

ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD
LIMITED



APES 315
Compilation of Financial Information

(Issued XXXX 2008)

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1. Scope and application

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues professional standard APES 315 *Compilation of Financial Information (the Standard)*, which is effective for Engagements commencing on or after 01 ~~July~~³ 2009. ~~Early adoption of this Standard is permitted.~~
- 1.2 APES 315 sets the standards for Members in Public Practice who undertake Compilation Engagements in the provision of quality and ethical Professional Services. The mandatory requirements of this Standard are in **bold** type, preceded or followed by discussion or explanation in grey type. APES 315 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.
- 1.3 Members in Public Practice in Australia shall follow the mandatory requirements of APES 315 when they undertake Professional Services to Clients that are Compilation Engagements.**
- 1.4 Members in Public Practice practising outside of Australia shall follow the provisions of APES 315 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.5 Members shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.6 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.7 All references to Professional Standards, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.8 In applying the requirements outlined in APES 315, Members in Public Practice should be guided not merely by the words but also by the spirit of the Standard and the Code.
- 1.9 This Standard is directed towards Engagements to compile historical or prospective financial information.
- 1.10 The Standard should be applied to the extent practicable for Engagements to compile non-financial information.
- 1.11 This Standard is directed towards Members in Public Practice. However, Members in Business may utilise this standard when they compile information for their employers especially in respect of regulatory reporting requirements.^{1,2}

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2. Definitions

For the purpose of this Standard:

Applicable Financial Reporting Framework means in respect of an Engagement to prepare Financial Statements, the financial reporting framework adopted by Those Charged with Governance.

Australian Accounting Standards means the Accounting Standards (including Australian Accounting Interpretations) promulgated by the Australian Accounting Standards Board.

Client means an individual, firm, entity or organisation to whom or to which Professional Services are provided by a Member in Public Practice in respect of Engagements of either a recurring or demand nature.

Code means APES 110 *Code of Ethics for Professional Accountants*.

Compilation Engagement means an Engagement to compile financial information.

Compilation Report means a report prepared in accordance with this Standard.

Compiled Financial Information means a presentation of historical or prospective financial information in a specified form, without undertaking to express any assurance on the information. For the purposes of this Standard Compiled Financial Information includes Financial Statements.

Engagement means an agreement, whether written or otherwise, between a Member in Public Practice and a Client relating to the provision of Professional Services by a Member in Public Practice. However, consultations with a prospective Client prior to such agreement are not part of an Engagement.

Engagement Document means the document (i.e. letter, agreement or any other appropriate means) in which the Terms of Engagement are specified in a written form.

Financial Statements means a structured representation of historical financial information, which ordinarily includes explanatory notes, intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term can refer to a complete set of Financial Statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenue and expenses, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the Financial Statements and what constitutes a complete set of Financial Statements.

For the purposes of this Standard, the term financial report is considered to be equivalent to Financial Statements.

Firm means (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
(b) An entity that controls such parties;
(c) An entity controlled by such parties; or
(d) An Auditor-General's office or department.

General Purpose Financial Statements means those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs.

Member means a member of a professional body that has adopted this Standard as applicable to their membership as defined by that professional body.

Member in Business means a Member employed or engaged in an executive or non-executive capacity in such areas as commerce, industry, service, the public sector, education, the not for profit sector, regulatory bodies or professional bodies, or a Member contracted by such entities.

Member in Public Practice means a Member, irrespective of functional classification (e.g. audit, tax, or consulting) in a Firm that provides Professional Services. The term is also used to refer to a Firm of Members in Public Practice and means a practice entity as defined by the applicable professional body.

Professional Services means services requiring accountancy or related skills performed by a Member in Public Practice including accounting, auditing, taxation, management consulting and financial management services.

Professional Standards mean all Standards issued by Accounting Professional & Ethical Standards Board Limited and all professional and ethical requirements of the applicable professional body.

Special Purpose Financial Statements means Financial Statements other than General Purpose Financial Statements.

Terms of Engagement means the terms and conditions that are agreed between the Client and the Member in Public Practice for the Engagement.

Those charged with governance includes those persons accountable for ensuring that the entity achieves its objectives, with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties. Those charged with governance include management only when it performs such functions.¹⁴

Deleted: Those Charged with Governance means the persons with responsibility for overseeing the strategic direction of the Client and obligations related to the accountability of the Client. This includes overseeing the financial reporting process.

3. Fundamental responsibilities of Members^{9,17}

3.1 Members undertaking Compilation Engagements shall comply with Section 100 Introduction and Fundamental Principles of the Code and relevant legislation.

Public interest

3.2 In accordance with Section 100.1 of the Code, Members shall observe and comply with their public interest obligations when they undertake Compilation Engagements.

Professional competence and due care

3.3 Members undertaking Compilation Engagements shall maintain professional competence and take due care in the performance of their work in accordance with Section 130 Professional Competence and Due Care of the Code.

4. Objectives of a Compilation Engagement

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4.1 The objective of a Compilation Engagement is for the Member in Public Practice to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarise financial information. This will ordinarily¹⁷ entail reducing detailed data to a manageable and understandable form without a requirement to test the assertions underlying that information. The procedures employed are not designed and do not enable the Member to express any assurance on the financial information.

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4.2 A Compilation Engagement may involve the compilation¹⁸ of Financial Statements (which may or may not be a complete set of Financial Statements). It may also include the collection, classification and summarisation of other financial information without the compilation of Financial Statements¹⁹.

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4.3 Activities which fall outside the scope of APES 315 include:

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- (a) preparation of a taxation return and financial information prepared solely for inclusion in the taxation return;
- (b) analysis of figures provided by a Client, in order to report to the Client. For example, providing advice on a Client's proposed purchase of another entity, using the other entity's Financial Statements;
- (c) relaying information to a Client, without collection, classification or summarisation of the information.

<p>5. General Purpose or Special Purpose^{23,24,25} Financial Statements</p>	<p>Deleted: 4</p>
<p>5.1 When undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements, a Member in Public Practice shall comply with the requirements of APES 205 <i>Conformity with Accounting Standards</i>.</p>	<p>Deleted: 4</p>
<p>6. Defining the Terms of Engagement</p>	<p>Deleted: 5</p>
<p>6.1 A Member in Public Practice shall document and communicate the Terms of Engagement³¹ in accordance with APES 305 <i>Terms of Engagement</i>.</p>	<p>Deleted: 5</p>
<p>6.2 In addition to the matters in paragraph 4 of APES 305 <i>Terms of Engagement</i>, a Member in Public Practice should consider the following matters for inclusion in the Engagement Document:</p>	<p>Deleted: provide the Client with an Engagement Document outlining the relevant terms of the Engagement to provide Professional Services</p>
<p>(a) nature of the Engagement including the fact that neither an audit nor a review will be carried out and that accordingly no assurance will be expressed;</p>	<p>Deleted: 5</p>
<p>(b) fact that the Engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist;</p>	
<p>(c) nature of the information to be supplied by the Client;</p>	
<p>(d) in respect of prospective financial information the basis of forecasting and key assumptions to be provided by the Client;³⁵</p>	<p>Deleted: d</p>
<p>(e) fact that the Client is responsible for the accuracy and completeness of the information supplied to the Member;</p>	
<p>(f) basis of accounting on which the financial information is to be compiled and the fact that it, and any known departures there from, will be disclosed;</p>	<p>Deleted: e</p>
<p>(g) requirement for General Purpose Financial Statements to be prepared in accordance with Australian Accounting Standards;</p>	<p>Deleted: f</p>
<p>(h) intended use and distribution of the information, once compiled;</p>	<p>Deleted: g</p>
<p>(i) form of any Compilation Report to be issued³³; and</p>	<p>Deleted: h</p>
<p>(j) nature of any disclaimer or limitation of liability clause between the Member and the Client or the Member and any user of the Compiled Financial Information.</p>	<p>Deleted: rendered regarding the Compiled Financial Information compiled</p>
<p>7. Procedures</p>	<p>Deleted: i</p>
<p>7.1 A Member in Public Practice should obtain a general knowledge of the business and operations of the Client and should be familiar with the accounting principles and practices of the industry in which the Client operates and with the form and content of the financial information that are appropriate in the circumstances.</p>	<p>Deleted: 6</p>
<p>7.2 Other than as noted in this Standard, a Member in Public Practice is not ordinarily required to:</p>	<p>Deleted: 6</p>
<p>(a) make any inquiries of management to assess the reliability and completeness of the information provided;</p>	
<p>(b) assess internal controls;</p>	
<p>(c) verify any matters; or</p>	
<p>(d) verify any explanations.</p>	
<p>7.3 A Member in Public Practice who, on reasonable grounds, forms the view that the information supplied by the Client is materially false or misleading or the Client has omitted material information, shall consider performing the procedures noted in paragraph 7.2 and request the Client to provide any additional information required to complete the Engagement.</p>	<p>Deleted: 6</p>
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~~7.4~~ If the Client refuses to provide the additional information as requested under paragraph ~~7.3~~, the Member in Public Practice shall consider the Firm's policies and procedures established in accordance with paragraphs 28-35 *Acceptance and Continuance of Client Relationships and Specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the Client in a professional capacity.

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~~8.~~ Misstatements

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~~8.1~~ A Member in Public Practice shall consider whether the Compiled Financial Information is appropriate in form and free from obvious material misstatements.

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~~8.2~~ In this Standard, material⁴⁴ misstatements include the following:

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- (a) mistakes in the application of the Applicable Financial Reporting Framework or an alternative financial reporting framework;
- (b) non-disclosure of the financial reporting framework and any known departures therefrom; and
- (c) non-disclosure of significant matters.

~~8.3~~ For the purpose of paragraph ~~8.2~~(a) examples of alternative financial reporting frameworks that may be applied to the presentation of Compiled Financial Information include, but are not limited to:

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- (a) a tax basis of accounting;
- (b) the cash receipts and disbursements basis of accounting for cash flow information;
- (c) the financial reporting provisions established by a regulator to meet the requirements of that regulator; and
- (d) the financial reporting provisions of a contract, for example a loan agreement or trust deed.

~~8.4~~ If a Member in Public Practice forms the view, on reasonable grounds, that there are material misstatements in the Compiled Financial Information, the Member shall take all reasonable steps to agree appropriate amendments with the Client.

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~~8.5~~ If such amendments are not made as requested under paragraph ~~8.4~~ and the Compiled Financial Information is considered to be misleading, the Member in Public Practice shall consider the Firm's policies and procedures established in accordance with paragraphs 28-35 *Acceptance and Continuance of Client Relationships and Specific Engagements* of APES 320 *Quality Control for Firms* in determining whether to continue acting for the Client in a professional capacity.

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9. Documentation

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9.1 A Member in Public Practice shall prepare working papers in accordance with this Standard that appropriately document the work performed, including aspects of the Compilation Engagement that have been provided in writing. The documentation prepared by the Member shall:

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- (a) provide a sufficient and appropriate record of the procedures performed for the Engagement;
- (b) identify the sources of significant information the Member has used in the compilation of financial information; and
- (c) demonstrate that the Engagement was carried out in accordance with this Standard and all other Professional Standards applicable to the Engagement, including policies and procedures established in accordance with⁵³ APES 320 Quality Control for Firms, and any applicable ethical, legal and regulatory requirements.

10. Responsibility of the Client

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10.1 A Member in Public Practice who undertakes a Compilation Engagement in respect of General Purpose or Special Purpose Financial Statements, shall obtain an acknowledgment from the Client of its responsibility for the reliability, accuracy and completeness of the accounting records and disclosure to the Member of all material and relevant information.

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10.2 Except for the circumstances described in paragraph 10.1, a Member in Public Practice should consider obtaining an acknowledgement from the Client of its responsibility for the reliability, accuracy and completeness of the financial information and disclosure to the Member of all material and relevant information.^{55,57}

10.3 The acknowledgment referred to in paragraphs 10.1 and 10.2 may be provided by representations from the Client which cover the accuracy and completeness of the underlying accounting data and the complete disclosure of all material and relevant information to the Member in Public Practice.

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11. Reporting on a Compilation Engagement

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11.1 When a Member in Public Practice prepares Compiled Financial Information, the Member shall issue a Compilation Report, subject to the requirements of paragraph **11.3**, in circumstances where:

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- (a) the Member's name is identified with the Compiled Financial Information;
- (b) the Compiled Financial Information is for external use; or
- (c) it is more likely than not that the intended user of the Compiled Financial Information may not understand the nature and scope of the Member's involvement with that information.

11.2 Generally when a Member in Public Practice compiles financial information for internal use by the Client, this Standard does not mandate the issue of a Compilation Report. In these circumstances the use of the Compiled Financial Information is restricted. The Member should include a reference that specifies that such Compiled Financial Information is "Restricted for internal use" or similar on each page of the Compiled Financial Information.

11.3 Where the Client has engaged another Member in Public Practice to audit or review the Compiled Financial Information in accordance with Australian auditing standards applicable to audit or review Engagements, the Member in Public Practice undertaking the Compilation Engagement shall consider the need to issue a Compilation Report. Where the Member in Public Practice decides not to issue a Compilation Report the Member shall document the rationale for that decision.

11.4 Generally in the circumstances described in paragraph **11.3**, ~~if an audit or review report is intended to be, or has been issued this will override the need to issue a Compilation Report.~~⁶²

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11.5 Where the circumstances described in paragraph **11.3** apply and the scope of the Compilation Engagement extends to significant subject matter not covered under the audit or review Engagement, the Member in Public Practice shall issue a Compilation Report for the subject matter not covered under the audit or review Engagement.

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11.6 Where a Member in Public Practice issues a Compilation Report in accordance with paragraph **11.1** or **11.5**, the Compilation Report shall contain the following:

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- (a) a title;
- (b) an addressee;
- (c) a statement that the Engagement was performed in accordance with this Standard;
- (d) identification of the Compiled Financial Information noting that it is based on the financial information provided by the Client (if applicable);
- ~~(e) basis of any forecast information and key assumptions (applicable to prospective financial information only)~~⁶⁴;
- ~~(f) a statement that the Client is responsible for the financial information~~⁶⁷ compiled by the Member;
- ~~(g) a statement that neither an audit nor a review has been carried out and that accordingly no assurance is expressed on the Compiled Financial Information;~~
- ~~(h) if applicable, identification that the Member is reporting on a Special Purpose Financial Statement and the specific purpose for which it has been prepared;~~
- ~~(i) the date of the Compilation Report;~~
- ~~(j) the Member's or Firm's address;~~
- ~~(k) the Member's or Firm's name and signature;~~
- ~~(l) an appropriate disclaimer of liability.~~

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11.7 Where a Member in Public Practice issues a Compilation Report in accordance with paragraph **11.1** or **11.5**, the financial information compiled by the Member shall contain a reference such as "Unaudited", "Compiled without Audit or Review", or "Refer to Compilation Report" on each page of the Compiled Financial Information.⁶⁹

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12. Communication of significant matters

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12.1 A Member in Public Practice shall communicate ⁷¹to Those Charged with Governance of the Client any significant matters arising from the Compilation Engagement on a timely basis⁷³.

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12.2 Communication would ordinarily be in writing. Where the communication occurs orally, a Member in Public Practice should make a file note in the working papers.⁷¹

12.3 If the Member in Public Practice obtains information that indicates that a material fraud, misstatement⁷⁵ or illegal act has occurred, the Member shall communicate these matters as soon as practicable to Those Charged with Governance of the Client.

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12.4 Matters which should be communicated by the Member in Public Practice include:

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- (a) material misstatements identified during the Compilation Engagement and the appropriate amendments agreed with the Client in respect of the misstatements;
- (b) additional information sought by the Member as a result of information supplied which contained material misstatements or was otherwise unsatisfactory;
- (c) if additional information sought by the Member is not supplied:
 - (i) the effect that the lack of additional information may have on the Compiled Financial Information;
 - (ii) the effect of the lack of additional information on the Member's report; and
 - (iii) if appropriate, the fact that the Member proposes to withdraw from the Compilation Engagement as a result of the lack of additional information;
- (d) any other matters that, in the Member's opinion, are significant in the context of the Compilation Engagement.

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12.5 Where the Member in Public Practice obtains information that a material fraud, misstatement or illegal act has occurred and the Member in Public Practice has reason to believe that such an act is the result of actions of Those Charged with Governance of the Client, the Member in Public Practice shall consider the Firm's policies and procedures established in accordance with paragraphs 28-35 Acceptance and Continuance of Client Relationships and Specific Engagements of APES 320 Quality Control for Firms in determining whether to continue acting for the Client in a professional capacity.⁷⁶

13. Subsequent discovery of facts

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13.1 Subsequent to the completion of the Compilation Engagement, the Member in Public Practice may become aware of facts that existed at the date of completion of the Compilation Engagement which may have caused the Member to believe that information supplied was materially false or misleading, had the Member been aware of such facts. The Member should consider the impact of these findings on the Compiled Financial Information, discuss the matter with the Client, and take action appropriate in the circumstances. The action taken by the Member will depend on the Member's legal rights and obligations. The Member should document the reasons for the action taken.

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13.2 If the Member in Public Practice believes that the Compiled Financial Information referred to in paragraph 12.1 needs to be revised, the Member shall take all reasonable steps to ensure that the Client takes the necessary steps to inform anyone who received the previously issued Compiled Financial Information of the situation.

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13.3 When determining whether the Compiled Financial Information needs to be revised pursuant to paragraph 13.2, the Member in Public Practice should consider inter alia the duration of time between the issuance⁷⁸ of the Compiled Financial Information and the subsequent discovery of facts referred to in Paragraph 13.1, and the extent to which important decisions based on the Compiled Financial Information are still to be made.

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13.4 If the Member in Public Practice becomes aware that the Client has not taken appropriate action in terms of paragraph 13.2, the Member shall notify Those Charged with Governance of the Client.

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13.5 If appropriate action is not taken by Those Charged with Governance of the Client, the Member in Public Practice shall consider the Firm's policies and procedures established in accordance with paragraphs 28-35 Acceptance and Continuance of Client Relationships and Specific Engagements of APES 320 Quality Control for Firms in determining whether to continue acting for the Client in a professional capacity.⁷⁹

Conformity with International Pronouncements

APES 315 and ISRS 4410

The basic principles and essential procedures of APES 315 and of ISRS 4410 *Engagements to Compile Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB) are consistent in all material respects, except that the scope and application and definitions are unique to APES 315 and except for the matters noted below:

- ISRS 4410 provides guidance on planning;
- When undertaking a Compilation Engagement in respect of General Purpose or Special Purpose Financial Statements, APES 315 mandates that the Member in Public Practice needs to comply with APES 205 *Conformity with Accounting Standards*;
- APES 315 requires that the Terms of Engagement be documented in accordance with APES 305 *Terms of Engagement*;
- APES 315 requires that the Compilation Report needs to include, where applicable, identification that the Member in Public Practice is reporting on Special Purpose Financial Statements and the specific purpose for which they have been prepared;
- APES 315 requires the inclusion of an appropriate disclaimer of liability in the Compilation Report; and
- APES 315 addresses communication of significant matters to Those Charged with Governance of the Client and procedures to follow when facts are subsequently discovered which indicate that the Compiled Financial Information is materially misstated.

[To be updated once the Board decisions are finalised]