

**Compilation Engagements—
Task Force Recommendations Dated December 2011 in Response to IAASB’s
Consideration of Significant Comments on Exposure**

Introduction

1. This Paper sets out the Task Force’s recommendations on a number of significant issues arising from respondents’ comments on the Exposure Draft of proposed ISRS 4410 (Revised), *Compilation Engagements* (ED-4410), and proposed amendments to the draft ISRS, for the IAASB’s consideration in the context of the approval of the final ISRS.

Significant Issues**I. Distinguishing the Compilation Engagement from an Assurance Engagement**

2. In presenting the Task Force’s analysis of the comments received for ED-4410 in June 2011,¹ the Task Force highlighted as a key issue that a significant number of respondents believe the distinction between compilation engagements and assurance engagements is not sufficiently clear, especially with respect to the practitioner’s work effort.
3. Some respondents expressed concern that the proposed ISRS should not include requirements that could be construed as being evidence-gathering procedures for the purpose of expressing a conclusion or opinion on the compiled financial information.² In that regard, some respondents³ noted that certain requirements in ED-4410 could imply that the practitioner has obtained a level of understanding and assurance regarding matters such as the significant judgments made by management that are reflected in the compiled financial information. Paragraph 29 of ED-4410 was cited by these respondents as one example of requirements that, in their view, go beyond what is done in practice today, and also beyond what should be reasonably expected of the practitioner in view of the nature and purpose of the engagement:

The practitioner shall discuss and agree with management significant judgments required to compile the financial information including, where applicable, the basis for significant accounting estimates and use of the going concern assumption.

4. Accordingly, for the IAASB’s discussion of this issue in June 2011, the Task Force proposed that the paragraph 29 requirement in ED-4410 should instead be explanatory material to the requirement in paragraph 28 of ED-4410 (see below), amended to include reference to significant judgments provided to the practitioner by management:

The practitioner shall compile the financial information using the records, documents, explanations, significant judgments and other information provided by management. (Emphasis added)

¹ Agenda Item 7-A of the June 2011 IAASB meeting, available at: <http://www.ifac.org/sites/default/files/meetings/files/6248.pdf>, see paragraphs 31(a), 36-37.

² CAASB; EvansMartin; KMSS; KPMG; Mazars; SAICA

³ CMA; EvansMartin; KMSS; KPMG; Mazars

5. In putting forward this proposal for the Board’s consideration in September 2011, the Task Force viewed a requirement for the practitioner to discuss with management all significant judgments used in preparation of information provided for compilation as potentially too onerous, in consideration of the practitioner’s objective in the engagement. The ED-4410 paragraph 29 requirement could be read, on a literal interpretation, as requiring the practitioner to discuss and agree every one of management’s significant judgments reflected in the compiled financial information, therefore also triggering a potentially substantial documentation requirement recording that activity.
6. In the IAASB’s discussion of the proposed amendments to the draft ISRS at its meeting in September 2011, a few IAASB members expressed the view that it is important for the practitioner to discuss management’s significant judgments when compiling financial information. One IAASB member pointed out that the reality in engagements performed for smaller entities is that the practitioner provides extensive assistance to management of the entity in making judgments needed for the financial information to be prepared and presented in accordance with the applicable reporting framework.

Task Force Recommendations

7. Taking account of this feedback, the Task Force believes that the requirement to discuss significant judgments with management or those charged with governance should be appropriately tailored to the engagement circumstances. The Task Force does not believe the practitioner should be required to discuss and agree significant management judgments contained in the information presented by management to the practitioner for compilation. However, the practitioner should be required to discuss with management those significant judgments, including consideration of the going concern assumption, for which the practitioner has provided assistance to management in the course of compiling the financial information.
8. The Task force believes that this requirement can be applied in a proportionate manner in that the amount of discussion will depend on the relative sophistication of the entity, and management’s knowledge of financial reporting matters. In cases where management provides the practitioner with complete draft financial statements prepared in accordance with the applicable financial reporting framework, the practitioner would only be required to discuss significant judgments if the practitioner were to become aware of something, such as in the course of reading the financial information, that caused the practitioner to believe the financial statements are materially misstated. In engagements where the practitioner has a more active role in assisting management then more discussion would be required.
9. To address this area of the draft ISRS, the Task Force recommends the following amendments (see Agenda Item 2-B):

Par Ref.	Task Force’s proposed amended wording of requirements and related applicable material
	Professional Judgment

<p><i>Note: The relevant requirement paragraph 22 is unchanged from ED-4410</i></p>	
<p>A22</p>	<p>Professional judgment is essential to the proper conduct of a compilation engagement. This is because interpretation of relevant ethical requirements and the requirements of this ISRS, and the need for informed decisions throughout the performance of a compilation engagement, require the application of relevant knowledge and experience to the facts and circumstances of the engagement. Professional judgment is necessary, in particular, <u>when the engagement involves</u> for assisting management of the entity regarding decisions about<u>for</u>:</p> <ul style="list-style-type: none"> • The acceptability of the financial reporting framework that is to be used to prepare and present the financial information of the entity, in view of the intended use of the financial information, and the intended users thereof. • The application of the applicable financial reporting framework, including: <ul style="list-style-type: none"> ○ Selection of appropriate accounting policies under the applicable financial reporting that <u>that</u> framework; and ○ <u>Development of accounting estimates needed for the financial information to be prepared and presented under that framework.</u> ○ <u>Preparation and presentation of financial information that is free of material misstatement, and that is not misleading.</u> <p>[New] <u>The practitioner’s assistance to management is always provided on the basis that management or those charged with governance, as appropriate, understand the significant management judgments that are reflected in the financial information, and accept responsibility for those judgments.</u></p>
<p>Performing the Engagement</p> <p><i>Compiling the Financial Information</i></p>	
<p>29</p>	<p>The practitioner shall compile the financial information using the records, documents, explanations and other information, including significant judgments, provided by management.</p>
<p>30</p>	<p>[New]<u>The practitioner shall discuss with management, or those charged with governance as appropriate, those significant judgments, including consideration of the going concern assumption, for which the practitioner has provided assistance in the course of compiling the financial information.</u></p>
<p>A46</p>	<p><u><i>Compiling the Financial Information—Significant Judgments</i></u></p> <p>[Amended]<u>The practitioner is not required to verify the accuracy or completeness of the records, documents, explanations and other information, including significant judgments, provided by management for the compilation engagement, or otherwise to gather evidence for the purpose of expressing a review conclusion or an audit opinion on the compiled financial information. It may be necessary for the practitioner to</u></p>

	<p>discuss with management their significant judgments required to compile the financial information including, where applicable, the basis for significant accounting estimates and use of the going concern assumption. For example, if the applicable financial reporting framework requires management to form accounting estimates to be in compliance with that framework, the practitioner may need to discuss those estimates with management in the course of compiling the financial information. However, in the course of the compilation engagement, the practitioner may, for example, become aware that significant judgments made by management in management’s preparation of information provided to the practitioner for the purpose of the compilation will cause the compiled financial information to be materially misstated or misleading. In that case, the practitioner is required under this ISRS to discuss those judgments with management, or those charged with governance as appropriate, recognizing their responsibility for the compiled financial information.</p>
A47	<p>[New]For example, management may provide the practitioner with its estimate of a provision for inventory obsolescence. In the course of compiling the financial information the practitioner may become aware, in light of the practitioner’s understanding of the entity’s business and operations, and of the applicable financial reporting framework, that use of that provision based on management’s judgment in the compiled financial information would cause the information to be materially misstated. In that situation, the practitioner is required under this ISRS to discuss management’s judgment reflected in that provision, with a view to proposing amendments if necessary.</p>

Matters for IAASB Consideration

Q1. Does the IAASB agree with the Task Force’s proposed amendments to the draft ISRS in the area of significant judgments as set out above? If not, what are the appropriate amendments the Task Force should make for the relevant requirements and guidance to respond appropriately to the respondents’ views in this area?

II. Requirements for the Practitioner on Becoming Aware that the Compiled Financial Information Needs to be Amended—Context and Relevant Ethical Requirements

Use of the Terms “Misstatement” and “Materially Misstated”

10. In September 2011 the Task Force highlighted that several respondents⁴ are of the view that using the term “material misstatement” in the requirements of the draft ISRS may imply that practitioners are to do more than simply read the compiled financial information (i.e., to comply with the practitioner’s ethical obligations). To address this, the Task Force proposed alternative wording that replaced the term “material misstatement” in the draft

⁴ AICPA; CAASB; CNDCEC; Deloitte; EvansMartin; KPMG; IDW; Mazars; NZICA; PwC; SAICA

ISRS with wording drawn from the IESBA Code on the practitioner’s ethical obligations relating to the principle of integrity.

11. However, in considering this proposed amendment the majority of IAASB members, and also the IAASB Consultative Advisory Group (CAG), believed the draft ISRS should continue to use the term “material misstatement.” It was felt that the term has wide acceptance and understanding among practitioners and that, in the context of the engagement, as reflected in the practitioner’s objectives stated in the draft ISRS, it is sufficiently clear that the use of the term within the requirements and application material of the ISRS does not pertain to evidence-gathering. Further, the IAASB felt that use of the wording of the IESBA Code could be more confusing for practitioners with its scope for wider interpretation.
12. Further, the Task Force notes that there are sufficient conditioning explanations in various places throughout the draft ISRS, to enable practitioners to understand the intention of the relevant requirements (for example paragraphs: 1; 6; 34 (with the amendments recommended in this paper); 38; 39(f); A22; A46 (with the amendments recommended in this paper); and A48).
13. Finally, it is noted that the term “material misstatement” is used in the draft ISRS to address the situation where, in the course of compiling the financial information, the practitioner is required to undertake certain actions (e.g., proposing amendments to management) on becoming aware of a matters in the compiled financial information that the practitioner needs to address in order to comply with the practitioner’s ethical obligations. It is not used prevalently in the draft ISRS.

Task Force Recommendations

14. Accordingly, the Task Force recommends the following amendments to the draft ISRS reflecting the discussion above (see Agenda Item 2-B):

Par Ref.	Task Force’s proposed amended wording of requirements and related applicable material
Definitions	
17(a) in ED-4410	<i>Deleted the proposed definition of “Association with information that is materially false or misleading”</i>
17(e)	<p><i>Added definition of the term “material misstatement” from the IAASB Glossary of Terms, amended for the context of a compilation engagement, as follows:</i></p> <p><u>Misstatement</u>—A difference between the amount, classification, presentation, or disclosure of a reported financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. Misstatements can arise from error or fraud.</p> <p><u>Where the financial statements are presented in accordance with a fair presentation framework, misstatements also include those adjustments of amounts, classifications,</u></p>

	<u>presentation, or disclosures that, in the practitioner’s judgment, are necessary for the financial statements to be presented fairly, in all material respects, or to give a true and fair view.</u>
Ethical Requirements	
21	The practitioner shall comply with relevant ethical requirements.
A20	<p>[New] <u>Under the IESBA Code,⁵ in applying the principle of integrity, a professional accountant is required to not knowingly be associated with reports, returns, communications or other information where the professional accountant believes that the information:</u></p> <p>(a) <u>Contains a materially false or misleading statement;</u></p> <p>(b) <u>Contains statements or information furnished recklessly; or</u></p> <p>(c) <u>Omits or obscures information required to be included where such omission or obscurity would be misleading.</u></p> <p><u>When a professional accountant becomes aware that the accountant has been associated with such information, the accountant is required to take steps to be disassociated from that information.</u></p>
Performing the Engagement	
<i>Compiling the Financial Information</i>	
34	<p>If the practitioner becomes aware during the course of the engagement that amendments to the <u>compiled financial information, including the description of, or reference to, the applicable financial reporting framework, compiled by the practitioner</u> are required for the <u>financial information not to be materially misstated</u> be materially false or misleading, including in relation to the description of or reference to the applicable financial reporting framework, the practitioner shall propose the appropriate amendments to management.</p>
A49	<p>[Moved from below] <u>The practitioner’s purpose in proposing amendments to the financial information to management or those charged with governance, as appropriate, is to comply with the practitioner’s ethical obligations.</u> [Deleted] During the engagement the practitioner may become aware of differences between the amount, classification, presentation, or disclosure of an item reported in the financial statements and the amount, classification, presentation or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. The practitioner may believe that, if not corrected, such differences would cause the compiled information to be materially false or misleading. In such situations, [moved above] the practitioner’s purpose in proposing amendments to the financial information to management is to comply with the practitioner’s ethical obligation to avoid being knowingly associated</p>

⁵ IESBA Code Part A, paragraph 110.2

	with information is materially false or misleading.
A51-A53	<i>Not reproduced here.</i> <i>Explanations about the concept of materiality. These paragraphs are modeled on application material contained in ISA 320.</i>

15. The Task Force also proposes conforming amendments throughout the text of the draft ISRS to retain use of the term “material misstatement” or “materially misstated or misleading,” as appropriate in the context of the requirements and the application material.

Matters for IAASB Consideration

- Q2. Does the IAASB agree with the Task Force’s proposed amendments to the draft ISRS with respect to use of the term “material misstatements” in the context of the requirements for the practitioner in undertaking a compilation engagement? If not, what amendments does the IAASB believe would be appropriate?

Practitioner’s Response to an Intentional Departure from the Disclosed Basis of Preparation of the Financial Information

16. In the IAASB’s discussion in June 2011, the Task Force noted that a few respondents to ED-4410⁶ expressed the view that the practitioner’ should be permitted to disclose departures from the disclosed basis of accounting described in the financial information compiled by the practitioner. Other respondents were of the view that the practitioner should be permitted to include disclosure of such departures when the practitioner disagrees with management on the presentation of the compiled financial information in accordance with the applicable financial reporting framework.⁷
17. In contrast, the majority of the respondents⁸ expressly agreed with the approach to be followed by the practitioner set out in ED-4410. That is:
- (a) If the practitioner were to become aware of departures from the basis of preparation disclosed in the compiled financial information (i.e., the applicable financial reporting framework), which are misstatements as defined, the practitioner would be required to:
 - (i) Propose appropriate amendments to management, so that the compiled financial information will not be materially misstated or misleading; and
 - (ii) If management refuses to allow those amendments, withdraw from the engagement to avoid being knowingly associated with financial information that is materially misstated or misleading, which would otherwise be a breach of the practitioner’s

⁶ AICPA, CALCPA

⁷ APESB, CGA (staff), FACPCE, M.Straut, MIA Malta

⁸ AAP, ACCA, APB, CAASB, CPAI, DTT, EFAA, EvansMartin, EY, FEE, GT, ICAEW, ICAI, ICAP, ICAS, ICPAS, IDW, IFAC SMPC, IRBA, M. Straut, MIA-Malta, MIA Malaysia, NZICA, SAICA, SC-AOB, ZICA

ethical obligations under the IESBA *Code of Ethics for Professional Accountants* (IESBA Code);

Or alternatively,

- (b) If use of an established financial reporting framework on a modified basis (i.e., the established framework with one or more departures) is viewed by management and by the practitioner as acceptable in the circumstances of the engagement, including with reference to the intended use of the financial information and the needs of the intended users, then:
 - (i) The financial information may be compiled on that basis, i.e. on the basis of a special purpose financial reporting framework, with full and transparent disclosure of the basis used within the compiled financial information itself; and
 - (ii) The practitioner’s report includes an explanatory paragraph to draw the attention of readers of the report to the use of a special purpose financial reporting framework in the compiled financial information.
18. During the June 2011 discussion, IAASB members expressed support for the Task Force’s view that the principles established in the requirements set out in the draft ISRS are appropriate, as follows:
- (i) Users should be able to clearly see that the financial information is compiled in full compliance with the disclosed basis of preparation, whether that is an established financial reporting framework (general purpose or special purpose) or an established framework modified to suit a particular financial reporting situation.
 - (ii) The primary purpose of the practitioner’s report is to communicate the nature and scope of the engagement performed to the users of the compiled financial information (see ¶38 in Agenda Item 2-B). The report is not a vehicle for expressing an opinion or conclusion on the compiled financial information in any form. Applying this principle, the practitioner’s report would not disclose departures from the disclosed basis of presentation contained in the compiled information.

The IAASB supported the clarification of these principles in draft ISRS for the purpose of promulgating an international standard on compiling financial information that encourage better and clearer financial reporting. Notwithstanding that current practice in some jurisdictions is to allow the disclosure of departures in the practitioner’s report, in line with extant ISRS 4410,⁹ clarification of these principles in the revised standard is viewed as important to clearly distinguish the compilation engagement from an assurance engagement.

19. Notwithstanding the above, a Correspondent Member of the Task Force has noted their preference for the approach of allowing disclosure of departures in the practitioner’s report, on the grounds that it facilitates comparison of the compiled financial information to a ‘baseline’ reference of an established or recognized financial reporting framework, such as

⁹ ISRS 4410, *Engagements to Compile Financial Statements*, paragraph 15

US GAAP. In cases where a preparer wants to present financial information that, for some valid purpose, intentionally deviates from the identified ‘baseline’ reporting framework, the practice of disclosing departures from that framework in the practitioner’s report is considered helpful to facilitate this financial reporting practice.

Task Force Recommendation

20. The Task Force continues to recommend that the approach set out in the relevant requirements and applicable material of the draft ISRS not be changed.
21. To further clarify the Task Force’s position, the Task Force views the suggested practice of disclosing departures from the disclosed basis of preparation of the financial information in the practitioner’s report as not being particularly helpful for users of the compiled financial information. More fundamentally, it undermines the distinction between compilation and assurance engagements; that distinction must be as clear as possible.
22. The Task Force has identified two important reasons that it believes support not permitting such disclosures in the practitioner’s report:
 - (a) The difficulty in reconciling two apparently different outcomes presented to readers of the practitioner’s report and in the compiled financial information: on one hand the practitioner states that he or she has compiled the financial information on the basis described in the compiled financial information (e.g., IFRS for SMEs); on the other hand, the practitioner’s report states that the compiled financial information contains departures (i.e. in fact misstatements, as defined) and accordingly has not actually been compiled on the basis described. The Task Force believes an engagement report presented along these lines would very likely be confusing for readers of the report and users of the compiled financial information.
 - (b) A reader may infer that the compiled financial information contains only those departures that are named in the practitioner’s report, whereas there would be no valid basis for making that inference.
23. In relation to comparability in financial reporting, the consensus view of the majority of the Task Force is that the best way to serve the public interest in promoting comparability for financial information prepared using established or recognized financial reporting frameworks, is for preparers to prepare and present financial information that fully complies with such frameworks, without departures, and that clearly and transparently sets out the basis of preparation of the financial information within the information itself. This principle should also be followed by a professional accountant compiling financial information under the draft ISRS.
24. Further, the Task Force notes that given the wide range of established financial reporting frameworks that exist internationally, it is not practicable, for an international standard on compilation engagements, to identify any particular reporting framework to serve as a “baseline” reporting framework for practitioners undertaking such engagements.
25. In the situation where a special purpose financial reporting framework appropriate to the intended use of the financial information is adopted by management for the financial information, the public interest is similarly served through full and transparent disclosure of

the basis of preparation of the financial information within the information itself, and through the practitioner alerting users, in an explanatory note in the practitioner's report, to the fact that a special purpose framework has been used for compiling the financial information.

26. For all the above reasons, the Task Force recommends that the approach set out in the draft ISRS not be changed.

Matters for IAASB Consideration

Q3. Does the IAASB agree with the Task Force's recommendation above?

III. Reporting Requirements and Illustrative Practitioner's Reports

27. In presenting the Task Force's analysis of the significant comments received for ED-4410, in June 2011 and September 2011,¹⁰ the Task Force highlighted the following matters:
- (i) Many respondents¹¹ agreed that the illustrative practitioner's compilation reports provided in Appendix 2 of ED-4410 were clear and appropriate.
 - (ii) However, a number of respondents expressed some concerns about the proposals for the practitioner's report, as follows:
 - The report for a compilation engagement needs to be as clearly distinguishable as possible from reports provided for assurance engagements;
 - The report needs to be clear and understandable to users of compiled financial information regarding the nature and scope of the engagement undertaken by the practitioner, and its limitations; and
 - The caveats in the report should not undermine the communicative value of the report from the users' perspective, i.e. through making the report appear defensive, rather than informative about the value contributed by the practitioner.
28. The Task Force presented amended illustrative reports for the IAASB's consideration in September 2011. These included a shorter style of report to enable the IAASB to consider whether an alternative, minimalist report would better serve users' interests for this type of engagement, although that report did not meet all the reporting requirements set out in the proposed ISRS.

¹⁰ Agenda Item 7-A of the June 2011 IAASB meeting, available at: <http://www.ifac.org/sites/default/files/meetings/files/6248.pdf>, see paragraphs 44-48, and Agenda Item 8-A of the September 2011 IAASB meeting, available at: <http://www.ifac.org/sites/default/files/meetings/files/20110919-IAASB-Agenda-Item-8-A-Compilation-Engagements-Summary-of-Comments-V8.pdf>, see paragraphs 11-18.

¹¹ EvansMartin; CALCPA; CGA Canada; NBA; NZICA; ICPAS; MIA; ICAP; ZICA; ACCA; CPAI; IDW; MIA-Malta; SC-AOB

29. The IAASB and the IAASB CAG did not support use of the shorter style of report. IAASB members considered that, as a minimum, the illustrative reports must contain all the mandatory elements of the standard practitioner’s report set out in the requirements of the draft ISRS, and that those requirements are appropriate in the context of the public interest. IAASB members believe the key public interest considerations for the communications contained in the report are that there should be no scope for users to misunderstand (a) the nature and scope of the engagement, including the limitations of the engagement and the practitioner’s responsibilities, and (b) the practitioner’s explicit disclaimer of an opinion or conclusion on the compiled financial information. The IAASB also believes it is important that the report should include sufficient explanation of the value of the engagement to users.
30. Some IAASB members also offered different suggestions about how the required elements of the practitioners’ report under the ISRS can be communicated and presented in the illustrative reports included in Appendix 2 of draft ISRS. The illustrative reports are intended to show how the required reporting elements may be presented in practitioners’ reports provided in different engagement settings.
31. The Task Force acknowledges that there are different ways to present or order the reporting elements of the ISRS within the illustrative reports, in order to present them as a cohesive report on a completed engagement.

Task Force Recommendation

32. The Task Force’s recommended presentation of the illustrative practitioner’s reports taking account of the comments received from the IAASB and the IAASB CAG is shown in the Appendix to this paper (for a general purpose financial reporting setting). For reference, the Task Force has shown how each of these illustrative reports maps to the reporting requirements of the draft ISRS.
33. Given that there are different views about how the required elements of the practitioner’s report can be presented, the Task Force believes that presenting two examples of reports that comply with all the reporting requirements of the draft ISRS will be helpful (see **Agenda Item 2-B, Appendix 2, Illustrations #1A and #1B**).

Matters for IAASB Consideration

- Q4. Does the IAASB agree that the illustrative reports contained in Appendix 2 of the draft ISRS reflect the reporting requirements of the draft ISRS? If not, what further amendments are needed to achieve this goal?
- Q5. Does the IAASB agree with the Task Force’s selection of illustrative reports in the draft ISRS, including the additional example provided in the case of Illustration #1?

Consideration by IAASB of Significant Matters Identified by Task Force

34. In the Task Force’s view, the significant matters the Task Force has identified as a result of its deliberations since the beginning of this project, and the Task Force’s considerations thereon, have all been reflected in the issues papers presented at the IAASB meetings in

June 2011 and Septembers 2011, and at this meeting. In the Task Force’s view, there are no significant matters discussed within the Task Force on this project that have not been brought to the IAASB’s attention

Consideration by IAASB of Need for Further Consultation

35. Based on the Task Force and the IAASB’s deliberations to date, and taking account of the nature of the proposed revisions to ISRS 4410 reflected in the draft ISRS 4410 (Revised), the Task Force does not believe that there are specific issues on which there is need for further consultation or to obtain further views (for example, through a public forum or roundtable), or for which there is need to field test the application of the draft ISRS.

Effective Date

36. The explanatory memorandum to the ED proposed that the ISRS’s effective date be 18 months after the date of final approval of the standard. The overwhelming majority of respondents who commented on the proposed effective date expressed support for it as representing a sufficient period to enable effective implementation of the standard.
37. Accordingly, subject to the IAASB’s approval of the draft ISRS at the December 2011 meeting, the Task Force proposes that the final standard be effective for compilation engagement reports dated on or after July 1, 2013.
38. The Task Force notes that the effective date refers to the date of the practitioner’s report for a compilation engagement. In the ISAs the effective date references the financial period covered by the audited financial statements for which the auditor issues an opinion. However in a compilation engagement, the relevant output is the practitioner’s report on the nature and scope of the engagement. Consequently, the effective date of the ISRS is when a practitioner issues a report on or after July 1, 2013 asserting compliance with the draft ISRS (i.e., regardless of the date or period to which the compiled financial information relates).
39. As provided for under the IAASB’s amended Preface,¹² early application of the ISRS would be permitted.

Matters for IAASB Consideration

Q6. Does the IAASB agree with the proposed effective date for the ISRS?

Consideration of the Need to Re-Expose the Draft ISRS

40. **Agenda Item 2-D** is the marked-up version of the draft ISRS showing changes proposed to ED-4410. The Task Force believes that the changes reflected in the draft ISRS are in response to matters raised by the respondents, and do not fundamentally change the principles in ED-4410 or represent other changes of substance.

¹² *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements*, paragraph 18

41. In particular, the Task Force believes that the following changes responding to the respondents' comments on ED-4410 have helped to clarify the objectives, requirements and application guidance contained in the draft ISRS, particularly in the following areas:
- Explaining the scope of the ISRS, in the introductory section and related application material, to convey to readers the importance of the practitioner applying the ISRS whenever the practitioner is, or is likely to be, associated with financial information through compiling the financial information, or otherwise assisting management with preparation and presentation thereof, in the circumstances described in the ISRS.
 - Explaining the requirements of the ISRS in the context of the practitioner's ethical obligations, including with reference to relevant ethical requirements contained in the IESBA Code.
 - Explaining quality control performed at the level of the individual compilation engagement, and the effect of the premise about the application of ISQC 1¹³ in a compilation engagement performed under the ISRS.
 - Describing the practitioner's required procedures and actions for completing the engagement, and those required if the practitioner is unable to complete the engagement, in a way that clarifies the important distinction between compilation engagements and assurance engagements.
 - Clarifying the purpose of the reporting requirements of the ISRS, and the mandatory elements of the practitioner's report provided for the engagement to effectively communicate the nature and scope of the engagement to readers of the report and users of the compiled financial information. Illustrative reports show how the required elements of the report may be communicated and presented in a cohesive manner, for users of the compiled financial information.
42. On the basis of the above, the Task Force believes that re-exposure is not necessary.

Matter for IAASB Consideration

Q7. Subject to IAASB approval of the draft ISRS, does the IAASB agree that re-exposure is not necessary?

¹³ 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*

Mapping the Reporting Requirements of the draft ISRS to the Illustrative Practitioner’s Report

Para. #	Draft ISRS 4410 Reporting Requirements	Illustrative Wording of the Practitioner’s Report (See Agenda Item 2-B, Appendix 2, Illustrative Reports #1A and #1B)
38	<p><i>[Essential explanatory material]</i></p> <p>An important purpose of the practitioner’s report is to clearly communicate the nature of the compilation engagement, and the practitioner’s role and responsibilities in the engagement. The practitioner’s report is not a vehicle to express an opinion or conclusion on the financial information in any form.</p>	--
39	<p>The practitioner’s report issued for the compilation engagement shall be in writing, and shall contain the following elements:</p>	--
39(a)	<p>The report title</p>	PRACTITIONER’S COMPILATION REPORT
39(b)	<p>The addressee(s), as required by the terms of the engagement</p>	<i>[To Management of ABC Company]</i>
39(c)	<p>A statement that the practitioner has compiled the financial information based on information provided by management</p>	<p>#1A, first paragraph</p> <p><i>*Based on information you have provided, we have compiled the accompanying financial statements of ABC Company using International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).</i></p>
		<p>#1B, first paragraph</p> <p><i>We have compiled the accompanying financial statements of ABC Company based on information you have provided.</i></p>
39(d)	<p>A reference to the responsibilities of management, or those charged with governance as appropriate, in relation to the compilation engagement and in relation to the financial information</p>	<p>#1A, second paragraph; #1B, third paragraph</p> <p><i>These financial statements, and the accuracy and completeness of the information used to compile them, are your responsibility.</i></p>

Para. #	Draft ISRS 4410 Reporting Requirements	Illustrative Wording of the Practitioner’s Report (See Agenda Item 2-B, Appendix 2, Illustrative Reports #1A and #1B)
39(e)	Identification of the applicable financial reporting framework, and, if a special purpose financial reporting framework is used, describes or refers to the description of that special purpose financial reporting framework in the financial information	<p>#1A, first paragraph <i>... compiled the accompanying financial statements using International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs)...</i></p> <p>#1B, second paragraph <i>...to assist you in the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs)...</i></p>
39(f)	Identification of the financial information, including the title of each element of the financial information if it comprises more than one element, and the date of the financial information or the period to which it relates	<p>#1A, third paragraph; #1B, fifth paragraph <i>The financial statements comprise the statement of financial position of ABC Company as at December 31, 20X1, the statement of operations, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.</i></p>
39(g)	A description of the practitioner’s responsibilities in compiling the financial information, including that the engagement was performed in accordance with this ISRS, and that the practitioner has complied with relevant ethical requirements	<p>#1A, fourth paragraph <i>We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), Compilation Engagements. In accordance with this Standard, we have applied expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements. We have complied with relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.</i></p> <p>#1B, second and third paragraphs <i>We performed this compilation engagement in accordance with</i></p>

Para. #	Draft ISRS 4410 Reporting Requirements	Illustrative Wording of the Practitioner’s Report (See Agenda Item 2-B, Appendix 2, Illustrative Reports #1A and #1B)
		<p><i>International Standard on Related Services 4410 (Revised), Compilation Engagements.</i></p> <p><i>We have applied expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements We have complied with relevant ethical requirements, including ethical principles of integrity, objectivity, professional competence and due care.</i></p>
39(h)	A description of what a compilation engagement entails in accordance with this ISRS	<p>#1A, fourth paragraph</p> <p><i>... In accordance with this Standard, we have applied expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements...</i></p> <p>#1B, third paragraph</p> <p><i>We have applied expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements...</i></p>
39(i)	A statement that, since a compilation engagement is not an assurance engagement, the practitioner is not required to verify the accuracy and completeness of the information provided by management for the compilation, or otherwise gathering evidence for the purpose of expressing an audit opinion or a review conclusion on the financial information	<p>#1A, fifth paragraph; #1B, sixth paragraph</p> <p><i>Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements, or otherwise to gather evidence for the purpose of expressing an audit opinion or a review conclusion. Accordingly, we do not express an audit opinion or a review conclusion on these financial statements.</i></p>
39(j)	If the financial information is compiled using a special purpose financial reporting framework, an explanatory paragraph that:	<p>See Agenda Item 2-B, Appendix 2, Illustrative Report #3</p>
39(j)(i)	Describes the purpose for which the financial information is prepared and, if necessary, the intended users, or contains a reference to a note in the financial information that discloses	<p>#3, sixth paragraph</p> <p><i>... the financial statements are prepared on the basis described in Clause Z of the Contract, for the purpose described in Note</i></p>

Para. #	Draft ISRS 4410 Reporting Requirements	Illustrative Wording of the Practitioner's Report (See Agenda Item 2-B, Appendix 2, Illustrative Reports #1A and #1B)
	this information	<i>Y to the financial statements. Accordingly, these financial statements are intended for use only by the parties specified in the Contract, and may not be suitable for other purposes.</i>
39(j)(ii)	Draws the attention of readers of the report to the fact that the financial information is prepared in accordance with a special purpose framework and that, as a result, the information may not be suitable for other purposes	#3, sixth paragraph <i>... and may not be suitable for other purposes...</i>
39(k)	The date of the practitioner's report	√
39(l)	The practitioner's signature	√
39(m)	The practitioner's address	√

***Alternative presentations for the first paragraph of the practitioner's report in illustration #1A that the Task Force considered are:**

- (i) Based on information you have provided, we have used International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs) to compile the accompanying financial statements of ABC Company.
- (ii) Based on information you have provided, we have assisted you in preparing and presenting the accompanying financial statements of ABC Company using International Financial Reporting Standards for Small and Medium-sized Entities (IFRS for SMEs).
- (iii) In accordance with the terms of our engagement we have compiled the accompanying financial statements of ABC Company using IFRS for SMEs, based on information you have provided.
- (iv) In accordance with the terms of our engagement we have compiled the accompanying financial statements based on information you have provided, using IFRS for SMEs.
- (v) In accordance with the terms of our engagement, we have used IFRS for SMEs to compile the accompanying financial statements, based on information you have provided.
- (vi) In accordance with the terms of our engagement and based on information you have provided, we have used IFRS for SMEs to compile the accompanying financial statements.