

## Compilation Engagements—Draft International Standard on Related Services ISRS 4410 (Revised)

### [Marked From Exposure Draft]

(Effective for compilation engagements performed for financial information  
for periods ending on or after [date])

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International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*, should be read in conjunction with the *Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*.

## Introduction

### Scope of this ISRS

1. This International Standard on Related Services (ISRS) deals with the practitioner's responsibilities when engaged to assist management with the preparation and presentation of compiled and report on historical financial information without obtaining any assurance on that information, and to report on the engagement in accordance with this ISRS, ~~and the form and content of the practitioner's report for the compilation engagement.~~ (Ref: Para. A1–A4)
2. This ISRS ~~is directed towards~~ applies to compilation engagements for historical financial information. The ISRS may be applied, adapted as necessary, to compilation engagements for financial information other than historical financial information, and to compilation engagements for non-financial information. Hereinafter in this ISRS reference to “financial information” means “historical financial information.” (Ref: Para. A25–A36)

### *Relationship with ISQC 1<sup>1</sup>*

3. Quality control systems, policies and procedures are the responsibility of the firm. ISQC 1 applies to firms of professional accountants in respect of a firm's compilation engagements ~~engagements to compile financial information.~~<sup>2</sup> The provisions of this ISRS regarding quality control at the level of individual compilation engagements are premised on the basis that the firm is subject to ISQC 1 or requirements that are at least as demanding. (Ref: Para. A47–A912)

### **The Compilation Engagement to Compile Financial Information**

4. [Moved from ¶5 and ¶7, and redrafted] Management may request a professional accountant in public practice to assist with the preparation and presentation of financial information of an entity. The value of a compilation engagement performed in accordance with this ISRS to users of ~~compiled~~ financial information results from the application of the practitioner's professional expertise in accounting and financial reporting, and compliance with professional standards, including relevant ethical requirements, and the clear communication of the nature and extent of the practitioner's involvement with the compiled financial information. ~~Accordingly, in performing the engagement the practitioner is required to comply with relevant ethical principles, including integrity, objectivity, and professional competence and due care.~~ (Ref: Para. A13–A16)
5. [Moved from ¶8] A compilation engagement is not an assurance engagement. As such, a compilation engagement does not involve gathering evidence for the purpose of expressing a review conclusion or audit opinion on the financial information. (Ref: Para. A17)

<sup>1</sup> International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>2</sup> ISQC 1, paragraph 4

6. [Moved from ¶5 and redrafted] Management retains responsibility for the financial information and the basis on which it is prepared and presented. That responsibility includes application by management of the judgment required for the preparation and presentation of the financial information, including the selection and application of appropriate accounting policies and, where needed, developing reasonable accounting estimates. (Ref: Para. A13–A14)

4-7. [Moved from ¶6] This ISRS does not impose responsibilities on management or those charged with governance, or override laws and regulations that govern their responsibilities. An ~~compilation~~ engagement performed in accordance with this ISRS is conducted on the premise that management, or those charged with governance where appropriate, have ~~acknowledged~~ agreed certain responsibilities that are fundamental to the performance of the compilation engagement.

5-8. [Moved from ¶4 and redrafted] Financial information ~~of an entity that is the subject of a compilation engagement~~ may be required for various purposes. ~~The operating and governance arrangements in which the responsibility for financial information of an entity is established~~ including:

- (a) ~~Requirements to produce financial information of an entity in a specified form, as part of mandatory requirements for~~ To comply ~~or with mandatory periodic financial reporting purposes~~ requirements established in law or regulation; or
- (b) ~~Any requests to produce financial information of the entity, either as required for~~ purposes unrelated to mandatory financial reporting under relevant law or regulation, including for example:
  - For management or those charged with governance in relation to the management or governance of the entity on a basis specified by management or those charged with governance (such as preparation of financial information for internal use).
  - ~~established by the entity's owners or those charged with governance, or under other ongoing~~ For periodic financial reporting undertaken for external parties under a contract or other form of agreement (such as financial information provided to requirements, such as a funding body to support provision or continuation of a grant) to report on use of funds received for purposes linked to a funding grant.
  - [New] For transactional purposes, for example to support a transaction involving changes to the entity's ownership or financing structure (such as for a merger or acquisition).

9. [New, moved from ¶A13, and last sentence moved from and Appendix 1, ¶1] Different financial reporting frameworks can be used to prepare and present such financial information, ranging from a simple entity-specific basis of accounting to established financial reporting standards. The financial reporting framework adopted by management to prepare and present the financial information that is the subject of a compilation engagement, will depend on the nature of the entity and the intended use of the information.

The financial reporting framework adopted is defined as the applicable financial reporting framework, commonly referred to as the “basis of accounting.” The requirements of the applicable financial reporting framework determine the form and content of the financial information.

10. [¶A15 redrafted] Examples of financial reporting frameworks include:

- International Financial Reporting Standards (IFRS) and established national financial reporting standards often applicable to publicly-listed enterprises.
- International Financial Reporting Standards for Small and Medium-Sized Enterprises (IFRS for SMEs) and established national financial reporting standards applicable to small- and medium-sized enterprises.
- The tax basis of accounting used to prepare financial information relating to tax compliance obligations.
- For entities not required or not needing to use an established financial reporting framework:
  - An entity-specific basis of accounting appropriate for the intended use of the financial information and the circumstances of the entity (for example, the cash basis of accounting with selected accruals, such as accounts receivable and accounts payable, leading to a balance sheet and income statement, or an established financial reporting framework modified to suit the particular purposes for which the financial information is being prepared)
  - For more simple reporting purposes, the cash basis of accounting leading to a statement of receipts and disbursements (for example, for the allocation of the excess of cash receipts over disbursements to the owners of a rental property, or the movements in petty cash of a small club).

6.—[Moved to ¶4 and ¶6 ]

7.—[Moved to ¶4]

8.—[Moved to ¶5]

### **Authority of this ISRS**

9.11. This ISRS contains the objectives of the practitioner in following the ISRS, which provides the context in which the requirements of this ISRS are set, and is intended to assist the practitioner in understanding what needs to be accomplished in a compilation engagement.

10.12. This ISRS contains requirements, expressed using “shall,” that are designed to enable the practitioner to meet the stated objectives.

11.13. In addition, this ISRS contains introductory material, definitions, and application and other explanatory material, that provides context relevant to a proper understanding of the ISRS.

12.14. The application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The

application and other explanatory material may also provide background information on matters addressed in this ISRS that assist in the application of the requirements.

## Effective Date

~~13.15.~~ This ISRS is effective for compilation engagements ~~performed~~ for financial information for periods ending on or after [date].

## Objectives

~~14.16.~~ The practitioner's objectives in a compilation engagement under this ISRS are:

- (a) To apply accounting and financial reporting expertise to assist management in the preparation~~ing~~ and presentation~~ing~~ of financial information in accordance with an applicable financial reporting framework based on information provided by management; and
- (b) To report in accordance with the requirements of this ISRS.

## Definitions

~~15.17.~~ The Handbook's Glossary of Terms<sup>3</sup> (the Glossary) includes the terms defined in this ISRS and also includes descriptions of other terms found in this ISRS, to assist in ~~common and consistent interpretation and translation~~. The following terms have the meanings attributed below for the purposes of this ISRS: ~~(Ref: Para. A12)~~

~~(a)~~ *Association with information that is materially false or misleading*—The practitioner is knowingly associated with information in the circumstances described in paragraph 110.2 of Part A of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code);<sup>4</sup> that is when the practitioner is knowingly associated with information where the practitioner believes that the information (a) contains a materially false or misleading statement, (b) contains statements or information furnished recklessly, or (c) omits or obscures information required to be included where such omission or obscurity would be misleading. [See Agenda Item 8-A ¶36(a)]

~~(a)(b)~~ *Applicable financial reporting framework*—The financial reporting framework adopted by management and, where appropriate, those charged with governance in the preparation of the financial information that is acceptable in view of the nature of the entity and the objective of the financial information, or that is required by law or regulation. (Ref: Para. A4327–A4530)

~~(b)~~—[Deleted] *Compile*—~~To apply accounting and financial reporting expertise to prepare and present financial information in accordance with an applicable financial reporting framework.~~ [See Agenda Item 8-A ¶24(a)]

<sup>3</sup> The Glossary of Terms relating to International Standards issued by the IAASB in the *Handbook of International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements* (the Handbook), published by IFAC.

<sup>4</sup> IESBA Code, Part A, paragraph 110.2

- (c) *Compilation Engagement*—An engagement in which a practitioner applies accounting and financial reporting expertise to assist management in the preparation and presentation of financial information of an entity by compiling that information under the terms of the engagement, and issuing a report in accordance with the requirements of this ISRS. Throughout this ISRS the words “compile”, “compiling” and “compiled” are used in this context. (Ref: Para. A16) [See Agenda Item 8-A ¶24(b)]
  - (d) *Engagement Partner*—The partner or other person in the firm who is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.
  - (e) *Engagement Team*—All partners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes external experts engaged by the firm or a network firm.
  - (f) *Practitioner*—A professional accountant in public practice who conducts the compilation engagement. The term includes the engagement partner or other members of the engagement team, or, as applicable, the firm. Where this ISRS expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “practitioner” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.
  - (g) *Relevant ethical requirements*—Ethical requirements the engagement team is subject to when undertaking relating to compilation engagements to which the engagement team is subject. These requirements ~~that~~ ordinarily comprise Parts A and B of the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) (excluding sections 290, Independence–Audit and Review Engagements and section 291, Independence–Other Assurance Engagements in Part B), together with national requirements that are more restrictive.
16. [Deleted] The terms “management” and “those charged with governance” are defined in the Glossary. For the purposes of this ISRS, references to “management” should hereafter be read as “management and, where appropriate, those charged with governance.” Where it is intended that requirements or guidance apply only to those charged with governance, the relevant text of this ISRS refers only to those charged with governance (Ref: Para. A17–A18)

## Requirements

### Conduct of a Compilation Engagement in Accordance with this ISRS

- 16.18. \_\_\_\_\_ The practitioner shall have an understanding of the entire text of this ISRS, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.

### Complying with Relevant Requirements

- 17.19. \_\_\_\_\_ The practitioner shall comply with each requirement of this ISRS unless a particular requirement is not relevant to the compilation engagement, for example if the circumstances

addressed by the requirement do not exist in the engagement.

~~18-20.~~ The practitioner shall not represent compliance with this ISRS unless the practitioner has complied with all requirements of this ISRS relevant to the compilation engagement.

### **Ethical Requirements**

~~19-21.~~ The practitioner shall comply with relevant ethical requirements ~~as they relate to compilation engagements~~. (Ref: Para. A1918–A2019)

### **Professional Judgment**

~~20-22.~~ The practitioner shall exercise professional judgment in ~~planning and performing~~ conducting a compilation engagement. (Ref: Para. A2120–A2221)

### **Engagement Level Quality Control**

23. The engagement partner shall take responsibility for:

(a) ~~the overall quality of each compilation engagement to which that partner is assigned; and~~

~~(b) The engagement partner shall take responsibility for the compilation engagement being performed in accordance with the firm's quality control policies and procedures, by:~~ (Ref: Para. A2322)

(i) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. A2423)

(ii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities to perform the compilation engagement, and ~~remaining~~ being alert for indications of non-compliance by members of the engagement team with relevant ethical requirements; (Ref: Para. A2524)

(iii) Directing, supervising and performing the ~~compilation~~ engagement in compliance with professional standards and applicable legal and regulatory requirements; and

(iv) ~~Maintaining a~~ Appropriate engagement documentation ~~being maintained~~.

### **Engagement Acceptance and Continuance**

~~Factors Affecting Continuance of Client Relationships, and Engagement Acceptance and Agreeing the Terms of the Engagement~~

~~23. [Condensed and merged with amended ¶24-25] Unless required by law or regulation, the practitioner shall not accept the engagement unless the practitioner is able to:~~ (Ref: Para. A26–A28)

~~Identify the intended use by management of the financial information to be compiled, and be satisfied that there is a rational purpose for the engagement;~~ (Ref: Para. A29–A30)

~~Determine whether the financial reporting framework adopted by management for compilation of the financial information, is acceptable in the context of the intended use of~~



~~the financial information; and (Ref: Para. A31–A36)~~

~~Obtain the agreement of management that it acknowledges and understands that:~~

- ~~(i) In performing the engagement the practitioner will compile the financial information on behalf of management; and~~
- ~~(ii) Management has the following overall responsibilities which are fundamental to undertaking the compilation engagement:~~

~~Adoption of a financial reporting framework that is acceptable in view of the intended use of the financial information and the intended users;~~

~~Preparation of the financial information in accordance with the applicable financial reporting framework, including:~~

~~The fair presentation of the financial information, where relevant;~~

~~Selection of appropriate accounting policies under the financial reporting framework where needed, and responsibility for management judgments needed to develop any accounting estimates required under the framework; and~~

~~Providing the practitioner with: (Ref: Para. A37)~~

~~All information of which management is aware that is relevant to the compilation of the financial information, such as records, documents, explanations and other information; and~~

~~Additional information that the practitioner may request from management for the purpose of the compilation engagement;~~

~~The accuracy and completeness of the records, documents, explanations and other information provided by management for the compilation engagement as described in paragraph 23(c)(ii)c; and~~

~~The financial information compiled by the practitioner.~~

#### *Agreeing the Terms of Engagement*

24. [Including redrafted ¶23] The practitioner shall not accept the engagement unless the practitioner has agreed the terms of engagement with management, or and the engaging party if different, prior to performing the engagement including:

[Subparagraphs (a) to (f) have been re-ordered]

- (a) The intended use and distribution of the ~~compiled~~ financial information, and, ~~where applicable~~, any restrictions on either its use or its distribution where applicable; (Ref: Para. A25–A26; A31–A33)
- (b) Identification of the applicable financial reporting framework; (Ref: Para. A27–A30)
- (a)(c) The objective and scope of the compilation engagement, ~~including a statement that the engagement is not an assurance engagement and accordingly the practitioner~~

~~does not express any audit opinion or review conclusion in respect of the compiled financial information;~~

~~(b)(d)~~ The responsibilities of the practitioner, including the requirement to comply with relevant ethical requirements; (Ref: Para. A34)

~~(e)(e)~~ The responsibilities of management for; ~~including those described in paragraph 23(e);~~  
(Ref: Para. A35–A37)

[Moved from ¶23(c)(ii)a-e, and re-drafted]

(i) The financial information, and for the preparation and presentation thereof in accordance with a financial reporting framework that is acceptable in view of the intended use of the financial information and the intended users; and

(ii) The accuracy and completeness of the records, documents, explanations and other information, including significant judgments, provided by management for the compilation engagement; and

~~(d)(f)~~ The expected form and content of the practitioner's report.

~~21.25.~~ The practitioner shall record ~~the~~ agreed terms of engagement ~~shall be recorded in an engagement letter or other suitable form of written agreement, prior to performing the engagement, and shall include:~~ (Ref: Para. A38–A40)

#### Recurring Engagements

~~22.26.~~ On recurring compilation engagements, the practitioner shall evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of engagement to be revised and whether there is need to remind management of the existing terms of engagement. (Ref: Para. A41)

#### Communication with Management or Those Charged with Governance

~~23.27.~~ [Moved from ¶35 and redrafted] The practitioner shall communicate with management or those charged with governance, as appropriate, on a timely basis during the course of the compilation engagement. ~~The practitioner shall address all significant matters concerning the compilation engagement that, in the practitioner's professional judgment, are of sufficient importance to merit the attention of management or those charged with governance, as appropriate.~~ (Ref: Para. A42~~52~~)

#### Performing the Engagement

##### *The Practitioner's ~~Knowledge and Understanding~~*

~~24.28.~~ ~~To perform the compilation engagement~~ The practitioner shall obtain an understanding of the following matters sufficient to be able to perform the compilation engagement: (Ref: Para. A43–A45)

(a) ~~Knowledge and understanding of~~ The entity's business and operations, including the entity's accounting system and accounting records; and

- (b) ~~An understanding of~~ The applicable financial reporting framework, including its application in the entity's industry,

~~sufficient to be able to compile the financial information.~~ (Ref: Para. A42–A43)

*Compiling the Financial Information*

- ~~28–29.~~ The practitioner shall compile the financial information using the records, documents, explanations and other information, including significant judgments, provided by management. (Ref: Para. A446–A47)

- ~~29.~~ [Deleted] ~~The practitioner shall discuss and agree with management significant judgments required to compile the financial information including, where applicable, the basis for significant accounting estimates and use of the going concern assumption.~~ (Ref: Para. A45)

- ~~30.~~ [Moved from ¶31] Prior to completion of the compilation engagement the practitioner shall read and consider the financial information within light of the knowledge and practitioner's understanding of the entity's business and operations, and of the applicable financial reporting framework. ~~described in paragraph 27~~ (Ref: Para. A48–A51))

- ~~31.~~ [Moved from ¶30] If, in the course of the compilation engagement, the practitioner becomes aware that the records, documents, explanations or other information, including significant judgments, provided by management for the compilation engagement are incomplete, inaccurate or otherwise unsatisfactory, the practitioner shall bring ~~this~~that to the attention of management and request the required or corrected information. (Ref: Para. A46)

- ~~32.~~ [Moved from ¶34(a)] If the practitioner is ~~not~~unable to complete the compilation engagement because management has failed to provide

~~a) Records, documents, explanations or other information, including significant judgments, as requested, that are complete and accurate, or which are otherwise unsatisfactory for the purposes of the compilation~~

~~b) Management~~additional information as may be requested by the practitioner  
the practitioner shall withdraw from the engagement and inform management and those charged with governance of the reasons for withdrawing. (Ref: Para. A53)

- ~~30–33.~~ If on reading the compiled financial information, the practitioner becomes aware during the course of the engagement that amendments to the financial information compiled by the practitioner are required for the information not to be materially false or misleading, including in relation to the description of or reference to the applicable financial reporting framework contained in the financial information,:

~~The compiled financial information does not adequately refer to, or describe, the applicable financial reporting framework; or~~

~~There are material misstatements in the compiled financial information, or that the compiled financial information is misleading;~~

- ~~31–34.~~ the practitioner shall propose to management the appropriate amendments to management to be made to the compiled financial information, and then make those

~~amendments to the financial information.~~ (Ref: Para. A48–A49~~52~~) [See Agenda Item 8-A ¶36(b)]

~~32.35.~~ If management declines, or does not permit the practitioner to make the proposed amendments to the compiled financial information proposed by the practitioner, the practitioner shall withdraw from the engagement and inform ~~communicate with~~ management and those charged with governance ~~about the implications for the compilation engagement~~ of the reasons for withdrawing. (Ref: Para. A50~~53~~)

~~35.~~ [Moved from ¶34] If withdrawal from the engagement is not possible the practitioner shall determine the professional and legal responsibilities applicable in the circumstances. (Ref: Para. A51)

## Documentation

36. The practitioner shall include in the engagement documentation: (Ref: Para. A54~~53~~–A56~~55~~)

- (a) ~~A brief description of~~ Significant matters arising during the compilation engagement and how those matters were addressed by the practitioner; and discussed with management and requiring their agreement;
- (b) ~~The sources from which the financial information was compiled including a~~ record of how the ~~compiled~~ financial information reconciles with the underlying records, documents, explanations and other information, including significant judgments, provided by management for the compilation; and
- (c) A copy of the compiled financial information and the practitioner's ~~compilation~~ report.

## The Practitioner's Report

~~37.~~ [Moved from ¶A51. Essential explanatory information for the reporting requirements] The An important purpose of the practitioner's report is to clearly communicate the nature of the compilation engagement, and the practitioner's role and responsibilities in the engagement. The practitioner's report is not a vehicle to express an opinion or conclusion on the financial information in any form, or a view as to whether the financial information is, or may be, materially false or misleading

~~37.38.~~ The practitioner's report issued for the compilation engagement shall be in writing, and shall contain the following elements: (Ref: Para. A56~~57~~–A57~~58~~ and A63~~64~~)

- (a) The report title;
- (b) The addressee(s), as required by the terms of the engagement; (Ref: Para. A58~~59~~)
- (c) An introductory paragraph that:
  - (i) [Moved from ¶37(c)(iii) and redrafted] States that the practitioner has compiled the financial information has been compiled by the practitioner based on information provided by management, in accordance with the terms of engagement;

~~(i)(ii)~~ [Moved from ¶37(d)] Contains reference to the responsibilities of management, or those charged with governance as appropriate, in relation to the compilation engagement and in relation to the financial information;

~~(ii)(iii)~~ [Moved from ¶37(c)(ii)] Identifies the applicable—financial reporting framework used and, if a special purpose financial reporting framework is used, describes or refers to the description of that special purpose financial reporting framework in the financial information; and

~~(iii)(iv)~~ Identifies the compiled—financial information, including the title of each element of the compiled—financial information if it comprises more than one element, and the date of the financial information and/or the period to which it relates;

[¶37(d) moved to ¶38(c)(ii)]

(d) A description of the practitioner's responsibilities in compiling the financial information, including that the engagement was performed in accordance with this ISRS, and that the practitioner has complied with including relevant ethical requirements; [See Agenda Item 8-A ¶36(c)]

~~(e)~~ A description of what a compilation engagement of financial information entails in accordance with this ISRS; and

~~(e)(f)~~ [¶37(f) and redrafted] a statement that, since a compilation—the engagement is not an assurance engagement, the engagement does not involve verifying the accuracy and completeness of the information provided by management for the compilation, or otherwise gathering evidence for the purpose of expressing neither an audit opinion nor a review conclusion on the compiled financial information; has been carried out and accordingly the practitioner does not express an audit opinion or a review conclusion on the compiled financial information;

~~(f)(g)~~ If the compiled—financial information is compiled in the form of special purpose financial—using a special purpose financial reporting framework, an explanatory paragraph that statements, under a separate heading in the report: (Ref: Para. A5960–A6162)

(i) Describes A description of the purpose for which the financial information is prepared and, if necessary, the intended users, or contains a reference to a note in the compiled financial statementsinformation that discloses contains thatthis information; and

(ii) An alertDraws to users of the attention of readers of the practitioner's report to the fact that the financial statementsinformation is—are prepared in accordance with a special purpose framework and that, as a result, the financial statementsinformation may not be suitable for another purposes;

~~(g)(h)~~ The date of the practitioner's report;

~~(h)(i)~~ The practitioner's signature; and

~~(i)(j)~~ The practitioner's s or firm's address.

38-39. \_\_\_\_\_ The practitioner shall date the report on the date that management has accepted responsibility for the ~~compiled~~ financial information. (Ref: Para. A6263)

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## Application and Other Explanatory Material

### Scope of this ISRS (Ref: Para. 1–2) [See Agenda Item 8-A, Issue A]

- A1. ~~The~~ A practitioner's involvement with services or activities in the course of relating to assisting management of an entity with the preparation of and presentation of an entity's financial information can take many different forms. When the practitioner is engaged to provide such services or activities for an entity under this ISRS, the practitioner's association with the financial information is communicated through the practitioner's report provided for the engagement in the form required by this ISRS. The practitioner's report contains the practitioner's explicit assertion of compliance with this ISRS. The practitioner's involvement in such activities falls within the scope of this ISRS if undertaken as part of performing a compilation engagement as defined in this ISRS. Such activities do not fall within the scope of this ISRS if the engagement does not involve the practitioner making a report in accordance with the requirements of this ISRS. An example of such a situation is when a practitioner provides accounting services, including assisting management with the preparation and presentation of financial information without a report as required by this ISRS. [See Agenda Item 8-A, ¶9]
- A2. [New] Mandatory application of this ISRS may be specified in national settings for engagements where practitioners undertake services relevant to the preparation and presentation of financial information of an entity (such as in relation to preparation of historical financial statements required for public filing). If mandatory application is not specified, either under national law or regulation, or under applicable professional standards or otherwise, the practitioner may nevertheless conclude that applying this ISRS is appropriate in the circumstances. Accordingly, the practitioner may specify this ISRS as the basis for the engagement. A practitioner may decide to do so, for example, when it is important for the understanding of the parties to the engagement, or for that of the intended users of the financial information, that the nature and extent of the practitioner's involvement be clearly described and communicated. In that situation the terms of engagement will specify that the practitioner will apply this ISRS to conduct the engagement. [See Agenda Item 8-A, ¶9]
- A3. [New] The terms of the engagement may specify that the practitioner will perform services or activities relevant to the preparation and presentation of financial information under standards or requirements other than those reflected in this ISRS (including, for example applicable requirements defined or established in relevant national law or regulation). If the practitioner is engaged to undertake such services without providing a report in accordance with this ISRS, the practitioner may need to consider whether that is appropriate in consideration of the circumstances of the engagement. Relevant factors to consider may include:

- The nature of the engagement, and whether the financial information is required under provisions of applicable national law or regulation, and whether it will be required to be publicly filed.
- The likelihood of the practitioner being associated with the entity's financial information, and the risk that the level of the practitioner's involvement with the information may be misunderstood, either by the engaging party or other parties. For example:
  - If the financial information is intended for use by third parties, or could be expected to be provided to, or obtained by parties who are not the intended users of the information; and
  - If the practitioner's name is identified with the financial information.

[See Agenda Item 8-A, ¶9]

A4. [Moved from A2 and redrafted] ~~This includes~~ In compilation engagements where the engaging party is someone other than management or those charged with governance of the entity. ~~This ISRS would be~~ applied adapted as necessary, in such circumstances.

*Application to Compilation Engagements Other Than for Historical Financial Information* (Ref: Para. 2)

A52. This ISRS addresses ~~the compilation of engagements where the practitioner assists management in the preparation and presentation of historical financial information. This~~ ISRS may, however, also be applied, adapted as necessary, to when the practitioner is engaged to assist management in preparing and presenting compilation of other financial information. Examples of other types of financial information that practitioners may compile include:

- Pro-forma financial information
- Prospective financial information, including financial budgets or forecasts

A63. Practitioners may also ~~perform~~ undertake engagements to ~~compile~~ assist management in the preparation and presentation of non-financial information, for example greenhouse gas statements, statistical returns or other information returns. In those circumstances the practitioner and may use apply this ISRS, adapted as necessary, as relevant to for those types of engagements. compilations, adapted as necessary.

*Relationship with ISQC 1* (Ref: Para. 3)

A47. ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for related services engagements, including compilation engagements. Those responsibilities are directed at establishing:

- The firm's quality control system; and
- The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies at the firm level of the firm.

A58. Under ISQC 1 the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:

- (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and
- (b) Reports issued by the firm or engagement partners are appropriate in the circumstances.<sup>5</sup>

A69. A jurisdiction that has not adopted ISQC 1 in relation to compilation engagements may set out requirements for quality controls in firms performing such engagements. The provisions of this ISRS regarding quality controls at the engagement level are premised on the basis that ~~such quality control~~ requirements adopted are at least as demanding as those of ISQC 1. This is achieved ~~That is,~~ when those requirements impose obligations on the firm to achieve the aims of the requirements of ISQC 1, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements:

- Leadership responsibilities for quality within the firm;
- Relevant ethical requirements;
- Acceptance and continuance of client relationships and specific engagements;
- Human resources;
- Engagement performance; and
- Monitoring.

A710. Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures applicable to the engagement.

A811. Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to:

- Competence of personnel through their recruitment and formal training.
- Maintenance of client relationships through acceptance and continuance systems.
- Adherence to legal and regulatory ~~and legal~~ requirements through the monitoring process.

In considering deficiencies identified in the firm's system of quality control that may affect the compilation engagement, the engagement partner may ~~have regard to~~ consider measures taken by the firm to rectify the situation that the engagement partner considers are sufficient in the context of that compilation engagement.

A912. A deficiency in the firm's systems of quality control does not necessarily indicate that a compilation engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.

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<sup>5</sup> ISQC 1, paragraph 11



**The Compilation Engagement to Compile Financial Information** (Ref: Para. 5 and 8)

Use of Terms “Management” and “Those Charged with Governance” (Ref: Para. 4, 6-7)

A13. [Moved from ¶A17 and redrafted] The respective responsibilities of management and those charged with governance will differ between jurisdictions, and between entities of various types. These differences affect the way the practitioner applies the requirements of this ISRS regarding management or those charged with governance. ~~is affected by the manner in which the responsibilities of management and those charged with governance differ between various types of entities, and between jurisdictions~~ The words “where appropriate” used in Accordingly, the phrase “management and, where appropriate, those charged with governance” used in various places throughout this ISRS is intended to alert the practitioner to the fact ~~signal that in different entity environments may have different the practitioner will need to take into account the relevant management and governance structures and arrangements of the entity for which the practitioner is compiling financial information.~~

A14. [Moved from ¶A18] Various responsibilities relating to preparation of financial information and external financial reporting fall to either management or those charged with governance according to factors such as:

- The resources and structure of the entity.
- The respective roles of management and those charged with governance within the entity as set out in relevant law or regulation or, if the entity is not regulated, in any formal governance or accountability arrangements established for the entity (for example, as recorded in contracts, or a constitution or other type of document by which an entity is established).

In many small entities there is often no separation of the management and governance roles for the entity, or those charged with governance of the entity may also be involved in managing ~~an~~ the entity. In most other cases, especially in larger entities, management is responsible for execution of the business or activities of the entity and reporting thereon, while those charged with governance have oversight of management. In larger entities, those charged with governance will often have or assume responsibility for approving the financial information of the entity, particularly when it is intended for use by external parties. In large entities, often a subgroup of those charged with governance, such as an audit committee, is charged with certain oversight responsibilities. ~~In different~~ some jurisdictions the ~~legal responsibility for~~ legal preparation of financial statements for an entity in accordance with a specified framework is the legal responsibility of those charged with governance, and in other jurisdictions it is a management responsibility.

Involvement in Other Activities Relating to Preparation and Presentation of Financial Information  
(Ref: Para. 4)

A150. [Merged ¶A10 and ¶A16, and redrafted] ~~In the course of a compilation engagement the practitioner may perform activities in addition to presenting the financial information, depending on the extent to which management has already prepared the underlying financial information. For example, the practitioner may compile the financial information from a preliminary trial balance provided by management. In other cases the practitioner may also~~

~~process information about underlying transactions and events of the entity for the entity's accounting records, in the course of providing services to management of the entity. As noted in paragraph A10, the scope of a compilation engagement will vary, depending on the circumstances of the engagement. However, but will in every case it will involve assisting management to in the preparation and present presentation of the entity's financial information in accordance with the applicable financial reporting framework, based on the information provided by management. In some compilation engagements, management may have already prepared the financial information itself in a draft or preliminary form, and may request only that the practitioner complete the compilation of the financial information in accordance with the applicable financial reporting framework.~~

A16. ~~[Moved from ¶A16] In other cases the~~ A practitioner may also be engaged to undertake ~~further certain other activities on behalf of management, additional to the compilation engagement, on behalf of management, f~~ For example, the practitioner may be requested to ~~also collecting, classifying and summarizing the underlying accounting data information of the entity and process the data, such as in the form of accounting records prepared from source documents, through to the production of a trial balance, as needed prior to being to~~ The trial balance ~~can~~ would then be used as the underlying information from which the ~~practitioner will~~ can able to ~~present compile the financial the information that is the subject of a compilation engagement undertaken under the compilation engagement in accordance with this ISRS in accordance with the applicable financial reporting framework. This situation is often the case for smaller entities that do not have well-developed accounting systems, or entities that prefer to outsource the preparation of accounting records to external providers. This ISRS does not address such additional activities that the practitioner may perform to assist management in other areas, in advance of compiling the entity's financial statements in the course of undertaking a compilation engagement.~~

*Distinguishing the Compilation Engagement from an Assurance Engagement (Ref: Para. 5)*

A17. ~~[Moved from ¶A11 and ¶A46, and redrafted]~~ A compilation engagement does not require verification of the accuracy or completeness of the information provided by management for purposes of the engagement, or performance of the types of procedures that provide a basis for the practitioner to obtain assurance on the financial information. To avoid misunderstanding, the practitioner is required under this ISRS to communicate that the compilation engagement is not an assurance engagement, both in the terms of the engagement and in the practitioner's report.

**Definitions** (Ref: Para. 15)

A12. ~~[Deleted] This ISRS describes meanings attributed to certain terms for purposes of this ISRS. These are provided to assist practitioners in the consistent application and interpretation of this ISRS, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise.~~

*The Applicable Financial Reporting Framework (Ref: Para. 15(a))*

A13. ~~[Moved to ¶9]~~

A14. [Moved to ¶A28]

A15. [Moved to ¶10 and redrafted]

*Compilation Engagement* (Ref: Para. ~~15(e)~~)

A16. [Redrafted, moved and merged with ¶A15 and ¶A16]

*Use of Terms “Management” and “Those Charged with Governance”* (Ref: Para. 16)

A17.—[Moved to ¶A13]

A18.—[Moved to ¶A14]

**Ethical Requirements** (Ref: Para. ~~20~~21)

A189. Part A of the IESBA Code establishes the fundamental principles of professional ethics that practitioners must comply with, and provides a conceptual framework for applying those principles. The fundamental principles are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and
- (e) Professional behavior.

Part B of the Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the IESBA Code, threats to the practitioner’s compliance with relevant ethical requirements are required to be identified and appropriately addressed.

A1920. Notwithstanding that section 290, *Independence–Audit and Review Engagements* and section 291, *Independence–Other Assurance Engagements* in Part B of the IESBA Code does not apply to ~~require independence in a~~ compilation engagements, national ethical codes or laws or regulations may specify requirements or disclosure rules pertaining to independence.

**Professional Judgment** (Ref: Para. ~~24~~22)

A204. Professional judgment is essential to the proper conduct of a compilation engagement. This is because interpretation of relevant ethical requirements and the requirements of this ISRS, and the need for informed decisions that are required throughout the performance of a compilation engagement, cannot be made without requires the application of relevant knowledge and experience to the facts and circumstances of the engagement. Professional judgment is ~~necessary~~, in particular, for assisting management of the entity regarding decisions about ~~concerning~~ for:

- The acceptability of the financial reporting framework that is to be used to ~~compile~~ prepare and present the financial information of the entity in view of the

~~intended purpose~~ use of the financial information, and the intended users thereof ~~the financial information~~.

- The application of the applicable financial reporting framework, ~~such as when the practitioner provides assistance to management~~ including regarding:
  - Selection of appropriate accounting policies under the applicable financial reporting framework; and
  - Development of accounting estimates ~~that are needed for the financial information being compiled~~.
  - ~~[Deleted] Performance of procedures under the requirements specified in this ISRS to complete the compilation of the financial information.~~

~~A2122.~~ The exercise of professional judgment in individual ~~compilation~~ engagements is based on the facts and circumstances that are known to the practitioner up to the date of the practitioner's report on the engagement, including:

- Knowledge acquired from performance of other engagements undertaken for the entity, where applicable (for example, taxation services).
- The practitioner's ~~knowledge and~~ understanding of the entity's business and operations including its accounting system, and ~~understanding of~~ the application of the applicable financial reporting framework in the industry in which the entity operates.
- ~~The extent to which~~ the preparation and presentation of the underlying financial information requires the exercise of management judgment.
- Matters or circumstances arising in the compilation engagement relevant to the practitioner's consideration of whether the practitioner may be associated with financial information that is materially false or misleading.

#### **Engagement Level Quality Control** (Ref: Para. ~~2223~~(b))

~~A2223.~~ In taking responsibility for the overall quality on each engagement, ~~The~~ actions of the engagement partner and appropriate messages to the other members of the engagement team; ~~in taking responsibility for the overall quality on each engagement~~ emphasize the importance of achieving quality in the engagement, including with regard to:

- (a) Performing work that complies with professional standards and regulatory and legal requirements;
- (b) Complying with the firm's quality control policies and procedures as applicable; and
- (c) Issuing the practitioner's report for the engagement; ~~and~~
- (d) ~~[Deleted] The engagement team's ability to raise concerns without fear of reprisals.~~

*Acceptance and Continuance of Client Relationships and Compilation Engagements* (Ref: Para. ~~2223~~(ab)(i))

A2324. ISQC 1 requires the firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and compilation engagements is appropriate may include information concerning the integrity of the principal owners, key management and those charged with governance. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the compilation engagement, it may not be appropriate to accept the engagement. ~~to perform a compilation as doing so may lead to the practitioner being associated with the entity's financial statements in an inappropriate manner.~~

*Compliance with Relevant Ethical Requirements in Relation to Conducting the Engagement (Ref: Para. 2223(b)(ii))*

A2524. ISQC 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. This ISRS sets out the engagement partner's responsibilities with respect to relevant ethical requirements. These responsibilities include evaluating whether being alert for indications of non-compliance by members of the engagement team have complied with relevant ethical requirements, and determining the appropriate action if matters come to the engagement partner's attention ~~that indicating~~ that members of the engagement team have not complied with relevant ethical requirements.

## **Engagement Acceptance and Continuance**

*Factors Affecting Continuance of Client Relationships and Engagement Acceptance (Ref: Para. 23)*

A26. [Moved to ¶A34 and redrafted]

A27. [Deleted] ~~Other factors may also influence the practitioner's decision about whether to accept a compilation engagement, for example, if the practitioner has cause to suspect that management may lack integrity to a degree that may affect proper performance of the compilation engagement.~~

A28. [Moved to ¶A36]

*Identifying the Intended Use of the Financial Information (Ref: Para. 2324(a))*

A259. The intended use of the financial information to be compiled is identified with reference to applicable law, regulation, or other arrangements established concerning the provision of financial information of the entity, bearing in mind the financial information needs of parties internal or external to the entity who are the intended users. Examples are financial information required to be provided by an entity in connection with undertaking transactions or financing applications with external parties such as suppliers, banks or other providers of finance or funding.

A3026. The practitioner's identification of the intended use of the financial information also involves understanding such factors as the particular purpose(s) of management, or those

charged with governance, where applicable, that are intended to be served through requesting the compilation engagement, and those of the engaging party where different. , or management's particular purpose(s) that are intended to be served through requesting the compilation engagement. For example, a grant funding body may require the entity to compilation of provide financial information compiled by a professional accountant to obtain that information prepared in a specified form about certain aspects of an entity's operations or activities, prepared in a specified form, into support of the provision of a grant or continuation ed provision of an existing grant.

Acceptability of Identification of the Applicable Financial Reporting Framework (Ref: Para. 17(b), 2324(b))

A3127. The practitioner's ~~determination of the acceptability of~~ decision about the financial reporting framework that management ~~identifies~~ adopts for use in the financial information compilation engagement is made in the context of the practitioner's understanding of the intended use of the financial information ~~that is to be compiled~~, as described in the agreed terms of the engagement, and the requirements of any applicable law or regulation.

A28. [Moved from ¶A14, and redrafted] The financial information may be prepared in accordance with a financial reporting framework designed to meet:

- The common financial information needs of a wide range of users (that is, a "general purpose financial reporting framework"); or
- The financial information needs of specific users (that is, a "special purpose financial reporting framework").

A29. [Moved from ¶A35] In the absence of any indications to the contrary, the practitioner may presume that the financial reporting framework adopted by management is acceptable. In many cases the financial reporting framework is prescribed by applicable law or regulation of a jurisdiction, for example in relation to the preparation of general purpose financial statements by a corporate entity, or other types of regulated entities.

A3032. In view of the practitioner's ethical obligation to avoid association with financial information that is materially false or misleading, the following are examples of Ffactors that may be relevant to a consideration of the practitioner's determination of whether the acceptability of the financial reporting framework to be used to compile the financial information is acceptable required include:

- The nature of the entity, and whether it is a regulated form of entity,; ~~For example, whether it is a profit-oriented business enterprise, a public sector entity or an organization not-for-profit organization.~~
- The purposeintended use of the financial information ~~to be compiled~~ and the intended users,; ~~For example, the financial information could be intended to be used by a wide range of users or, alternatively, could be for use by management or by certain external users in the context of a particular purpose specified as part of agreeing the terms of the compilation engagement. may be compiled for use only by management or it may be~~

~~intended for external users, or it could be intended to be either general purpose or special purpose financial information.~~

- [Moved from fourth bullet] Whether the applicable financial reporting framework is prescribed or specified, either in applicable law or regulation, or in a contract or other form of agreement with a third party, or specified as part of governance or accountability arrangements adopted voluntarily by the entity.
- [Moved from third bullet] The nature and form of the financial information that is to be compiled~~prepared and presented~~ under the applicable financial reporting framework, for example, a complete set of financial statements, a single financial statement, or financial information ~~compiled~~presented in another format ~~format~~ agreed between ~~the parties to a contract or other form of agreement.~~

Relevant Factors When the Financial Information is Intended for a Particular Purpose (Ref. Para. 24(a))

A32. ~~[Deleted] If the financial information to be compiled is to be used for special purpose using a special purpose financial reporting framework, the determination of the applicable financial reporting framework identified for the financial information to be compiled may be the practitioner's evaluated by reference to the particular purpose(s) of the information and the needs of the intended users.~~

A3133. The engaging party generally agrees the nature and form of ~~special purpose~~ financial information that is intended for a particular purpose to be used ~~“”~~ with the intended users ~~of the information~~, for example as specified under the financial reporting provisions of a contract or a project grant. The relevant contract may require use of an established ~~recognized~~ financial reporting framework, such as a general purpose financial reporting fair presentation framework established by an authorized or recognized standard-setting body organization or by law or regulation. Alternatively, the parties to the contract may agree on the use of a general purpose framework with, but such modifications or adaptations in certain respects that fit their ~~in consideration of~~ particular needs. In that case the applicable financial reporting framework may be described in the financial information and in the practitioner's report as being “the financial reporting provisions of the specified contract” rather than with reference to the modified financial reporting framework ~~the~~. Similarly, In such cases, the applicable financial reporting framework is a special purpose framework, and the practitioner is required to comply with the reporting requirements in paragraph 38(g) of this ISRS. may not be a fair presentation framework. That is even if the financial reporting framework on which it is based is a fair presentation framework, because the modified special purpose framework in the financial information may not comply with all the requirements of the financial reporting framework necessary to achieve fair presentation.

A3234. ~~AAn entity may only need to prepare special purpose financial information if it that is not subject to required to comply with general purpose financial reporting requirements under applicable law or regulation, may prepare financial information only for particular purposes, as needed to support the entity's transactions and activities. Where, under the agreed terms of the engagement, the financial information is intended for a specific use, or for use by specific intended users. The financial information of the~~

~~entity prepared in such circumstances compiled special purpose may be available to, or accessed by, users other than those, for whom N~~notwithstanding that the broader availability of the financial information it may be more broadly available, in such circumstances, under the agreed terms of the engagement the financial statements it areis required to be presented as special purpose financial information statements for the purpose of this ISRS. The practitioner is required to comply with the reporting requirements in paragraph 38(g) of this ISRS are designed in order to avoid misunderstandings about the purpose intended use for of which the financial information is prepared and about the intended users thereoffinancial.

A35. [Moved to ¶A29]

A3336. When the applicable financial reporting framework is a special purpose financial reporting framework, the practitioner is required by this ISRS to record any restrictions on either the intended use or distribution of the compiled financial information in the engagement letter, and to ~~include an alert~~state in the practitioner's report that the financial information is prepared ~~for using~~ a special purpose financial reporting framework, and as a result may not be suitable for ~~another purposes~~.

*The Practitioner's Responsibilities and Compliance with Relevant Ethical Requirements* (Ref: Para. 24(d))

A34. [Moved from ¶A26] ~~Under the IESBA Code the practitioner must not knowingly be associated with financial information that is materially false or misleading, including by omission of relevant information or disclosures. The practitioner is required under this ISRS not to accept the engagement when If the practitioner is not satisfied that the requirements of this ISRS regarding continuation of client relationships and engagement acceptance are met, This is because the threat from being knowingly associated with information the practitioner believes is materially false or misleading information is considered so significant that it is not able to cannot be mitigated through safeguards, and the practitioner is required to decline the engagement.~~

*Responsibilities of Management* (Ref: Para. 23(e)(ii)e(24e))

A35. [New] Under this ISRS, the practitioner is required to obtain the agreement of management, or where applicable those charged with governance, on management's responsibilities in relation to both the financial information and the compilation engagement as a condition precedent to accepting the engagement. In smaller entities management, or those charged with governance where applicable, may not be well-informed about what those responsibilities are, including those arising in applicable law or regulation. In order to obtain management's agreement on an informed basis, the practitioner may find it necessary to discuss those responsibilities with management in advance of seeking management's agreement on its responsibilities.

A367. [Moved from ¶A28 and redrafted] If management does not acknowledge its compilation engagement responsibilities in the context of a compilation engagement ~~as described under paragraph 24~~, the practitioner is not able to undertake the engagement, and it is not appropriate for the practitioner to accept the engagement unless required to do so under



applicable law or regulation. In circumstances where the practitioner is nevertheless required to accept the engagement, the practitioner may need to communicate with management about the importance of these matters and the implications for the engagement.

A37. The practitioner is entitled to rely on management to provide all relevant information for the compilation engagement on an accurate, complete and timely basis. The form of the information provided by management for the purpose of the ~~compilation~~engagement will vary in different engagement circumstances. In broad terms, it will comprise records, documents, explanations and other information, including significant judgments, relevant to the ~~preparation-compilation~~ of the financial information using the applicable financial reporting framework. The information provided may include, for example, information about management assumptions, intentions or plans underlying development of accounting estimates needed to compile the information under the applicable financial reporting framework.

*Engagement Letter or Other Form of Written Agreement (Ref: Para. 25)*

A38. It is in the interests of both management, and the engaging parties where different, and the entity and the practitioner that the practitioner sends an engagement letter to management and, where applicable, to the engaging parties prior to performing the compilation engagement, to help avoid misunderstandings with respect to the compilation engagement. An engagement letter confirms the practitioner's acceptance of the engagement and confirms such matters as:

- The objectives and scope of the engagement, including the understanding of the parties to the engagement that the engagement is not an assurance engagement.
- The intended use and distribution of the financial information, and any restrictions on its use or distribution (where applicable).
- The responsibilities of management in relation to the compilation engagement.
- The extent of the practitioner's responsibilities, including that the practitioner will not express an audit opinion or a review conclusion on the financial information.
- ~~and~~ The form and content of the report to be issued by the practitioner for the engagement, and the responsibilities of management in relation to the compilation and in relation to the financial information to be compiled.

*Form and Content of the Engagement Letter*

A39. The form and content of the engagement letter may vary for each ~~entity~~engagement. In addition to the matters required by this ISRS, an engagement letter may make reference to, for example:

- Arrangements concerning the involvement of other practitioners and experts in some aspects of the compilation engagement.
- Arrangements to be made with the predecessor practitioner, if any, in the case of an initial ~~compilation~~ engagement.

- The possibility that management or those charged with governance, as appropriate, may be requested to confirm in writing certain information or explanations conveyed orally to the practitioner during the engagement, in writing.
- ~~[Deleted] The agreement of management to inform the practitioner of facts that may affect the compiled financial information, of which management may become aware in the course of the compilation up to the date of completion of the compilation engagement.~~
- Ownership of the information used for the purposes of the compilation engagement, distinguishing between documents and information of the entity provided for the compilation engagement and the practitioner's engagement documentation, and having regard to applicable law and regulation.
- A request for management, and the engaging party if different, to acknowledge receipt of the engagement letter and to agree to the terms of the engagement outlined therein.

#### Illustrative Engagement Letter

A40. An illustrative engagement letter for a compilation engagement is set out in Appendix 21 to this ISRS.

#### *Recurring Engagements* (Ref: Para. 26)

A41. The practitioner may decide not to send a new engagement letter or other written agreement each period. However, the following factors may indicate that it is appropriate to revise the terms of the compilation engagement, or to remind management or the engaging party, where applicable, of the existing terms of the engagement:

- Any indication that ~~the entity~~ management or the engaging party, where applicable, misunderstands the objective and scope of the ~~compilation~~ engagement.
- Any revised or special terms of the engagement.
- A recent change of senior management of the entity.
- A significant change in ownership of the entity.
- A significant change in nature or size of the entity's business.
- A change in legal or regulatory requirements affecting the entity.
- A change in the applicable financial reporting framework ~~or other basis of accounting to be used to compile the financial information that is the subject of the engagement.~~

#### **Communication with Management and Those Charged with Governance** (Ref: Para. 27)

A42. [Moved from ¶A52] The appropriate timing for communications will vary with the circumstances of the compilation engagement. Relevant circumstances include the significance and nature of the matter and any action expected to be taken by management or those charged with governance. For example, it may be appropriate to communicate a

significant difficulty encountered during the ~~compilation~~engagement as soon as practicable if management ~~or~~for those charged with governance are able to assist the practitioner to overcome the difficulty.

## Performing the Engagement

*The Practitioner's ~~Knowledge and Understanding~~* (Ref: Para. ~~27~~28)

A43. [New] Obtaining an understanding of the entity's business and its operations, including the entity's accounting system and accounting records, is an ongoing process that occurs throughout the compilation engagement. The understanding establishes a frame of reference within which the practitioner exercises professional judgment in compiling the financial information.

~~A442. The breadth and depth of the knowledge and understanding the practitioner has or obtains about the entity's and its business and operations is less than that which is possessed by management. It is directed at the level that is sufficient for the practitioner to be able to present the compiled compile the financial information in accordance with the applicable financial reporting framework and in under the terms of the engagement, and to comply with this ISRS.~~

~~A453. Examples of relevant factors~~matters the practitioner may consider in ~~developing~~obtaining an knowledge and understanding of the entity's business and operations include:

- The size and complexity of the entity and its operations.
- The complexity of the ~~applicable~~ financial reporting framework.
- The entity's financial reporting obligations or requirements, whether they exist under applicable laws and regulation, under the provisions of a contract or other form of agreement with a third party, or in the context of voluntary financial reporting arrangements, ~~for example with third parties.~~
- The level of development of the entity's management and governance structure regarding management and oversight of the entity's accounting records and financial reporting systems that underpin the preparation of financial information of the entity for financial reporting purposes.
- The ~~degree of complexity or otherwise~~ of the entity's financial accounting and reporting systems.
- The nature of the entity's assets, liabilities, revenues and expenses.
- The level of development, the and proper design, and the or relative sophistication of the entity's accounting systems and related controls through which the entity's accounting records and related information ~~is~~are maintained.

*Compiling the Financial Information* (Ref: Para. ~~28~~29)

~~A44.~~[Moved to ¶A56]

~~Matters Requiring Significant Management Judgment—Consideration of Going Concern (Ref: Para. 29)~~

A46. [Moved from ¶29] It may be necessary for the practitioner to discuss and agree with management their significant judgments required to compile the financial information including, where applicable, the basis for significant accounting estimates and use of the going concern assumption. For example, if the applicable financial reporting framework requires management to form accounting estimates to be in compliance with that framework, the practitioner may need to discuss those estimates with management in the course of compiling the financial information.

A475. The applicable financial reporting framework may include the premise that require the financial information to be prepared on the going concern basis. If the practitioner becomes aware that uncertainties exist regarding the entity's ability to continue as a going concern, the practitioner may, as appropriate, suggest a more appropriate presentation under the applicable financial reporting framework, and related or appropriate disclosures concerning the entity's ability to continue as a going concern, in order to be in compliance with that framework.

~~Accuracy and Completeness of Information Provided by Management for the Purpose of the Compilation (Ref: Para. 30)~~

A46- [First sentence moved to ¶A17; rest deleted]

~~Reading and Considering the Compiled Financial Information (Ref: Para. 3430)~~

A487. The practitioner's reading of the ~~compiled financial information with knowledge and understanding of the entity's business and operations, and the applicable financial reporting framework, enables the practitioner to consider~~ is intended to assist the practitioner in whether the financial information is materially misstated or misleading. This reading is ordinarily adequate to fulfilling the practitioner's ethical obligation to not knowingly be associated with financial information that is materially false or misleading. The practitioner's reading involves consideration of materiality as described or required to be applied by the applicable financial reporting framework. If the compiled financial information uses a fair presentation framework, the practitioner's reading involves consideration of whether additional disclosures are needed for the financial information to be fairly presented, in all material respects, or to give a true and fair view. [See Agenda Item 8-A ¶38]

A49. [New] Some financial reporting frameworks discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:

- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
- Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and

Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. [See Agenda Item 8-A ¶37]

A50. [New]—If present in the applicable financial reporting framework, such a discussion provides a frame of reference for the practitioner in understanding materiality for the purpose of the compilation engagement. If not present, the above considerations provide the practitioner with a frame of reference. [See Agenda Item 8-A ¶37]

A51. [New]—The practitioner's perception of the needs of users of the financial information affects the practitioner's view of materiality. In this context, it is reasonable for the practitioner to assume that users:

- Have a reasonable knowledge of business and economic activities and accounting, and a willingness to study the financial information with reasonable diligence;
- Understand that financial information is prepared and presented to levels of materiality;
- Recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and the consideration of future events; and  
Make reasonable economic decisions on the basis of the information in the financial statements information. [See Agenda Item 8-A ¶37]

*Proposing Amendments to the ~~Compiled~~ Financial Information (Ref: Para. 3233)*

~~A48.—[Deleted] If, on reading the compiled financial information the practitioner becomes aware that the compiled financial information as presented:~~

- ~~(a)—Does not adequately describe the applicable financial reporting framework; or~~
- ~~(b)—Is materially misstated or misleading,~~

~~the practitioner is in a position to propose amendments to the compiled financial information so that the compiled financial information adequately refers to or describes the applicable financial framework, and is not materially misstated or misleading.~~

~~A49.—[Deleted] The amendments that the practitioner may propose to management could include a proposal to change the applicable financial reporting framework, as long as the proposed alternative framework is acceptable in the circumstances of the engagement and is adequately described in the financial information. For example, it may become apparent that modifications to a general purpose financial reporting framework would be acceptable in light of the specific users' needs. In such circumstances, the terms of engagement may need to be amended to reflect the change in the selected framework. The alert to users regarding the framework as required in paragraph 37(g)(ii) would be added to the practitioner's report.~~

A52. [New]During the engagement the practitioner may become aware of differences between the amount, classification, presentation, or disclosure of an item reported in the financial statements and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. The practitioner

may believe that, if not corrected, these differences would cause the practitioner to be associated with financial information that is materially false or misleading. In such situations, the practitioner's purpose in proposing amendments to the financial information to management is to comply with the practitioner's ethical obligation to avoid being knowingly associated with information that is materially false or misleading.  
[See Agenda Item 8-A ¶36(b) and 38]

*Conditions that Require the Practitioner to Withdraw from the Engagement* (Ref: Para. 32 and 33–34)

~~A5350. If management declines the practitioner's proposed amendments to the compiled financial information so that the financial information is not materially misstated or misleading, the practitioner is required to communicate with management about the implications for the engagement. Such communications~~ In circumstances addressed by the requirements of paragraphs 32 and 34 where withdrawal from the engagement is necessary, the responsibility to inform management and those charged with governance of the reasons for withdrawing provides an opportunity to explain the practitioner's ethical obligations to not be associated with materially false and misleading information in performing the compilation engagement and in being associated with the compiled financial information. Under the IESBA Code, whenever the practitioner believes that the practitioner is associated with information that the practitioner believes is materially false or misleading, the practitioner is required to take steps to be disassociated from that information.<sup>6</sup> [See Agenda Item 8-A ¶36(b) and 38]

~~A51.~~ [Moved to ¶37 as essential explanatory material to reporting requirements]

~~**Communication with Management or Those Charged with Governance**~~ (Ref: Para. 35)

~~A52.~~ [Moved to par. A42]

**Documentation** (Ref: Para. 36)

~~A5453.~~ The documentation required by this ISRS serves a number of purposes, including the following:

- Providing a record of matters of continuing relevance to future compilation engagements.
- Enabling the engagement team, as applicable, to be accountable for its work.
- Documenting the completion of the engagement.

~~A5554.~~ The practitioner may consider also including ~~the following~~ in the engagement documentation ~~in addition to that required under this ISRS, in relation to any significant matters regarding the engagement:~~ A a copy of the entity's trial balance, summary of significant accounting records or other information that the practitioner used to perform the compilation.

<sup>6</sup> IESBA Code, Part A, Paragraph 110.2

[Remaining bullet points #two to four deleted]

- ~~• A record of adjustments proposed by the practitioner but not accepted by management.~~
- ~~• Notes of the practitioner's consultations undertaken with other suitably competent persons about any difficult or contentious areas.~~
- ~~• Notes of any significant aspects of the engagement, or matters that required exercise of significant professional judgment by the practitioner.~~

A55. ~~[Deleted]~~ Regarding the practitioner's communications with management in the course of the engagement, the practitioner may consider documenting the following matters:

- ~~• Amendments made to the description of the applicable financial reporting framework in the compiled financial information, and any amendments that were proposed but not accepted by management.~~
- ~~• More extensive information and explanations provided by management in relation to significant judgments required to compile the financial information including, where applicable, the basis for significant accounting estimates and use of the going concern assumption.~~

A56. [Moved from ¶A44] In recording how the compiled financial information reconciles to the underlying records, documents, explanations and other information, including significant judgments, the practitioner may keep a schedule showing the reconciliation of the entity's general ledger account balances to the compiled financial information, including any adjusting journal entries the practitioner has agreed with management in the course of the engagement.

### **The Practitioner's Report** (Ref: Para. 3738)

A576. The written report encompasses reports issued in hard copy format and those issued using an electronic medium.

A587. When the practitioner is aware that the compiled financial information and the practitioner's report will be included in a document that contains other information, such as a financial report, the practitioner may consider, if the form of presentation allows, identifying the page numbers on which the ~~compiled~~ financial information is presented. This helps users to identify the ~~compiled~~ financial information to which the practitioner's report relates.

### *Addressees of the Report* (Ref: Para. 3738(b))

A5958. Law or regulation may specify to whom the practitioner's report is to be addressed in ~~that~~the particular jurisdiction. The practitioner's report is normally addressed to the party who engaged the practitioner for whom the financial information is compiled under the terms of the engagement, ordinarily. ~~The engaging party is ordinarily the management of the entity.~~

*Financial Information ~~Compiled~~ Prepared Using for a Special Purpose Financial Reporting Framework, or that Has Restricted Use or ~~Is for Restricted Distribution~~* (Ref: Para. 3738(g))

A6059. Under this ISRS, ~~if the compiled financial information is prepared using a special purpose financial reporting framework~~financial information, the practitioner's report is required ~~under this ISRS to alert~~draw the attention of readers of the ~~report to financial information to the special purpose financial reporting framework used in nature of the financial information, and to state that the financial information may therefore not be suitable for other purposes other than those described in the accompanying financial information.~~ When appropriate, this ~~alert~~ may be supplemented by an additional clause that restricts either or both the distribution and use of the ~~compiled~~ financial information to the intended users only.

A6160. ~~Compiled~~Financial information prepared for a special~~particular purpose financial statements~~ may be obtained by parties other than the intended users, who may seek to use the ~~information used for purposes other than those for which they were the information was intended.~~ For example, a regulator may require certain entities to ~~place the compiled special purpose~~provide financial statements prepared using a special purpose financial reporting framework, and for those financial statements to be on a public record. The fact of the wider availability of those financial statements to parties other than the intended users does not mean the financial statements would then become general purpose financial statements. ~~To avoid misunderstandings, the practitioner's statements required to be included in the practitioner's report that they are special purpose financial statements and may not, therefore, be suitable for other purposes alerts are needed to draw the attention of readers users of the practitioner's report to that fact that the financial statements are compiled in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.~~

Restriction on Distribution and Use of the Practitioner's Report

A6264. The practitioner may consider it appropriate to indicate that the practitioner's report is intended solely for the ~~specified intended~~specific users of the financial information. ~~in addition to the alert that they have been prepared for a special purpose.~~ Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the practitioner's report. ~~In these circumstances, the alert required by this ISRS may be expanded to include these other matters.~~

*Approval of the ~~Compiled~~ Financial Information by Management* (Ref: Para. 398)

A6362. The engagement is completed when management has accepted responsibility for the ~~compiled~~ financial information. Processes that exist within the entity regarding the approval of the financial information by management, or by those charged with governance as appropriate, are relevant further considerations for the practitioner when completing the compilation engagement. Depending on the nature and purpose of the financial information ~~compiled by the practitioner~~, there may be an established approval process that management or those charged with governance are required to follow, or that is prescribed in applicable



law and regulation, for the preparation and finalization of ~~the~~ financial information or financial statements of the entity.

Illustrative Reports (Ref: Para.38)

A~~64~~63. Appendix ~~32~~ to this ISRS contains illustrations of practitioners' compilation reports incorporating the required elements of the report.

## **The Applicable Financial Reporting Framework Used to Compile Financial Information**

1. The requirements of the applicable financial reporting framework determine the form and content of the financial information.
2. General purpose financial information is intended to meet common financial information needs of a wide range of users, and is very often provided in the form of general purpose financial statements prepared in accordance with either a “fair presentation framework” or a “compliance framework.”
3. Special purpose financial information is intended to meet the financial information needs of specific users, for example:
  - Under the terms of a funding agreement with a grant provider, the financial information may comprise a statement of cash receipts and payments in relation to funds advanced.
  - Under the terms of a financing agreement with a lending institution, the financial information required may be financial statements prepared in accordance with a recognized general purpose financial reporting framework, but modified in one or more respects to be customized for the institution’s requirements.
  - The financial information may be a statement required by management of an entity for internal use, prepared on a basis specified by management to meet their particular needs.
4. There may be established accounting conventions in a particular jurisdiction that are generally recognized as the financial reporting framework for general purpose financial statements prepared by certain specified entities operating in that jurisdiction. Where use of the financial reporting framework is not prescribed by law or regulation, management identifies an applicable financial reporting framework.
5. Regarding the presentation of required content, many financial reporting frameworks concern the preparation of a set of financial statements that are intended to provide information about the financial position, financial performance and cash flows of an entity. For such frameworks, a complete set of financial statements would include a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and related notes. For some other financial reporting frameworks, a single financial statement and the related notes might constitute a complete set of financial statements.
6. Regarding presentation of the financial information in the required form, although the framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficient broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework.

- ~~7. The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, and:~~
- ~~(a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or~~
  - ~~(b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.~~
- ~~8. The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in sub-paragraphs 7(a) or 7(b) above.~~
- ~~9. Financial reporting frameworks that encompass primarily the financial reporting standards established by an organization that is authorized or recognized to promulgate standards to be used by entities for preparing general purpose financial statements are often designed to achieve fair presentation, for example, International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.~~
- ~~10. In some cases, the financial reporting framework may encompass both financial reporting standards established by an authorized or recognized standards setting organization and legislative or regulatory requirements. Other sources may provide direction on the application of the applicable financial reporting framework. In some cases, the applicable financial reporting framework may encompass such other sources, or may even consist only of such sources. Such other sources may include:~~
- ~~• The legal and ethical environment, including statutes, regulations, court decisions, and professional ethical obligations in relation to accounting matters.~~
  - ~~• Published accounting interpretations of varying authority issued by standard-setting, professional or regulatory organizations.~~
  - ~~• Published views of varying authority on emerging accounting issues issued by standard-setting, professional or regulatory organizations.~~
  - ~~• General and industry practices widely recognized and prevalent.~~
  - ~~• Accounting literature.~~

~~Where conflicts exist between the financial reporting framework and the sources from which direction on its application may be obtained, or among the sources that encompass the financial reporting framework, the source with the highest authority prevails.~~

## Appendix 21

(Ref: Para. A40)

### Illustrative Engagement Letter for a Compilation Engagement

The following is an example of an engagement letter for a compilation engagement that illustrates the relevant requirements and guidance contained in this ISRS. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this ISRS. It will need to be varied according to requirements and circumstances of individual compilation engagements. It is drafted to refer to the compilation of financial information for a single reporting period and would require adaptation if intended or expected to apply to a recurring engagement as described in this ISRS. It may be appropriate to seek legal advice that any proposed letter is suitable.

This engagement letter illustrates the following circumstances:

- The financial information is to be compiled for sole use by the ~~directors~~management of a company (ABC Company), and use of the financial information will be restricted to ~~the company~~directorsmanagement. Use and distribution of the practitioner's report is also restricted to the directors.
- The compiled financial information will comprise only the balance sheet of the company as at ~~31~~December 31, 20X1 and the income statement for the year then ended, without notes. ~~The directors have requested~~Management has determined that the financial information be prepared on an accruals basis.

\*\*\*

To the ~~Directors~~Management<sup>7</sup> of ABC Company:

*[The objective and scope of the compilation engagement]*

You<sup>8</sup> have requested that we provide the following services:

On the basis of information that ~~management~~you will provide, we will assist management in the preparation and presentation of ~~compile~~ the following financial information for ABC Company: the balance sheet of ABC Company as at December 31, 20X1 and the income statement for the year then ended, on the historical cost basis, reflecting all cash transactions with the addition of trade accounts payable, trade accounts receivable, inventory accounted for on an average cost basis, income taxes payable as at the reporting date, and capitalization of significant long-lived assets amortized over their estimated useful lives. These ~~compiled~~ financial statements will not include explanatory notes.

The purpose for which the ~~compiled~~ financial statements will be used is to provide full-year

<sup>7</sup> Throughout this illustrative engagement letter, references to "you," "we," "us," "management," "those charged with governance" and "practitioner" would be used or amended as appropriate in the circumstances.

financial information showing the entity's financial position ~~and financial performance~~ at the financial reporting date of ~~31 December 31, 20X1~~ and financial performance for the year then ended. The ~~compiled~~ financial statements will be ~~for the solely for your use of the directors~~, and will not be distributed to other parties.

### Our Responsibilities

We will perform the compilation engagement in accordance with the International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*, and comply with the International Ethics Standards Board for ~~Professional Accountants' Code of Ethics for Professional Accountants~~ (IESBA Code). ~~This Standard~~ ISRS 4410 (Revised) requires that we comply with quality control standards and relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.

A compilation engagement involves applying expertise in accounting and financial reporting to assist ~~management~~ you in the preparation ~~ing~~ and presentation ~~ing~~ of financial information. Since ~~A~~ a compilation engagement is not an assurance engagement, does not include ~~we are not required to verify the accuracy or completeness of the information you will provide to us for the compilation engagement, or otherwise to gathering~~ ing evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly, we will not express an audit opinion or a review conclusion on the ~~compiled~~ financial statements.

### Your Responsibilities of Management<sup>9</sup>

The compilation engagement to be performed is conducted on the basis that ~~management~~ you acknowledges and understands that our role is to assist ~~management~~ you in the preparation ~~ing~~ and presentation ~~ing~~ of the financial statements in accordance with the financial reporting framework you have adopted by management for the financial statements. Accordingly, ~~management has~~ you have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with ISRS 4410: responsibility for:

- (a) [Amended to mirror ¶ ] The financial statements that we will compile in accordance with ISRS 4410; specifically the preparation and presentation thereof in accordance with a financial reporting framework that is acceptable in view of the intended use of the financial statements and the intended users, including selection of appropriate accounting policies to be applied in the financial statements; and
- (a) ~~[Deleted] Adoption of the financial reporting framework to be used (that is, as described above) that is acceptable in view of the purpose for which the compiled financial information will be used, and selection of appropriate accounting policies under the applicable financial reporting framework that are to be applied in compiling the financial statements; and~~
- (b) [Amended to mirror ¶ ] Preparation and presentation of the financial statements in accordance with the applicable financial reporting framework (that is, as described above)

~~and the selected accounting policies, including in~~ The accuracy and completeness of the records, documents, explanations and other information needed to compile the financial information, including the significant ~~anagement~~ judgments needed to develop any reasonable accounting estimates required for the ~~compiled financial information~~ financial statements to be in accordance with the applicable financial reporting framework; and

(e) ~~—[Deleted] Providing to us all relevant records, documents, explanations and other information needed to compile the financial information, and any additional information or explanations we may require to complete the compilation engagement, including responsibility for the accuracy and completeness of those records, documents, explanations and other information; and~~

(d) ~~—[Deleted] Acceptance of responsibility for the financial statements that we compile.~~

As part of our compilation of the financial information, we may request ~~from management~~ you and, where appropriate, ~~from~~ the directors of ABC Company, for written confirmation of information and explanations conveyed to us orally in connection with the compilation engagement.

~~We look forward to full cooperation from management and staff during our engagement.~~

#### ~~Compilation~~ Our Compilation Report

As part of our engagement, we will issue our report attached to the ~~compiled~~ financial statements compiled by us, which will describe the ~~compiled~~ financial statements, and the work we performed for this compilation engagement [see attached]. The report will also note that the use of the financial statements is restricted to the purpose set out in this engagement letter, and that use and distribution of our report provided for the ~~compiled financial statements~~ compilation engagement is restricted to you, as the ~~company directors~~ management of ABC Company.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to compile the financial statements described herein, and our respective responsibilities.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

XYZ & Co.

Acknowledged and agreed on behalf of the management of ABC Company by

(signed)

.....  
Name and Title

Director

Date

## Appendix 32

(Ref: Para. A64)

### Illustrative Practitioners' Compilation Reports

*Compilation engagement for general purpose financial statements information prepared for a general purpose*

- Illustration 1: Practitioner's ~~compilation~~ report for an engagement to compile ~~general purpose~~ financial statements using a general purpose financial reporting framework applying International Financial Reporting Standards (IFRS)

*Compilation engagements for financial statements information prepared for a special purpose*

- Illustration 2: Practitioner's ~~compilation~~ report for an engagement to compile financial statements, ~~prepared using a modified general purpose financial reporting framework. the financial reporting framework IFRS for Small and Medium-sized Entities (IFRS for SMEs) as modified by management~~ use and distribution of the financial statements is not restricted to intended users

*Compilation engagements for financial information prepared for a special purpose where use ~~or~~ distribution of the financial information is restricted to the intended users*

- Illustration 3: Practitioner's ~~compilation~~ report for an engagement to compile financial statements using the basis of accounting specified in required under the terms of a contract.
- Illustration 4: Practitioner's ~~compilation~~ report for an engagement to compile financial statements using a basis of accounting selected for use only by the management of an entity for financial information that is required for management's own purposes. company.
- Illustration 4A: Practitioner's report for an engagement to compile financial statements using a basis of accounting selected by the management of an entity—example of a “shortened” practitioner's report (for the same engagement described for Illustration 4).

[See Agenda Item 8-A ¶15-17. Note: this example report does not comply with the reporting requirements in ¶38 of the ISRS]

- Illustration 5: Practitioner's report for an engagement to compile financial information that is an element, account or item, being an entity's liability for “incurred but not reported” claims in an insurance portfolio.

**Illustration 1: Practitioner's report for an engagement to compile financial statements using a general purpose financial reporting framework.**

- ~~Practitioner's compilation report for an engagement to compile g~~General purpose financial statements ~~that are required under the provisions of applicable law that which~~ specifies ~~that the entity's~~ financial statements are to be prepared applying International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).

PRACTITIONER'S COMPILATION REPORT

[To Management of ABC Company]

We have compiled [See Agenda Item 8-A ¶24(c) – and throughout remaining illustrative reports] the accompanying financial statements of ABC Company using International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs), based on information you have provided. These financial statements, and the accuracy and completeness of the information used to compile them, are your responsibility. ~~are presented in accordance with International Financial Reporting Standards.~~ The financial statements comprise the statement of financial position of ABC Company as at December 31, 20X1, and the statement of ~~comprehensive income~~operations, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

~~[Redrafted in the fourth paragraph below and deleted] Management is responsible for these financial statements including adoption of the applicable financial reporting framework, and for the accuracy and completeness of the information used to compile the financial statements.~~

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*. In accordance with this Standard, we have applied expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements. This Standard requires that wWe have ~~comply~~complied with quality control standards and relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.

~~[Redrafted and moved to third paragraph above] A compilation engagement involves applying expertise in accounting and financial reporting to assist management in preparing and presenting financial information. Since A~~a compilation engagement is not an assurance engagement, we are ~~does not include~~required to verifying the accuracy or completeness of the information you provided to us to compile these financial statements, or otherwise to gathering evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly we do not express an audit opinion or a review conclusion on these financial statements.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]



**Illustration 2: Practitioner's report for an engagement to compile financial statements using a modified general purpose financial reporting framework.**

- ~~Practitioner's compilation report for an engagement to compile financial statements prepared applying~~ a modified general purpose financial reporting framework adopted by management.
- The ~~applicable financial reporting framework~~ financial statements comprise historical financial statements prepared applying (described in Note X to the financial statements) is International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs); but for the treatment of property, which has been revalued rather than being carried at historical cost, as described in Note X to the financial statements.
- Use or distribution of the financial statements is not restricted.

~~The compiled financial statements are not subject to restriction on distribution or use.~~

PRACTITIONER'S COMPILATION REPORT

[To Management of ABC Company]

We have compiled the accompanying financial statements of ABC Company using the financial reporting framework described in Note X to these financial statements, based on information you have provided. These financial statements, and the accuracy and completeness of the information used to compile them, are your responsibility ~~are presented in accordance with the financial reporting framework described in Note X to these financial statements.~~ The financial statements comprise the statement of financial position of ABC Company as at December 31, 20X1, and the statement of ~~comprehensive income~~ operations, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

~~[Redrafted in the fourth paragraph below and deleted] Management is responsible for these financial statements, including adoption of the applicable financial reporting framework, and the accuracy and completeness of the information used to compile the financial statements.~~

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*. ~~This~~ In accordance with this Standard, requires that we have applied expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements. We have ~~comply~~ complied with quality control standards and relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.

~~[Redrafted and move to the third paragraph above] A compilation engagement involves applying expertise in accounting and financial reporting to assist management in preparing and presenting financial information. A~~ Since a compilation engagement is not an assurance engagement, does we are not required to verifying the accuracy or completeness of the information you provided to us to compile these financial statements, or otherwise to involve gathering evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements.

*Alert to Reader*

~~[Deleted]~~ We draw attention to Note X of these financial statements that describes the financial reporting framework used in the preparation and presentation of these financial statements. As described in Note X, the financial statements are prepared applying International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs). ~~IFRS for SMEs was applied but for the treatment of property, which is revalued rather than being carried at historical cost.~~ ~~The financial statements were prepared for the purpose described in Note Y of the financial statements,~~ and a Accordingly these financial statements may not be suitable for ~~all~~ other purposes.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

**Illustration 3: Practitioner's report for an engagement to compile financial statements using the basis of accounting specified in a contract.**

- ~~Practitioner's compilation report for an engagement to compile financial statements required~~prepared to comply with the provisions of a contract, under the terms of a contract, applying at the financial reporting framework~~basis of accounting~~ specified in the contract.
- ~~Use and distribution of the compiled financial statements is restricted to the intended users of the financial statements specified in the contract.~~
- Distribution of the practitioner's report is restricted to the intended users of the financial statements specified in the contract.

PRACTITIONER'S COMPILATION REPORT

[To the Engaging Party<sup>10</sup>]

We have compiled the accompanying financial statements of ABC Company using the basis of accounting described in Clause Z of the provisions of ABC Company's contract with XYZ Limited dated [insert date of the relevant contract/agreement] ("the Contract"), based on information provided by management of ABC Company ("management"). These financial statements, and the accuracy and completeness of the information used to compile them, are management's responsibility ~~are presented in accordance with Clause Z of the provisions of ABC Company's contract with XYZ Limited dated [insert date of relevant contract/agreement].~~ The financial statements comprise [name all the elements of the financial statements prepared under the agreed special purpose financial reporting framework] ~~basis of accounting specified in the Contract and the period/ date to which they relate].~~

~~[Redrafted in the fourth paragraph below and deleted] Management is responsible for these financial statements, including adoption of the financial reporting framework, and the accuracy and completeness of the information used to compile the financial statements.~~

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*. ~~This~~ In accordance with this Standard, requires that we have applied expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements. We have ~~comply~~ complied with quality control standards and relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.

~~[Redrafted and moved to third paragraph above] A compilation engagement involves applying expertise in accounting and financial reporting to assist management in preparing and presenting financial information. Since a A compilation engagement is not an assurance engagement, we are does not include~~ required to verifying the accuracy or completeness of the information that management provided to us to compile these financial statements, or otherwise to gathering

<sup>10</sup> Alternatively, the appropriate addressee specified in the relevant contract.

evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements.

*Alert to Reader and Restriction on Distribution and Use*

~~[Deleted] We draw attention to Note X of the financial statements that describes the financial reporting framework as specified in the terms of Clause Z of the provisions of ABC Company's contract with XYZ Limited used in the preparation and presentation of these financial statements. The financial statements are prepared applying the basis of accounting described in Clause Z of the Contract, for the purpose described in Note Y to the financial statements, to assist ABC Company to meet the requirements of XYZ Limited. As a result the financial statement(s) Accordingly these financial statements are intended for use only by the parties specified in the Contract, and may not be suitable for another purposes.~~

Our compilation report is intended solely for the parties specified in ABC Company the Contract, and XYZ Limited and should not be distributed to other parties, other than ABC Company or XYZ Limited.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

**Illustration 4: Practitioner's report for an engagement to compile financial statements using a basis of accounting selected by management of an entity for financial information that is required for management's own purposes.**

- ~~Practitioner's compilation report for an engagement to compile~~ **Special purpose** financial statements intended for use only by the management of a company, for management's own purposes.
- The financial statements incorporate certain accruals and ~~are compiled with~~ **include a** single note that refers to the **basis of accounting used to prepare the financial statements**~~financial reporting framework described in the terms of engagement.~~
- ~~Use and distribution of the compiled~~ financial statements is restricted to management.
- **Distribution of the practitioner's report is restricted to management.**

PRACTITIONER'S COMPILATION REPORT

[To Management of ABC Company]

We have compiled the accompanying financial statements of ABC Company using the basis of accounting described in Note X to the financial statements, based on information you have provided. These financial statements, and the accuracy and completeness of the information used to compile them, ~~are your responsibility~~ are presented in accordance with the financial reporting framework referred to in Note X to these financial statements. The financial statements comprise the balance sheet of ABC Company as at December 31, 20X1 and an income statement for the year then ended.

~~[Redrafted in the fourth paragraph below and deleted] Management is responsible for these financial statements, including adoption of the financial reporting framework, and the accuracy and completeness of the information used to compile the financial statements.~~

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*. In accordance with this Standard, we have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements. ~~requires that we comply~~ We have complied with quality control standards and relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.

~~[Redrafted and moved to third paragraph above] A compilation engagement involves applying expertise in accounting and financial reporting to assist management in preparing and presenting financial information. Since a A-compilation engagement is not an assurance engagement, we are does not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements, or otherwise to involve gathering evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly we do not express an audit opinion or a review conclusion on these financial statements.~~

~~*Alert to Reader and Restriction on Distribution and Use*~~

~~[Deleted] We draw attention to Note X to the financial statement that refers to the financial reporting framework used in the preparation and presentation of these financial statements. The financial statements are prepared using the basis of accounting described in Note X to the financial statements, for the purpose described in Note Y, management of ABC Company, for management's own purposes. As a result the financial statement(s) Accordingly these financial statements are for your use only and may not be suitable for another purposes.~~

Our compilation report is intended solely for your use in your capacity as management of ABC Company, and should not be distributed to other parties, other than ABC Company.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

**Illustration 4A: Practitioner's report for an engagement to compile financial statements using a basis of accounting selected by management of an entity—example of a "shortened" practitioner's report for the same engagement described for Illustration 4.**

[See Agenda Item 8-A ¶15-17. Note: this example report does not comply with the reporting requirements in ¶38 of the ISRS]

- **Special purpose financial statements intended for use only by the management of a company for management's own purposes.**
- **The financial statements incorporate certain accruals and include a single note that refers to the basis of accounting used to prepare the financial statements.**
- **Use of the financial statements, is restricted to management.**
- **Distribution of the practitioner's report is restricted to management.**

**PRACTITIONER'S COMPILATION REPORT**

[To Management of ABC Company]

We have ~~assisted you in preparing and presenting~~ compiled the accompanying financial statements based on information you have provided.

We have complied with ISRS 4410, *Compilation Engagements*, which does not require us to verify the accuracy and completeness of the information.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]

**Illustration 5: Practitioner's report for an engagement to compile financial information that is an element, account or item, being an entity's liability for "incurred but not reported" claims in an insurance portfolio.**

- **Financial information prepared to comply with financial reporting requirements established by a regulator, in accordance with provisions established by the regulator that prescribe the form and content of the financial information.**
- **The applicable financial reporting framework is a compliance framework.**
- **The financial information is prepared for a special purpose and is intended to meet the needs of particular users. Use of the financial information is restricted to those users.**
- **Distribution of the practitioner's report is restricted to the intended users.**

**PRACTITIONER'S COMPILATION REPORT**

[To the Management of ABC Company<sup>11</sup>]

We have compiled the accompanying schedule of the liability for "incurred but not reported" claims of ABC Insurance Company as at December 31, 20X1 ("the Schedule") for the purpose of ABC Insurance Company's compliance with [describe the financial reporting provisions established by the regulator], using the information you have provided.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*. In accordance with this Standard, we have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the schedule in the form prescribed. We have complied with quality control standards and relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile the Schedule, or otherwise to gather evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly, we do not express an audit opinion or a review conclusion on the Schedule.

The Schedule is prepared in accordance with the [financial reporting provisions established by the regulator] for the purpose described in Note 1 to the Schedule. Accordingly the Schedule is for use only in connection with that purpose and may not be suitable for any other purpose.

Our compilation report is intended solely for the use of ABC Insurance Company and Regulator F, and should not be distributed to parties other than ABC Insurance Company or Regulator F.

[Practitioner's signature]

[Date of the practitioner's report]

[Practitioner's address]

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<sup>11</sup> Alternatively, the appropriate addressee specified in the applicable financial reporting requirements.