frequency of use as the ICAEW Assurance Service is a voluntary service and no filing requirements exist.



ANNEX A: COMPARATIVE COUNTRY OVERVIEW OF SURVEY RESULTS

| Comparative Country Overview of Survey Results | | | | | | | | | | | |
|--|---|--|---|---|---|--|---------------------------------|--|--|--------------------|--|
| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
| Austria | Interim review Expected: review | Limited/negative | // ISRE 2410 | Listed | // ISRE 2410 | Licensed auditor | V | // Audit | QC/ no QA | NA | Frequent |
| Belgium | Interim review Expected: ISRE 2410 Verification | Limited Verification and correction of accounting records | // ISRE 2410 No | PIEs Partnerships, companies with partners | Negative No information | Statutory auditor (member IBR – IRE) External accountant (member IAB – IEC) | M listed, V other V | // Audit NA | QC and QA NA | // Audit NA | Much less than audit No information |
| Bulgaria | No // IAASB | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | No requirement | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | Statutory Auditor | V | IFAC Code of Ethics | QC, no QA | NA | Once in a while |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|-----------------------|--|--|---|--|---|---|---|---|---|--|--|
| Cyprus | No – full scope statutory audit for all entities required for tax purposes | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Czech Republic | ISRE 2410 | Limited/ negative Not compilations | Y | Listed and their subsidiaries | ISRE 2410 | Authorized auditor but not restricted | V | IFAC Code of Ethics | No QC or QA | NA | Regular |
| Denmark | National Standards based on IAASB standards Expected | Based on IAASB standards Expected: SME standard less demanding than audit | Y Expected: Awaiting approval authorities | Based on IAASB standards Expected: SMEs | Based on IAASB standards Awaiting approval authorities | Based on IAASB standards Awaiting approval authorities | Based on IAASB standards Awaiting approval authorities | Based on IAASB standards Awaiting approval authorities | Based on IAASB standards Awaiting approval authorities | - Awaiting approval authorities | - Awaiting approval authorities |
| Estonia | No // IAASB | ISRE 2400, 2410, ISAE 3000, 3400, 3400, ISRS 4400, 4400, 4410 | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | For entities above certain size | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | Statutory Auditor | V | IFAC Code of Ethics | // Audit | // Audit | No information |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|----------------|--|--|-------------------------------------|---|------------------------------|-----------------------------|---------------------------------|--|--|---|-------------------|
| | Plans for statutory review // ISREs | Expected: Limited | Expected: Y | Expected: All entities between 2 of 3: BS: > €0.3 mio < €0.9 mio Turnover: >€0.6 mio <€1.8 mio Employees: >10, <30 | Expected: negative | Expected: Statutory Auditor | Expected: M | Expected: IFAC Code of Ethics | // Audit | // Audit | NA |
| Finland | NA ISREs, ISAEs & ISRSs (if applicable: these services do not substitute audits for SMEs) | NA // IAASB Standards | NA Yes | NA ISRE 2410 (e.g. review of interim financial information of listed companies), ISAE 3000 (e.g. opinion on matters prescribed by the Companies Act for limited liability companies) | NA // IAASB Standards | NA Auditor | NA V | NA IFAC Code of Ethics & provisions in the Finnish Auditing Act | NA ISQC 1 & QA by auditors' oversight body as defined in the Finnish Auditing Act | NA Auditors' oversight body as defined in the Finnish Auditing Act | NA NA |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|---------------|--|---|-------------------------------------|--|--|--|---------------------------------|--|--|---------------------|-------------------|
| | Proposed: for very small housing companies (adoption uncertain), not substituting audits in SMEs | Reasonable assurance/ limited audit by laymen | No | Only for very small housing companies | Audit opinion on revenues, expenses, assets and liabilities and report BoD | Laymen with knowledge FS | M unless AGM decides otherwise | Must be independent | NA | NA | NA |
| France | There is Standard for audit SMEs | Reasonable assurance, adapted audit procedures | Presumably yes | Article L. 82 3-2 1 – 1 entities (some SMEs) | Positive | Auditor | M if no audit | // Audit | // Audit | // Audit | NA |
| | Review | Limited | Yes | SMEs | Negative | Experts-comptables (chartered accountants) | V | // Part A IFAC Code of Ethics | QC; QA by CSOEC | Ministry of Finance | No information |
| | Presentation engagement | Negative assurance on consistency and plausibility FS | No | SMEs | Negative assurance on consistency and plausibility FS | Experts-comptables (chartered accountants) | V | // Part A IFAC Code of Ethics | QC; QA by CSOEC | Ministry of Finance | Frequent |
| | Agreed upon procedures (AUP) | None | Yes | SMEs | None | Experts-comptables (chartered accountants) | V | // Part A IFAC Code of Ethics | QC; QA by CSOEC | Ministry of Finance | No information |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|----------------|--|--|-------------------------------------|---------------------------------|------------------------------------|---|---------------------------------|--|--|------------------------------------|---------------------------------------|
| Germany | Review Interim Review | Limited/ Negative | // ISRE 2400 | Any | Negative | Licensed auditor | V | // Audit | QC and QA | // Audit | Interim Widespread Review: rare |
| | Compilation Types I, II, III | Type I: no | Type I: // ISRS 4410 | Contractual basis | Type I: report on compilation work | Licensed auditor or tax advisor and lawyers | V | Less stringent for tax advisors and lawyers | NA for tax advisors and lawyers | Chamber of tax advisors or lawyers | Types I: widespread |
| | | Type II: limited assurance on plausibility vouchers, books & record, not on FS | Type II: ? | Not to replace (interim) review | Type II: negative | Licensed auditor or tax advisor and lawyers | V | Less stringent for tax advisors and lawyers | NA for tax advisors and lawyers | Chamber of tax advisors or lawyers | Type II: widespread |
| | | Type III: reasonable assurance on propriety vouchers, books & records, not on FS | Type III: ? | Not to replace audit | Type III: reasonable | Licensed auditor or tax advisor and lawyers | V | Less stringent for tax advisors and lawyers | NA for tax advisors and lawyers | Chamber of tax advisors or lawyers | Type III: less common |
| Greece | All Greek SAs are audited Greek SAs: > 2 of 3: BS: € 2.5 mio Turnover: € 5 mio Employees: 50 | NA | NA | NA | NA | Any Audit by Certified Public Accountant | NA | NA | NA | NA | NA |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|----------------|---|--|-------------------------------------|---|------------------------------|---|---------------------------------|--|--|---|-------------------|
| Hungary | No, IAASB | IAASB Standards | IAASB Standards | Voluntary for entities | IAASB Standards | Statutory auditors | V | IFAC Code of Ethics | ISQC 1 | // Audit | As required |
| Ireland | Optional review of interim FS | Limited | // ISRE 2410 | Listed entities | // ISRE 2410 | Statutory auditor | V | Equivalent IFAC Code of Ethics if members FEE MB | // Audit | // Audit | Frequent |
| | Small defined benefit or contribution pension schemes | Conclusion required by law: specific inquiries | - | Small, criteria set in regulation | Report on specific inquiries | Statutory auditor or "qualified person" | V | Equivalent IFAC Code of Ethics if members FEE MB, or others if any | - | - | Frequent |
| | Small Charities Simplified Accounts | Examination, accounting & reporting O/S | - | Charities turnover < € 500.000 | Accounting & reporting O/S | "Qualified person" | V | Equivalent IFAC Code of Ethics if members FEE MB, or others if any | - | - | NA |
| | Draft Bill on Auctioneers and Property Managers | Examination, accounting & reporting O/S | - | All entities | Accounting & reporting O/S | "Duly qualified accountant" | V | Equivalent IFAC Code of Ethics if members FEE MB, or others if any | - | - | NA |
| Italy | Interim and quarterly review | Limited | Yes | PIEs | Negative | Auditor | V | // Audit | // Audit | Consob if PIEs Ministry of Justice if non PIEs | Frequent |
| | Continuous integrated assurance by Collegio Sindacale | Reasonable | Yes | All entities (Srl above certain thresholds and for SpA regardless of their size). | Positive | Collegio Sindacale | M | Auditor // Audit | Auditor // Audit | Auditor // Audit | Frequent |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|--------------------|--|--|--|---|--|-----------------------|---------------------------------|--|--|----------------------------------|--|
| Latvia | No // IAASB | Limited | Yes | All type of entities | Negative | Certified Auditors | V | Equivalent to IFAC Code of Ethics | Quality Control Committee (LACA) | Quality Control Committee (LACA) | Much less frequent than audit |
| Lithuania | No | NA | NA | NA | NA | NA | NA | NA | NA | NA | NA |
| Malta | No, all LLCs audited Alternative assurance service will be considered | NA Being considered: Micro: Compilation SME: Review | NA Being considered | NA Being considered: Micro and SMEs being non-PIE | NA Being considered: ≠ audit | NA | NA M if no V audit | NA Being considered | NA Being considered | NA Being considered | NA Full coverage |
| Netherlands | -Voluntary audits -Review -Compilation -Agreed upon procedures | // IAASB Framework IAASB to consider combining review and compilation | // IAASB Framework IAASB to consider combining review and compilation | All without audit | // IAASB Framework | Certified accountants | V | IFAC Code of Ethics | ISQC1 and NIVRA | NIVRA | Review: limited, compilation: frequent |
| Norway | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards | Only IAASB Standards |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|------------------------|--|--|--|--|--|---|------------------------------------|--|--|------------------|----------------------------|
| Poland | Per IAASB Standards or as agreed with client | Per IAASB Standards or as agreed with client | Yes – where IAASB Standards voluntary applied | Entities not subject to statutory audit | Per IAASB Standards or as agreed with client | Not restricted | V | // Audit if chartered auditor, NA if other | None | None | As requested, not frequent |
| Portugal | Interim review | Limited assurance | Based on ISA 910 (Adoption of ISRE 2400 & 2410 expected) | Mainly listed companies | Negative opinion | Statutory auditors | M for listed entities, otherwise V | // Audit | // Audit | // Audit | Once in a while |
| Romania | Y “Censor” internal audit-like control activities for shareholders | Limited | No, being revised // ISAE 3000 | Trading companies, organizations, associations, cooperatives, etc. not being audited | Long or short form report, positive or negative ↔ subject matter | Censor: Expert accountants and professional accountants | M | // IFAC Code of Ethics | Professional standard No 23 | CECCAR | Tradition, frequent |
| Slovak Republic | No // IAASB | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | Statutory Auditor | V | IFAC Code of Ethics | ISQC1 | // Audit | Once in a while |
| Slovenia | No // IAASB | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | Some reviews are required for banks, stockbroker’s companies and debtors | ISRE 2400, 2410, ISAE 3000, 3400, ISRS 4400, 4410 | Statutory Auditors | M/ V | IFAC Code of Ethics | ISQC1 // Audit | // Audit | As required |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|--------------------|--|---|-------------------------------------|---|----------------------------------|--|---------------------------------|---|--|--|-------------------|
| Spain | Yes Review and Agreed upon procedures | Limited (review) No (AUP) | Yes | All | // IAASB Standards | Independent expert (usually auditor but not signed as auditor) | V | Professional body Code of Ethics | NA | NA | - |
| | Special reports | ≠ | Yes | As required by law | // IAASB Standards | Independent expert (usually auditor but not signed as auditor) | M | | NA | NA | As required |
| Sweden | Review | Limited | + - = ISRE 2400 | Audit exempt entities | // ISRE 2400 | Any | V | FAR SRS ethical rules for member providers, none otherwise | QC & QA // Audit | // Public oversight for assurance engagements performed by registered auditors/audit firms | Rare |
| | Agreed-upon procedures | No assurance | ISRS 4400 | | | | | | | | |
| | Compilation (Reko Standard) | No assurance | Based on ISRS 4410 but ≠ | Entities not reviewed or audited | Compilation report, no assurance | Any | V | FAR SRS ethical rules for member providers, none otherwise | FAR SRS for members | - | Too early to tell |
| Switzerland | Limited statutory examination | Moderate, review + substantive audit procedures in risk areas | Comparable to ISRE 2400 and 2410 | SMEs 2 of 3: BS < CHF 10 million Sales < CHF 20 million Employees < 50 | Negative assurance | Licensed auditor and audit experts | M For SMEs > 10 employees | Less strict than audit. Some non-audit services allowed (book keeping) | QC, no QA except for sole practitioners | See before | Regular |



Comparative Country Overview of Survey Results

| Country | National alternative assurance services? | Level of assurance : limited/ negative/ none/ other? | Fit into IAASB assurance framework? | For which types of entities? | Type of report and opinion? | Provider? | Voluntary (V) or mandatory (M)? | Which ethical and independence requirements? | Which internal (QC) and external quality arrangements(QA)? | Which oversight? | Frequency of use? |
|---------|--|--|--|--|-----------------------------|---|---------------------------------|--|--|-------------------------------|-------------------|
| UK | Yes Compilation | None | + - // ISRE 4410 | Audit exempt entities | None | Any | V | None, professional body Code of Ethics if member | None, QC and QA if accountant | None, QC and QA if accountant | - |
| | ICAEW Assurance Service | Limited | Based on IAASB Framework, beyond ISRE 2400 | Audit exempt entities | Limited | ICAEW practicing member | V | ICAEW Code of Ethics | QC, QA ICAEW | ICAEW | - |
| | Audit exempt charities of certain size | Limited | No reference | Audit exempt charities of certain size | Limited | 'Competent' person, member professional body > certain size | M | 'Be independent' | None, QC and QA if accountant | | Frequent |

Legend:

//: In line with

≠: Different from

AGM: Annual General Assembly

AUP: Agreed Upon Procedures

BoD: Board of Directors

CECCAR: The Body of Expert and Licensed Accountants of Romania

CSOEC: Conseil Supérieur de l'Ordre des Experts-Comptables

FEE MB: FEE Member Body

FS: Financial Statements

IBR – IRE: Instituut der Bedrijfsrevisoren – Institut des Reviseurs d'Entreprises

IAB – IEC: Instituut van de Accountants en Belastingconsulenten – Institut des Experts-Comptables et des Conseils Fiscaux

ICAEW: Institute of Chartered Accountants of England and Wales

LLC: Limited Liability Companies

M: Mandatory

Mio: Million



NA : Not applicable
NAS: Non-audit Services
O/S: Response Outstanding
PIEs : Public interest entities
QA: External quality assurance
QC: Internal audit firm quality control
SA: Société Anonyme
SMEs: Small and Medium-sized entities
SpA: Società per Azioni (joint stock company)
Srl: Società responsabilità limitata (limited liability company)
V: Voluntary



ANNEX B:
SURVEY QUESTIONS ON THE PROVISION OF ALTERNATIVE ASSURANCE AND ASSURANCE-RELATED SERVICES ACROSS EUROPE

| |
|---|
| Question 1: Does your national legislation, regulation, professional standards or professional practice include alternative assurance-related services or is such service being considered or expected? |
| |
| Question 2: If yes, please provide the name, a reference to (web-link (preferably in English) or otherwise) and a summary of the (expected) alternative assurance-related service standard plus any possible guidance. |
| |
| Question 3: Which form and level of assurance is provided in relation to the (expected) alternative assurance-related service: limited or negative assurance (f.i. a review), no assurance (f.i. a compilation), other form of assurance, ...? |
| |
| Question 4: How does your (expected) alternative assurance-related service fit into the IAASB assurance framework? |
| |
| Question 5: To which types of entities can the (expected) alternative assurance-related service be provided? |
| |
| Question 6: Which are the documentation requirements for the (expected) alternative assurance-related service? |
| |
| Question 7: What (type of) report and what (type of) opinion is issued in relation to your (expected) alternative assurance-related service? What reporting criteria are used to interpret the results? |
| |
| Question 8: Is the use of Extensible Business Reporting Language (XBRL) allowed or mandated for reporting in relation to (expected) alternative assurance-related service? |
| |



| |
|---|
| Question 9: Who can provide the (expected) alternative assurance-related service in your jurisdiction: a (statutory) auditor, chartered or certified accountant, other? |
| |
| Question 10: Is the (expected) alternative assurance-related service offered on a voluntary or mandatory basis, is it regulated or not? |
| |
| Question 11: Which ethical and independence requirements are to be complied with when providing an (expected) alternative assurance-related service in your jurisdiction? |
| |
| Question 12: Which internal and external quality assurance (inspection) arrangements are applicable in relation to the provision of (expected) alternative assurance-related services? |
| |
| Question 13: What is the scope, responsibility, authority and name of the (professional and/or public) oversight body over providers of (expected) alternative assurance-related services? |
| |
| Question 14: What is the frequency of the use of the standard or guidance on assurance-related services in your jurisdiction? Frequent, once in a while, rare, etc.? |
| |
| Question 15: Is the use of the IFAC Small and Medium Practices (SMP) Committee 'Guide to Using International Standards on Auditing in the Audit of Small- and Medium-sized Entities' being promoted for the audit of smaller entities in your jurisdiction and has it been translated into the language(s) of your jurisdiction or is such use being considered or expected? |
| |
| Question 16: Is there any other information or are there any other conditions related to (expected) alternative assurance-related services which FEE should be aware of? |
| |



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