

# Audit Options in Switzerland





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# Limited audit – legal basis Art. 727a CO

## Legal regulation Art. 727a CO

1. If the requirements for an ordinary audit are not met, the company must have its annual accounts reviewed by an auditor in a limited audit.
2. With the consent of all the shareholders, a limited audit may be dispensed with if the company does not have more than ten full-time employees on annual average. (PKF note: known as “Opting-out”)
3. The board of directors may request the shareholders in writing for their consent. It may set a period of at least 20 days for reply and give notice that failure to reply will be regarded as consent.
4. If the shareholders have dispensed with a limited audit, this also applies for subsequent years. Any shareholder has however the right, at the latest 10 days before the general meeting, to request a limited audit. In such an event, the general meeting must appoint the auditor.
5. The board of directors amends the articles of association to the extent required and applies to the commercial register for the deletion or the registration of the auditor.

# Ordinary audit – legal basis Art. 727 CO

## Legal regulation Art. 727 CO

1. The following companies must have their annual accounts and if applicable their consolidated accounts reviewed by an auditor in an ordinary audit:

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publicly traded companies; these are companies that:

- a) have shares listed on a stock exchange,
- b) have bonds outstanding,
- c) contribute at least 20 per cent of the assets or of the turnover to the consolidated accounts of a company in terms of letter a or b;

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companies that exceed two of the following thresholds in two successive financial years:

- a) balance sheet total of 20 million francs,
- b) sales revenue of 40 million francs,
- c) 250 full-time positions on annual average; be subjected to an ordinary audit.

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companies that are required to prepare consolidated accounts.

2. An ordinary audit must be carried out if shareholders who represent at least 10 per cent of the share capital so request.
3. If the law does not require an ordinary audit of the annual accounts, the articles of association may provide or the general meeting may decide that the annual accounts be subjected to an ordinary audit.



# Limited audit (limited statutory examination)

A limited audit ...



## Audit scope

The company is subject to a limited statutory examination according to Art. 727a OC. The statutory auditors are elected by the general meeting and registered in the commercial register. Furthermore, the company has the opportunity to opt for the ordinary audit (Opting-Up).z

The statutory auditor issues an audit report to the annual general meeting.

This audit option leads to a „negative assurance“.



## Audit approach

- Consideration of assumptions of Art. 727a CO
- Use of SER
- Cannot be performed on financial statements according to IFRS, US-GAAP, etc.
- Additional consulting services are allowed

### Upon request:

- Review according to SAS 910 of the reporting package based on the accounting manual of the group
- Reporting to the group auditor



## Timing of the audit

We will perform the audit at one time: year-end audit.

Exact dates will be agreed with your accountant

... leads to a negative assurance.

# Limited audit plus additional audit procedures (ISA-CH 700)

A limited audit plus additional audit procedures ...



## Audit scope

The company is subject to a limited statutory examination according to Art. 727a CO and would like to agree additional audit procedures on a contractual basis, but does not intend to do an opting-up.

In this option we will issue two different audit reports:

1. Audit report as statutory auditor to the annual general meeting
2. Audit report as auditor based on ISA-CH 700 on a contractual basis to the board of directors (full scope)

This audit option leads to a „positive audit opinion“ due to a deeper audit scope and therefore we can issue a positive assurance.



## Audit approach

- Consideration of assumptions of Art. 727a CO
- Use of SER
- Use of SA-CH (especially ISA-CH 700)
- Third party confirmations are requested (bank-, accounts receivables-, accounts payables-, confirmation, legal letter)
- Observations of the stock taking, if the position is significant
- Additional consulting services are mostly not allowed

### Upon request:

- Audit (ISA-CH 700) of the reporting package based on the accounting manual of the group
- Reporting to the group auditor



## Timing of the audit

We will perform the audit in general at one time: year-end audit. Sometimes we also perform an Interim Audit.

Exact dates will be agreed with your accountant.

... leads to a positive audit opinion.

# Ordinary audit

An ordinary audit ...



## Audit scope

The company is subject to an ordinary audit according to Art. 727 CO. The statutory auditor is elected by the general meeting and registered in the commercial register. In an ordinary audit the auditor has to confirm the Existence of an internal control system (Swiss particularity).

The statutory auditor issues an audit report to the General meeting as well as a comprehensive report (findings of the financial statements and the internal control system) to the board of directors.

This audit option leads to a „positive audit opinion“ due to a deeper audit scope and therefore we can issue a positive assurance.



## Audit approach

- Consideration of assumptions of Art. 727 CO
- The audit is based on the SA-CH, especially PS-CH 700
- Third party confirmations are requested (bank-, accounts receivables-, accounts payables-, confirmation, legal letter)
- Observations of the stock taking, if the position is significant
- Additional consulting services are mostly not allowed

### Upon request:

- Audit of the reporting package based on the accounting manual of the group
- Reporting to the group auditor



## Timing of the audit

The audit is split into an interim audit and a final Audit. Exact dates will be agreed with your accountant.

... leads to a positive assurance.



# Review (SAS 910)

A Review...



## Audit scope

A review is optional and performed on a contractual basis, if the company is not in accordance with Art. 727a CO or Art. 727 CO. Therefore the auditor neither has to be elected by the general meeting nor has to be registered in the commercial register.

In this case, the auditor issues a review report to the board of directors.

This audit option leads to a „negative assurance“ (similar to the limited statutory examination).



## Audit approach

- Use of the SAS 910 (in analogy to the ISA)
- Accounting standard can be freely chosen
- Additional consulting services are mostly not allowed

### Upon request:

- Review according to SAS 910 of the reporting package based on the accounting manual of the group
- Reporting to the group auditor



## Timing of the audit

We will perform the audit at one time: year-end audit.

Exact dates will be agreed with your accountant

... leads to a negative assurance.



# Summary / Comparison

| Audit Options             | Limited audit  | Limited audit plus ISA-CH 700  | Ordinary audit   | Review   |
|---------------------------|--|--|--|--|
| Statutory auditor         | Yes, elected by the general meeting                                    | Yes, elected by the general meeting  | Yes, elected by the general meeting  | No contractual basis   |
| Accounting Standard       | <ul style="list-style-type: none"> <li>CO (Art. 957ff)</li> </ul>      | <ul style="list-style-type: none"> <li>CO (Art. 957ff)</li> <li>ISA-CH 700: Other accounting standards possible</li> </ul> | <ul style="list-style-type: none"> <li>CO (Art. 957ff)</li> <li>Other accounting standards possible</li> </ul> | <ul style="list-style-type: none"> <li>CO (Art. 957ff)</li> <li>Other accounting standards possible</li> </ul> |
| Audit scope               | <ul style="list-style-type: none"> <li>SAS 910</li> <li>SER</li> </ul> | <ul style="list-style-type: none"> <li>SAS 910</li> <li>SER</li> <li>plus SA-CH (especially ISA-CH 700)</li> </ul>         | <ul style="list-style-type: none"> <li>SA-CH</li> </ul>  | <ul style="list-style-type: none"> <li>SAS 910 (in analogy to the ISA)</li> </ul>                              |
| ICS-Existence-Audit       | No   | No   | Yes  | No   |
| Third party confirmations | Not part   | Will be requested  | Will be requested  | Not part   |
| Observations of the stock | No   | Yes  | Yes  | no   |

# Summary / Comparison

| Audit Options                         | Limited audit   | Limited audit plus ISA-CH 700   | Ordinary audit  | Review  |
|---------------------------------------|---|---|---|---|
| <b>Report</b>                         | 1. As a statutory auditor to the annual general meeting   | 1. As a statutory auditor to the general meeting<br>2. As an auditor to the board of directors (contractual basis, full scope – ISA-CH 700)                           | 1. As statutory auditor the general meeting<br>2. Comprehensive report to the board of directors (inclusive findings in the financial statements and the internal control system) | 1. As auditor to the board of directors.  |
| <b>Assurance/Audit opinion</b>        | Negative assurance  | Positive audit opinion  | Positive audit opinion  | Negative assurance  |
| <b>Additional consulting services</b> | Allowed   | Mostly not allowed  | Mostly not allowed  | Mostly not allowed  |
| <b>Upon request</b>                   | <ul style="list-style-type: none"> <li>Review of the reporting package based on the accounting manual of the group</li> <li>Reporting to the group auditor</li> </ul> | <ul style="list-style-type: none"> <li>Review of the reporting package based on the accounting manual of the group</li> <li>Reporting to the group auditor</li> </ul> | <ul style="list-style-type: none"> <li>Review of the reporting package based on the accounting manual of the group</li> <li>Reporting to the group auditor</li> </ul>             | <ul style="list-style-type: none"> <li>Review of the reporting package based on the accounting manual of the group</li> <li>Reporting to the group auditor</li> </ul> |



# List of abbreviations

| List of abbreviations |   |
|-----------------------|---|
| CO (OR)               | Swiss Code of Obligations (Obligationenrecht)   |
| SAS (PS)              | Swiss Auditing Standard (Schweizer Prüfungsstandards) (as of 15 Dec 2022 only valid for SAS 800ff)    |
| SA-CH                 | Swiss Standards on Auditing (replaced SAS 200–720 as of 15 Dec 2022)                                  |
| ISA                   | International Standards on Auditing (Internationale Prüfungsstandards)                                |
| GV                    | Annual general meeting (Generalversammlung)   |
| VR /BoD               | board of directors (Verwaltungsrat)   |
| SER                   | Swiss Standard on the Limited Statutory Examination (Schweizer Standard zur eingeschränkten Revision) |
| ICS (IKS)             | Internal Control System (Internes Kontrollsystem)   |

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