

Proposed Standard: APES 315 Compilation of Financial Information

[Supersedes APES 315 Compilation of Financial Information issued in November 2009]

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

EXPOSURE DRAFT
ISSUED:

01/14
April 2014

Copyright © 2014 Accounting Professional & Ethical Standards Board Limited ("APESB"). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the *Copyright Act 1968*, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction including fair dealing must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

APES 315 *Compilation of Financial Information* contains material from *International Standard on Related Services (ISRS) 4410, Engagements to Compile Financial Statements (2012)* of the *Handbook of the of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (July 2012) of the International Auditing and Assurance Standards Board for Accountants (IAASB), published by the International Federation of Accountants (IFAC) in July 2012 and as amended, and is used with permission of IFAC.

International Standard on Related Services (ISRS) 4410, Engagements to Compile Financial Statements © July 2012 by the International Federation of Accountants.

Commenting on this Exposure Draft

This Exposure Draft, APES 315 *Compilation of Financial Information* was developed and approved by the Accounting Professional & Ethical Standards Board Limited (APESB).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by 20 June 2014.**

Comments should be addressed to:

The Chairman
Accounting Professional & Ethical Standards Board Limited
Level 7, 600 Bourke Street
MELBOURNE VIC 3000
AUSTRALIA

APESB would prefer that respondents express a clear overall opinion on whether the proposed Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. APESB regards both critical and supportive comments as essential to a balanced view of the proposed Standard.

Respondents are asked to submit their comments electronically through the APESB website, using the link www.apesb.org.au/apesb-exposure-drafts-open-for-comment.

Please submit comments in both a PDF and Word file. All comments will be considered a matter of public record and will ultimately be posted on the website www.apesb.org.au.

APESB prefers that comments are submitted via its website. However, if there are practical difficulties comments can also be sent to sub@apesb.org.au or mailed to the address noted above.

Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: www.apesb.org.au. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **20 June 2014** by contacting:

Accounting Professional & Ethical Standards Board Limited
Level 7
600 Bourke Street
Melbourne Victoria 3000
Australia
E-mail: enquiries@apesb.org.au
Phone: (03) 9670 8911
Fax: (03) 9670 5611

Reasons for issuing Exposure Draft 01/14

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to revise APES 315 *Compilation of Financial Information* (APES 315) primarily due to revisions made by the International Auditing and Assurance Standards Board (IAASB) to ISRS 4410 (Revised 2012) *Compilation Engagements*.

Key requirements and guidance in ED 01/14

Overview of the proposed changes

The following summary provides an overview of the proposed revisions to the existing professional standard APES 315. Respondents should not rely on this summary of differences to determine what changes, if any, are required to their current practices, policies or methodologies. Respondents should read the entire Exposure Draft to determine the significance of its proposals.

Significant revisions to the existing APES 315 in this exposure draft are:

- The following definitions have been revised or added: Applicable Financial Reporting Framework, Assurance Engagement, Compilation Engagements, Compliance Framework, General Purpose Financial Statements, General Purpose Framework, Misstatement, Professional Activity, Professional Bodies, Professional Services, Special Purpose Financial Statements, Special Purpose Framework and Those Charged with Governance;
- Revision of the objectives of an Engagement to Compile Financial Information;
- Guidance for Members in Public Practice on appropriate planning for Compilation Engagements;
- Additional guidance on the Applicable Financial Reporting Framework including General Purpose and Special Purpose Financial Statements;
- Further clarification on the responsibilities of the Client, the Member in Public Practice, and the role of management;
- Addition of an example Engagement letter;
- Inclusion of further examples of Compilation reports; and
- Addition of an example of an Accountant's Report and Disclaimer.

Stakeholders should refer to the accompanying *APES 315 ED 'At a Glance'* to gain an understanding of key issues considered by the APESB in the development process of this Exposure Draft. The *APES 315 ED 'At a Glance'* also includes a summary of the key proposed changes to the existing APES 315 (2009).

Proposed operative date

It is intended that this Standard will be operative for Engagements to Compile Financial Information commencing from 1 ~~January~~ April 2015.

APES 315 Compilation of Financial Information

[Supersedes APES 315 Compilation of Financial Information issued in November 2009]

Prepared and issued by
Accounting Professional & Ethical Standards Board Limited

REVISED: [DATE]

Copyright © 2014 Accounting Professional & Ethical Standards Board Limited ("APESB"). All rights reserved. Apart from fair dealing for the purpose of study, research, criticism and review as permitted by the *Copyright Act 1968*, no part of these materials may be reproduced, modified, or reused or redistributed for any commercial purpose, or distributed to a third party for any such purpose, without the prior written permission of APESB.

Any permitted reproduction including fair dealing must acknowledge APESB as the source of any such material reproduced and any reproduction made of the material must include a copy of this original notice.

APES 315 *Compilation of Financial Information* contains material from *International Standard on Related Services (ISRS) 4410, Engagements to Compile Financial Statements (2012)* of the *Handbook of the of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (July 2012)* of the International Auditing and Assurance Standards Board for Accountants (IAASB), published by the International Federation of Accountants (IFAC) in July 2012 and as amended, and is used with permission of IFAC.

International Standard on Related Services (ISRS) 4410, Engagements to Compile Financial Statements © July 2012 by the International Federation of Accountants.

Contents

	Paragraphs
Scope and application	1
Definitions	2
Fundamental responsibilities of Members in Public Practice	3
Objectives of an Compilation Engagement <u>to Compile Financial Information</u>	4
Planning	5
General Purpose or Special Purpose Financial Statements	6
Defining the Terms of Engagement	7
Procedures	8
Misstatements	9
Documentation	10
Responsibility of the Client	11
Reporting on a Compilation Engagement	12
Communication of significant matters	13
Subsequent discovery of facts	14
 <i>Conformity with International Pronouncements</i>	
<i>Appendix 1: Example Engagement Letter for a Compilation Engagement</i>	
<i>Appendix 2: Examples of Compilation Reports</i>	
<i>Appendix 3: Example of an Accountant's Report <u>Compilation – Disclaimer and Disclaimer Report</u></i>	
<i><u>Appendix 4: Summary of revisions to the previous APES 315 (Issued November 2009)</u></i>	

1. Scope and application

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues APES 315 *Compilation of Financial Information* (**the Standard**), which is effective for Engagements to Compile Financial Information commencing on or after 01 ~~January~~ April 2015. Earlier adoption of this Standard is permitted.
- 1.2 APES 315 sets the standards for the provision of quality and ethical Professional Services for Members in Public Practice who undertake ~~Compilation~~ Engagements to Compile Financial Information, in the provision of quality and ethical Professional Services. The mandatory requirements of this Standard are in **bold type (black lettering)**, preceded or followed by discussion or explanations in normal type (grey lettering). 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 that are Compilation~~ Engagements to Compile Financial Information.**
- 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 should apply this Standard to the extent practicable when they compile information for their employers especially in respect of regulatory reporting requirements and Compilation Reports prepared under ASIC Class Order CO 98/1417 *Audit relief for proprietary companies*.

2. Definitions

For the purpose of this Standard:

~~Alternative Financial Reporting Framework~~ means the financial reporting framework adopted by management and, where appropriate, Those Charged with Governance other than the Applicable Financial Reporting Framework.

~~Examples of Alternative Financial Reporting Frameworks that may be applied to the presentation of Compiled Financial Information include, but are not limited to:~~

- ~~a) a tax basis of accounting;~~
- ~~b) the cash receipts and disbursements basis of accounting for cash flow information;~~

Comment [DA1]: TF comments:
1. Is this a recognised term?
2.. "Special Purpose" has a different context in Australia and "Alternative Financial Reporting Framework" better reflects the Australian environment.

CW – Agree. Refer to various amendments made to the definitions of frameworks.

- ~~e) the financial reporting provisions established by a regulator to meet the requirements of that regulator;~~
- ~~d) the financial reporting provisions of a contract, for example a loan agreement or trust deed; and~~
- ~~e) reporting to support a transaction involving changes to the Client's ownership or financing structure (such as for a merger or acquisition).~~

Applicable Financial Reporting Framework means the financial reporting framework adopted by management and, where appropriate, Those Charged with Governance in the preparation of the financial ~~information report~~ that is acceptable in view of the nature of the entity and the objective of the financial ~~information report~~, or that is required by law or regulation. ~~An Applicable Financial Reporting Framework is either a fair presentation framework or a Compliance Framework.~~

Comment [CW2]: AUASB definition + minor variations to provide a better explanation of the two frameworks

~~The term fair presentation framework means a financial reporting framework that requires compliance with the requirements of the applicable framework and:~~

- ~~(a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or~~
- ~~(b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.~~

~~In the context of financial reporting, the term Compliance Framework means a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in (a) or (b) above.~~

~~**AUST paragraph on Applicable Financial Reporting Framework to be inserted**~~

~~**Assurance Engagement** means an engagement in which a Member in Public Practice expresses a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the outcome of the evaluation or measurement of a subject matter against criteria.~~

~~This includes an engagement in accordance with the Framework for Assurance Engagements issued by the AUASB or in accordance with specific relevant standards, such as International Standards on Auditing, for Assurance Engagements.~~

Comment [ML3]: As per Jan 2014 BM: AUST paragraph to make reference to General Purpose Financial Statement and Special Purpose Financial Statement.

CW – refer to amendments to definitions of various frameworks. This is probably not required now

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

Client means an individual, firm, entity or organisation to whom or to which Professional Activities 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 in which a Member in Public Practice applies their professional expertise in accounting and financial reporting to assist management in the preparation and presentation of financial information ~~in accordance with an Applicable Financial Reporting Framework or Compliance Framework, without undertaking to express any assurance on the information.~~

Comment [DA4]: TF comment: Query use of this term

CW – refer amendments

Activities which fall outside the scope of a Compilation Engagement include:

- (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; and
- (d) ~~audit and a~~ Assurance Engagements.

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

Compile(d) Financial Information means a presentation of historical or prospective financial information ~~in a form specified by an Applicable Financial Reporting Framework or Alternative Financial Reporting Framework, without undertaking to express any assurance on the information.~~ For the purposes of this Standard Compiled Financial Information includes Financial Statements.

Comment [DA5]: TF comment: Query use of this term

CW – refer amendments

Compliance Framework means

- a) a financial reporting framework that requires compliance with the requirements of the applicable framework, but does not contain the acknowledgements in respect of fair presentation; or
- b) a framework (not related to financial reporting) used by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.

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 or prospective 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 statement of financial position, or a statement of comprehensive income, and related explanatory notes. The requirements of the financial reporting framework determine the form and content of the 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 through ownership, management or other means;
 - (c) An entity controlled by such parties through ownership, management or other means; or
 - (d) An Auditor-General's office or department.

General Purpose Financial Statements means ~~a financial report prepared in accordance with a general purpose framework, 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.~~

General Purpose Framework means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a Compliance Framework.

Independence means

- (a) Independence of mind - the state of mind that permits the provision of an opinion without being affected by influences that compromise professional judgement, allowing

an individual to act with integrity, and exercise objectivity and professional scepticism; and

- (b) Independence in appearance - the avoidance of facts and circumstances that are so significant a reasonable and informed third party, having knowledge of all relevant information, including any safeguards applied, would reasonably conclude a Firm's, or a member of the Engagement team's, integrity, objectivity or professional scepticism had been compromised.

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.

Misstatement means a difference between the amount, classification, presentation, or disclosure of a reported item in the financial information, 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.

Where the financial information is prepared in accordance with a fair presentation framework, Misstatements also include those adjustments of amounts, classifications, presentation, or disclosures that, in the Member in Public Practice's judgment, are necessary for the financial information to be presented fairly, in all material respects, or to give a true and fair view.

Professional Activity means an activity requiring accountancy or related skills undertaken by a Member, including accounting, auditing, taxation, management consulting, and financial management.

Professional Bodies means the Institute of Chartered Accountants in Australia, CPA Australia and the Institute of Public Accountants.

Professional Services means Professional Activities performed for Clients.

Professional Standards means 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 a complete set of financial statements, including the related notes, and an assertion statement by those responsible for the financial report, prepared in accordance with a Special Purpose Framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the Applicable Financial Reporting Framework determine the format and content of a financial report prepared in accordance with a Special Purpose Framework. Financial Statements other than General Purpose Financial Statements.

Special Purpose Framework means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a Compliance Framework.

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 means the person(s) or organisation(s) (for example, a corporate trustee) 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

Comment [DA6]: TF comment: Do we need this reference? Already captured by the first term?

CW – now consistent with the IAASB definition

Comment [DA7]: TF comment: This is where the confusion about alternative frameworks emerges; special purpose financial statements are prepared in accordance with a special purpose framework?

CW – refer to amendments made to be consistent with the AUASB/IAASB framework

management only when it performs such functions. For some entities in some jurisdictions, Those Charged with Governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

3. Fundamental responsibilities of Members in Public Practice

3.1 Members in Public Practice undertaking ~~Compilation Engagements~~ to Compile Financial Information shall comply with Section 100 *Introduction and Fundamental Principles* of the Code and relevant legislation.

Public interest

3.2 In accordance with Section 100 *Introduction and Fundamental Principles* of the Code, Members in Public Practice shall observe and comply with their public interest obligations when they undertake ~~Compilation Engagements~~ to Compile Financial Information.

Professional competence and due care

3.3 Members in Public Practice undertaking ~~Compilation Engagements~~ to Compile Financial Information 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.

Professional Independence

3.4 Independence is not a requirement for a Compilation Engagement.

3.5 Where a Member in Public Practice is not independent, the Member shall make a statement to that effect in the Compilation Report.

Confidentiality

3.6 In accordance with Section 140 *Confidentiality* of the Code, a Member in Public Practice who acquires confidential information in the course of an ~~Compilation Engagement~~ to Compile Financial Information for a Client shall not use that information for any purpose other than the proper performance of that Engagement.

4. Objectives of an ~~Compilation Engagement~~ to Compile Financial Information

4.1 The objectives of an ~~Compilation Engagement~~ to Compile Financial Information ~~is~~ are for a Member in Public Practice to:

(a) apply the Member's professional expertise in accounting and financial reporting, as opposed to professional expertise in auditing, to assist a Client with the preparation and presentation of the Client's financial information; ~~;~~
and

(b) where applicable report in accordance with the requirements of this Standard.

4.2 Since an ~~Compilation Engagement~~ to Compile Financial Information is not an Assurance Engagement, ~~a Compilation~~ such an Engagement does not require a Member in Public Practice to verify the accuracy or completeness of the information provided by management for the compilation.

Comment [ML8]: As per Feb TF meeting: The Board to consider whether the 'Objectives' section of the standard (para 4.1) is to be a black letter or grey letter paragraph

- 4.3 A Compilation Engagement may involve:
- (a) the preparation of Financial Statements (which may or may not be a complete set of Financial Statements); or
 - (b) the compilation of other financial information without the compilation of Financial Statements.

4.4 Where a Member in Public Practice performs ~~an Engagement activities which are not within the scope of which is not~~ a Compilation Engagement, such as the preparation of ~~Financial Statements solely for inclusion in which is to be used as a basis to prepare an entity's~~ the tax return ~~as previously defined by this Standard,~~ a Member may consider issuing ~~a compilation Accountant's Report and disclaimer~~ **Disclaimer**.

An example of an ~~compilation Accountant's Report Disclaimer report~~ is included in Appendix 3.

5. Planning

5.1 **A Member in Public Practice shall plan the Compilation Engagement to ensure that the Engagement is conducted in accordance with this Standard and all applicable Professional Standards, laws and regulations.**

5.2 Appropriate planning depends on the context of the Compilation Engagement and the particular circumstances of the Client. This can vary from a standard list of limited procedures used in generating a pro forma set of Financial Statements to a complex plan of understanding particular events or transactions of a larger entity that requires the application of professional judgement.

6. General Purpose or Special Purpose Financial Statements

6.1 **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 *Conformity with Accounting Standards*.**

6.2 The Member in Public Practice should identify the intended use of the financial information ~~of the Compilation Engagement~~ with reference to applicable law, regulation, or other arrangements established concerning the provision of financial information of the Client, bearing in mind the financial information needs of parties internal or external to the Client who are the intended users.

6.3 A Member in Public Practice's identification of the intended use of the financial information also involves understanding such factors as the particular purpose(s) of the Client, or Those Charged with Governance, where applicable, that are intended to be served through requesting the Compilation Engagement, and those of the engaging party where different.

6.4 The decision about the financial reporting framework that the Client adopts for the financial information ~~of the Compilation Engagement~~ is made in the context of the intended use of the information as described in the agreed Terms of Engagement, and the requirements of any applicable law or regulation.

6.5 A Member in Public Practice ~~may should~~ consider the following factors that indicate whether the Applicable Financial Reporting Framework ~~or Alternative Financial Reporting Framework~~ is acceptable:

- (a) The nature of the Client, and ~~whether it is a regulated form of entity~~ **the regulations that apply to the entity;**
- (b) The intended use of the financial information and the intended users;
- (c) Whether the Applicable Financial Reporting Framework ~~or Alternative Financial Reporting Framework~~ is prescribed or specified, either in applicable law or regulation, or in a contract or other form of agreement with a third

Comment [CW9]: Board discussion on whether a disclaimer is within the scope of this Standard?

TF comment: The Taskforce is keen to retain this. It may also open the door for engagements being managed "out of scope". It may be preferable to identify the circumstances in which disclaimers can be used
IE. compilations for tax returns and compilations identified as 'for internal use only'.

A taskforce member has also proposed a new format that is currently being used by a SMP Firm.

Comment [DA10]: TF comment: Query use of this term

CW – now amended

Comment [ML11]: Feb TF meeting editorials

Comment [DA12]: DITTO

CW – Now amended

party, or as part of governance or accountability arrangements adopted voluntarily by the Client; and

- (d) The nature and form of the financial information that is to be prepared and presented under the Applicable Financial Reporting Framework, ~~or Alternative Financial Reporting Framework.~~

6.6 A Member in Public Practice should agree with the Client the nature and form of financial information of the Compilation Engagement that is intended for a particular purpose with consideration of the intended users. This may require use of an ~~established Applicable Financial Reporting Framework~~, such as a general purpose financial reporting framework established by the AASB.

6.7 A Member in Public Practice should obtain significant judgements from the Client during the course of a Compilation Engagement and provide assistance to the Client in respect of these judgements. Such judgements may for example relate to a required accounting estimate or the consideration of appropriate accounting policies. Where such judgements are obtained, the Member should discuss with the Client and Those Charged with Governance as appropriate so they understand the significant judgements reflected in the financial information and the need for them to accept responsibility for those judgements.

~~Where a Member in Public Practice obtains significant judgements from the Client, for example, in relation to a required accounting estimate or the consideration of appropriate accounting policies, and provides assistance to the Client in respect of these judgements, the Member should discuss with the Client and Those Charged with Governance, as appropriate, so that the Client and Those Charged with Governance understand the significant judgements reflected in the financial information, and accept their responsibility for those judgements.~~

~~6.8 When the Applicable Financial Reporting Framework is in accordance with a special purpose financial reporting framework, a Member in Public Practice is required by this Standard to record any restrictions on either the intended use or distribution of the financial information in the Engagement letter. The Member is also required and to state in the Member's report that the financial information is prepared using a special purpose financial reporting framework, and as a result may not be suitable for other purposes.~~

7. Defining the Terms of Engagement

7.1 A Member in Public Practice shall document and communicate the Terms of Engagement in accordance with APES 305 *Terms of Engagement*.

7.2 ~~In addition to the General contents of an Engagement Document of APES 305 Terms of Engagement, a~~ A Member in Public Practice who is engaged to perform a Compilation Engagement should consider the following matters for inclusion in the Engagement Document in addition to the General contents of an Engagement Document of APES 305 Terms of Engagement:

- (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;
- (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;
- (c) nature of the information to be supplied by the Client;
- (d) in respect of prospective financial information, the basis of forecasting;
- (e) key assumptions relating to prospective financial information provided by the Client;
- (f) in the event that the Member makes assumptions in forecasts these assumptions will be brought to the Client's attention;

Comment [DA13]: TF comment: This introduces a new term. What is an established financial reporting framework?

CW- now changed to Applicable Financial Reporting Framework

Comment [DA14]: TF comment: Is this an alternative financial reporting framework?

CW- refer amendments

Comment [ML15]: As per Feb TF meeting, paras 6.7 & 6.8 to be revised to enhance conciseness of the paragraphs. To avoid long sentences. RA – see proposed revised paragraph

Comment [CW16]: Paragraph 6.8 is redundant.

The first sentence is addressed in paragraph 7.2 (j) + (l). The second sentence is partly addressed in paragraph 12.6 (j). By amending 12.6 (j) to address Special Purpose Framework s paragraph 6.8 can be deleted.

- (g) when undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements, agreement with the Client that the Client is responsible for:
 - (i) the form and content of the financial information in accordance with a financial reporting framework that is acceptable in view of the intended use of the financial information and the intended users;
 - (ii) the accuracy and completeness of the information supplied to the Member; and
 - (iii) judgements needed in the preparation and presentation of the financial information, including those for which the Member may provide assistance in the course of the Compilation Engagement;
- (h) basis of accounting of the Applicable Financial Reporting Framework on which the financial information is to be compiled and the fact that it, and any known departures there from, will be disclosed to Those Charged with Governance of the Client;
- (i) requirement for General Purpose Financial Statements to be prepared in accordance with Australian Accounting Standards;
- (j) intended use and distribution of the information, once compiled;
- (k) form and content of any Compilation Report to be issued;
- (l) the intended use and distribution of the Compiled Financial Information, and any restrictions on either its use or its distribution where applicable;
- (m) 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; and
- (n) the responsibilities of the Member, including the requirement to comply with relevant Professional Standards.

An example Engagement Letter is set out in Appendix 1.

8. Procedures

- 8.1 A Member in Public Practice who undertakes a Compilation Engagement should obtain an understanding of the Client's business and operations 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.
- 8.2 ~~Other than as noted in this Standard, a~~ Member in Public Practice is not ordinarily required to:
 - (a) make any inquiries of management to assess the reliability and completeness of the information provided;
 - (b) assess internal controls;
 - (c) verify any matters; or
 - (d) verify any explanations.
- 8.3 **A Member in Public Practice, who ~~on reasonable grounds,~~ forms the view that the information supplied by the Client includes a Misstatement, shall consider performing the procedures noted in paragraph 8.2 and request the Client to provide any additional information required to complete the Compilation Engagement.**
- 8.4 **If the Client refuses to provide the additional information as requested under paragraph 8.3 or, having performed the procedures noted in paragraph 8.2, the Member in Public Practice concludes that the information supplied by the Client includes a Misstatement, the Member shall consider the Firm's policies**

Comment [ML17]: Feb TF Meeting editorials

and procedures established in accordance with *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.

8.5 ~~Prior to completion of the Compilation Engagement, a Member in Public Practice shall read consider the Compiled Financial Information in light of the Member's understanding of the Client's business and operations, and of the Applicable Financial Reporting Framework or Alternative Financial Reporting Framework to ensure that it applies in the circumstances of the Client.~~

A Member in Public Practice shall perform sufficient reviews of the Compilation Engagement in accordance with Section 130 Professional Competence and Due Care of the Code and the Firm's policies and procedures established in accordance with *Engagement Performance of APES 320 Quality Control for Firms* prior to issuing the Compilation Report.

Comment [RN18]: Board editorial

TF comment: "consider" may not capture the need to actually read the material generated by the accounting software to make sure it applies in the circumstances of the Client.

ML: As per Feb 2014 TF meeting, the TF agreed to replace the proposed paragraph 8.5 with the current paragraph 8.5 in APES 315 (2009).

9. Misstatements

9.1 A Member in Public Practice shall consider whether the Compiled Financial Information in respect of the Compilation Engagement is appropriate in form and content and free from obvious Misstatements.

9.2 If a Member in Public Practice forms the view, on reasonable grounds, that there are Misstatements in the Compiled Financial Information of the Compilation Engagement ~~or other information~~, the Member shall take all reasonable steps to agree appropriate amendments with the Client.

9.3 If such amendments are not made as requested under paragraph 9.2 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 *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.

10. Documentation

10.1 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:

- (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 with *APES 320 Quality Control for Firms*, and any applicable ethical, legal and regulatory requirements.

10.2 A Member in Public Practice who performs a Compilation Engagement may consider including in the Engagement documentation a copy of the Client's ~~trial balance, summary of significant accounting records or other information~~ working papers that the Member used to perform the compilation.

Comment [CW19]: TF comment: could imply that if you don't include "summary of significant accounting records" then there must be "other information you have to document. To be considered.

ML: As per Jan BM, to be replaced with 'working papers'

10.3 In recording how the Compiled Financial Information reconciles with the underlying records, documents, explanations and other information provided by management of the Client for the purpose of the Compilation Engagement, the Member in Public

Practice may, for example, keep a schedule showing the reconciliation of the Client's general ledger account balances to the Compiled Financial Information, including any adjusting journal entries or other amendments to the financial information that the Member has agreed with management of the Client in the course of the Engagement.

11. Responsibility of the Client

11.1 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 the Client's responsibility for the reliability, accuracy and completeness of the accounting records and disclosure to the Member of all material and relevant information.

11.2 The Client retains responsibility for the financial information in respect of the **Compilation Engagement** and the basis on which it is prepared and presented. That responsibility includes application by the Client of the judgment required for the preparation and presentation of the financial information, including the selection and application of appropriate accounting policies and, where needed, developing reasonable accounting estimates.

11.3 A Member in Public Practice who undertakes a Compilation Engagement other than those referred to in paragraph 11.1, should obtain 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 relevant information.

11.4 The acknowledgment referred to in paragraphs 11.1 and 11.3 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 relevant information to the Member in Public Practice.

11.5 Various responsibilities relating to the preparation of financial information and external financial reporting fall to either management of the Client or Those Charged with Governance of the Client according to factors such as:

- (a) The resources and structure of the Client; and
- (b) The respective roles of management and Those Charged with Governance within the Client as set out in relevant law or regulation or, if the Client is not regulated, in any formal governance or accountability arrangements established for the Client (for example, as recorded in contracts, or a constitution or other type of document by which an entity is established).

In many small Clients, there is often no separation of the management and governance roles for the Client, or Those Charged with Governance of the Client may also be involved in managing the Client. In most other cases, especially in larger Clients, management is responsible for execution of the business or activities of the Client and reporting thereon, while Those Charged with Governance have oversight of management. In larger Clients, Those Charged with Governance will often have or assume responsibility for approving the financial information of the Client, particularly when it is intended for use by external parties.

12. Reporting on a Compilation Engagement

12.1 **When a Member in Public Practice prepares Compiled Financial Information in respect of a **Compilation Engagement**, the Member shall issue a **Compilation Report**, subject to the requirements of paragraph 12.3, in circumstances where:**

- (a) **the Member's name is identified with the Compiled Financial Information;**

- (b) External parties other than the intended users of the Compiled Financial Information are likely to associate the Member with the Compiled Financial Information, and there is a risk that the level of the Member's involvement with the information may be misunderstood;
 - (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; or
 - (d) the Compiled Financial Information is required under provisions of applicable law or regulation, or it is required to be publicly filed.

- 12.2 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.

- 12.3 **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 decides not to issue a Compilation Report the Member shall document the rationale for that decision.**

- 12.4 In the circumstances described in paragraph 12.3, if an audit or review report has been issued, this will override the need for the Member in Public Practice to issue a Compilation Report.

- 12.5 **Where the circumstances described in paragraph 12.3 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.**

- 12.6 **Where a Member in Public Practice issues a Compilation Report in accordance with paragraph 12.1 or 12.5, the Compilation Report shall contain the following:**
 - (a) a title;
 - (b) an addressee;
 - (c) a statement that the **Compilation** Engagement was performed in accordance with this Standard;
 - (d) when relevant, a statement that the Member is not independent of the Client;
 - (e) identification of the Compiled Financial Information noting that it is based on the financial information provided by the Client (if applicable);
 - (f) the basis of any forecast information;
 - (g) key assumptions (applicable to prospective financial information only);
 - (h) a statement that the Client is responsible for the financial information compiled by the Member;
 - (i) 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;
 - (j) if applicable, identification that the Member is reporting on a Special Purpose **Financial Statement Framework** and the specific purpose for which it has been prepared;

- (k) if applicable, a paragraph drawing attention to the disclosure of departures from the Applicable Financial Reporting Framework ~~or the Alternative Financial Reporting Framework~~;
- (l) the date of the Compilation Report;
- (m) the Member's or Firm's address;
- (n) the Member's or Firm's name and signature;
- (o) an appropriate disclaimer of liability;
- (p) a description of the responsibilities of management of the Client, or Those Charged with Governance of the Client as appropriate, in relation to the Compilation Engagement, and in relation to the financial information; and
- (q) a description of the Member's responsibilities in compiling the financial information, including that the Engagement was performed in accordance with this Standard, and that the Member has complied with relevant ethical requirements.

Comment [DA20]: TF comment:

Query the use of the term and how it is possible to have a departure from an alternative/special purpose framework. Does that imply that the framework is not properly described in the first place?

CW – now amended

Examples of Compilation Reports including Compilation Reports in respect of General Purpose and Special Purpose Financial Statements are contained in Appendix 2.

12.7 An important purpose of the Compilation Report is to clearly communicate the nature of the Compilation Engagement, and the Member in Public Practice's role and responsibilities in the Engagement. The Compilation Report is not a vehicle to express an opinion or conclusion on the Compiled Financial Information in any form.

12.8 Where a Member in Public Practice issues a Compilation Report which is prepared in accordance with a regulatory or contractual basis of accounting, the Member shall describe the purpose for which the Financial Statements are prepared or refer to a note in the Financial Statements that contains that information.

12.9 The information referred to in paragraph 12.8 is necessary to avoid misunderstandings when the Financial Statements are used for purposes other than those for which they were intended. The note to the Financial Statements may also describe any significant interpretations of the contract on which the Financial Statements are based.

12.10 Where the Financial Statements are prepared in accordance with a contractual basis or a regulatory basis of accounting, the Member in Public Practice shall modify the Compilation Report if the Financial Statements do not adequately describe any significant interpretations of the contract or the regulatory basis on which the Financial Statements are based.

Comment [ML21]: Proposed paragraphs from AICPA ED (para 15, 16 & A25)

CW – amended as appropriate in the Australian context.

12.811 Where a Member in Public Practice issues a Compilation Report in accordance with paragraph 12.1, ~~or 12.5~~ or 12.8, 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.

Comment [ML22]: Options on references. There was a discussion at the taskforce whether to only allow unaudited rather than various options – To be considered by the Board

13. Communication of significant matters

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

13.2 Communication should ordinarily be in writing. Where the communication occurs orally, a Member in Public Practice should record in the working papers a summary of the significant matters discussed.

- 13.3 **If during the performance of a Compilation Engagement, the Member in Public Practice obtains information that indicates that a fraud, Misstatement or illegal act has occurred, the Member shall communicate these matters as soon as practicable to Those Charged with Governance of the Client.**
- 13.4 Matters which should be communicated by the Member in Public Practice include:
- (a) 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 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.
- 13.5 **Where during the performance of a Compilation Engagement the Member in Public Practice obtains information that a fraud, Misstatement or illegal act has occurred and the Member has reason to believe that such an act is the result of actions of Those Charged with Governance of the Client, the Member shall consider the Firm's policies and procedures established in accordance with *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.**

14. Subsequent discovery of facts

- 14.1 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 false or misleading, had the Member been aware of such facts.
- 14.2 **A Member in Public Practice who has performed a Compilation Engagement shall consider the impact of subsequent discovery of facts on the Compiled Financial Information, discuss the matter with the Client, and take action appropriate in the circumstances. The Member shall document the reasons for the action taken by the Member.**
- 14.3 **If the Member in Public Practice believes that the Compiled Financial Information referred to in paragraph 14.2 needs to be revised, the Member shall take all reasonable steps to advise the Client to take the necessary steps to inform anyone who received the previously issued Compiled Financial Information of the situation.**
- 14.4 When determining whether the Compiled Financial Information needs to be revised pursuant to paragraph 14.3, the Member in Public Practice should consider inter alia the duration of time between the issue of the Compiled Financial Information and the subsequent discovery of facts referred to in Paragraph 14.1, and the extent to which important decisions based on the Compiled Financial Information are still to be made.

- 14.5 If, in the view of the Member in Public Practice, the Client has not taken appropriate action in terms of paragraph 14.3, the Member shall notify Those Charged with Governance of the Client.
- 14.6 If, in the view of the Member in Public Practice, 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 *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.

~~Examples of suggested Compilation Reports in respect of General Purpose and Special Purpose Financial Statements are contained in Appendix 2~~

Conformity with International Pronouncements

APES 315 and ISRS 4410

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

- The scope, application and definitions in APES 315 are tailored to the Australian environment;
- APES 315 is more stringent whereby the Member in Public Practice must follow the mandatory requirements of APES 315 when they undertake Engagements to Compile Financial Information whereas ISRS 4410's scope is flexible and limited to a practitioner who assists management with a compilation and applies only in circumstances where the practitioner is reporting in accordance with the revised ISRS 4410;
- In respect of Relevant Ethical Requirements, APES 315 makes references to APES 110 *Code of Ethics for Professional Accountants*;
- 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*. The professional obligation for the Member in Public Practice to comply with APES 205 includes the consideration of the going concern basis of preparation of financial statements;
- APES 315 requires that the Terms of Engagement be documented in accordance with APES 305 *Terms of Engagement*;
- In relation to quality control matters, APES 315 refers to APES 320 *Quality Control for Firms*;
- Where a Member in Public Practice compiles financial information which is not within the scope of a Compilation Engagement, APES 315 recommends that the Member consider issuing an Accountant's Report and Disclaimer (refer Appendix 3);
- APES 315 provides additional guidance on planning procedures which is dependent upon the context of the Compilation Engagement and the specific circumstances of the Client;
- Where the Compiled Financial Information is audited or reviewed by another Member in Public Practice, APES 315 provides the Member with the option to not issue a Compilation Report. However, the Member is required to issue a Compilation Report if the scope of the Compilation Engagement extends to significant subject matter not covered under the audit or review Engagement;
- APES 315 prescribes that the Compilation Report must state the following, if applicable:
 - a statement that the Member is not independent of the Client;
 - the basis of any forecast information;
 - key assumptions (applicable to prospective financial information);
 - a paragraph drawing attention to the disclosure of departures from the Applicable Financial Reporting Framework;
 - an appropriate disclaimer of liability;
- APES 315 provides additional requirements and guidance where the Compilation Report is prepared in accordance with a regulatory or contractual basis of accounting;
- APES 315 mandates that a Member in Public Practice include the options to utilise the references such as "Unaudited", "Compiled without Audit or Review" or "Refer to Compilation Report" on each page of the Compiled Financial Information;

- APES 315 incorporates additional professional obligations in respect of communication of significant matters to Those Charged with Governance of the Client;
- The Compilation Reports in Appendix 2 of APES 315 are tailored to the Australian environment and includes an additional example of a Compilation Report for an Engagement to compile Special Purpose Financial Statements; and
- APES 315 incorporates additional professional obligations in respect of subsequent discovery of facts.

APPENDIX 1: Example Engagement Letter for a Compilation Engagement

The following is an example of an Engagement letter for a Compilation Engagement that illustrates the relevant requirements and guidance contained in this Standard. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in this Standard. It will need to be adapted according to the requirements and circumstances of individual Compilation Engagements. It is drafted to refer to the compilation of Financial Statements for a single reporting period and would require adaptation if intended or expected to apply to a recurring Engagement as described in this Standard. It may be appropriate to seek legal advice that any proposed letter is suitable.

This Engagement letter illustrates the following circumstances:

- The Financial Statements are to be compiled for sole use by the management of [name of entity] (“the Client”), and use of the Financial Statements will be restricted to management. Use and distribution of the Member in Public Practice’s report is also restricted to management.
- The compiled Financial Statements will comprise only the statement of financial position as at [30 June 20XX], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with the *(the financial reporting framework/basis of accounting)* described in Note 1 to the financial statements.

To [name of entity]:¹

[The objective and scope of the compilation engagement]

You have requested that we provide the following services:

On the basis of information that you will provide, we will assist you in the preparation and presentation of the following financial statements for [name of entity]: the statement of financial position as at [30 June 20XX], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with the *(the financial reporting framework/basis of accounting)* described in Note 1 to the financial statements.

The purpose for which the financial statements will be used is to provide ~~full year~~ financial information showing the Client’s financial position at the financial reporting date of 30 June, 20XX and financial performance for the year then ended. The financial statements will be solely for your use, and will not be distributed to other parties.

Comment [DA23]: TF comment: Unusual reference. Covered by “financial performance for the year then ended?”

CW - agree

Our Responsibilities

A compilation engagement involves applying expertise in accounting and financial reporting to assist you in the preparation and presentation of financial information. Since a compilation engagement is not an [aAssurance eEngagement](#), we are not required to verify the accuracy or completeness of the information you provide to us for the compilation engagement, or otherwise to gather evidence to express an audit opinion or a review conclusion. Accordingly, we will not express an audit opinion or a review conclusion on whether the financial

¹ Throughout this illustrative engagement letter, references to “you,” “we,” “us,” “management,” “Those Charged with Governance” and “Member” would be used or amended as appropriate in the circumstances.

statements are prepared in accordance with the basis of accounting you have specified, as described above.

We will perform the compilation engagement in accordance with APES 315 *Compilation of Financial Information* (Revised). APES 315 (Revised) requires that, in undertaking this engagement, we comply with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care. For that purpose, we are required to comply with APES 110 *Code of Ethics for Professional Accountants* (The Code).

Your Responsibilities

The compilation engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to assist you in the preparation and presentation of the financial statements in accordance with the financial reporting framework you have adopted for the financial statements. Accordingly, you have the following overall responsibilities that are fundamental to our undertaking the compilation engagement in accordance with APES 315 (Revised):

- (a) Responsibility for the financial statements and the preparation and presentation thereof in accordance with a financial reporting framework that is acceptable in view of the intended use of the financial statements and the intended users.
- (b) Responsibility for the accuracy and completeness of the records, documents, explanations and other information you provide to us for the purpose of compiling the financial statements.
- (c) Responsibility for the judgements needed in the preparation and presentation of the financial statements, including those for which we may provide assistance in the course of the compilation engagement.

Our Compilation Report

As part of our engagement, we will issue our report attached to the financial statements compiled by us, which will describe the financial statements, and the work we performed for this compilation engagement [see attached]. The report will also note that the use of the financial statements is restricted to the purpose set out in this engagement letter, and that use and distribution of our report provided for the compilation engagement is restricted to you, as the management of [name of entity].

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our engagement to compile the financial statements described herein, and our respective responsibilities.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[name of entity]

Acknowledged and agreed on behalf of the management of [name of entity] by

(signed)

.....

Name and Title

Date

APPENDIX 2: Examples of Compilation Reports

Compilation Engagement for General Purpose Financial Statements

- Example 1: Member in Public Practice's report for an Engagement to compile Financial Statements using a general purpose financial reporting framework.

Compilation Engagement for Financial Statements Prepared for a Special Purpose

- Example 2: Member in Public Practice's report for an Engagement to compile Financial Statements using a special purpose financial reporting framework.
- Example 3: Member in Public Practice's report for an Engagement to compile Financial Statements using a ~~modified—general~~ Special Purpose Financial Reporting Framework with an additional paragraph that draws attention to a departure from the identified financial reporting framework

Compilation Engagements for Financial Information Prepared for a Special Purpose where Use or Distribution of the Financial Information Is Restricted to the Intended Users

- Example 4: Member in Public Practice's report for an Engagement to compile Financial Statements using the basis of accounting specified in a contract.
- Example 5: Member in Public Practice's report for an Engagement to compile Financial Statements using a basis of accounting selected by the management of a Client for financial information required for management's own purposes.
- Example 6: Member in Public Practice's report for an Engagement to compile financial information that is an element, account or item, being [*insert appropriate reference to information required for a regulatory compliance purpose*].

Comment [DA24]: TF comment:
This is not a recognised term. A modified General Purpose Framework is a Special Purpose Framework.

CW - Agree

Example 1

Example Compilation Report on an engagement to compile General Purpose Financial Statements.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying general purpose financial statements of [name of entity], which comprise the statement of financial position as at [30 June 20XX], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with the *(the financial reporting framework/basis of accounting)* described in Note 1 to the financial statements.

The Responsibility of [Those Charged with Governance]

[Those charged with governance] of [name of entity] are solely responsible for the information contained in the general purpose financial statements and ~~have determined for the determination~~ that the *(financial reporting framework/basis of accounting)* used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Comment [ML25]: Feb TF meeting editorials

Our Responsibility

On the basis of information provided by [those charged with governance] we have compiled the accompanying general purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the *(financial reporting framework/basis of accounting)* described in Note 1 to the financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on ~~whether these financial statements are prepared in accordance with the basis of accounting described in Note 1.~~

Comment [ML26]: Feb TF meeting editorials

The general purpose financial statements were compiled exclusively for the benefit of [those charged with governance] who are responsible for the accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the general purpose financial statements.

Independence (if required)

We are not independent of [name of entity] because *(reasons why not independent, for example, the member is a close relative of a director or proprietor of the entity)*.

Address

Member or Firm

Date

Example 2

Example Compilation Report on an engagement to compile Special Purpose Financial Statements.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying special purpose financial statements of [name of entity], which comprise the [statement of financial position] as at [30 June 20XX], the [statement of comprehensive income], [statement of changes in equity] and [statement of cash flows] for the year then ended, a [summary of significant accounting policies] and [other explanatory notes]. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...].

The Responsibility of [Those Charged with Governance]

[Those charged with governance] of [name of entity] are solely responsible for the information contained in the special purpose financial statements and ~~for the determination have determined~~ that the (*financial reporting framework/basis of accounting*) used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [those charged with governance] we have compiled the accompanying special purpose financial statements in accordance with the (*financial reporting framework/basis of accounting*) and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the (*financial reporting framework/basis of accounting*) described in Note 1 to the financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on ~~whether these financial statements are prepared in accordance with the basis of accounting described in Note 1.~~

The special purpose financial statements were compiled exclusively for the benefit of [those charged with governance] who are responsible for the accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the special purpose financial statements.

Independence (if required)

We are not independent of [name of entity] because (*reasons why not independent, for example, the member is a close relative of a director or proprietor of the entity*).

Address

Member or Firm

Date

Example 3

Example Compilation Report on an engagement to compile ~~General-Special~~ Purpose Financial Statements with an additional paragraph that draws attention to a departure from the identified financial reporting framework.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying ~~general-special~~ purpose financial statements of [name of entity], which comprise the statement of financial position as at [30 June 20XX], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes. These have been prepared in accordance with the *(the financial reporting framework/basis of accounting)* described in Note 1 to the financial statements.

The Responsibility of [Those Charged with Governance]

[Those charged with governance] of the [name of entity] are solely responsible for the information contained in the ~~general-special~~ purpose financial statements and ~~for the determination have determined~~ that the *(financial reporting framework/basis of accounting)* used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [those charged with governance] we have compiled the accompanying ~~general-special~~ purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* and APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to compile these financial statements in accordance with the *(financial reporting framework/basis of accounting)* described in Note 1 to the financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on ~~whether these financial statements are prepared in accordance with the basis of accounting described in Note 1.~~

The ~~general-special~~ purpose financial statements were compiled exclusively for the benefit of [those charged with governance] who are responsible for the accuracy and completeness of the information used to compile them. We do not accept responsibility for the contents of the general purpose financial statements.

Departure from the financial reporting framework

We draw attention to Note XX to the financial statements. [Those Charged with Governance] of [name of entity] have determined not to (E.g. capitalise leases in accordance with Australian Accounting Standard AASB 117 *Leases*) which is a departure from the Applicable Financial Reporting Framework.

Address

Member or Firm

Date

Comment [DA27]:

TF comment: May not be appropriate if compiling as there cannot be a departure from a GPFR Framework. Then it will become a SPFR Framework as compiled.

Comment [DA28]: TF comment: As per comments above a departure is not appropriate and if compiling this will become a SPFR

CW- refer to amendments

Example 4

Example Compilation Report on an engagement to compile Special Purpose Financial Statements using the basis of accounting specified in a contract.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying financial statements of [name of entity] based on information provided by the management of [name of entity] ("management"). These financial statements comprise *[name all the elements of the financial statements prepared under the basis of accounting specified in the Contract and the period/date to which they relate]*.

The Responsibility of [Those Charged with Governance]

[Those charged with governance] of the [name of entity] are solely responsible for the information contained in the ~~special~~ ~~general~~ purpose financial statements and for the determination have determined that the *(financial reporting framework/basis of accounting)* used is appropriate to meet their needs and ~~for the purpose that the financial statements were prepared.~~

Comment [DA29]: TF comment: Include reference to purpose.

CW – need to discuss

Our Responsibility

On the basis of information provided by [those charged with governance] we have compiled the accompanying ~~general~~ ~~special~~ purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are management's responsibility.

Assurance Disclaimer

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information provided to us by management to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on ~~whether these financial statements are prepared in accordance with the basis of accounting described in Note 1.~~

As stated in Note 1, the financial statements are prepared and presented on the basis described in Clause Z of the provisions of the Company's contract with XYZ Limited dated *[insert date of the relevant contract/agreement]* ("the Contract"), and for the purpose described in Note 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.

Our compilation report is intended solely for the parties specified in the Contract, and should not be distributed to other parties.

Address

Member or Firm

Date

Example 5

Example Compilation Report on an engagement to compile Special Purpose Financial Statements using the basis of accounting specified by management of the Client for management's own purposes.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying financial statements of [name of entity] based on information you have provided. These financial statements comprise the [statement of financial position] as at [30 June 20XX], the [statement of comprehensive income], [statement of changes in equity] and [statement of cash flows] for the year then ended, a [summary of significant accounting policies] and [other explanatory notes]. The specific purpose for which the special purpose financial statements have been prepared is set out in Note [...]

The Responsibility of [Those Charged with Governance]

[Those charged with governance] of the [name of entity] are solely responsible for the information contained in the ~~general~~ special purpose financial statements and ~~for the determination have determined~~ that the *(financial reporting framework/basis of accounting)* used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

Our Responsibility

On the basis of information provided by [those charged with governance] we have compiled the accompanying ~~general~~ special purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are management's responsibility.

Assurance Disclaimer

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. Accordingly, we do not express an audit opinion or a review conclusion on ~~whether these financial statements are prepared in accordance with the basis of accounting described in Note X.~~

Note X states the basis on which these financial statements are prepared, and their purpose is described in Note Y. Accordingly, these financial statements are for your use only, and may not be suitable for other purposes.

Our compilation report is intended solely for your use in your capacity as management of [name of entity], and should not be distributed to other parties.

Address

Member or Firm

Date

Comment [DA30]: TF Comment:
Identify purpose here

CW – Need to discuss

Comment [DA31]: TF Comment:
Identify purpose here

CW – Need to discuss

Example 6

Example Compilation Report on an engagement to compile Special Purpose Financial Statements for regulatory compliance purposes.

COMPILATION REPORT TO [name of entity] ("the Client")

We have compiled the accompanying schedule of [*identify the compiled financial information*] of [name of entity] as at [30 June 20XX] ("the Schedule") based on information you have provided.

The Responsibility of [Those Charged with Governance]

[Those charged with governance] of the [name of entity] are solely responsible for the information contained in the ~~general~~-special purpose financial statements and for the determination have determined that the (*financial reporting framework/basis of accounting*) used is appropriate to meet their needs and for the purpose that the financial statements were prepared.

This Schedule and the accuracy and completeness of the information used to compile it are your responsibility.

Our Responsibility

On the basis of information provided by [those charged with governance] we have compiled the accompanying ~~general~~-special purpose financial statements in accordance with the (*financial reporting framework/basis of accounting*) and APES 315 *Compilation of Financial Information*.

We have applied our professional expertise in accounting and financial reporting to assist management in the preparation and presentation of these financial statements on the basis of accounting described in Note 1 to the financial statements. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

Assurance Disclaimer

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 the Schedule. Accordingly, we do not express an audit opinion or a review conclusion on whether the Schedule is prepared in accordance with [*insert name of or reference to Applicable Financial Reporting Framework as specified in the relevant regulation*].

As stated in Note X, the Schedule is prepared and presented on the basis prescribed by [*insert name of or reference to the Applicable Financial Reporting Framework as specified in the relevant regulation*], for the purpose of [name of entity]'s compliance with [*insert name of or reference to the relevant regulation*] Accordingly, the Schedule is for use only in connection with that purpose and may not be suitable for any other purpose.

Our compilation report is intended solely for the use of [name of entity] and [name of regulator], and should not be distributed to parties other than [name of entity] or [name of regulator].

Address

Member or Firm

Date

**APPENDIX 3: Example of an Accountant's Report
CompilationDisclaimer Report**

~~[THOSE CHARGED WITH GOVERNANCE]'S DECLARATION~~

~~[Those Charged with Governance] have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the basis of accounting outlined in Note 1 to the financial statements.~~

~~[Those Charged with Governance] acknowledge responsibility for the reliability, accuracy and completeness of the accounting records and confirm that all relevant information has been provided for the purposes of the compilation of the financial report.~~

~~In the opinion of [Those Charged with Governance]:~~

- ~~1. The financial statements and notes, as set out on pages [...] [...] presents fairly the company's financial position as at [30 June 20XX] and of its performance for the year ended on that date in accordance with the basis of accounting outlined in Note 1 to the financial statements.~~
- ~~2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.~~

~~This declaration is made in accordance with a resolution of [Those Charged with Governance].~~

~~DISCLAIMER~~
~~TO [THOSE CHARGED WITH GOVERNANCE] OF [name of entity] ("the Client")~~

~~We have compiled the accompanying financial statements of [name of entity] on the basis of information provided to us by the entity, comprising the balance sheet as at [30 June 20XX], the income statement for the year ended, and other explanatory notes.~~

~~This financial information has been prepared solely for internal use and/or to assist with the preparation of the annual income tax return.~~

~~Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.~~

~~Address _____ Member or Firm _____~~

~~Date _____~~

Comment [CW32]: An alternative report format to be considered

ML: As per Feb TF meeting, the TF agreed to include the 'alternative' example of the report.

APPENDIX 3: Example of a Compilation Disclaimer Report – Alternative

Purpose and Scope

The attached unaudited special purpose financial statements of the entity, for the year ended 30 June 2013, have been prepared for [Those Charged with Governance] solely for the purpose of the preparation of the entity's income tax return, and have not been prepared for use by third parties or any other purpose.

Responsibility of [Those Charged with Governance]

[Those Charged with Governance] of the entity are solely responsible for the information contained in the unaudited special purpose financial statements ~~and have determined that the significant accounting policies adopted as set out in Note 1 to the financial statements are appropriate.~~

Comment [ML33]: Deleted as per Feb TF meeting

Our Procedures

The unaudited special purpose financial report has been prepared in accordance with historical transactions provided to us by [Those Charged with Governance].

We have not conducted an audit or any review in respect of this engagement. Accordingly, no opinion is expressed in respect of the accuracy or otherwise of the unaudited special purpose financial report.

Disclaimer

The unaudited special purposes financial statements were ~~compiled~~ prepared exclusively for the entity to use as a basis to complete ~~preparation of the entity's~~ income tax return. We do not accept responsibility to any person for the contents of the unaudited special purpose financial statements.

To the extent permitted by law, we do not accept liability for any loss or damage which any person, other than our client, may suffer arising from any negligence on our part. No person should rely on the unaudited special purpose financial report without having an audit or review conducted.

Address _____ Member or Firm _____

Date _____

Note: These financial statements are unaudited and are restricted for internal use only. The unaudited financial statements should be read in conjunction with the attached Accountant's Report and Disclaimer.

APPENDIX 4**Summary of revisions to the previous APES 315 (Issued November 2009)**

APES 315 *Compilation of Financial Information* originally issued in November 2009 has been revised by APESB in **xx** 2014. A summary of the revisions is given in the table below.

Table of revisions*

Paragraph affected	How affected
1.1	Amended
1.2	Amended
1.3	Amended
2 – Definition of Applicable Financial Reporting Framework	Amended
2 – Definition of Assurance Engagement	Added
2 – Definition of Australian Accounting Standards	Amended
2 – Definition of Client	Amended
2 – Definition of Compilation Engagement	Amended
2 – Definition of Compile(d) Financial Information	Amended
2 – Definition of Compliance Framework	Added
2 – Definition of Financial Statements	Amended
2 – Definition of Firm	Amended
2 – Definition of General Purpose Financial Statements	Amended
2 – Definition of General Purpose Framework	Amended
2 – Definition of Independence	Amended
2 – Definition of Member	Amended
2 – Definition of Member in Business	Amended
2 – Definition of Member in Public Practice	Amended
2 – Definition of Misstatement	Added
2 – Definition of Professional Activity	Added
2 – Definition of Professional Bodies	Added
2 – Definition of Professional Services	Amended
2 – Definition of Professional Standards	Amended
2 – Definition of Special Purpose Financial Statements	Amended
2 – Definition of Special Purpose Framework	Added
2 – Definition of Those Charged with Governance	Amended
3.1	Amended
3.2	Amended
3.3	Amended
3.6	Amended
4.1	Amended
4.2	Added
4.3 – Paragraph 4.2 in existing APES 315 relocated and amended	Amended
Existing 4.3 – Relocated to Definition of Compilation Engagement	Deleted
4.4	Added
5.2	Added
6.2	Added
6.3	Added
6.4	Added
6.5	Added
6.6	Added
6.7	Added
7.2	Amended
8.1	Amended
8.3	Amended
8.4	Amended
9.1	Amended
Existing 9.2	Deleted

APES 315 Compilation of Financial Information – Draft

Existing 9.3	Deleted
9.2 – Paragraph 9.4 in existing APES 315 relocated and amended	Amended
9.3 – Paragraph 9.5 in existing APES 315 relocated and amended	Amended
10.2	Added
10.3	Added
11.1	Amended
11.2	Added
11.3 – Paragraph 11.2 in existing APES 315 relocated and amended	Amended
11.4 – Paragraph 11.3 in existing APES 315 relocated and amended	Amended
11.5	Added
12.1	Amended
12.6	Amended
12.7	Added
12.8	Added
12.9	Added
12.10	Added
12.11 – Paragraph 12.7 in existing APES 315 relocated and amended	Amended
13.3	Amended
13.4	Amended
13.5	Amended
14.1	Amended
14.2	Amended
14.3	Amended
14.5	Amended
14.6	Amended
Appendix 1	Added
Appendix 2 – Appendix 1 in existing APES 315 relocated and amended	Amended
Appendix 3	Added

* Refer Technical Update 2014/~~2011/3~~