

# Statements on Standards for Accounting and Review Services

## Comparison of Engagement Letter Requirements (SSARS No. 19 vs. SSARS No. 21)



If the accountant or the accountant’s firm does not elect to implement SSARS No. 21 prior to December 15, 2015, and the accountant or the accountant’s firm is obtaining an annual engagement letter that covers engagements performed in accordance with both SSARS No. 19 and SSARS No. 21 (for example, monthly compilations in accordance with SSARS No. 19 and the preparation of the annual financial statements in accordance with SSARS No. 21), the engagement letter should include the required elements from each standard, as applicable. The following is a table comparing the required elements of the engagement letter for compilation and review engagements performed in accordance with SSARS No. 19 and SSARS No. 21):

**Compilation Engagements**

|  | <b>SSARS No. 19</b>   | <b>SSARS No. 21</b>   | <b>Practice Guidance</b>  |
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| The objectives of the engagement.  | The objective of a compilation is to assist management in presenting financial information in the form of financial statements.   | The objective of the accountant in a compilation engagement is to apply accounting and financial reporting expertise to assist management in the presentation of financial statements and report without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for them to be in accordance with the applicable financial reporting framework. | If the engagement letter is intended to include compilations performed in accordance with both SSARS No. 19 and SSARS No. 21, the SSARS No. 21 alone may be included. |
| The accountant utilizes information that is the representation of management (owners) without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework, | Required language   | Not required  |   |
| The responsibilities of management.  | Management is responsible: <ul style="list-style-type: none"> <li>a) for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.</li> <li>b) for designing, implementing, and maintaining internal control relevant to the preparation and fair</li> </ul> | Management is responsible: <ul style="list-style-type: none"> <li>a) for the selection of the financial reporting framework to be applied in the preparation of financial statements.</li> <li>b) for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework and the inclusion of all informative</li> </ul>   | If the engagement letter is intended to include compilations performed in accordance with both SSARS No. 19 and SSARS No. 21, the SSARS No. 21 alone may be used.     |

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|  | <p>presentation of the financial statements.</p> <p>c) to prevent and detect fraud.</p> <p>d) for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.</p> <p>e) for making all financial records and related information available to the accountant.</p> | <p>disclosures that are appropriate for the applicable financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes</p> <p>i. a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP, the effect of which need not be quantified, and informative disclosures similar to those required by GAAP, in the case of special purpose financial statements that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP,</p> <p>ii. a description of any significant interpretations of the contract on which the special purpose financial statements are prepared, in the case of financial statements prepared in accordance with a contractual-basis of accounting, and</p> <p>iii. additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation.</p> |  |
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|  |  | <ul style="list-style-type: none"><li>c) for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.</li><li>d) for preventing and detecting fraud.</li><li>e) for ensuring that the entity complies with laws and regulations applicable to its activities.</li><li>f) for the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments provided by management for the preparation of financial statements.</li><li>g) to provide the accountant with<ul style="list-style-type: none"><li>i. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.</li><li>ii. additional information that the accountant may request from management for the purpose of the engagement.</li><li>iii. unrestricted access to persons within the entity of whom the</li></ul></li></ul> |  |
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|   |   | <p>accountant determines it necessary to make inquiries.</p> <p>h) To include the accountant's compilation report in any document containing financial statements that indicates that the entity's accountant has performed a compilation engagement on such financial statements unless a different understanding is reached.</p> |  |
| The accountant is responsible for conducting the engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the AICPA. | Required language   | Required language  |  |
| Limitations of the engagement.  | <p>A compilation differs significantly from a review or an audit of financial statements. A compilation does not contemplate performing inquiry, analytical procedures, or other procedures performed in a review. Additionally, a compilation does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, the accountant will not express an opinion or provide any assurance regarding the financial statements.</p> <p>The engagement cannot be relied upon to disclose errors, fraud, or illegal acts.</p> | <p>While the engagement letter is required to include the limitations of the engagement. Specific language is not required.</p>  | <p>SSARS No. 19 includes specific required language. If the engagement includes compilations performed in accordance with both SSARS No. 19 and SSARS No. 21, use the SSARS No. 19 language.</p> |

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| <p>The accountant will inform the appropriate level of management of any material errors and of any evidence or information that comes to the accountant's attention during the performance of compilation procedures that fraud or an illegal act may have occurred. The accountant need not report any matters regarding illegal acts that may have occurred that are clearly inconsequential and may reach agreement in advance with the entity on the nature of any such matters to be communicated.</p> | <p>Required language</p>  | <p>Not required</p>  | <p>If the engagement includes compilations performed in accordance with both SSARS No. 19 and SSARS No. 21, use the SSARS No. 19 wording – at a minimum for those compilations performed in accordance with SSARS No. 19.</p>   |
| <p>Identification of the applicable financial reporting framework for the preparation of the financial statements.</p>   | <p>Not required</p>   | <p>Required</p>  |   |
| <p>The accountant's compilation report</p>   | <p>The effect of any independence impairments on the expected form of the accountant's compilation report, if applicable.</p> | <p>The expected form and content of the accountant's compilation report and a statement that there may be circumstances in which the report may differ from its expected form and content.</p> | <p>If the accountant is performing compilations in accordance with both SSARS No. 19 and SSARS No. 21, the SSARS No. 21 requirement satisfies the requirement from SSARS No. 19.</p>  |
| <p>If the financial statements are not expected to be used by a third party and the accountant does not expect to issue a compilation report on the financial statements:<br/>Include an acknowledgment of management's representation and agreement that the financial statements are not to be used by a third party.</p>  | <p>Required language</p>  | <p>N/A</p>   | <p>If the accountant performs a compilation on interim period financial statements that are not expected to be used by a third party and the accountant avails himself or herself of the non-reporting exception included in AR section 80 and the accountant performs a compilation in accordance with SSARS No. 21 for other periods, the accountant would identify those periods in which a report is not expected to be issued and include the SSARS No. 19 language.</p> |

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| <p>Also address the following additional matters, if applicable:</p> <ul style="list-style-type: none"> <li>• Material departures from the applicable financial reporting framework may exist, and the effects of those departures, if any, on the financial statements may not be disclosed.</li> <li>• Substantially all disclosures (and statement of cash flows, if applicable) required by the applicable financial reporting framework may be omitted.</li> <li>• Reference to supplementary information.</li> </ul> |              |          |  |
| <p>The engagement letter is signed by:</p> <ol style="list-style-type: none"> <li>a) The accountant or the accountant's firm and</li> <li>b) Management or those charged with governance, as appropriate.</li> </ol>   | Not required | Required | While not explicitly required by SSARS No. 19 it is a best practice to obtain signed engagement letters. |

***Review Engagements***

|                                     | <b>SSARS No. 19</b>   | <b>SSARS No. 21</b>   | <b>Practice Guidance</b>   |
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| The objectives of the engagement.   | The objective of a review is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework.  | The objective of the accountant when performing a review of financial statements is to obtain limited assurance as a basis for reporting whether the accountant is aware of any material modifications that should be made to the financial statements for them to be in accordance with the applicable financial reporting framework, primarily through the performance of inquiry and analytical procedures.  | The objectives are consistent.   |
| The responsibilities of management. | <p>Management is responsible:</p> <ul style="list-style-type: none"> <li>a) for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.</li> <li>b) for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.</li> <li>c) to prevent and detect fraud.</li> <li>d) for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.</li> <li>e) for making all financial records and related information available to the accountant.</li> </ul> | <p>Management is responsible:</p> <ul style="list-style-type: none"> <li>a) for the selection of the financial reporting framework to be applied in the preparation of financial statements.</li> <li>b) for the preparation and fair presentation of financial statements in accordance with the applicable financial reporting framework and the inclusion of all informative disclosures that are appropriate for the applicable financial reporting framework used to prepare the entity's financial statements. If the financial statements are prepared in accordance with a special purpose framework, this includes <ul style="list-style-type: none"> <li>i. a description of the special purpose framework, including a summary of significant accounting policies, and how the framework differs from GAAP,</li> </ul> </li> </ul> | If the engagement letter is intended to include reviews performed in accordance with both SSARS No. 19 and SSARS No. 21, the SSARS No. 21 language is appropriate. |



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|  |  | <p>the effect of which need not be quantified, and informative disclosures similar to those required by GAAP, in the case of special purpose financial statements that contain items that are the same as, or similar to, those in financial statements prepared in accordance with GAAP,</p> <ul style="list-style-type: none"><li>ii. a description of any significant interpretations of the contract on which the special purpose financial statements are prepared, in the case of financial statements prepared in accordance with a contractual-basis of accounting, and</li><li>iii. additional disclosures beyond those specifically required by the framework that may be necessary for the special purpose framework to achieve fair presentation.</li></ul> <p>c) for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>d) for preventing and detecting fraud.</p> |  |
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|  |  | <ul style="list-style-type: none"><li>e) for ensuring that the entity complies with laws and regulations applicable to its activities.</li><li>f) for the accuracy and completeness of the records, documents, explanations, and other information, including significant judgments provided by management for the preparation of financial statements.</li><li>g) to provide the accountant with<ul style="list-style-type: none"><li>i. access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.</li><li>ii. additional information that the accountant may request from management for the purpose of the engagement.</li><li>iii. unrestricted access to persons within the entity of whom the accountant determines it necessary to make inquiries.</li></ul></li><li>h) To include the accountant's review report in any document containing financial statements that indicates that the entity's accountant has performed a review engagement on such financial statements unless a different understanding is reached.</li></ul> |  |
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| Management will provide the accountant, at the conclusion of the engagement, with a letter that confirms certain representations made during the review.                | Required   | Required   |  |
| The accountant is responsible for conducting the engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) issued by the AICPA. | Required   | Required   |  |
| A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management.                                   | Required   | Not required   |  |
| Limitations of the engagement.  | A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. A review does not contemplate obtaining an understanding of the entity's internal control; assessing fraud risk; testing accounting records by obtaining sufficient appropriate audit evidence through inspection, observation, confirmation, or the examination of source documents (for example, cancelled checks or bank images); or other procedures ordinarily performed in an audit. Accordingly, the accountant will not express an opinion regarding the financial statements as a whole.<br>The engagement cannot be relied upon to disclose errors, fraud, or illegal acts. | While the engagement letter is required to include the limitations of the engagement. Specific language is not required. | SSARS No. 19 includes specific required language. If the engagement includes reviews performed in accordance with both SSARS No. 19 and SSARS No. 21, use the SSARS No. 19 language. |
| The accountant will inform the appropriate level of   | Required   | Not required   | If the engagement includes reviews performed in accordance with both SSARS   |

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| management of any material errors and of any evidence or information that comes to the accountant's attention during the performance of review procedures that fraud or an illegal act may have occurred. The accountant need not report any matters regarding illegal acts that may have occurred that are clearly inconsequential and may reach agreement in advance with the entity on the nature of any such matters to be communicated. |              |  | No. 19 and SSARS No. 21, use the SSARS No. 19 wording – at a minimum for those reviews performed in accordance with SSARS No. 19. |
| Identification of the applicable financial reporting framework for the preparation of the financial statements.  | Not required | Required   |   |
| The accountant's review report   |              | The expected form and content of the accountant's review report and a statement that there may be circumstances in which the report may differ from its expected form and content. |   |
| Also address the following additional matters, if applicable: <ul style="list-style-type: none"> <li>Material departures from the applicable financial reporting framework may exist, and the effects of those departures, if any, on the financial</li> </ul>   | Required     | Not required   |   |

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| <p>statements may not be disclosed.</p> <ul style="list-style-type: none"> <li>• Reference to supplementary information.</li> </ul>  |              |          |  |
| <p>The engagement letter is signed by:</p> <p>a) The accountant or the accountant's firm and</p> <p>b) b. Management or those charged with governance, as appropriate.</p> | Not required | Required | While not explicitly required by SSARS No. 19 it is a best practice to obtain signed engagement letters. |