

## ENGAGEMENTS TO COMPILE HISTORICAL FINANCIAL INFORMATION— DRAFT REVISED INTERNATIONAL STANDARD ON RELATED SERVICES 4410

**MARKED UP FROM JUNE DRAFT**

(Effective for compilation engagements for periods beginning on or after [date])

### CONTENTS

	Paragraph
<b>Introduction</b>	
Scope of this ISRS .....	1–3
The Engagement to Compile Financial Information .....	<del>43–59</del>
Authority of this ISRS .....	<del>610–1014</del>
Effective Date .....	<del>1115</del>
<b>Objectives</b> .....	<del>1216</del>
<b>Definitions</b> .....	<del>1317–1418</del>
<b>Requirements</b>	
<u>Conduct of a Compilation Engagement in Accordance with this ISRS</u> .....	19–21
Ethical Requirements .....	<del>1522</del>
Professional Judgment .....	<del>1623</del>
Quality Control .....	<del>1724–25</del>
<u>Engagement Acceptance and Continuance</u> <del>Considerations When Accepting</del> <del>the Engagement</del> .....	<del>826–1929</del>
<u>Agreeing the Terms of Engagement</u> .....	20–22
<u>Communication with Management and Those Charged with Governance</u> .....	30
Performing the Engagement .....	<del>2331–3039</del>
Documentation .....	<del>3140</del>
The Practitioner’s Report .....	<del>3241–3342</del>
<b>Application and Other Explanatory Material</b>	
Scope of this ISRS .....	A1–A3
The Engagement to Compile Financial Information .....	A4–A5

Definitions .....	A6–A816
<del>Objectives .....</del>	<del>A9–A11</del>
Ethical Requirements .....	A1217–A1318
Professional Judgment .....	A1419–A1520
Quality Control .....	A1621–A2130
<del>Engagement Acceptance and Continuance Considerations When Accepting the Engagement .....</del>	<del>A2231–A4049</del>
Agreeing the Terms of Engagement .....	A41–A45
<del>Communication with Management and Those Charged with Governance .....</del>	<del>A50</del>
Performing the Engagement .....	A4651–A6062
Documentation .....	A631–A64
The Practitioner’s Report .....	A6265–A6971
Appendix 1: Illustrative Engagement Letter for a Compilation Engagement	
Appendix 2: Illustrative Practitioners’ <u>Compilation</u> Reports <del>for Compilation Engagements</del>	

<p>International Standard on Related Services (ISRS) 4410, “Engagements to Compile Financial Information” should be read in conjunction with the “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services.”</p>
---

## Introduction

### Scope of this ISRS

1. ~~The purpose of this International Standard on Related Services (ISRS) is to establish standards and provide guidance on deals with~~ the practitioner's responsibilities when engaged to compile and report on historical financial information in accordance with this ISRS, and the form and content of the practitioner's report ~~the practitioner issues to accompany the compiled historical financial information for the compilation engagement.~~
2. This ISRS is directed towards ~~the~~ compilation engagements of for historical financial information. ~~This Standard ISRS~~ is to be applied, adapted as necessary, to compilation engagements performed in accordance with this ISRS for to compile financial information other than historical financial information. It may also be applied to compilation engagements to compile performed in accordance with this ISRS for non-financial information. Hereinafter in this ~~Standard ISRS~~ reference to "financial information" means "historical financial information." (Ref: Para. A12-A3)

### *Relationship with Other Professional Pronouncements*

3. ~~This Standard is premised on the basis that the firm is subject to International Standard on Quality Control (ISQC) 1<sup>+</sup> or national requirements that are at least as demanding.~~ (Ref: Para. A16-A17)

### The Engagement to Compile Financial Information

3. Financial information of an entity may be required for various purposes. The operating and governance arrangements in which the responsibility for financial information of an entity is established include:
  - (a) Requirements to produce financial information for an entity in a specified form, as part of mandatory requirements for compliance or reporting purposes established in law or regulation; or
  - (b) Any requests to produce financial information of the entity, either as required for purposes established by the entity's owners or those charged with governance, or under other ongoing periodic reporting requirements, such as to report on use of funds received for purposes linked to a funding grant.
4. Management of an entity, or those charged with governance as appropriate, ordinarily has the responsibility to provide financial information of the entity as required for a particular purpose, and for its proper preparation in the required form. This responsibility requires:

<sup>+</sup> ~~ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements."~~

- (a) Identification of the financial reporting framework to be used in preparing the financial information, for example:
    - (i) As specified in the context of applicable law or regulation that requires provision of financial information by the entity; or
    - (ii) As specified in the context of a contract that requires provision of financial information by the entity; or
    - (iii) By selection of an acceptable financial reporting framework in other cases, for example when the requirement to provide financial information arises from operating or governance arrangements applicable to the entity;
  - (b) Preparation of the financial information in accordance with that framework; and
  - (c) Inclusion of an adequate description of, or reference to, that financial reporting framework as part of the financial information.
5. Preparation of financial information in accordance with the framework will often require management to apply judgment, for example in the selection and application of appropriate accounting policies and for developing reasonable accounting estimates.
6. Management may use a professional accountant in public practice to assist with the preparation of financial information. In doing so, however, management retains its responsibility for the financial information. (Ref: Para. A4)
47. The value of a compilation engagements to users of compiled financial information results from the application of the practitioner's expertise and ethical standards in compiling the information in accordance with relevant quality control and professional standards. Accordingly, In addition, in performing the engagement the practitioner is required to comply~~complies~~ with ~~the~~ relevant ethical ~~requirements~~principles, including integrity, objectivity, and professional competence and due care. (Ref: Para. A4 A5)
8. This ISRS does not impose responsibilities on management or those charged with governance, or override laws and regulations that govern their responsibilities. This ISRS does not relieve management or those charged with governance of their responsibilities regarding the provision of financial information of an entity, including its proper preparation in the required form. A compilation engagement performed in accordance with this ISRS is conducted on the premise that management, or those charged with governance where appropriate, have acknowledged certain responsibilities that are fundamental to the performance of the compilation engagement.
59. A compilation engagement is not an assurance engagement. As such, Aa compilation engagement does not involve gathering evidence for the purpose of expressing a review conclusion or audit opinion on the financial information. (Ref: Para. A57 A8)

### Authority of this ISRS

610. This ISRS applies to all practitioners engaged to compile financial information and report ~~thereon~~ the compilation of the financial information as required in this standard.

- ~~7~~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 the compilation engagement.
- ~~8~~12. ~~The Standard~~This ISRS contains requirements, expressed using “shall,” that are designed to enable the practitioner to meet the stated objectives.
- ~~9~~13. In addition, ~~this~~the ISRS contains introductory material, definitions, and application and other explanatory material, that provides context relevant to a proper understanding of the ISRS.
- ~~10~~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 ~~in this ISRS~~.

### Effective Date

- ~~11~~15. This ISRS is effective for compilation engagements for periods beginning on or after December 15, [~~insert~~ date].

### Objectives

- ~~12~~16. The practitioner’s objectives in a compilation engagement under this ISRS ~~are to:~~ (Ref: ~~Para. A6-A8~~)
- (a) ~~To~~ Apply accounting and reporting expertise to assist management in presenting financial information in accordance with an applicable financial reporting framework based on information provided by management; and
  - (b) ~~To~~ Issue a report as required under this ISRS ~~to accompany the compiled financial information.~~

### Definitions ~~(Ref: Para. A9-A11)~~

~~13. 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 or those charged with governance, as appropriate.” Where it is intended that requirements or guidance apply only to those charged with governance the text of this ISRS states that. (Ref: Para. A10-A11)~~

- ~~14~~17. The following terms have the meanings attributed below for the purposes of this ISRS: (Ref: Para. A6)
- (a) 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. A7-A13)

- (~~ab~~) Compile—To apply accounting and reporting expertise to present financial information in accordance with an applicable financial reporting framework.
- (~~bc~~) Compilation Engagement—An engagement in which a practitioner compiles financial information of an entity under the terms of an engagement, and issues a report under this ISRS. ~~to accompany the compiled financial information. As applicable in the circumstances a compilation engagement may also include collecting, classifying or summarizing underlying information of the entity.~~
- (~~ed~~) Practitioner—A professional accountant in public practice who conducts the compilation engagement. The person or persons conducting the compilation engagement, usually ~~The term includes~~ the practitioner 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.
- (~~de~~) Relevant ethical requirements—Ethical requirements the engagement team is subject to, which ordinarily comprise Parts A and B of the ~~IESBA~~ International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive.

~~13.~~ 18. The terms “management” and “those charged with governance are defined in the Handbook’s Glossary of Terms”<sup>2</sup> (the Glossary). For the purposes of this ISRS, references to “management” should hereafter be read as “management or and, where appropriate, those charged with governance.”, as appropriate.” 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 states that. (Ref: Para. A4015-A4116)

## Requirements

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

- 19. 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

- 20. 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.
- 21. 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.

<sup>2</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 Glossary), published by IFAC

## Ethical Requirements

- ~~4522~~. The practitioner shall comply with relevant ethical requirements as they relate to compilation engagements. (Ref: Para. A~~4217~~-A~~4318~~)

## Professional Judgment

- ~~4623~~. The practitioner shall exercise professional judgment in planning and performing a compilation engagement. (Ref: Para. A~~4419~~-A~~4520~~)

## Quality Control (Ref: Para. A16- A21)

### System of Quality Control

- ~~24. Quality control systems, policies and procedures are the responsibility of the firm. ISQC 1<sup>3</sup> applies to firms of professional accountants in respect of a firm's engagements to compile financial information. The provisions of this ISRS regarding quality control at the level of individual compilation engagements are premised on the basis that firms are subject to ISQC 1<sup>4</sup> or national requirements that are at least as demanding, when performing compilation engagements. (Ref: Para. A21-A24)~~

### Role of the Engagement Team

- ~~4725~~. The engagement partner shall take responsibility for the overall quality of ~~the~~each compilation engagement to which that partner is assigned. Within the context of the firm's system of quality control, the engagement partner shall take responsibility for the compilation being performed in accordance with the firm's quality control policies and procedures, by: This responsibility includes: (Ref: Para. A25-A29)
- (a) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. A30)
  - (b) Being satisfied that the engagement team collectively has the appropriate competence and capabilities to perform the compilation engagement and have compiled with relevant ethical requirements in accordance with professional standards and applicable legal and regulatory requirements;
  - (c) ~~The compilation being performed in accordance with the firm's policies and procedures for d~~Directing, supervising and performing the compilation engagement ~~in order to be~~ in compliance with professional standards and applicable legal and regulatory requirements; and
  - (d) Maintaining appropriate engagement documentation.

## ~~Considerations When Accepting the Engagement~~ Acceptance and Continuance

<sup>3</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>4</sup> ISQC 1, paragraph 4

*~~Preconditions for a Compilation Engagement (Ref: Para. A22-A37)~~*

*~~Factors Affecting Continuance of Client Relationships and Engagement Acceptance~~*

~~1826. In order to establish whether the preconditions for a compilation engagement are present, prior to accepting the engagement, Unless required by law or regulation, the practitioner shall:~~ not accept the engagement unless the practitioner is able to: (Ref: Para. A31-A32)

- (a) Identify the intended use of the financial information to be compiled, and be satisfied that there is a rational purpose for the engagement (Ref: Para. A2333-A2434);
- (b) Determine ~~whether the acceptability of~~ the financial reporting framework adopted by management for compilation of the financial information, is acceptable in the context of the ~~at~~ intended use of the financial information; and (Ref: Para. A2535-A3041); ~~and~~
- (c) Obtain the agreement of management that ~~they~~ it acknowledges and understands that: (Ref: Para. A42-A44):
  - (i) In performing the engagement the practitioner will compile the financial information on behalf of management ~~for~~ (Ref: Para. A31); and
  - (ii) Management has the following overall responsibilities which are fundamental to undertaking the compilation engagement in accordance with this ISRS. ~~Responsibility for~~ (Ref: Para. A31-A32):
    - a. Selection of the financial reporting framework that is acceptable in view of the intended use of the financial information and the intended users the circumstances of the engagement;
    - b. Preparation of the financial information in accordance with the applicable financial reporting framework, including:
      - The fair presentation of the financial information, where relevant;
      - ~~s~~Selection of appropriate accounting policies under the financial reporting framework where needed, and for management judgments needed to develop any accounting estimates required for the compilation under the framework; and
    - b.c. Providing the practitioner with:
      - All information of which management is aware that is relevant to the preparation of the financial information such as records, documents, explanations and other information ~~needed for the purpose of the compilation engagement;~~ and
      - Additional information that the practitioner may request from management ~~or those charged with governance~~ for the purpose of ~~completing~~ the compilation engagement;

- ~~e.d.~~ The accuracy and completeness of the records, documents, explanations and other information provided by management for the compilation engagement as described in paragraph ~~1826~~(c)(ii)c; and
- ~~d.e.~~ The financial information compiled by that the practitioner compiles on behalf of management in accordance with the applicable financial reporting framework ~~on behalf of management~~.

*Factors Affecting Engagement Acceptance* (Ref: Para. A37 A40)

- ~~19.~~ Unless required by law or regulation, the practitioner shall not accept the proposed compilation engagement if:
  - ~~(a)~~ The practitioner is not able to identify the intended use of the financial information to be compiled; or
  - ~~(b)~~ The practitioner's preliminary knowledge of the engagement circumstances indicates that the financial reporting framework to be used to compile the financial information is not acceptable in view of the intended use of the financial information, and management or those charged with governance will not agree to change to use of a financial reporting framework that the practitioner considers acceptable; or
  - ~~(b)~~ The practitioner does not obtain management's agreement on the matters set out in paragraph 18(c).

*Agreeing the Terms of Engagement* (Ref: Para. A41 A44)

- ~~2027.~~ The practitioner shall agree the terms of engagement with management prior to performing the engagement. (Ref: Para. A~~424~~5)
- ~~2128.~~ The agreed terms of engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include: (Ref: Para. A~~446~~-48)
  - (a) 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) The responsibilities of the practitioner, including the requirement to comply with relevant ethical requirements;
  - (c) The responsibilities of management, including those described in paragraph ~~1826~~(c);
  - (d) Identification of the applicable financial reporting framework;
  - (e) The intended use and distribution of the compiled financial information, and any restrictions on either its use or its distribution; and
  - (f) The expected form and content of the practitioner's ~~written report that will be provided~~.

## Recurring Engagements

- ~~2229~~. On recurring compilation engagements, the practitioner shall ~~asses~~evaluate whether circumstances, including changes in the engagement acceptance considerations~~—in paragraph 19~~, require the terms of engagement to be revised and whether there is need to remind management of the existing terms of ~~the~~ engagement. (Ref: Para. A~~45~~49)

## **Communication with Management and Those Charged with Governance**

30. 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, need to be communicated. (Ref: Para. A50)

## Performing the Engagement

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

- ~~2331~~. To perform the compilation engagement the practitioner shall obtain:
- (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 industry in which the entity operates,
- sufficient to be able to compile the financial information. (Ref: Para. A51-A52)

### *Compiling the Financial Information* (Ref: Para. A~~49~~-A60)

- ~~2432~~. The practitioner shall compile the financial information using the records, documents, explanations and other information provided by management, in accordance with the applicable financial reporting framework as specified in the agreed terms of the engagement. (Ref: Para. A53-A54)
- ~~2533~~. The practitioner shall discuss and agree with management those matters that require significant judgment in compiling the financial information. (Ref: Para. A55-A56)
34. If in the course of the compilation engagement, the practitioner becomes aware that the records, documents, explanations or other information provided by management for the compilation are incomplete or inaccurate, or otherwise unsatisfactory, the practitioner shall bring this to the attention of management for appropriate action—so that the practitioner will be able to complete the compilation. (Ref: Para. A57~~2~~)
35. If, during the compilation engagement, the practitioner determines that the financial reporting framework initially selected by management is not acceptable, but another financial reporting framework can be used that is acceptable in view of the intended use of the financial information so that the information will not be materially misstated or misleading, the practitioner shall:

(a) Recommend that management select another acceptable financial reporting framework; and

(b) If management agrees to select another financial reporting framework, issue an amended engagement letter to record the change to the terms of engagement. (Ref: Para. A58)

~~27. If appropriate in the circumstances of the engagement, the practitioner shall consider whether to recommend to management that another appropriate financial reporting framework might be used that is also acceptable in view of the intended use of the compiled financial information. If management agrees to such a change the practitioner shall obtain management's agreement to an amended engagement letter that records the change to the applicable financial reporting framework to be used. (Ref: Para. A57)~~

2636. Prior to completion of the compilation engagement, the practitioner shall: (Ref. Para A59-A60)

(a) Read the compiled financial information, applying with the knowledge and understanding described in paragraph 3123; and

(b) , If after on reading the compiled financial information the practitioner becomes aware that: (Ref: Para. A53-A56)

(a) (i) The compiled financial information does not adequately refer to, or describe the applicable financial reporting framework; or

(b) (ii) There are obvious material misstatements in the compiled financial information or that the compiled financial information is obviously misleading,

the practitioner shall propose to management appropriate amendments to the compiled financial information ~~to management~~.

~~27. If appropriate in the circumstances of the engagement, the practitioner shall consider whether to recommend to management that another appropriate financial reporting framework might be used that is also acceptable in view of the intended use of the compiled financial information. If management agrees to such a change the practitioner shall obtain management's agreement to an amended engagement letter that records the change to the applicable financial reporting framework to be used. (Ref: Para. A57)~~

Practitioner's Response when the Compiled Financial Information is Obviously Materially Misstated, or Obviously Misleading and Management Refuses Appropriate Amendments (Ref: Para. A58-A60)

37. The practitioner shall discuss and agree the proposed amendments with management, and then make those amendments to the compiled financial information. (Ref: Para. A60)

2838. If management:

- (a) Does not agree to the practitioner's recommendation to use another financial reporting framework that is acceptable in view of the intended use of the financial information; or
- (b) Declines ~~refuses to make the~~ amendments to the compiled financial information proposed by the practitioner, including amendments needed for the applicable financial reporting framework to be properly referred to or described in the financial information, ~~or does not agree to the practitioner's recommendation to use another appropriate financial reporting framework that is acceptable for the intended use of the compiled financial information,~~ so that the compiled financial information will not be ~~is not~~ materially misstated or misleading, the practitioner shall communicate with management about the implications for the compilation engagement. (Ref: Para. A61)

#### ~~Conditions that Require the Practitioner to Withdraw from the Compilation Engagement~~

~~2939.~~ Unless prohibited by law or regulation, the practitioner shall withdraw from the engagement, and inform management or those charged with governance, if applicable, of the reasons for withdrawing, ~~when~~ if:

- (a) The practitioner is not able to complete the compilation because management has failed to provide records, The documents, explanations or other information provided by management for the compilation engagement that are incomplete, and inaccurate for the purposes of the compilation, or additional information as requested by the practitioner, or otherwise unsatisfactory so that the practitioner is unable to complete the compilation, and management does not respond appropriately to the request made by the practitioner under paragraph 25 to provide correct, complete or sufficient additional information or explanations to enable the practitioner to complete the compilation; or
- (b) The applicable financial reporting framework used to compile the financial information is not adequately referred to or described in the compiled financial information, and management refuses declines the amendments proposed by the practitioner ~~under paragraphs 26(a); or~~
- (c) The compiled financial information is ~~obviously~~ materially misstated, or ~~obviously misleading to the intended users,~~ and management ~~refuses to address the situation through declines~~ either:
  - (i) ~~Agreeing to make t~~ The practitioner's proposed amendments to the compiled financial information proposed by the practitioner under paragraph 26(b); or
  - (ii) ~~Agreeing to t~~ The practitioner's recommendation to use another appropriate financial reporting framework that is acceptable for in view of the intended use of the compiled financial information ~~under paragraph 27.~~

~~30.~~ If withdrawal from the engagement is not ~~permitted under applicable law or regulation possible~~ the practitioner shall take determine the professional and legal responsibilities applicable in the circumstances. ~~appropriate steps to avoid breaching~~

~~relevant ethical requirements by setting out in the practitioner's report issued for the engagement, information about the conditions that existed in the engagement that have had the result that the practitioner either:~~ (Ref: Para. A62)

- ~~(a) Is not able to complete the engagement in accordance with this ISRS, due to management's inability or refusal to provide complete, accurate or otherwise satisfactory information for the purpose of the compilation; or.~~
- ~~(b) Considers that the compiled financial information is obviously materially misstated or obviously misleading to the extent it has not been amended by management in accordance with the practitioner's request.~~

## Documentation

~~3140.~~ The practitioner ~~include in the engagement documentation:~~ ~~shall document all significant matters in relation to the compilation engagement which, as a minimum, shall include:~~ (Ref: Para. A61)

- ~~(a) The engagement letter or other written record of the terms of engagement agreed with management~~ Significant matters 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 provided by management for the compilation; and~~
- ~~(bc) A copy of the compiled financial information and the practitioner's accompanying compilation report; and~~
- ~~(c) A record of the practitioner's agreement of the compiled financial information with the underlying documents, explanations and other information provided by management for the purpose of the compilation, including adjustments agreed with management.~~ (Ref: Para. A63-A64)

## The Practitioner's Report

~~3241.~~ The practitioner's report issued for a compilation engagement shall be in writing, and shall contain the following elements: (Ref: Para. A6265-A6671)

- ~~(a) The report title~~ Report Title;
- ~~(b) The addressee(s) being the engaging party, or otherwise as required by the terms of the engagement;~~ (Ref: Para. A66)
- ~~(c) An introductory paragraph that:~~
  - ~~(i) Identifies the compiled financial information, including the title of each element of the compiled financial information if it comprises more than one element, the date of the financial information and the period ~~that~~ to which it relates ~~to~~;~~

- (ii) Identifies the applicable financial reporting framework ~~used to compile the financial information~~; and
- (iii) States that the financial information has been compiled by the practitioner based on information provided by management, ~~or those charged with governance, as appropriate~~, in accordance with the agreed terms of the engagement;
- (d) A description of the responsibilities of management, ~~or other appropriate term which indicates those in the organization that are responsible for the compiled financial information~~, including an explanation of the responsibilities of management, or those charged with governance as appropriate, in relation to the compilation engagement and in relation to the compiled financial information;
- (e) A description of the practitioner's responsibilities in compiling the financial information, including that the engagement was performed in accordance with this ISRS and in accordance with ~~the~~ relevant ethical requirements;
- (f) A description of what a compilation of financial information entails in accordance with this ISRS, and a statement that neither an audit nor a review has been carried out and accordingly the practitioner does not express an audit opinion or a review conclusion on the compiled financial information;
- (g) If the compiled financial information is in the form of special purpose financial statements, under a separate heading in the report: (Ref: Para. A~~6869~~-A~~6970~~)
  - (i) A description of the purpose for which the financial information is prepared and, if necessary, the intended users, or a reference to a note in the compiled financial statements that contains that information; and
  - (ii) An alert to users of the practitioner's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose;
- (h) The date of the practitioner's report;
- (i) The practitioner's signature; and
- (j) The ~~location in the country or jurisdiction where the~~ practitioner or firm's address.practices.

3342. The engagement is completed when management has accepted responsibility for the compiled financial information by approving that information. The practitioner shall date the report on the date the compilation engagement is completed. (Ref: Para. A67)

\*\*\*

## Application and Other Explanatory Material

### Scope of this ISRS (Ref: Para. 1–~~32~~)

~~A1. Practitioners' involvement with activities relating to preparation or presentation of an entity's financial information can take many different forms. A practitioner's involvement in such activities falls within the scope of this standard if they are undertaken as part of performing a compilation engagement as defined in this ISRS. Such activities do not fall within the scope of this standard if they are provided for an entity without when the practitioner being is not engaged to perform a compilation engagement, or where the practitioner is engaged to collect, classify or summarize financial information of an entity, or to but without presenting the financial information in accordance with an applicable financial reporting framework, or without providing a report as required in this ISRS to accompany the financial information. For example, such as when a practitioner provides only accounting services for management without providing the report required by this ISRS. such involvement does not fall within the scope of this standard unless performed as part of presenting the entity's financial information in accordance with an applicable financial reporting framework under a compilation engagement.~~

A~~2~~4. This ISRS addresses the compilation of historical financial information but is also to be applied, adapted as necessary, to the compilation of other financial information. ~~Some~~ ~~e~~Examples of other types of financial information that practitioners may compile are:

- Pro forma financial information.
- Management budgets or forecasts.
- Prospective financial information.

A~~3~~2. Practitioners may also perform engagements to compile non-financial information, for example greenhouse gas statements, statistical returns or information returns and may use this ISRS for those compilations, adapted as necessary.

~~A3. Practitioners' involvement with activities relating to preparation of an entity's financial information can take many different forms. A practitioner's involvement in such activities falls within the scope of this standard if they are undertaken as part of performing a compilation engagement as defined in this ISRS. Such activities do not fall within the scope of this standard if they are provided for an entity without the practitioner being engaged to perform a compilation engagement, or where the practitioner is engaged to collect, classify or summarize financial information of an entity but without presenting the financial information in accordance with an applicable financial reporting framework, or without providing a report to accompany the financial information. For example, when a practitioner provides only accounting services such involvement does not fall within the scope of this standard unless performed as part of presenting the entity's financial information in accordance with an applicable financial reporting framework under a compilation engagement.~~

**The Engagement to Compile Financial Information** (Ref: Para. ~~46 and 59~~)

- A4. ~~In a compilation engagement the practitioner is associated with the financial information of an entity through application of the practitioner's expertise in accounting and financial reporting to compile the financial information in accordance with an applicable financial reporting framework.~~
- A5. ~~The focus in a compilation engagement is on presentation of financial information in accordance with the applicable framework selected by management for the financial information. The practitioner may also perform other activities in addition to presenting the financial information the course of the compilation engagement depending on the extent to which management has already prepared the underlying financial information that is the subject of the compilation engagement. For example, the practitioner may compile the financial information from a preliminary trial balance provided by management. In other cases the practitioner may be involved also in processing information about underlying transactions and events of the entity as part of keeping for the entity's accounting records as part of in the course of providing services to the management of the entity. This is often particularly in the case for smaller entities that do not have well-developed accounting systems or that prefer to outsource preparation of accounting records to external providers. While such activities may be requested as part of performing a compilation engagement, they are not the focus of the compilation engagement. The practitioner's focus in compiling financial information is on presenting the financial information of the entity in accordance with the applicable financial reporting framework selected by management.~~
- A57. Achievement of the practitioner's objective in a compilation engagement does not entail performance of the types of procedures that provide a basis for the practitioner to express assurance on the compiled financial information. To avoid misunderstanding the practitioner is required to clearly state communicate that the compilation engagement is not an assurance engagement when agreeing the terms of the engagement with management and in the practitioner's report issued to accompany the compiled financial information, under paragraphs 20(a) and 33(f) respectively.

**Objectives** (Ref: Para. 12)

- A6. ~~The practitioner's objectives stated in paragraph 12 are to compile financial information based on information provided by management and report on the compiled financial information. The form of the information provided by management will vary in the circumstances of different engagements, but in broad terms will comprise documents, explanations and other information provided by management for the purpose of the compilation.~~
- A7. Achievement of the practitioner's objective in a compilation engagement does not entail performance of types of procedures that provide a basis for the practitioner to express assurance on the compiled financial information, or that would otherwise provide evidence concerning the form, content or presentation of that information in accordance with the applicable financial reporting framework.

~~A8. In the interests of clarity the practitioner is required to clearly state that the compilation engagement is not an assurance engagement when agreeing the terms of the engagement with management and in the practitioner's report issued to accompany the compiled financial information, under paragraphs 20(a) and 33(f) respectively.~~

**Definitions (Ref: Para. 13-14)**

A69. This ISRS describes ~~below the~~ meanings attributed to certain terms for ~~the~~ purposes of this ISRS. These ~~definitions~~ 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 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 Glossary)~~ The Handbook's Glossary of Terms<sup>5</sup> (the Glossary) includes the terms defined in this ISRS. The Glossary also includes descriptions of other terms found in this ISRS to assist in common and consistent interpretation and translation. ~~(Ref: Para. 13-14)~~

**The Applicable Financial Reporting Framework (Ref: Para. 17(a))**

A7. Different financial reporting frameworks can be used to prepare and present financial information, depending on the intended purpose of the financial information and the nature of the entity. Financial information provided for financial reporting purposes may be characterized as being either "general purpose" or "special purpose."

A8. 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." 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.

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 A8(a) or A8(b) above.

---

<sup>5</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 Glossary), published by IFAC.

A9. Special purpose financial information, which may be in the form of special purpose financial statements, 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.

A10. 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.

A11. 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 standards setting, professional or regulatory organizations
- Published views of varying authority on emerging accounting issues issued by standards 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.

A12. The requirements of the applicable financial reporting framework determine the form and content of the financial information. 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. 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.

A13. The applicable financial reporting framework may be either relatively more or less complex in different financial reporting settings, depending on the intended use of the information and the needs of the intended users. For example, the applicable financial reporting framework may be:

- The cash receipts and disbursements basis of accounting, to present cash flow information required for a creditor; or
- The balance sheet of an entity as at a reporting date 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, and capitalization of significant long-lived assets amortized over their estimated useful lives; or
- IFRS for preparation of full general purpose financial statements. This is an example of a financial reporting framework which is more complex, and accordingly requires a significantly higher level of knowledge and expertise of the practitioner.

Compilation Engagement (Ref: Para. 17(c))

A14. As applicable in the circumstances, the compilation engagement may include collecting, classifying or summarizing underlying information of the entity in addition to presentation of the financial information in accordance with a financial reporting framework.

*Use of Terms “Management” and “Those Charged with Governance” ~~in this ISRS~~ (Ref: Para. 183)*

~~A14~~15. The way the practitioner applies the requirements of this ISRS regarding management or those charged with governance is affected by the fact that ~~in which~~ the responsibilities of management and those charged with governance are likely to differ between various types of entities, and between jurisdictions. In small entities where one or more owners also manage the business, the roles of management and those charged with governance coincide. The words “where appropriate” used in the phrase “management and, where appropriate, those charged with governance” signal that in different entity environments the practitioner will need to take into account the relevant management and governance structure and arrangements of the entity for which the practitioner is compiling financial information.

A16. Various responsibilities relating to ~~for~~ preparation of financial information ~~or~~ and external financial reporting ~~are described and divided between~~ will fall to either management ~~and~~ or those charged with governance ~~will vary~~ 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).~~

~~• ; and~~

~~• Relevant laws and regulations.~~

For example, in 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 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 jurisdictions the legal responsibility for 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.

~~In many cases management is responsible for execution while those charged with governance have oversight of management. In some cases, those charged with governance will have, or will assume, responsibility for approving the financial information of the entity, particularly when it is intended for the use, or information of external parties. In larger entities a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities. In smaller entities it is more typical that the owners or those charged with governance also take responsibility for managing the entity themselves, so that there is little or no separation of the management and governance roles within the entity.~~

~~A11. In jurisdictions or entities where the roles of management and governance are divided, so that the responsibilities of management and those charged with governance differ regarding the preparation of financial information of an entity, or regarding the entity's financial reporting and related internal controls, application of the requirements of this ISRS will necessarily differ to take account of those circumstances.~~

## **Ethical Requirements** (Ref: Para. ~~1522~~)

### ~~Compliance with Relevant Ethical Standards~~

~~A1217.~~ 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 as required in the IESBA Code.

~~A1318.~~ ~~Notwithstanding that the~~ IESBA Code does not required independence in a compilation engagement. ~~However,~~ national ethical codes and laws or regulations may require the practitioner to be independent in order to perform a compilation engagement, or may specify disclosure rules or requirements, for example concerning impairment of the practitioner's independence when that is the case.

## **Professional Judgment** (Ref: Para. ~~1623~~)

~~A1419.~~ 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 informed decisions that are required throughout performance of a compilation cannot be made without the application of relevant knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:

- The acceptability of the financial reporting framework that is to be used to compile the financial information of the entity in view of the intended purpose and intended users of the financial information.
- The application of the applicable financial reporting framework, such as when the practitioner provides assistance to management regarding:
  - (i) Selection of appropriate accounting policies under the applicable financial reporting framework, and
  - (ii) Development of accounting estimates that are needed for the financial information being compiled.
- Performance of procedures under the requirements specified in this ISRS to complete the compilation of the financial information.

~~A4520.~~ 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, including ~~the practitioner will be guided by such matters as the following:~~

- 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 systems, and understanding of the application of the applicable financial reporting framework accounting principles and practices of the industry in which the entity operates; and
- ~~The extent to which preparation of the underlying financial information requires exercise of management judgment.~~

## Quality Control

*System of Quality Control and Role of Engagement Teams* (Ref: Para. ~~243 and 17~~)

~~A4621.~~ 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 quality control system, policies and procedures at the level of the firm.

~~A22.—~~ A jurisdiction that has not adopted ISQC 1 in relation to compilation engagements may have national standards that set out requirements for quality controls in firms performing such engagements. The provisions of this ISRS regarding quality controls at the level of individual engagements are premised on the basis that such national requirements are at least as demanding as those of ISQC 1. National requirements are at least as demanding as ISQC 1 when they impose obligations on the firm that achieve the aims of the objectives to which the requirements of ISQC 1, including in relation to the elements of a system of quality control set out in ISQC 1.

~~This ISRS is premised on the basis that the firm is subject to ISQC 1, or national requirements that are at least as demanding. Quality control systems, policies and procedures are the responsibility of the practitioner's firm.~~

A23. 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 regulatory and legal requirements; and
- (b) ~~The r~~Reports issued by the firm or engagement partners are appropriate in the circumstances.<sup>6</sup>

<sup>6</sup> ISQC 1, paragraph 11

~~A1724. ISQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for review engagements. The firm's system of quality control 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.

~~National requirements that deal with the firm's responsibilities to establish and maintain a system of quality control are at least as demanding as ISQC 1 when they address all the elements referred to in this paragraph and impose obligations on the firm that achieve the aims of the requirements set out in ISQC 1.~~

*Role of the Engagement Team (Ref: Para. 18)*

~~A1925. Within the context of the firm's system of quality control, engagement teams are have a responsibility for to implementing quality control procedures that are applicable to individual compilation the engagements.~~

~~A2026. Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. 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 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 measures taken by the firm to rectify the situation that the engagement partner considers are sufficient in the context of that compilation engagement.~~

~~A27. 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.~~

~~A2128. 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 review engagement; emphasize the importance to the engagement of achieving quality of 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;
- (c) Issuing the practitioner's report for the engagement; and
- (d) The engagement team's ability to raise concerns without fear of reprisals.

Compliance with Ethical Requirements in relation to the Engagement

A29. ISQC 1 set 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, including evaluating whether 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 indicate that members of the engagement team have not complied with relevant ethical requirements.

Acceptance and Continuance of Client Relationships and Compilation Engagements (Ref: Para. 25(a))

A30. 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, 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.

**Considerations when Accepting the Engagement Acceptance and Continuance**

*Preconditions for a Compilation Engagement Factors Affecting Continuance of Client Relationship and Engagement Acceptance* (Ref: Para. 48~~26~~)

A31. 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. If the practitioner is not satisfied that the requirements of this ISRS regarding continuation of client relationships and engagement acceptance are met, the threat from being knowingly associated with materially false or misleading information is considered so significant that no safeguards can reduce the threat to an acceptable level, and in accordance with paragraph 26 the practitioner is required to decline the engagement.

A32. 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.

~~A22. A compilation engagement may only be accepted when the engagement exhibits certain preconditions that are within the control of the entity, and upon which it is necessary for the practitioner and the entity's management to agree.~~

*Identifying the Intended Use of the ~~Compiled~~ Financial Information (Ref: Para. 26(a))*

~~A2333. Paragraph 17 requires the practitioner to identify the purpose of the compilation engagement, including the intended use of practitioner's report. Broadly speaking the purpose of the compilation engagement is identified with reference to the financial information needs of parties internal or external to the entity for which the information is to be compiled as identified by the engaging party or management, as appropriate. An~~  
The intended use of 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. eExamples isare  
financial information used required to be provided by an entity in connection with undertaking transactions or financing applications undertaken with external parties such as suppliers, banks or other providers of finance or funding.

~~A2434. The practitioner's identification of the intended use of the financial information also involves understanding such factors as the engaging party's, or management's particular purpose(s) that are intended to be served through requesting the compilation engagement,; notwithstanding the general explanation of the value of a compilation engagement in paragraph 4. For example, a grant funding body may require compilation of financial information by a professional accountant to obtain that information prepared in a specified form about certain aspects of an entity's operations or activities in support of the provision or continued provision of a grant.~~

*Acceptability of the Financial Reporting Framework (Ref: Para. 26(b))*

~~A2535. The practitioner's determination of the acceptability of the financial reporting framework that management identifies for use in the compilation is made in the context of the practitioner's understanding of the engaging party's purpose, or management's purpose as appropriate, associated with intended use of the compiled financial information that is to be compiled, as described in the agreed terms of engagement.~~

~~A2636. Factors that aremay be relevant to the practitioner's determination of the acceptability of the financial reporting framework to be used to compile the financial information required that is required include:~~

- ~~The nature of the entity and whether it is a regulated form of entity, -Ffor example,; whether it is a profit-oriented business enterprise,; a public sector entity,; or a not for profit an organization not for profit;~~

- The purpose of the financial information to be compiled and the ~~nature of~~ intended users. ~~For example, the financial information that is may be compiled for use only by management of the entity; or financial information it may be intended for use by external users; or it could be financial statements intended to be either general purpose financial information or financial information for a special purpose.~~ meet the common financial information needs of a wide range of users (“general purpose financial statements”); or financial statements intended to meet the financial information needs of specific users only (“special purpose financial statements”);
- The nature and form of the financial information to be compiled under the applicable financial reporting framework. ~~For example, a complete set of financial statements; a single financial statement; or financial information compiled in a format agreed between the parties to an agreement, or between contracting parties); and~~
- Whether the applicable financial reporting framework is prescribed or specified in relevant laws or regulation, or specified as part of governance or accountability arrangements adopted voluntarily by applicable to the entity.

~~A27. Depending on the identified purpose of the financial information to be compiled, in the case of financial statements the information may be prepared applying a financial reporting framework. Different recognized financial reporting frameworks may be available for use, depending on the relevant circumstances including the nature or size of the entity.~~

A37. The engaging party generally agrees the nature and form of financial information that is intended to be used for a “special purpose” with the intended users of the information, for example under the financial reporting provisions of a contract or a project grant. The relevant contract may require use of a recognized financial reporting framework, such as a fair presentation framework established by an authorized or recognized standard-setting organization or by law or regulation, but modified or adapted in certain respects in consideration of the financial information needs of the contracting parties. In this example the applicable financial reporting framework may be described as “the financial reporting provisions of the contract” rather than being described with reference to the recognized financial reporting framework used on the modified or adapted basis. The special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework, because the special purpose framework may not comply with all the requirements of the financial reporting framework necessary to achieve fair presentation.

A38. An entity may only need to prepare special purpose financial information, for example if it is not subject to general purpose financial reporting requirements under applicable law or regulation. In such circumstances the compiled special purpose financial information may be used by users other than those for whom the applicable financial reporting framework is designed. Notwithstanding the broader distribution of the

financial information in those circumstances, under the agreed terms of the engagement the financial statements are still required to be treated as special purpose financial statements for purposes of this ISRS. The requirements for the practitioner's report are designed to avoid misunderstandings about the purpose for which the financial information are prepared and the intended users of the financial information.

A2839. In many cases the practitioner may presume, in the absence of any indications to contrary, that the applicable financial reporting framework is acceptable, for example a financial reporting framework that is prescribed by laws or regulations in a jurisdiction to be used in the preparation of general purpose financial statements for certain types of entities.

~~A29. In the case of financial information that is to be compiled in a form other than financial statements, management or those charged with governance, as appropriate, are responsible for identification of the basis of preparation of the financial information that is acceptable in view of the purpose of the financial information. For example, management may select a recognized financial reporting framework with certain modifications, if appropriate, in view of the intended purpose of the financial information to be compiled.~~

~~A30. If during the engagement the applicable financial reporting framework to be used for the compilation engagement changes by agreement between the practitioner and management, the practitioner is required under paragraph 27 to update the written terms of the engagement to reflect that change.~~

~~A40. Management may decide to select another financial reporting framework that is acceptable in view of the intended use of the financial information being compiled if, during the engagement, there are indications that the applicable financial reporting framework is not acceptable. This could occur, for example, if use of that framework would result in material misstatements in the compiled financial information which would not occur if another framework were used. Management may want to select another financial reporting framework that is acceptable in view of the intended use of the compiled financial information, to avoid the compiled financial information being materially misstated or misleading. When management agrees to select another financial reporting framework as the applicable financial reporting framework, new terms of engagement are agreed to reflect the change as the previously agreed terms will no longer be accurate.~~

~~A41. When the applicable financial reporting framework is a special-purpose framework, the practitioner is required by this ISRS to record any restrictions on either use or distribution of the compiled financial information in the engagement letter and to include an alert in the practitioner's compilation report that the financial information is prepared for a special purpose and as a result may not be suitable for another purpose.~~

*Responsibilities of Management; ~~or Those Charged with Governance~~ (Ref: Para. 26(c))*

~~A31. This ISRS does not impose responsibilities on management or those charged with governance, and does not override laws and regulations that govern their respective responsibilities. As noted in paragraphs 18(c) and 21(c), however, a compilation in accordance with this ISRS is conducted on the premise that management and, where~~

~~appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to undertaking the compilation. The compilation of the financial information by the practitioner does not relieve management or those charged with governance of their responsibilities~~

~~A32. Notwithstanding that the practitioner's responsibility in the engagement is to compile the financial information on behalf of management, management remains responsible for the financial information to be compiled. This responsibility includes matters affecting the preparation of the financial information that is to be compiled, including:~~

~~(a) As discussed in paragraph 18(c)(ii) selection of the financial reporting framework that is acceptable in view of the intended purpose of the financial information to be compiled, and~~

~~(b) Applying management judgment to the selection of the appropriate accounting policies to be applied to compile the financial information, and to develop accounting estimates needed for the compilation of the financial information that are reasonable in the circumstances. Those management judgments are made in the context of the applicable financial reporting framework.~~

~~A3342. The practitioner compiles the financial information based on documentation, explanations and other information provided by management for the purpose of the compilation. The form of the information provided by management for the purpose of the compilation will vary in different engagement circumstances. In broad terms it will comprise records, documents, explanations and other information relevant to the preparation of the financial information. The practitioner is entitled to rely on management to provide all relevant documents, explanations and other information for the compilation on an accurate, complete and timely basis. The information provided may include, for example, information about management assumptions, intentions or plans underlying the development of accounting estimates needed for the compilation of the information under the applicable financial reporting framework. The practitioner is entitled to rely on management to provide all relevant information for the compilation on an accurate, complete and timely basis.~~

~~A3443. Because of the significance of the preconditions set out in paragraph 18 for undertaking a compilation engagement, the practitioner is required to obtain agreement from management and, where appropriate, those charged with governance before accepting the engagement that management acknowledges and understands its responsibilities described in that paragraph, before accepting the compilation engagement. Notwithstanding the practitioner's responsibility in the engagement to compile the financial information in accordance with this ISRS, management remains responsible for the financial information.~~

~~A44. If management does not acknowledge its responsibilities as described under paragraph 26(c) the practitioner is not able to undertake the engagement and it is not appropriate to accept the engagement unless law or regulation requires the practitioner to do so. In~~

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

~~A35. The way in which the responsibilities for preparation of financial information or external financial reporting are divided between management and those charged with governance will vary according to the resources and structure of the entity and any relevant law or regulation, and the respective roles of management and those charged with governance within the entity. In most cases management is responsible for execution while those charged with governance have oversight of management. In some cases, those charged with governance will have, or will assume, responsibility for approving the financial information of the entity, particularly when it is intended for the use, or information of external parties. In larger entities a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities.~~

~~A36. Despite the fact that there are likely to be differences in the extent of the responsibilities of management and, where appropriate, those charged with governance, in relation to the preparation of financial information for an entity, and its financial reporting and related internal controls, a compilation in accordance with this ISRS is only conducted on the precondition that management and, where appropriate, those charged with governance have agreed that they acknowledge and understand their responsibility as described in paragraphs 18(c) and 21(c).~~

~~A37. Depending on the nature and purpose of the information compiled by the practitioner, there may be an established approval process that management or those charged with governance is required to follow, or that is prescribed in applicable laws and regulations, for preparation and finalization of financial information, or financial statements, of the entity. Whether or not such an approval process exists, and whether it applies to the compiled financial information is a factor the practitioner takes account of for completion of the compilation engagement, regarding the compiled financial information and the accompanying practitioner's report.~~

*Factors Affecting Engagement Acceptance (Ref: Para. 19)*

~~A38. In accordance with paragraph 18 the practitioner may accept a request to perform a compilation engagement only if the preconditions set out in paragraph 18 are met. When management will not acknowledge its responsibilities the practitioner will not be able to undertake the engagement, and it is not appropriate to accept the engagement unless law or regulation requires the practitioner to do so. In circumstances where the practitioner is nevertheless required to accept the compilation engagement, the practitioner may need to communicate with management about the importance of these matters and the implications for the engagement.~~

~~A39. Under the IESBA Code the practitioner must not knowingly be associated with financial information that is materially false or misleading, including through omission of relevant information or disclosures. In the circumstances described in paragraph 19 the threat resulting from being knowingly associated with materially false or misleading~~

~~information is considered so significant that the threat cannot be mitigated through safeguards, and the practitioner is required to decline the engagement.~~

~~A40. Other factors may also influence the practitioner's decision about whether or not 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.~~

### *Agreeing the Terms of Engagement*

A~~41~~45. In cases where the engaging party is someone other than management or those charged with governance of the entity, the terms of agreement are agreed with the engaging party instead. (Ref: Para. ~~20~~)

### Engagement Letter or Other Form of Written Agreement (Ref: Para. ~~20~~28)

A~~42~~46. It is in the interests of both the entity and the practitioner that the practitioner sends an engagement letter prior to performing the compilation engagement to help avoid misunderstandings with respect to the engagement. An engagement letter confirms the practitioner's acceptance of the engagement and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the practitioner's responsibilities and the form of the report to be issued, and the responsibilities of management in relation to the compilation and in relation to the financial information to be compiled.

### Form and ~~C~~Econtent of the ~~E~~Letter (Ref: Para. ~~21~~)

A~~43~~47. The form and content of the engagement letter may vary for each entity. In addition to ~~including~~ the matters required by ~~paragraph 21~~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.
- Arrangements to be made with the predecessor practitioner, if any, in the case of an initial compilation engagement.
- ~~A statement that neither an audit nor a review of the compiled financial information will be performed, and accordingly that neither an audit opinion or review conclusion will be expressed.~~
- That management may be requested to confirm certain information or explanations conveyed orally to the practitioner during the engagement, in writing.
- The agreement of management to inform the practitioner of facts that may affect the compiled financial information, of which management may become aware during the course of the compilation up to the date of issuance~~completion~~ of the compilation engagement report and the compiled financial information.

- Ownership of the information used for the compilation, distinguishing between documents and information of the entity provided for the compilation, and the practitioner's ~~work papers developed to complete and document the compilation~~ engagement documentation, and having regard to ~~any relevant provisions of~~ applicable laws ~~and/or~~ regulations.
- A request for management to acknowledge receipt of the engagement letter and to agree to the terms of the engagement outlined therein.

#### Illustrative ~~E~~engagement ~~L~~letter

A~~44~~48. An ~~example of an illustrative~~ engagement letter is set out in Appendix 1 to this ISRS.

#### *Recurring Engagements* (Ref: Para. ~~22~~29)

A~~45~~49. The practitioner may decide not to send a new engagement letter or other written agreement each period. However, the following factors may ~~make indicate that~~ it is appropriate to revise the terms of the compilation engagement, or to remind management of the existing terms of the engagement:

- Any indication that the entity misunderstands the objective and scope of the compilation engagement.
- Any revised or special terms of the engagement.
- A recent change of senior management.
- A significant change in ownership.
- A significant change in nature or size of the entity's business.
- A change in legal or regulatory requirements.
- A change in the 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 or Those Charged with Governance** (Ref: Para. 30)

A50. The purpose of the practitioner's communications in the course of the engagement with management, or those charged with governance as appropriate, includes obtaining information and management comments relevant for the compilation. The appropriate timing for communications with management 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 as soon as practicable if management or 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. ~~2331~~)

~~A4651. The practitioner is required to exercise professional judgment in accordance with paragraph 15 to assess the sufficiency of knowledge and understanding required in paragraph 22 that is needed to compile the financial information of the entity.~~

~~A47. The practitioner's primary consideration is whether the knowledge and understanding obtained is sufficient to meet the practitioner's objective stated in this ISRS.~~ The breadth and depth of the knowledge and understanding the practitioner has or obtains about the entity and its business 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 financial information in accordance with the applicable financial reporting framework and the terms of the engagement, and to comply with this ISRS.

~~A4852. Some examples of relevant factors the practitioner considers in developing a knowledge and understanding of the entity's business and operations concerning the entity and its environment are:~~

- 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 or in the context of voluntary financial reporting arrangements, ~~e.g. 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 for financial reporting purposes;
- The degree of complexity or otherwise of the entity's financial accounting and reporting systems; and
- The level of development and proper design or relative sophistication of the entity's accounting systems and related controls through which the entity's accounting records and related information is maintained.

### *Compiling the Financial Information* (Ref: Para. ~~24-2732~~)

~~A49.—A53. The scope of a compilation engagement will vary depending on the circumstances of the engagement, but will in every case involve assisting management to present the entity's financial information in accordance with the applicable financial reporting framework, based on the information provided by management. In some engagements management may have already prepared the financial information in 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. In other cases the practitioner may undertake further activities on behalf of management, for example~~

collecting, classifying and summarizing information from source documents in the form of accounting records through to the production of a trial balance, as needed prior to being able to present the information in accordance with the applicable financial reporting framework.

A54. The engagement documentation is required to include a record of how the compiled financial information reconciles with the underlying records, documents, explanations and other information provided by management. The practitioner may, for example, keep a schedule showing the reconciliation of the entity's general ledger account balances to the compiled financial information, including management's adjusting journal entries made in the course of the engagement.

Matters Requiring Significant Management Judgment (Ref: Para. 33)

Assisting Management with Development of Accounting Estimates

A55. The practitioner may assist management in developing accounting estimates required for the financial information under the applicable financial reporting framework. The practitioner's discussions with management may include agreeing the basis used for significant accounting estimates with management, and confirming those estimates in writing.

Consideration of Going Concern

A56. Where the applicable financial reporting framework requires uncertainties that exist regarding an entity's ability to continue as a going concern to be addressed in the financial information, the practitioner may, for example, discuss significant issues affecting the entity's status as a going concern with management, and management's assessment of the entity's ability to continue as a going concern. Using this information the practitioner may, where relevant, suggest an appropriate presentation under the applicable financial reporting framework and related disclosures concerning the entity's ability to continue as a going concern

~~The practitioner performs the activities needed to compile the financial information in accordance with the applicable financial reporting framework under the agreed terms of the engagement. The scope of a compilation engagement will vary depending on the circumstances of the engagement, but in every case includes assisting management to present the entity's financial information in accordance with the applicable financial reporting framework based on the information provided by management.~~

~~A50. Activities performed by the practitioner when compiling financial information may in some cases include collecting, classifying and summarizing information, on behalf of management, from source documents in the form of accounting records through to the production of a trial balance, prior to presenting the information in accordance with the applicable financial reporting framework.~~

~~A51. In other compilation engagements management may have already prepared the financial information in draft or preliminary form in accordance with the applicable financial~~

~~reporting framework and provides that information to the practitioner for the compilation engagement requesting only that the practitioner complete the compilation of the financial information in accordance with the applicable financial reporting framework.~~

~~A51. As explained in paragraph A48 in a compilation engagement the practitioner presents the financial information of the entity in accordance with the applicable financial reporting framework. Accordingly, it is the presentation of the financial information in the required form under the applicable financial reporting framework and performance of the procedures required in paragraphs 24 to 27 which lead to completion of the engagement by the practitioner.~~

#### Accuracy and Completeness of Information Provided by Management (Ref: Para. 34)

~~A5257. The practitioner does not perform procedures designed to assess or evaluate the accuracy and completeness, or otherwise, of the records, documents, explanations, and other information provided by management ~~for purposes of the compilation engagement. If the~~ The practitioner is however required to respond as required under this ISRS if becomes the practitioner becomes aware that the ~~documents, explanations and other information provided is are not incomplete, or inaccurate, or that they are otherwise unsatisfactory;~~ the practitioner is required in paragraph 25 to request management to provide documents, explanations and other information that are complete, accurate and satisfactory for purposes ~~of to an extent that affects the practitioner's ability to complete the engagement under this ISRS. the compilation. If management refuses the practitioner's request the practitioner is not able to complete the compilation engagement and, under paragraph 29(a), is required to withdraw unless not permitted to do so by relevant law or regulation.~~~~

#### Acceptability of the Financial Reporting Framework (Ref: Para. 35)

~~A58. The practitioner may propose to management use of another financial reporting framework that is acceptable for the compilation of the financial information in view of its intended use. For example, the compiled financial information may be presented using the general purpose financial reporting framework of a particular jurisdiction on a modified basis, with appropriate reclassification of the financial information to special purpose financial information. In this situation the practitioner's report would signal the special purpose nature of the financial information and that the financial information may not be suitable for purposes other than those described in the accompanying financial information. When appropriate, this disclosure may be supplemented by an additional clause that restricts either or both the distribution and the use of the report and the compiled financial information to the intended users only.~~

#### Reading the financial information (Ref: Para. 36)

~~A5359. The ethical obligation practitioners have under the IESBA Code, to not knowingly be associated with financial information that is materially false or misleading,<sup>7</sup> is~~

<sup>7</sup> — IESBA Code, Part A, paragraph 110.2 A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:

~~ordinarily adequately fulfilled through t~~The practitioner's reading of the compiled financial information. ~~The reading performed with the practitioner's knowledge and understanding described in paragraph 26, of the entity's business and operations, and the applicable financial reporting framework,~~ enables the practitioner to consider whether the ~~compiled financial information contains any obvious~~ is materially misstated ~~ments~~ or ~~is obviously~~ misleading. This reading is ordinarily adequate to fulfill the practitioner's ethical obligation to not knowingly be associated with financial information that is materially false or misleading.<sup>8</sup> 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.

~~A57. If he practitioner becomes aware that the compiled financial information is obviously materially misstated or obviously misleading, but it would not be if it were presented under another financial reporting framework that is also acceptable in view of the intended use of the compiled financial information, in appropriate cases the practitioner may propose to management that another financial reporting framework be used so that the compiled financial information is not materially misstated or misleading to the intended users. For example, the compiled financial information may be presented using an acceptable modified basis of an acceptable financial reporting framework of a particular jurisdiction with appropriate reclassification of the financial information to special purpose financial information, and with an appropriate alert to users in the compilation report that the financial information may not be suitable for purposes other than the purpose described in the accompanying financial information. If the practitioner considers it to be appropriate the report may also include a clause that restricts either or both the distribution and the use of the practitioner's report and the accompanying financial 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.~~

~~When a professional accountant becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information.~~

---

<sup>8</sup> IESBA Code, Part A, paragraph 110.2 states: "A professional accountant shall not knowingly be associated with reports, returns, communications or other information where the professional accountant 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.

When a professional accountant becomes aware that the accountant has been associated with such information, the accountant shall take steps to be disassociated from that information."

~~A54. If the applicable financial reporting framework is a fair presentation framework,<sup>9</sup> the practitioner reads the compiled financial information with a view to becoming aware of obvious material misstatements<sup>10</sup> in the compiled financial information. The practitioner has regard to materiality in the context of how materiality is described, or is required to be applied, in the relevant financial reporting framework. The practitioner's reading of the compiled financial information is done with a view to becoming aware whether, on an obvious basis, disclosures by management are needed in addition to those required by the financial reporting framework, to achieve fair presentation of the financial information, and whether the compiled financial information is obviously not fairly presented or does not give a true and fair view without such disclosures.~~

~~A55. If the applicable financial reporting framework is a compliance framework,<sup>11</sup> the practitioner's reading of the compiled financial information is with a view to becoming aware of any obvious material misstatements in the compiled financial information, and whether the compiled financial information is obviously misleading.~~

#### Proposing Amendments to the Compiled Financial Information (Ref: Para. 37)

~~A5660.~~ If, on reading the compiled financial information ~~in accordance with paragraph 26~~, the practitioner becomes aware that the compiled financial information as presented:

- (a) Does not adequately describe the applicable financial reporting framework;<sup>12</sup> or
- (b) Is obviously materially misstated or obviously misleading,

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

#### Practitioner's Response when the Compiled Financial Information is Obviously Materially Misstated, or Obviously Misleading and Management refuses Appropriate Amendments (Ref: Para. 28-30)

#### Conditions that Require the Practitioner to Withdraw from the Engagement (Ref: Para. 38-39)

~~A5861.~~ If the practitioner encounters the circumstances described in paragraphs 26 to 27 and management ~~refuses/declines~~ the practitioner's proposed amendments to the compiled financial information, so that the financial information will not be materially misstated or misleading, the practitioner is required ~~under paragraph 29 to withdraw from the engagement, unless withdrawal is not permitted under applicable law or regulation. The practitioner is required under paragraph 28 to communicate with management about the implications for the engagement when management refuses to make the practitioner's proposed amendments.~~ Such communications provide opportunity to explain the

<sup>9</sup>—See IAASB Glossary

<sup>10</sup>—See IAASB Glossary

<sup>11</sup>—See IAASB Glossary

practitioner's ethical obligations in performing the engagement and being associated with the compiled financial information.

~~A59. The requirement to withdraw from the engagement is so that practitioners will not breach their ethical obligation under the IESBA Code.~~

~~A6062.~~ The practitioner's report is not used as a vehicle to communicate information about whether the practitioner is aware the compiled financial information contains ~~obvious~~ material misstatements; or ~~whether the information is obviously misleading. This would not be appropriate in view of the practitioner's objective in a compilation engagement, and because it~~ Doing so would amount to expressing an opinion or a conclusion on the compiled financial statements, which is not the purpose of a compilation engagement.

#### **Documentation** (Ref: Para. ~~3440~~)

~~A6163.~~ ~~The practitioner is required under paragraph 31 to document all significant matters in relation to the compilation engagement. In addition to the minimum information that is required to be documented in paragraph 31, t~~The practitioner may also consider including the following in the engagement documentation in addition to that required under this ISRS, in relation to any significant matters regarding the engagement; ~~the following:~~

- (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.
- (b) A record of adjustments ~~made to the compiled financial information that were agreed with management, including adjusting journal entries, and a record of adjustments~~ proposed by the practitioner but not accepted by management. ~~For example, the practitioner may create a schedule which agrees or reconciles the entity's general ledger account balances to the compiled financial information showing the adjusting journal entries that were made in the course of the compilation engagement.~~
- (c) ~~Notes of 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.~~
- (d) ~~Notes of information and explanations provided by management in relation to any areas of significant management judgment in the compiled financial information as presented.~~
- (e) Notes of the practitioner's consultations undertaken with other suitably competent persons about any difficult or contentious areas.
- (f) ~~Notes of discussions with management or those charged with governance on any other significant matters which arose in the course of the compilation.~~
- (g) Notes ~~of on~~ any ~~others~~ significant aspects of the engagement, ~~that were significant in the view of the practitioner, or matters~~ that required exercise of significant professional judgment by the practitioner.

A64. Regarding the practitioner's communications with management and those charged with governance as appropriate in the course of the engagement, the practitioner may consider documenting the following matters concerning those communications:

- (a) 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.
- (b) Information and explanations provided by management in relation to any areas of significant management judgment reflected within the compiled financial information as presented, including information relevant to management's assessment of the entity's ability to continue as a going concern when the applicable financial reporting framework addresses how the entity's status as a going concern affects the way the financial information is prepared and presented under that framework.

**The Practitioner's Report** (Ref: Para. 3241-3342)

~~A6265.~~ The written report encompasses reports issued in hard copy format and those using an electronic medium.

*Elements of the Practitioner's Report*

~~A6366.~~ Law or regulation may specify to whom the practitioner's report is to be addressed in that particular jurisdiction. The practitioner's report is normally addressed to the party for whom the financial information is compiled under the terms of the engagement. The engaging party is ordinarily the management of the entity.

~~A64. The responsibilities of management when a compilation of financial information is performed in accordance with this ISRS are described in paragraph 18(c). Management accepts responsibility for the compiled financial information in accordance with the applicable financial reporting framework notwithstanding that the practitioner is engaged by management to compile the financial information in accordance with the terms of the engagement.~~

A37. Depending on the nature and purpose of the information compiled by the practitioner, there may be an established approval process that management or those charged with governance is required to follow, or that is prescribed in applicable laws and regulations, for preparation and finalization of financial information, or financial statements, of the entity. Whether or not such an approval process exists, and whether it applies to the compiled financial information is a factor the practitioner takes account of for completion of the compilation engagement, regarding the compiled financial information and the accompanying practitioner's report. (Ref: Para. 42)

~~A6567.~~ When the practitioner is aware that the compiled financial information 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.

*Financial Information Compiled for a Special Purpose, or That ~~is Prepared for~~ Has Restricted Use or ~~That~~ is for Restricted Distribution (Ref: Para. 41(g))*

A~~68~~68. ~~The e~~Compiled special purpose financial statements may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the compiled special purpose financial statements on public record. To avoid misunderstandings, the practitioner alerts users of the practitioner's report 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*

A~~69~~69. ~~In addition to the alert required by paragraph 32(g), t~~The practitioner may consider it appropriate to indicate that the practitioner's report is intended solely for the specific users, 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 distributions or use of the practitioner's report. In these circumstances, the ~~additional paragraph referred to in paragraph 32(g)~~alert required by this ISRS may be expanded to include these other matters.

Approval of the Compiled Financial Information by Management ((Ref: Para. 42)

A70. 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. Depending on the nature and purpose of the information compiled by the practitioner, there may be an established approval process that management or those charged with governance is required to follow, or that is prescribed in applicable law or regulation, for preparation and finalization of the financial information or financial statements of the entity. The practitioner takes account of whether such an approval process exists, and whether it applies to the compiled financial information when completing the compilation engagement.

*Illustrative Reports*

A~~66~~71. Appendix 2 to this ISRS contains illustrations of practitioners' compilation reports ~~for compilation of financial information~~ incorporating the required elements set out in paragraph 32.

*Date of the Practitioner's Report*

A~~67~~. ~~The date of completion of the compilation engagement is the date when the practitioner signs the report that is to accompany the compiled financial information.~~

## Appendix 1

(Ref: Para. A4448)

### 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 individual requirements and circumstances. 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 (~~see paragraph 22 of 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 of a company (ABC Company), and use of the financial information will be restricted to the company directors. 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 20X1 and the income statement for the year then ended, without notes. The directors have requested that the financial information be prepared on a full accruals basis.

\*\*\*

To the Directors of ABC Company:

*[Objective and scope of the compilation engagement]*

You<sup>12</sup> have requested that we provide the following services:

On the basis of information that management will provide we will compile the balance sheet of ABC Company as of 31 December 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 financial information showing the entity's financial position and financial performance at the financial reporting date of 31 December 20X1. The compiled financial statements will be for the sole use of the directors, and will not be distributed to other parties.

---

<sup>12</sup> Throughout this illustrative engagement letter, references to "you," "we," "us," "management," "those charged with governance" and "auditor" would be used or amended as appropriate in the circumstances.

### Our Responsibilities

We will perform the compilation engagement in accordance with the International Standard on Related Services (ISRS) 4410, *Engagements to Compile Historical Financial Information* and comply with the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Professional Accountants.

We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

A compilation involves applying expertise in accounting and reporting to present financial information in accordance with the applicable financial reporting framework. A compilation does not include gathering 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.

### **Responsibilities of Management<sup>13</sup>**

The compilation to be performed is conducted on the basis that management acknowledges and understands that the financial statements will be compiled on their behalf. Accordingly they have the following overall responsibilities that are fundamental to undertaking the compilation engagement in accordance with ISRS 4410:

- (a) Selection of the applicable financial reporting framework ~~to be used~~ (i.e. 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 framework that are to be applied in the compiling the financial statements; and
- (b) Preparation of the financial statements in accordance with the applicable financial reporting framework (i.e. that is, as described above); ~~including and the selection of appropriate~~ accounting policies; including and for management judgments needed to develop any accounting estimates required for the compiled financial information; and
- (c) 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) Acceptance of responsibility for the financial statements that we compile on ~~their management's~~ behalf in accordance with the applicable financial reporting framework (i.e. that is, as described above).

As part of our compilation of the financial information, we may request from management and, where appropriate, from the directors, 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.

---

<sup>13</sup> References to management in this engagement letter should be read as “management or those charged with governance as appropriate.”

## **Compilation Report**

As part of our engagement we will issue a report attached to the compiled financial statements, which will describe the compiled financial statements and the work we performed for this compilation engagement. The report will also note that the use of 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 is restricted to you, as the company directors.

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 ABC Company by

(signed)

.....  
Name and Title  
Director  
Date

## Appendix 2

(Ref: Para. A6671)

### Illustrative Practitioners' Compilation Reports ~~for Compilation Engagements~~

#### *Financial information prepared for a special purpose*

~~Example~~Illustration 1: Practitioner's compilation R~~e~~port for an engagement to compile financial ~~statements to be used for a specific purpose, information~~ for use only by the ~~directors~~management of a company

~~Example~~Illustration 2: Practitioner's compilation R~~e~~port for an engagement to compile special purpose financial statements required under the terms of a contract

#### *Financial information prepared for a general purpose*

~~Example~~Illustration 3: Practitioner's compilation R~~e~~port for an engagement to compile general purpose financial statements

### Illustration 1

- Practitioner's compilation report for an engagement to compile financial information that is intended for the special purpose of use only by the management of a company
- The financial information comprises historical financial statements incorporating certain accruals, compiled without notes for management's use, for management's own purposes.

### PRACTITIONER'S COMPILATION REPORT ~~ON COMPILED FINANCIAL INFORMATION~~

To ~~the Directors~~Management of ABC Company

We have compiled, ~~based on information provided by management of ABC Company,~~ the accompanying financial statements of ABC Company in accordance with our terms of engagement, based on information you have provided, agreed with you as the directors of ABC Company. These financial statements comprise a balance sheet as at December 31, 20X1 and an income statement for the year then ended.

Management is responsible for ~~the preparation of~~ these financial statements, ~~and for the accuracy and completeness of the information we used to compile the financial statements on their behalf.~~ Their responsibility includes selection of the financial reporting framework, and the accuracy and completeness of the information used to compile the financial statements on management's behalf. appropriate accounting policies and making reasonable accounting estimates for the financial statements.

~~Our responsibility is to compile the financial statements.~~ We ~~have~~ performed ~~this~~the compilation engagement in accordance with International Standard on Related Services 4410, *Engagements to Compile Historical Financial Information*. This Standard requires that we comply with quality control standards and relevant ethical requirements including observing ethical principles relating to integrity, objectivity, professional competence and due care, and have complied with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Professional Accountants.

A compilation involves applying expertise in accounting and reporting to present financial information in accordance with the applicable financial reporting framework. A compilation does not include 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.

### *Restriction on Distribution and Use*

The specific purpose for which this financial information has been prepared is described in the engagement letter that contains the terms of our engagement agreed with you. These financial statements are for the exclusive use of the ~~directors~~management of ABC Company, and ~~are~~may not be suitable for ~~any~~ other purposes. Our report is intended solely for the ~~directors~~management of ABC Company, and should not be distributed to, or used by any other parties.

[Practitioner's signature]

[Date of Practitioner's report]

[Practitioner's address]

|

**Illustration 2****Practitioner's compilation report for an engagement to compile special purpose financial statements required under the terms of a contract****PRACTITIONER'S COMPILATION REPORT ~~ON COMPILED FINANCIAL STATEMENTS~~**

[To the Engaging Party]

We have compiled the accompanying financial statements of ABC Company in accordance with Clause Z of the provisions of ABC Company's contract with ZYX Limited dated [insert date of relevant contract/agreement], based on information provided by management. These financial statements comprise [name all the elements of the financial statements prepared under the agreed special purpose financial reporting framework and the period/ date to which they relate].

~~Management is responsible for the preparation of these financial statements, and for the accuracy and completeness of the information we used to compile the financial statements on their behalf. Their responsibility includes selecting appropriate accounting policies and making reasonable accounting estimates for these financial statements~~

~~Our responsibility is to compile the financial statements. We have performed this compilation engagement in accordance with International Standard on Related Services 4410, *Engagements to Compile Historical Financial Information* and have complied with the *Code of Ethics for Professional Accountants* of the International Ethics Standards Board for Professional Accountants.~~

Management is responsible for these financial statements, including selection of the financial reporting framework, and the accuracy and completeness of the information used to compile the financial statements on management's behalf.

We performed the compilation engagement in accordance with International Standard on Related Services 4410, *Engagements to Compile Historical Financial Information*. This Standard requires that we comply with quality control standards and relevant ethical requirements including observing ethical principles relating to integrity, objectivity, professional competence and due care.

A compilation involves applying expertise in accounting and reporting to present financial information in accordance with the applicable financial reporting framework. A compilation does not include 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.

*Restriction on Distribution and Use*

The specific purpose for which these special purpose financial statements have been prepared is described in [insert reference to the applicable note to the special purpose financial statements]. These financial statements were compiled exclusively for the benefit of [insert the specified intended users identified under the terms of engagement]. As a result, they may not be suitable

for ~~an~~other purposes. Our report is intended solely for [*the specified intended users*] and should not be distributed to or used by other parties. |

[Practitioner's signature]

[Date of Practitioner's report]

[Practitioner's address]

|

### **Illustration 3**

#### **Practitioner's compilation report for an engagement to compile general purpose financial statements**

#### **PRACTITIONER'S COMPILATION REPORT ~~ON COMPILED FINANCIAL STATEMENTS~~**

[To the Engaging Party]

We have compiled the accompanying financial statements of ABC Company in accordance with [applicable financial reporting framework] based on information provided by management. These financial statements comprise the balance sheet of ABC Company as at December 31, 20X1, and the income statements, statement of ~~—~~changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

~~Management is responsible for the preparation of these financial statements, and for the accuracy and completeness of the information we used to compile them on their behalf. This responsibility includes selecting appropriate accounting policies and making reasonable accounting estimates for these financial statements.~~

~~Our responsibility is to compile the financial statements. We have performed this compilation engagement in accordance with International Standard on Related Services 4410, *Engagements to Compile Historical Financial Information* and have complied with the IESBA Code of Ethics for Professional Accountants.~~

Management is responsible for these financial statements, including selection of the financial reporting framework, and the accuracy and completeness of the information used to compile the financial statements on management's behalf.

We performed the compilation engagement in accordance with International Standard on Related Services 4410, *Engagements to Compile Historical Financial Information*. This Standard requires that we comply with quality control standards and relevant ethical requirements including observing ethical principles relating to integrity, objectivity, professional competence and due care.

[Include reference to relevant laws or regulations where applicable].

A compilation involves applying expertise in accounting and reporting to present financial information in accordance with the applicable financial reporting framework. A compilation does not include gathering evidence for the purpose of expressing an audit opinion or a review conclusion or audit opinion. Accordingly, we do not express an audit opinion or a review conclusion on these se financial statements.

[Practitioner's signature]

[Date of Practitioner's report]

[Practitioner's address]