

Auditing, attestation, and assurance services essay



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Auditing, Attestation, and Assurance Services Paper Jane Johnson

Contemporary Auditing I ACC/491 Introduction Auditing is a subset of attestation, which is a subset of assurance. These services, which are governed by several organizations, are unique in their own way. Because of the constantly changing role of the auditor, particularly since the Sarbanes-Oxley Act of 2002, different types of services have become necessary. In this paper we will compare and contrast auditing, attestation, and assurance services as well as provide examples of each service.

In addition it will explain what standards apply to each service and who establishes those standards. Comparing and Contrasting Auditing, Attestation, and Assurance Services Auditing is the term used to describe the process of obtaining objective evidence regarding the reliability and integrity of financial information or statements (Elliott & Pallais, 1997). It includes procedures such as testing systems and gathering evidence. Inquiry is another important procedure in addition to analytical tests of records and systems.

Attestation is the reporting of the results analyzed and confirmed in the auditing process. A Certified Public Accountant (CPA) involved in an attest engagement will issue a written report and take responsibility regarding the fairness of the information presented. Various levels of responsibility including three standard types: an examination is referred to as an audit, a review, which is less in scope, and an agreed-upon-procedures report. Agreed-upon-procedures are listed and the results are reported for each procedure as designed.

Assurance is very much like an audit except that it usually is used to verify a certain financial issue project. As with all attestation functions, independence is the backbone of an assurance procedure. The difference is that assurance reports are not necessarily a historic set of facts. They could be used to project or forecast the effects of certain transactions. Assurance services may include risk assessment, reliability of systems, business performance measurement, or compliance with policies (Elliott & Pallais, 1997), which is obviously, a specific examination and a specific report.

Assurance services might involve the type of reports provided in more traditional attestation engagements or they might provide less structured communications, such as reports without explicit conclusions or reports are issued only when there are problems. Assurance services are often desired to be more customized to information needs of decision makers in specific circumstances. To be responsive to those needs, the form of CPA communication is expected to be more flexible. Thus, assurance engagements do not necessarily result in a standard form of report, whereas attestation engagements (and more familiar audits and reviews) do.

Examples of each type of service/who might request such a service Reliable information is the foundation of many decisions in the business world. The purpose of financial statement is to making sure that the financial statement provide reasonable assurance that the financial statement are free from material misstatement and comply with the general accepted accounting principles (GAAP) (Boynton & Johnson, 2006). Auditing services, attestations services, and assurance services are the type of services that certified public accountants (CPA), CPA firm, and related professionals provide to clients.

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The three types of service have similarities, differences. Auditing is “ a systematic process of objectively obtaining and evaluating evidence regarding assertions about economic actions and events to ascertain the degree of correspondence between those assertions and established criteria and communicating the results to interested users” (Boynton & Johnson, 2006, p. 6). Audit is one type of assurance service and focuses on depicting the information contained on the four financial statements such as the balance sheet, income statement, statement of cash flow, and the statement of retained earnings.

An example of auditing service is the financial statement audit provided by public CPA firm to making sure that financial statements are in accordance with GAAP. The auditors will provide the conclusion of their discoveries to interested users and provide reasonable assurance whether the company is likely to carry its activity for the next year also known as going concern. The government, internal service revenue, lenders, creditors, stockholders, investors and other stakeholders might request the financials statement audit for sound decisions.

Assurance services are “ independent professional services that improve the quality of information, or its context, for decision makers” (Boynton & Johnson, 2006, p. 11). Assurance services include financial information and non-financial information. Examples of assurance services are Internet Website certification (WebTrust), business risk assessment (Risk Advisory), accounts receivable review and cash enhancement, third-party reimbursement maximization, rental property operations review, customer

satisfaction surveys, evaluation of investment management policies, fraud and illegal acts of prevention, and deterrence are some examples.

The audit committee board, stockholders, investors, management, lenders and other parties at stake might request assurance services. Attestation service is the written communication by certified public accountants, high expression conclusion about the third party (Boynton & Johnson, 2006).

Examinations of expected financial statements and entity compliance with law and regulation such as Sarbanes-Oxley Act are examples of attestation services.

The What standards apply to each service and who establishes those standards Auditing standards follow the rules set in place by Generally Accepted Accounting Principles (GAAP) and are set by the Financial Accounting Standards Board (FASB). The PCAOB was established in 2002, and in 2003 the PCAOB adopted the Generally Accepted Auditing Standards (GAAS) that were also adopted by the Auditing Standards Board (ASB) (Boynton & Johnson, 2006). Section 103 of the Sarbanes Oxley Act (SOX) directs the PCAOB to establish standards for auditing and attestation for public accounting firms to follow.

Statement on Standards for Attestation Engagements (SSAE) was designed to enhance consistency and quality in the attestation services. The SSAE was intended to provide guidance and a broad range of performance and reporting on attest services (Boynton & Johnson, 2006). Assurance services standards were established by the AICPA through the development of the

Assurance Services Executive Committee (ASEC). Conclusion The recent year's fraud events have made it necessary to fine tune the auditing world.

With the addition of attestation and assurance services to the already known service of auditing, CPAs can offer a little bit more stability to an unstable situation. It is hoped, this paper has clarified the differences between auditing, attestation, and assurance services to include how each service is established. References Boynton, W. C. , ; Johnson, R. N. (2006). Modern Auditing 8ed. Ney Jersey: John Wiley ; Sons, Inc. Elliott, Robert K. , and Pallais, Don M. (1997). " Are You Ready For New Assurance Services? " Journal of Accountancy June: 47-51.