confidence swiss
Auditing
builds confidence

Benefits of a limited audit

The limited audit is a form of annual financial statement auditing tailor-made for the Swiss SME environment. It ensures the transparency and credibility of financial reporting, taking into account the requirements of small and medium-sized enterprises.

Take-Outs

1. SMEs with total assets of less than CHF 20 million, sales of less than CHF 40 million and fewer than 250 employees are legally required to have a limited audit of their annual financial statements carried out. Micro-companies with up to ten employees can choose to forgo auditing.
2. In a limited audit, the auditor uses a clearly defined but limited range of audit tools (surveys and analytical validations) to identify material errors in the annual financial statements.
3. Given these limited audit instruments, which are defined by the law, the auditor cannot guarantee that the annual financial statements are completely free of errors.
4. Moreover, a limited audit is neither a forensic nor a compliance audit. A limited audit does not address the risk of fraudulent actions and other breaches of the law any more than the company's internal control system does.
5. Nevertheless, the auditor is able to conclude with reasonable assurance that the annual financial statements do not contain errors. A limited audit thus enhances the credibility and transparency of financial reporting and gives the company assurance before the annual financial statements are presented to shareholders and the tax authorities.
6. Furthermore, a limited audit means the company's accounting and valuation decisions are critically examined by an external party. This gives a positive signal to lenders and investors.
7. The existence of a statutory auditor reduces the risk of insolvency by enhancing the quality of a company's financial management.

Further information
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Reliability of financial reporting as an important (public) asset

Financial reporting is an important corporate management and communication tool. In the segment of public companies and organisations of public interest, annual and group financial statements should give stakeholders insight into the entity's financial position, results of operations and cash flows. Smaller organisations and SMEs in particular have fewer external stakeholder groups. But reliable and credible financial reporting is just as essential for them, whether for the purpose of profit distributions or as the mandatory basis for taxation of profits.

General audit requirement as a tool for ensuring reliable financial reporting

In order to ensure the reliability and credibility of financial reporting, lawmakers have provided for a general audit requirement.

In so doing, the lawmakers have shown prudence and staggered the audit requirement. The annual and/or group financial statements of economically significant companies, public companies and groups must undergo an ordinary audit.

However, SMEs can choose to undergo a limited audit. Micro-companies can even forgo an audit of their annual financial statements. Ultimately, this means that only around 20% of Swiss companies currently have their annual financial statements audited.

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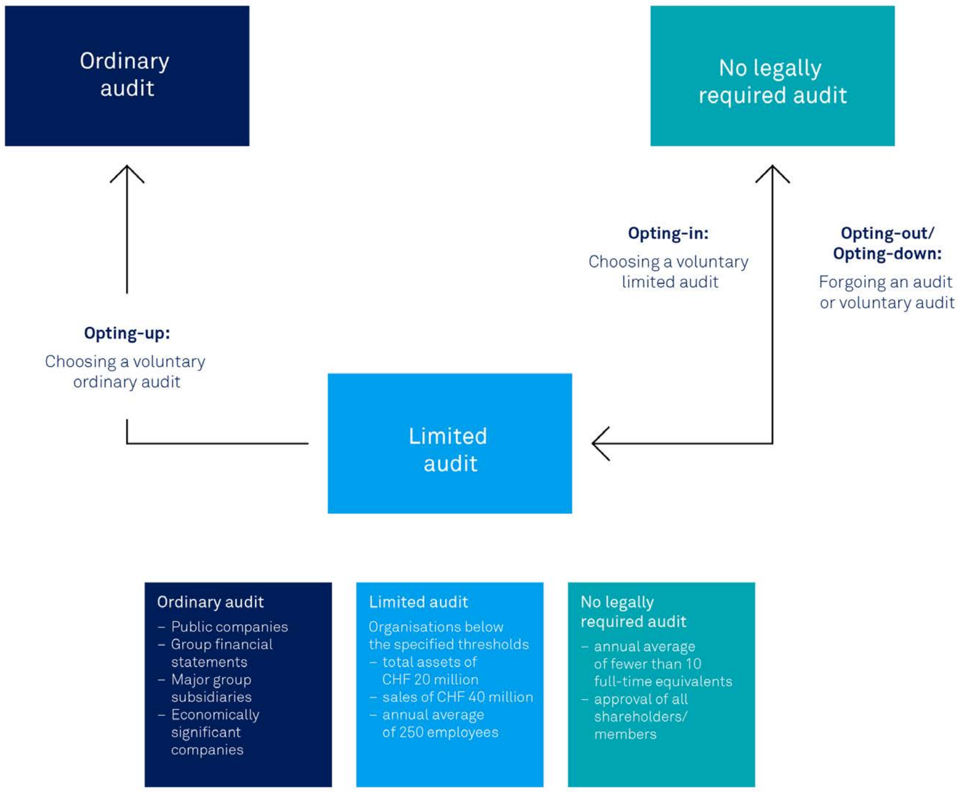

Limited audit – a Swiss SME solution

SMEs may have fewer external stakeholder groups, but an audit is nonetheless very valuable for these companies. Audited financial statements offer shareholders a well-founded basis for their resolutions regarding dividends, for example. In addition, audited financial statements make it possible to reliably assess taxes and are thus also in the public interest. A limited audit is also in the public interest, since studies show that companies whose annual financial statements undergo a limited audit have lower insolvency/credit risk. The existence of a statutory auditor thus increases the quality of a company's financial management. Lower insolvency rates protect creditors, social insurers and the economy as a whole.

With the Swiss solution of a limited audit, the auditor uses a clearly defined but limited range of audit tools (surveys and analytical validations) to identify material errors in the annual financial statements. Given these limited audit instruments, which are defined by the law, the auditor cannot guarantee that the annual financial statements are completely free of errors.

Moreover, a limited audit is neither a forensic nor a compliance audit. A limited audit does not address the risk of fraudulent actions and other breaches of the law any more than the company's internal control system does.

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Nevertheless, the auditor is able to conclude with reasonable assurance that the annual financial statements do not contain errors. A limited audit thus enhances the credibility and transparency of financial reporting and gives the company assurance before the annual financial statements are presented to shareholders and the tax authorities. This gives a positive signal to lenders and investors. From an SME management perspective, the benefits of a limited audit also derive from the fact that an external party critically evaluates the accounting and valuation decisions made, thereby prompting the management to address the company's situation and development in a more focused manner.

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