## I. Agenda Item 7-B

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

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

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Appendix 1: Illustrative Engagement Letter for a Compilation Engagement
Appendix 2: Illustrative Practitioners’ Reports for Compilation Engagements

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.”
Introduction

Scope of this ISRS

1. The purpose of this International Standard on Related Services (ISRS) is to establish standards and provide guidance on the practitioner’s responsibilities when engaged to compile historical financial information and the form and content of the report the practitioner issues to accompany the compiled historical financial information.

2. This ISRS is directed toward the compilation of historical financial information. The Standard is to be applied, adapted as necessary, to engagements to compile financial information other than historical financial information. It may also be applied to engagements to compile non-financial information. Hereinafter in this Standard reference to “financial information” means “historical financial information.” (Ref: Para. A1-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 or national requirements that are at least as demanding. (Ref: Para. A16-A17)

The Engagement to Compile Financial Information

4. The value of compilation engagements to users of compiled financial information results from the application of the practitioner’s expertise in compiling the information. In addition, in performing the engagement the practitioner complies with the relevant ethical requirements, including objectivity, and professional competence and due care. (Ref: Para. A4-A5)

5. A compilation engagement is not an assurance engagement. A compilation engagement does not involve gathering evidence for the purpose of expressing a review conclusion or audit opinion on the financial information. (Ref: Para. A7-A8)

Authority of this ISRS

6. This ISRS applies to all practitioners engaged to compile financial information and report thereon.

7. 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. The Standard contains requirements, expressed using “shall,” that are designed to enable the practitioner to meet the stated objectives.

1 ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”
9. In addition, the ISRS contains introductory material, definitions, and application and other explanatory material, that provides context relevant to a proper understanding of the ISRS.

10. 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. This ISRS is effective for compilation engagements beginning on or after [insert date].

Objectives

12. The practitioner’s objectives in a compilation engagement are to: (Ref: Para. A6-A8)

(a) Apply accounting and reporting expertise to presenting financial information in accordance with an applicable financial reporting framework based on information provided by management, and

(b) Issue a report 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 ISRE states that. (Ref: Para. A10-A11)

14. The following terms have the meanings attributed below for the purposes of this ISRS:

(a) Compile – To apply accounting and reporting expertise to present financial information in accordance with an applicable financial reporting framework.

(b) Compilation Engagement – An engagement in which a practitioner compiles financial information of an entity under the terms of an engagement, and issues a report 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.

(c) Practitioner – The person or persons conducting the compilation engagement, usually 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.
(d) Relevant ethical requirements – Ethical requirements the engagement team is subject to, which ordinarily comprise Parts A and B of the IESBA Code of Ethics for Professional Accountants (IESBA Code) together with national requirements that are more restrictive.

Requirements

Ethical Requirements

15. The practitioner shall comply with relevant ethical requirements as they relate to compilation engagements. (Ref: Para. A12-A13)

Professional Judgment

16. The practitioner shall exercise professional judgment in planning and performing a compilation engagement. (Ref: Para. A14-A15)

Quality Control (Ref: Para. A16- A21)

17. The engagement partner shall take responsibility for the overall quality of the compilation engagement. This responsibility includes:

(a) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements;

(b) Being satisfied that the engagement team collectively has the appropriate competence and capabilities to perform the compilation engagement 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 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

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

18. In order to establish whether the preconditions for a compilation engagement are present, prior to accepting the engagement, the practitioner shall:

(a) Identify the intended use of the financial information to be compiled (Ref: Para. A23-A24);

(b) Determine the acceptability of the financial reporting framework in the context of that intended use (Ref: Para. A25-A30); and

(c) Obtain the agreement of management that they acknowledge and understand that:

(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 the circumstances of the engagement;

b. Preparation of the financial information in accordance with the applicable financial reporting framework, including selection of appropriate accounting policies under the framework where needed, and for management judgments needed to develop any accounting estimates required for the compilation; and

c. Providing the practitioner with:
   - All relevant documents, explanations and other information needed for the purpose of the compilation engagement,
   - Additional information that the practitioner may request from management or those charged with governance for the purpose of completing the compilation engagement;

d. The accuracy and completeness of the documents, explanations and other information provided by management for the compilation engagement as described in paragraph 18(c)(ii)c; and

e. The financial information compiled by the practitioner 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)

20. The practitioner shall agree the terms of engagement with management prior to performing the engagement. (Ref: Para. A42)
21. The agreed terms of engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include: (Ref: Para. A44)

(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;

(c) The responsibilities of management, including those described in paragraph 18(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

22. On recurring compilation engagements, the practitioner shall assess 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. A45)

Performing the Engagement

The Practitioner’s Knowledge and Understanding (Ref: Para. A46-A48)

23. 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.

Compiling the Financial Information (Ref: Para. A49-A60)

24. The practitioner shall compile the financial information in accordance with the agreed terms of the engagement.

25. If in the course of the compilation engagement the practitioner becomes aware that the documents, explanations or other information provided 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. A52)
26. The practitioner shall read the compiled financial information, applying the knowledge and understanding described in paragraph 23 and, if after reading the compiled financial information the practitioner becomes aware that: (Ref: Para. A53-A56)
   (a) The compiled financial information does not adequately refer to, or describe the applicable financial reporting framework; or
   (b) There are obvious material misstatements in the compiled financial information or that the compiled financial information is obviously misleading, the practitioner shall propose 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)

28. If management refuses to make amendments proposed by the practitioner, 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 materially misstated or misleading, the practitioner shall communicate with management about the implications for the compilation engagement.

Conditions that Require the Practitioner to Withdraw from the Compilation Engagement

29. Unless prohibited by law or regulation, the practitioner shall withdraw from the engagement, and inform management or those charged with governance of the reasons for withdrawing, when:
   (a) The documents, explanations or other information provided by management for the compilation engagement are incomplete, inaccurate, 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 amendments proposed by the practitioner under paragraphs 26(a); or
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(c) The compiled financial information is obviously materially misstated, or obviously misleading to the intended users, and management refuses to address the situation through either:

(i) Agreeing to make the practitioner’s proposed amendments to the compiled financial information under paragraph 26(b); or

(ii) Agreeing to the practitioner’s recommendation to use another appropriate financial reporting framework acceptable for the intended use of the compiled financial information under paragraph 27.

30. If withdrawal is not permitted under applicable law or regulation the practitioner shall take 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:

(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

31. The practitioner 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;

(b) 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.

The Practitioner’s Report

32. The practitioner’s report issued for a compilation engagement shall be in writing, and shall contain the following elements: (Ref: Para. A62-A66)

(a) Report Title;

(b) The addressee(s) being the engaging party, or otherwise as required by the terms of the engagement;

(c) A 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 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 responsibility 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 responsibility 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. A68-A69)

   (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 practices.

33. 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. 1–3)

A1. 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 examples of other types of financial information that practitioners may compile are:

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

A2. 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. 4-5)

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 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 as part of keeping the entity’s accounting records as part 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.

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

A9. This ISRS describes below the meanings attributed to certain terms for the purpose 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) 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)

Use of Terms “Management” and “Those Charged with Governance” in this ISRS (Ref: Para. 13)

A10. The way in which the responsibilities for preparation of financial information or external financial reporting are described and divided between management and 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; and
- Relevant laws and regulations.
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**

*Compliance with Relevant Ethical Standards* (Ref: Para. 15)

A12. 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.

A13. Notwithstanding that the IESBA Code does not required independence in a compilation engagement, 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. 16)

A14. 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.

A15. 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. 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 accounting principles and practices of the industry in which the entity operates, 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. 3 and 17)

A16. 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. 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 reports issued by the firm or engagement partners are appropriate in the circumstances.2

A17. ISQC 1 deals with the firm’s responsibilities to establish and maintain its system of quality control for review engagements. The system of quality control includes policies and procedures that address each of the following elements:

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2 ISQC 1, paragraph 11.
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- 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.

A19. Within the context of the firm’s system of quality control, engagement teams are responsible for implementing quality control procedures that are applicable to individual compilation engagements.

A20. 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.

A21. 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 quality of:

(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.

Considerations when Accepting the Engagement

Preconditions for a Compilation Engagement (Ref: Para. 18)

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

A23. 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 example is financial information used in connection with transactions or applications undertaken with external parties such as suppliers, banks or other providers of finance or funding.

A24. The practitioner’s identification of the intended use of the financial information involves understanding the engaging party’s or management’s particular purpose(s) that are intended to be served the compilation engagement, notwithstanding the general explanation of the value of a compilation engagement in paragraph 4.

Acceptability of the Financial Reporting Framework

A25. 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 the compiled financial information.

A26. Factors that are relevant to the practitioner’s determination of the acceptability of the financial reporting framework to be used to compile the financial information that is required include:

- The nature of the entity. For example: whether it is a profit-oriented business enterprise; a public sector entity; or a not for profit organization;
- The purpose of the financial information to be compiled and the nature of intended users. For example: financial information that is compiled for use only by management of the entity; or financial information intended for use by external users; financial statements intended to 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 in relevant laws or regulation 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.
A28. 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.

Responsibilities of Management, or Those Charged with Governance

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.

A33. The practitioner compiles the financial information based on documentation, explanations and other information provided by management for the purpose of the compilation. 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 may include, for example, information.
about management assumptions, intentions or plans underlying the development of an accounting estimate needed for the compilation.

A34. 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 that they acknowledge and understand their responsibilities described in that paragraph, before accepting the compilation 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

A41. 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)

A42. 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 Content of the Engagement Letter (Ref: Para. 21)

A43. The form and content of the engagement letter may vary for each entity. In addition to including the matters required by paragraph 21, 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 of the compilation 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, and having regard to any relevant provisions of applicable laws and regulations.
- A request for management to acknowledge receipt of the engagement letter and to agree to the terms of the engagement outlined therein.

Illustrative Engagement Letter

A44. An example of an engagement letter is set out in Appendix 1 to this ISRS.

Recurring Engagements (Ref: Para. 22)

A45. The practitioner may decide not to send a new engagement letter or other written agreement each period. However, the following factors may make it 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.

Performing the Engagement

The Practitioner’s Knowledge and Understanding (Ref: Para. 23)

A46. 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.
A48. Some examples of relevant factors the practitioner considers 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. 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. 24-27)

A49. 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.
A52. The practitioner does not perform procedures designed to assess or evaluate the accuracy and completeness, or otherwise, of the documents, explanations and other information provided by management for purposes of the compilation engagement. If the practitioner becomes aware that the documents, explanations and other information are not complete or accurate, 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 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.

A53. The ethical obligation practitioners have under the IESBA Code, to not knowingly be associated with financial information that is materially false or misleading, is ordinarily adequately fulfilled through the practitioner’s reading of the compiled financial information. The reading performed with the practitioner’s knowledge and understanding described in paragraph 26, enables the practitioner to consider whether the compiled financial information contains any obvious material misstatements or is obviously misleading.

A54. If the applicable financial reporting framework is a fair presentation framework, the practitioner reads the compiled financial information with a view to becoming aware of obvious material misstatements 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, 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.

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3  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:
(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.

4  See IAASB Glossary.

5  See IAASB Glossary.

6  See IAASB Glossary.
A56. 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, 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.

A57. If the 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.

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

A58. If the practitioner encounters the circumstances described in paragraphs 26 to 27 and management refuses the practitioner’s proposed amendments to the compiled financial information, 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.

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

A60. 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 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. 31)

A61. 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, the practitioner may also consider including in the engagement documentation, 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 any other aspects of the engagement that were significant in the view of the practitioner, or that required exercise of significant professional judgment by the practitioner.

The Practitioner’s Report (Ref: Para. 32-33)

A62. The written report encompasses reports issued in hard copy format and those using an electronic medium.

Elements of the Practitioner’s Report

A63. 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.

A65. 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.

Illustrative Reports

A66. Appendix 2 to this ISRS contains illustrations of practitioners’ reports for compilation of financial information incorporating the required elements set out in paragraph 32.

Date of the Practitioner’s Report

A67. 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.

Financial Information Compiled for a Special Purpose, or That is Prepared for Restricted Use or That is for Restricted Distribution

A68. The 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

A69. In addition to the alert required by paragraph 32(g), the practitioner may consider it appropriate to indicate that the practitioner’s report is intended solely for the specific users. 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) may be expanded to include these other matters.
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 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.

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To the Directors of ABC Company:

[Objective and scope of the compilation engagement]

You 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.

We will perform the compilation engagement in accordance with the International Standard on Related Services 4410, Engagements to Compile Historical Financial Information and comply

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7 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.
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**

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. 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., as described above); including selection of appropriate accounting policies and for management judgments needed to develop any accounting estimates required for the compiled financial information; and

(c) Providing to us all relevant 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 documents, explanations and other information; and

(d) Acceptance of responsibility for the financial statements that we compile on their behalf in accordance with the applicable financial reporting framework (i.e., 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.

**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

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8 References to management in this engagement letter should be read as “management or those charged with governance as appropriate.”
Engagements to Compile Historical Financial Information—Draft Revised ISRS 4410

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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
Illustrative Practitioners’ Reports for Compilation Engagements

Example 1: Report for an engagement to compile financial statements to be used for a specific purpose, for use only by the directors of a company

Example 2: Report for an engagement to compile special purpose financial statements

Example 3: Report for an engagement to compile general purpose financial statements

Example 1: Report for an engagement to compile financial information to be used for a specific purpose, for use only by the directors of a company

(Historical financial statements incorporating certain accruals compiled without notes for the directors of an entity, to be used solely by the directors for a private purpose)

PRACTITIONER’S REPORT ON COMPILED FINANCIAL INFORMATION

To the Directors 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 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 selecting appropriate accounting policies and making reasonable accounting estimates for the 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.

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 the 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 of ABC Company, and are not suitable for
any other purpose. Our report is intended solely for the directors 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]
Example 2: Report for an engagement to compile special purpose financial statements

PRACTITIONER’S 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.

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 the 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 another purpose. 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]
Example 3: Report for an engagement to compile general purpose financial statements

PRACTITIONER’S 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. [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 the financial statements.

[Practitioner’s signature]

[Date of Practitioner’s report]

[Practitioner’s address]