Basis for Conclusions
Prepared by the Staff of the IAASB
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International Standard on Related Services

ISRS 4410 (Revised), Compilation Engagements

International Auditing and Assurance Standards Board

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BASIS FOR CONCLUSIONS:
ISRS 4410 (REVISED), COMPILATION ENGAGEMENTS

This Basis for Conclusions has been prepared by staff of the International Auditing and Assurance Standards Board (IAASB). It relates to, but does not form part of, International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*, which was approved by the IAASB in December 2011, with the affirmative votes of 18 out of the 18 IAASB members.[1]

Background

1. The IAASB commenced the project to revise the extant ISRS 4410[2] in March 2009. This project was part of IAASB's strategic focus to explore standards for a range of services that are capable of meeting the unique needs of small- and medium-sized entities (SMEs), and the users of their financial information. In taking this initiative, the IAASB recognized the market demand for services, other than the financial statement audit, relevant to enhancing the credibility of the financial information of SMEs. This demand has been particularly apparent in jurisdictions where recent changes to law and regulation have resulted in a significant proportion of corporate entities no longer being required to have their financial statements subject to audit.

2. In undertaking the revision of extant ISRS 4410, the IAASB acknowledged the importance of compilation engagements for SMEs, both within jurisdictions where compilation engagements are already commonplace and those where use of these engagements is relatively new. It also was recognized that, in some jurisdictions, there may be existing types of services performed by professional accountants that, in some respects, are similar to the compilation engagement as described in the international standards, but that also differ in key areas.

3. An important consideration of the project has therefore been to make clear the key distinguishing features of a compilation engagement performed in accordance with ISRS 4410 (Revised), and the value of the engagement in enhancing the usefulness of an entity's financial information. Through the revision of this standard, the IAASB aims to help practitioners performing compilation engagements around the world converge to the use of a globally accepted benchmark for such engagements.

4. In October 2010, the IAASB exposed proposed revised ISRS 4410 (ED-4410). The comment period closed on March 31, 2011, with 49 comment letters from various respondents, including regulators and oversight authorities, national standard setters, IFAC member bodies and other professional bodies, firms and individuals. This Basis for Conclusions explains the more significant issues raised by respondents to the ED, and how the IAASB has addressed them.

5. The IAASB has discussed this project with its Consultative Advisory Group (CAG) on six separate occasions.

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1 See minutes of the December 5–9, 2011 IAASB meeting at www.ifac.org/auditing-assurance/meetings/los-angeles-california under the heading "Minutes."

2 ISRS 4410, *Engagements to Compile Financial Statements*

Use and Applicability of the Standard

6. ED-4410 proposed that the standard be applicable when the practitioner is engaged to compile historical financial information *and* provide a report for the engagement in accordance with ISRS 4410. Accordingly, when a practitioner is engaged only to compile financial information without providing a report in accordance with ISRS 4410 (Revised), the practitioner does not assert compliance with ISRS 4410 (Revised).

7. The majority of respondents to ED-4410 who expressly commented on this issue agreed with this proposed scope. Several respondents, however, disagreed. Among the respondents who disagreed, some were of the view that reporting should be addressed only within the requirements of the standard, and should not be specified as a part of the scope of the ISRS. The concern noted was that this formulation of the scope of the standard could enable practitioners to opt out of using the ISRS by merely agreeing to undertake an engagement to compile financial information without providing the required report.

IAASB Decisions

8. The IAASB reaffirmed its view that ISRS 4410 (Revised) should address compilation engagements that involve the issuance of a report on the engagement in accordance with the ISRS, and that the matter of reporting should be explicitly acknowledged in the scope of the standard. (See paragraph 1 of ISRS 4410 (Revised).)

9. The IAASB recognized that there are types of services performed by professional accountants that, in some respects, are similar to the compilation engagement as described in the international standards, but that also differ in some areas. One such area is the need to report to users of the information on the nature of the engagement performed. The IAASB believes that by specifying reporting as part of the scope of the engagement, practitioners and others will be better able to determine whether ISRS 4410 (Revised) applies in the circumstances. The IAASB is of the view that a practitioner that performs an engagement in accordance with ISRS 4410 (Revised) needs to communicate in a written report the nature of the practitioner’s involvement with the entity’s financial information, and therefore the practitioner’s association with the compiled financial information.

10. The IAASB acknowledged that it cannot mandate application of the ISRS across all types of compilation engagements. Mandatory application of the ISRS, however, may be specified in jurisdictions for engagements where practitioners undertake services relevant to the preparation and presentation of an entity’s financial information. If mandatory application is not specified, by law, regulation, professional standards or otherwise, the practitioner may nevertheless conclude that applying the ISRS is appropriate in the circumstances. In finalizing ISRS 4410 (Revised), the IAASB concluded that it is important to state, within the introductory section of the ISRS, factors that indicate that it may be appropriate to apply the ISRS, including reporting in accordance with the standard. These factors include whether:

    - The financial information is required under provisions of applicable law or regulation, and whether it is required to be publicly filed.
    - External parties other than the intended users of the compiled financial information are likely to associate the practitioner with the financial information, and there is a risk that the level of the practitioner’s involvement with the information may be misunderstood, for example:

- ○ If the financial information is intended for use by parties other than management or those charged with governance, or may be provided to, or obtained by, parties who are not the intended users of the information; and
- ○ If the practitioner’s name is identified with the financial information.

(See paragraph 3 of ISRS 4410 (Revised).)

Use of Technical Terms in ISRS 4410 (Revised)

The “Applicable Financial Reporting Framework”

11. ED-4410 focused the compilation engagement performed under ISRS 4410 (Revised) on assisting management with the preparation and presentation of financial information in accordance with an applicable financial reporting framework. In undertaking such engagements the practitioner contributes expertise in accounting and financial reporting, and in particular the practitioner’s knowledge and understanding of the application of financial reporting frameworks for different financial reporting purposes.

12. A few respondents expressed the view that the term “applicable financial reporting framework” as used in ED-4410 could be interpreted as implying use of established financial reporting frameworks only, to the exclusion of other types of financial reporting frameworks. This was notwithstanding that ED-4410 also contained guidance explaining that the term is intended to encompass the full range of possible frameworks that can be used for financial reporting purposes (i.e., in the context of financial information prepared for either general or special purposes). Some respondents raised concerns that the intended meaning of the term was not sufficiently explained in ED-4410, and that the standard could be further enhanced through clearer guidance, including in relation to the particular circumstance where financial information is prepared for a special purpose.

IAASB Decisions

13. The IAASB reaffirmed its decision to use the term “applicable financial reporting framework” throughout the requirements and guidance of ISRS 4410 (Revised). The term is intended to be read in its most generic sense, recognizing that there is a wide variety of frameworks that can potentially be used, ranging from established financial reporting frameworks to frameworks developed on a customized basis to address the specific financial reporting needs of particular entities or types of entities. The term is defined in the IAASB’s *Glossary of Terms* and is commonly understood by professional accountants using IAASB standards. The IAASB believes that introducing new terminology specific to ISRS 4410 would introduce unnecessary complexity in the standard.

14. However, the IAASB recognized that smaller entities typically use financial reporting frameworks that are less formal and that are often customized to their particular business reporting needs. These needs often reflect a variety of reporting situations for different types of users.(See paragraph 10 of ISRS 4410 (Revised).)

15. To make this clear, the IAASB agreed to amend ED-4410 to include in the standard, where appropriate, a reference to the alternative term “basis of accounting” , as a way to facilitate practitioners’ understanding and interpretation of the requirements and guidance in ISRS 4410 (Revised). (See paragraph A16 and Appendix 2, Illustrative Reports 3-5, of ISRS 4410 (Revised).)

The Terms "Material Misstatement" and "Materially Misstated"

16. ED-4410 used the terms "material misstatement" and "materially misstated" in the requirements and guidance of the proposed standard for purposes of explaining the practitioner's responsibilities and required actions in the engagement. These requirements and guidance were focused on enabling the practitioner to comply with relevant ethical requirements, particularly in relation to the ethical principle of integrity, as explained in the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the IESBA Code).

17. Some respondents expressed the view that use of this term would blur the distinction between a compilation engagement and an assurance engagement, because it would imply responsibilities for the practitioner, and associated work effort, that would not be applicable to a compilation engagement.

18. Several respondents also requested that ISRS 4410 include application guidance to guide practitioners on forming an assessment of materiality as relevant to performing the compilation engagement.

IAASB Decisions

19. The IAASB reaffirmed its decision to use the terms "material misstatement" and "materially misstated" within the requirements and guidance of ISRS 4410 (Revised), including in relation to the practitioner's compliance with relevant ethical obligations.

20. The IAASB took the view that, as "misstatement" is a term that practitioners are already very familiar with, ISRS 4410 (Revised) could be further enhanced by explaining the term's particular relevance in a compilation engagement, that is, in the context of the practitioner's ethical obligations under the IESBA Code, for example in respect of being knowingly associated with information that is materially false or misleading.

21. Therefore, to further enhance the clarity and understandability of the standard for practitioners, the IAASB decided to include a definition of the term "misstatement" within ISRS 4410 (Revised), aligned with the definition in the *Glossary of Terms* but adapted to the context of a compilation engagement. (See paragraph 17(e) of ISRS 4410 (Revised).)

22. In addition, the IAASB decided to include explanations about the concept of materiality within ISRS 4410 (Revised), to guide the practitioner's consideration of the need to take further action(s) in relation to the compiled financial information, for example, requesting management to amend the compiled financial information if necessary. (See paragraph 34 of ISRS 4410 (Revised).)

Practitioner's Responsibilities—The Applicable Financial Reporting Framework

23. ED-4410 was premised on the condition that the management of an entity is responsible for adopting a financial reporting framework for the preparation and presentation of the entity's financial information that is acceptable in view of the intended use of the financial information, and the needs of the intended users (as reflected also in the definition of the term "applicable financial reporting framework").

24. Further, ED-4410 recognized that, given the practitioner's expertise and in view of the practitioner's ethical obligations described above, the practitioner may provide assistance to management with identification of a financial reporting framework that is acceptable, including in the case where it

becomes apparent to the practitioner in the course of performing the compilation engagement that the framework adopted by management is not acceptable in the context described above.

25. Several respondents believed that the requirements and guidance of ED-4410 regarding the practitioner's responsibilities for assisting management in these areas were unclear, and could be more simply stated in the ISRS. These respondents also pointed to the risk that these requirements could be seen as implying greater responsibility on the practitioner than is intended for a compilation engagement.

26. Several respondents also expressed a general concern that the requirements and guidance need to be as clear as possible that the practitioner's responsibilities in performing the compilation engagement are always framed in the context of assisting management with the preparation and presentation of an entity's financial information.

IAASB Decisions

27. The IAASB agreed that ISRS 4410 (Revised) could be enhanced by simplifying the requirements and guidance in respect of the practitioner's responsibilities. The IAASB determined that, to enhance the clarity and understandability of the standard, the context for the requirements should be clearly linked to achieving the practitioner's objectives for the engagement, including complying with relevant ethical requirements.

28. The IAASB accordingly included clearer explanations about the nature of the engagement in the introductory section of the standard, as context for the statement of the practitioner's objectives in a compilation engagement and the requirements of the ISRS designed to achieve those objectives. (See paragraphs 5 and 7 of ISRS 4410 (Revised)).

29. The IAASB also determined that a high-level explanation about the use of financial reporting frameworks in different financial reporting contexts, as part of management's responsibility for preparing the entity's financial information, would enhance understanding of the practitioner' responsibilities in a compilation engagement. Accordingly, the IAASB amended ED-4410 by moving such explanations from the application material into the introductory section of the standard. (See paragraph 10 of ISRS 4410 (Revised)).

30. To address the concern that there could be misunderstanding regarding the practitioner's responsibilities where the practitioner provides assistance to management with the identification of an acceptable financial reporting framework, the IAASB determined that the guidance for practitioners on proposing changes to the applicable financial reporting framework in the course of a compilation engagement should be deleted. The IAASB believes the practitioner's responsibility to comply with relevant ethical requirements would adequately guide the practitioner in that circumstance. (See paragraph 21 of ISRS 4410 (Revised).)

Practitioner's Responsibilities—Intentional Departures from the Applicable Financial Reporting Framework

31. ED-4410 included a requirement for the practitioner to withdraw from the compilation engagement if the compiled financial information contained departures from the applicable financial framework that the practitioner believed rendered the compiled information materially misstated or misleading, and management did not agree to amend the compiled financial information. This requirement was expressly supported by the majority of the respondents.

32. However several respondents disagreed with the requirement. A few of these respondents believed the practitioner should be required to disclose intentional departures from the applicable financial reporting framework described in the compiled financial information, for the benefit of readers of the practitioner's report. Some other respondents were of the view that the practitioner should be permitted to include disclosure of such departures when the practitioner experiences a disagreement with management on the preparation and presentation of the compiled financial information in accordance with the applicable financial reporting framework and management refuses to amend the compiled financial information, as would be the case in an assurance engagement where qualification is possible.

33. In contrast, some respondents who agreed with the requirement in ED-4410 expressly disagreed that the practitioner's report can be used for the purpose of disclosing such departures, or otherwise to draw them to the attention of readers of the report. These respondents cautioned against the risk that such disclosures by the practitioner could be misunderstood by readers, and be taken as a form of expression of an opinion or conclusion on the compiled financial information. Respondents were also concerned that the ISRS should not include provisions that could lead to the development of an expectations gap among users with respect to financial information compiled by practitioners under ISRS 4410 (Revised).

IAASB Decisions

34. The IAASB reaffirmed its view that the practitioner, on becoming aware of circumstances that suggest that the compiled financial information is materially misstated or otherwise misleading (including in respect of disclosure of the applicable financial reporting framework actually applied to prepare and present the compiled financial information), should be required to request appropriate amendments to the compiled financial information, or withdraw from the engagement if management refuses to amend the information. (See paragraphs 35-36 of ISRS 4410 (Revised).)

35. As to respondents who believed the practitioner's report could be used to make disclosures concerning the compiled financial information itself, the IAASB determined that ISRS 4410 (Revised) could be further strengthened in respect of communicating the purpose of the practitioner's report in a compilation engagement. Accordingly, to provide further context for the reporting requirements of the standard, the IAASB amended ED-4410 to expressly state that the practitioner's report is not a vehicle to express an opinion or conclusion on the financial information in any form. (See paragraph 39 of ISRS 4410 (Revised).)

36. [Moved from below, redrafted] In view of the practice sometimes followed of using an established financial reporting framework with certain modifications, the IAASB determined that it is important to direct the practitioner's attention to the adequate disclosure of the applicable financial reporting framework in the compiled financial information. This would include situations where management elects to use an established framework with modifications, or when there are intentional departures from an established framework that are not disclosed within the compiled financial information itself. Accordingly, the IAASB has amended ED-4410 to emphasize that the description of the applicable financial reporting framework actually applied should be adequately referred to or described in the compiled financial information itself, and should not be otherwise misleading to the intended users of the financial information. (See paragraph 34 of ISRS 4410 (Revised)).

37. Further, the IAASB has clarified the requirements of the standard regarding actions the practitioner is required to take, and related considerations, if the practitioner becomes aware of material

misstatements in the compiled financial information., This includes misstatements arising from intentional departures from the applicable financial reporting framework that are not adequately disclosed in the compiled financial information itself, on a transparent basis, for the benefit of users of the information. (See paragraph 34 of ISRS 4410 (Revised).)

Work Effort in Relation to Significant Judgments

38. ED-4410 proposed requiring the practitioner to discuss and agree with management significant judgments necessary to compile the financial information including, where applicable, the basis for significant accounting estimates and use of the going concern assumption.

39. Some respondents identified this requirement as an example of a type of procedure that could be misconstrued as one that is performed to gather evidence for the purpose of expressing an opinion or conclusion on the compiled financial information. These respondents expressed the concern that the requirement could be read as implying that the practitioner has obtained a level of understanding and assurance beyond that which is required for purposes of the compilation engagement. They pointed out the need to amend this requirement to avoid blurring the distinction between a compilation engagement and an assurance engagement.

40. In contrast, a respondent emphasized the importance of the practitioner devoting appropriate attention to significant judgments, particularly if the practitioner assists management in developing significant judgments required under the applicable financial reporting framework. It was argued that this would be particularly important as, in the case of many smaller entities, management may not be sufficiently knowledgeable about accounting or financial reporting matters to be able to make the necessary judgments without the practitioner's assistance and expertise.

41. Some respondents also pointed to the wider risk that, in assisting management, the practitioner may be perceived as having implicitly taken responsibility for judgments that are the responsibility of management. Some of these respondents suggested that, in order to address this, ED-4410 should require the practitioner to obtain management's acknowledgement of its responsibility for the final version of the compiled financial information.

IAASB Decisions

42. The IAASB reaffirmed its view that ISRS 4410 (Revised) should direct the practitioner to devote appropriate attention to discussion with management, or those charged with governance as appropriate, regarding significant judgments required to compile the financial information in accordance with the applicable financial reporting framework. However, the IAASB concluded that this requirement should focus on the situation where the practitioner has provided assistance to management in relation to making those judgments, in the course of compiling the financial information. Doing so helps to focus the practitioner's work effort appropriately in line with the practitioner's role in a compilation engagement, that is, to provide assistance to management as opposed to gathering evidence for the purpose of expressing an opinion or conclusion. (See paragraph 30 of ISRS 4410 (Revised).)

43. Further, in relation to respondents' comments on the risk that the practitioner could be perceived as having taken responsibility for judgments that are management's responsibility, the IAASB amended ED-4410 by explaining that when the compilation engagement involves assisting management in key areas affecting the preparation and presentation of the entity's financial information, such assistance is always provided on the basis that management understands, and

accepts responsibility for, the significant judgments reflected in the compiled financial information. (See paragraph A22 of ISRS 4410 (Revised).)

44. The IAASB also accepted respondents' suggestion that the standard could be further enhanced by requiring the practitioner to obtain an acknowledgement from management or those charged with governance, as appropriate, that they have taken responsibility for the final version of the compiled financial information including the significant judgments reflected therein. The IAASB believes that requirement would serve not only to emphasize management's responsibility for the compiled financial information as finalized, including significant judgments reflected therein, but would also clarify the completion of the compilation engagement by the practitioner. (See paragraph 37 of ISRS 4410 (Revised).)

The Practitioner's Report—Illustrative Reports

45. ED-4410 proposed requirements addressing the elements of the practitioner's report, and included several illustrative reports. The IAASB's objective in establishing these reporting requirements was, among other things, to clearly distinguish the compilation engagement performed under ISRS 4410 (Revised) from an assurance engagement, as a matter of public interest.

46. Broadly, the majority of respondents who commented on the proposed reporting requirements and illustrative reports were of the view that these were clear and appropriate. Many respondents, however, felt that the illustrative reports could better distinguish the compilation engagement from other reporting engagements, citing concerns in the following areas:

- The general appearance of the practitioner's report because of some similarities with an assurance report.
- The description of the engagement, including limitations.
- With respect to the circumstances when the compiled financial information is prepared for a special purpose, the use of an "alert to reader" sub-title in the practitioner's report. However it was noted that this alert could potentially be viewed by readers of the report as the practitioner expressing a form of opinion or conclusion on the compiled financial information.

IAASB Decisions

47. The IAASB determined that the primary consideration is a clear expression of the purpose of the practitioner's report in a compilation engagement. The IAASB concluded that ISRS 4410 (Revised) could be further strengthened in this regard. Accordingly, the IAASB introduced material within the requirements in the ISRS explaining that 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. Importantly, the IAASB also clarified that the practitioner's report is not a vehicle to express an opinion or conclusion on the financial information in any form. (See paragraph 39 of ISRS 4410 (Revised).)

48. The IAASB agreed with respondents' view that the description of the compilation engagement could be further enhanced, in order to better explain the nature of the engagement for readers of the report. Accordingly, the IAASB modified the illustrative report to include a paragraph that more concisely describes the practitioner's involvement and also more clearly highlights the value contributed by the practitioner – an essential feature to distinguish the compilation engagement from other types of engagements, including assurance engagements. The illustrative practitioner's

report now states that the practitioner has applied the practitioner's expertise in accounting and financial reporting to assist management in the preparation and presentation of the compiled financial information, and has complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

49. Similarly, the IAASB has included in a single paragraph in the illustrative practitioner's report the statements that address the limitations of the engagement. Further, it has redrafted the required statements by the practitioner to reduce the use of technical wording that may not be fully understood by the reader of the practitioner's report. This paragraph now states that since a compilation engagement is not an assurance engagement, the practitioner is not required to verify the accuracy or completeness of the information that management has provided to the practitioner to compile the financial information and, accordingly, the practitioner does not express an audit opinion or a review conclusion on whether the financial information is prepared in accordance with [the applicable financial reporting framework].

50. The IAASB agreed that while the purpose of the practitioner's report in a compilation engagement is different from that of a report issued in an assurance engagement, the visual appearance of the practitioner's report in a compilation engagement unavoidably bears a resemblance to the report issued for an assurance engagement. This is because there are some required reporting elements that are common to both types of engagements. Nevertheless, the IAASB agreed to amend the reporting requirements of ISRS 4410 (Revised), and the related guidance, to remove the impression that the practitioner is required to:

- Apply a specific sequencing in the report when presenting the required reporting elements , or
- Use headings to structure the content of the report (as is done in an assurance report , where the clear identification of the practitioner's opinion or conclusion is a key consideration in the presentation of the report).

Quality Control in a Compilation Engagement

51. ED-4410 included requirements pertaining to engagement level quality control on the explicit premise that a firm providing compilation engagements under the standard is required to apply ISQC 1[3] or requirements that are at least as demanding.

52. Many respondents to ED-4410 supported this premise and noted that it would not create implementation difficulties at a national level. Many respondents, however, disagreed with the inclusion of this premise. Several of the respondents who disagreed cited perceived implementation difficulties surrounding ISQC 1 for firms undertaking compilation engagements. It was noted in particular that the premise will not hold in all cases, since ISQC 1 has not been adopted in all jurisdictions for the purpose of related services engagements, including compilation engagements. A few of these respondents believed that ISRS 4410 (Revised) should instead include, as requirements, all the engagement level quality controls that are considered necessary to achieve quality in individual compilation engagements, without reference to ISQC 1.

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[3] ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

53. Several respondents further noted there may be difficulty in complying with ISQC 1 because some requirements of ISQC 1 are perceived as being too onerous for smaller firms, or would require further interpretation for application to compilation engagements. These respondents suggested that development of implementation guidance that will assist smaller firms undertaking compilation engagements in applying ISQC 1 would be helpful.

IAASB Decision

54. The IAASB concluded that reference to ISQC 1, or requirements that are at least as demanding, should be retained as the premise underlying the provisions of ISRS 4410 (Revised) regarding quality control at the level of individual compilation engagements. (See paragraph 4 of ISRS 4410 (Revised)).

55. The IAASB determined that it would not be in the public interest to exclude compilation engagements, or other related services, from relevant requirements directed at quality control at the firm level, nor to limit the application of ISQC 1 thereto. Firm-level quality control positively influences engagement level quality control, and it would therefore be inappropriate to exclude consideration of the former. The IAASB also noted that the premise is also sufficiently flexible to accommodate jurisdictions that have not adopted ISQC 1.

56. The IAASB considered, but did not support, the option of adding all quality control provisions within the standard itself. To do so would add considerably to the length of the ISRS while disproportionately affecting the overall balance of the requirements and guidance. This was seen as an outcome contrary to respondents' general support for the development of an engagement standard for compilation engagements that is as concise and streamlined as possible.

57. The IAASB believed that if implementation of ISQC 1 by smaller firms needs to be further addressed, it is preferable to address this through other appropriate means. In this regard, the IAASB agreed to explore, as part of its *Strategy and Work Program, 2012-2014*, the development of implementation support materials aimed at promoting the proportionate implementation of ISQC 1 by smaller firms. It is envisioned that such material would include guidance relevant to firms undertaking compilation engagements.

Relevant Ethical Requirements—Independence in a Compilation Engagement

58. ED-4410 proposed requiring the practitioner to comply with relevant ethical requirements as they relate to compilation engagements, and for the practitioner's report to include a description of the practitioner's responsibilities in compiling the financial information, including that the engagement was performed in accordance with relevant ethical requirements.

59. Several respondents to ED-4410 commented on the importance of the practitioner's communications with users of the compiled information in the area of independence, through the practitioner's report. Some of these respondents noted that ED-4410 did not include the requirements and guidance in extant ISRS 4410 stating that independence is not a requirement for a compilation engagement, and which require that, when relevant, if the practitioner is not independent, a statement to that effect be made in the practitioner's report.[4] These respondents believed that this material should be retained in ISRS 4410 (Revised), because information about

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[4] Extant ISRS 4410, paragraph 5 read with paragraph 18(d).

the practitioner's independence is considered important for the users of the compiled financial information.

IAASB Decisions

60. The IAASB concluded that ISRS 4410 (Revised) should continue to require the practitioner to comply with relevant ethical requirements, and for the practitioner's report to describe the practitioner's responsibilities in compiling the financial information, including that the engagement was performed in accordance with relevant ethical requirements.

61. The IAASB also reaffirmed its view that it is not appropriate to retain the requirement in extant ISRS 4410 pertaining to a statement in the practitioner's report regarding independence. The IAASB is of the view that the practitioner implementing ISRS 4410 (Revised) would need to be guided as to the meaning of independence in the context of a compilation engagement in order to be able to comply with such a reporting requirement. The IAASB notes that the IESBA Code is silent with respect to the concept of independence in relation to a compilation engagement, as are some national standards. In light of this, the IAASB questioned how meaningful a reporting requirement would be in an international context.

62. Nevertheless, the IAASB included application material within ISRS 4410 to draw practitioners' attention to the fact that national ethical codes or laws or regulations may specify requirements or disclosure rules pertaining to independence (see paragraph A21 of ISRS 4410 (Revised)). The IAASB recognizes that in adopting ISRS 4410 (Revised) at national-level, the authorized national standard-setting body of a jurisdiction may elect to include further requirements or application material aimed at addressing this area if that is viewed as important in the national context.

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