

Audit Options in Switzerland



1 Limited audit – legal basis Art. 727a CO

2 Ordinary audit – legal basis Art. 727 CO

3 Limited audit

4 Limited audit
plus additional audit procedures (SAS 700)

5 Ordinary audit (full scope audit)

6 Review (SAS 910)

7 Summary / Comparison / *List of abbreviations*

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.

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:

1. 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;

2. 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;

3. 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.



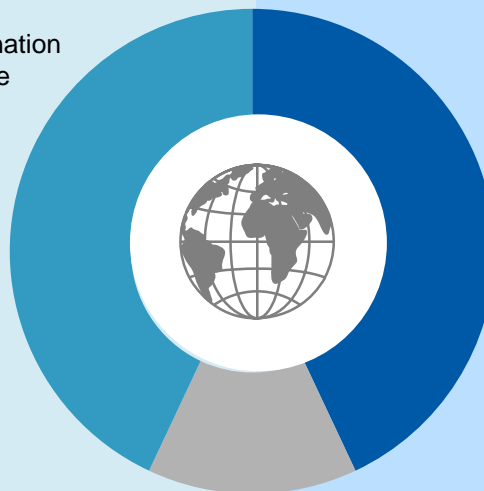
A limited audit ...

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).

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 (SAS 700)

A limited audit plus additional audit procedures ...

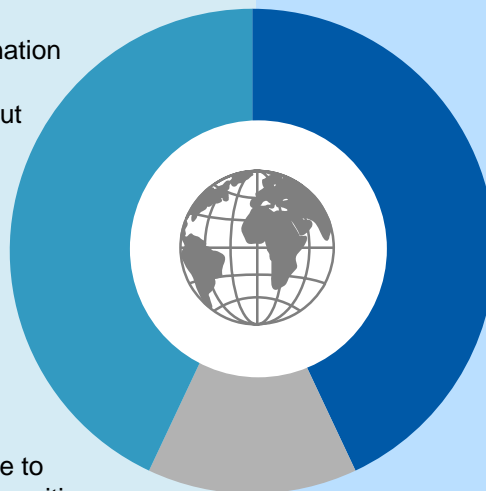
Audit scope

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 SAS 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.



Timing of the audit

We will perform the audit in general at one time: year-end audit. Sometimes we also perform in interim Audit. Exact dates will be agreed with your accountant.

Audit approach

- Consideration of assumptions of Art. 727a CO
- Use of SER
- Use of SAS 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 (according to SAS 700) of the reporting package based on the accounting manual of the group
- Reporting to the group auditor

... leads to a positive audit opinion.

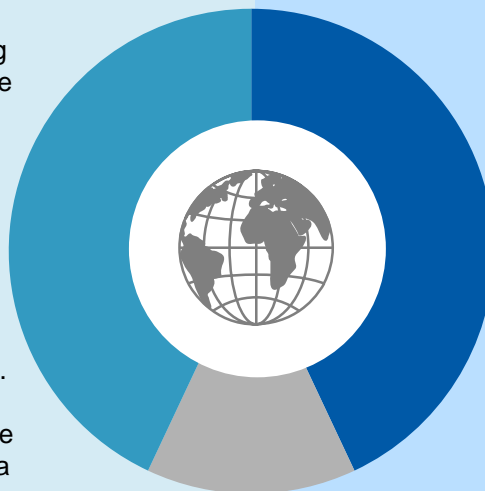
An ordinary audit ...

Audit scope

The company is subject to a 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 lead 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 SAS
- 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 not 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 splitted into an interim audit and a final Audit. Exact dates will be agreed with your accountant.

... leads to a positive assurance.

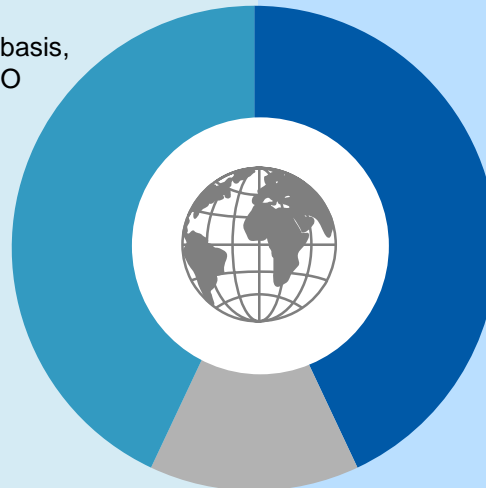
A Review...

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 not 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.

Audit Options	Limited audit	Limited audit plus SAS 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"> CO (Art. 957ff) 	<ul style="list-style-type: none"> CO (Art. 957ff) SAS 700: Other accounting standards possible 	<ul style="list-style-type: none"> CO (Art. 957ff) Other accounting standards possible 	<ul style="list-style-type: none"> CO (Art. 957ff) Other accounting standards possible
Audit scope	<ul style="list-style-type: none"> SAS 910 SER 	<ul style="list-style-type: none"> SAS 910 SER plus SAS 700 	<ul style="list-style-type: none"> SAS 	<ul style="list-style-type: none"> SAS 910 (in analogy to the ISA)
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
Report	1. As a statutory auditor to the annual general meeting	1. As an statutory auditor to the general meeting 2. As an auditor to the board of directors (contractual basis, full scope – PS 700)	1. As statutory auditor the general meeting 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.

Audit Options	Limited audit	Limited audit plus PS 700	Ordinary audit	Review
Assurance/Audit opinion	Negative assurance	Positive audit opinion	Positive audit opinion	Negative assurance
Additional consulting services	Allowed	Mostly not allowed	Mostly not allowed	Mostly not allowed
Upon request	<ul style="list-style-type: none"> Review of the reporting package based on the accounting manual of the group Reporting to the group auditor 	<ul style="list-style-type: none"> Review of the reporting package based on the accounting manual of the group Reporting to the group auditor 	<ul style="list-style-type: none"> Review of the reporting package based on the accounting manual of the group Reporting to the group auditor 	<ul style="list-style-type: none"> Review of the reporting package based on the accounting manual of the group Reporting to the group auditor

List of abbreviations

CO (OR)	Swiss Code of Obligations (Obligationenrecht)
SAS (PS)	Swiss Auditing Standard (Schweizer Prüfungsstandards)
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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