

# 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**      **03/13**  
ISSUED:                      XXXX

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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 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.

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## 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 XX XXXX 2013.**

Comments should be addressed to:

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Level 7, 600 Bourke Street  
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AUSTRALIA

APESB would prefer that respondents express a clear overall opinion on whether the proposed Guidance Note, 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 Guidance Note.

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](http://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](http://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](mailto: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](http://www.apesb.org.au). Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until **XX XXXX 201X** by contacting:

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## Reasons for issuing Exposure Draft 03/13

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to revise APES 315 *Compilation of Financial Information* (APES 315) 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 03/13

### 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.

The proposed APES 315 includes mandatory requirements and guidance in respect of:

- Fundamental responsibilities of Members in Public Practice;
- Planning;
- General Purpose or Special Purpose Financial Statements;
- Defining the Terms of Engagement;
- Procedures;
- Misstatements;
- Documentation;
- Responsibility of the Client;
- Reporting on a Compilation Engagement;
- Communication of significant matters; and
- Subsequent discovery of facts.

Significant revisions to APES 315 appearing in this exposure draft are:

- Definitions of Applicable Financial Reporting Framework and Misstatement;
- Reference to APES 305 *Terms of Engagement* for recurring Engagements;
- Requirements for a Member in Public Practice to obtain an understanding of a Client's business and read the Compiled Financial Information with respect to that understanding prior to completion of the Engagement;
- Further clarification on the responsibilities of the Client and the Member in Public Practice, including significant judgements, and requirement to obtain written acknowledgement of them;
- Further requirements and guidance on selection and assessment of appropriate financial reporting framework including reference to AASB 1053 *Application of Tiers of Australian Accounting Standards*;
- Example Engagement letter;
- Further examples of Compilation reports.

### Proposed operative date

It is intended that this Standard will be operative for Compilation Engagements commencing from **1 July 2014**.

# 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]

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*Conformity with International Pronouncements*

Appendix 1: ~~Sample Example~~ Engagement Letter for a Compilation Engagement

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## 1. Scope and application

- 1.1 Accounting Professional & Ethical Standards Board Limited (APESB) issues ~~professional standard~~ APES 315 *Compilation of Financial Information* (the Standard), which is effective for Engagements commencing on or after 01 ~~January~~ July 2014~~9~~. Earlier adoption of this Standard is permitted.
- 1.2 APES 315 sets the standards for Members in Public Practice who undertake Compilation Engagements in the provision of quality and ethical Professional Services. The mandatory requirements of this Standard are in **bold** type, preceded or followed by discussion or explanation in grey type. APES 315 should be read in conjunction with other professional duties of Members, and any legal obligations that may apply.
- 1.3 **Members in Public Practice in Australia shall follow the mandatory requirements of APES 315 when they undertake Professional Services to Clients that are Compilation Engagements.**
- 1.4 **Members in Public Practice practising outside of Australia shall follow the provisions of APES 315 to the extent to which they are not prevented from so doing by specific requirements of local laws and/or regulations.**
- 1.5 **Members shall be familiar with relevant Professional Standards and guidance notes when providing Professional Services. All Members shall comply with the fundamental principles outlined in the Code.**
- 1.6 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.7 All references to Professional Standards, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.8 In applying the requirements outlined in APES 315, Members in Public Practice should be guided not merely by the words but also by the spirit of the Standard and the Code.
- 1.9 This Standard is directed towards Engagements to compile historical or prospective financial information.
- 1.10 The Standard should be applied to the extent practicable for Engagements to compile non-financial information.
- 1.11 This Standard is directed towards Members in Public Practice. However, Members in Business 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:

***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 that is acceptable in view of the nature of the entity and the objective of the financial information, or that is required by law or regulation.~~means in respect of an Engagement to prepare Financial Statements, the financial reporting framework adopted by Those Charged with Governance.~~

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

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

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

**Compilation Engagement** means an Engagement to compile financial information.

**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; and
- (c) relaying information to a Client, without collection, classification or summarisation of the information.

Comment [RN1]: Relocated here from paragraph 4.3 of APES 315 (2009)

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

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

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

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

**Financial Statements** means a structured representation of historical 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 and what constitutes a complete set of Financial Statements.

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

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

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

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

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

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

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

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

### 3. Fundamental responsibilities of Members in Public Practice

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

#### Public interest

- 3.2 In accordance with Section 100 *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.

**Comment [RN2]:** Only appearance of Engagement Team in the standard and no appearance of Engagement Partner therefore no need to introduce either of them as a defined term. These two terms are included in ISRS 4410 due to substantial documentation of quality control provisions, whereas APES 315 refers instead to APES 320.



## Professional competence and due care

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

## 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 a Compilation Engagement for a Client shall not use that information for any purpose other than the proper performance of that Engagement.

## 4. Objectives of a Compilation Engagement

- 4.1 The objective of a Compilation Engagement is for ~~the a~~ Member in Public Practice to ~~use~~ apply the Member's professional accounting expertise in accounting and financial reporting, as opposed to professional expertise in auditing ~~expertise~~, to ~~collect, classify and summarise~~ assist a Client with the preparation and presentation of the Client's financial information. This will ordinarily entail reducing detailed data to a manageable and understandable form without a requirement to test the assertions underlying that information. The procedures employed are not designed and do not enable the Member to express any assurance on the financial information. The value of a Compilation Engagement when performed in accordance with this Standard to users of financial information results from the application of the Member's professional expertise in accounting and financial reporting and compliance with Professional Standards, as well as through the clear communication of the nature and extent of the Member's involvement with the Compiled Financial Information.
- 4.2 Since a Compilation Engagement is not an assurance Engagement, a Compilation Engagement does not require a Member in Public Practice to verify the accuracy or completeness of the information provided by management for the compilation, or otherwise to gather evidence to express an audit opinion or a review conclusion on the preparation of the financial information.
- 4.23 A Compilation Engagement may involve the preparation of Financial Statements (which may or may not be a complete set of Financial Statements). It may also involve compilation of other financial information without the compilation of Financial Statements.
- 4.3 ~~Activities which fall outside the scope of APES 315 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.~~

## 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 ~~ITO BE DRAFTED: Guidance paragraph recommended by Taskforce explaining what constitutes appropriate planning.~~

## 6. ~~General Purpose or Special Purpose Financial Statements~~ Applicable Financial Reporting Framework

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*.

Comment [RN3]: This section renamed to better suit additional requirements and guidance. To consider whether all relevant new additions that relate to AFRF should be located here.

## 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 Member in Public Practice ~~should~~ shall consider the following matters for inclusion in the Engagement Document:

- (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;
- (g) ~~fact agreement with that~~ 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 that an acknowledgement of such will be required in accordance with paragraph 11; and~~
  - (i)(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 on which the financial information is to be compiled and the fact that it, and any known departures there from, will be disclosed;
- (i) requirement for General Purpose Financial Statements to be prepared in accordance with Australian Accounting Standards;

Comment [RN4]: To consider redrafting and limiting this provision to where a Member is using AFRF

- (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; and~~
- ~~(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.

7.3 For recurring Compilation Engagements, when determining the need to reissue or amend an Engagement Document, the Member in Public Practice shall appropriately refer to the relevant provisions of APES 305.

## 8. Procedures

8.1 A Member in Public Practice should obtain an understanding ~~general knowledge~~ of the Client's business and operations ~~of the Client~~ and should be familiar with the accounting principles and practices of the industry in which the Client operates and with the form and content of the financial information ~~that are appropriate in the circumstances.~~

8.2 Examples of matters a Member in Public Practice may consider in obtaining an understanding of the Client's business and operations and the Applicable Financial Reporting Framework include:

- (a) The size and complexity of the Client and its operations;
- (b) The complexity of the financial reporting framework;
- (c) The Client's financial reporting obligations or requirements, whether they exist under applicable laws and regulation, under the provisions of a contract or other form of agreement with a third party, or in the context of voluntary financial reporting arrangements;
- (d) The level of development of the Client's management and governance structure regarding management and oversight of the Client's accounting records and financial reporting systems that underpin the preparation of financial information of the Client;
- (e) The level of development and complexity of the Client's financial accounting and reporting systems and related controls; and
- (f) The nature of the entity's assets, liabilities, revenues and expenses.

8.3 In some Compilation Engagements, a Member in Public Practice does not provide assistance to the Client with significant judgements. In other Engagements, the Member may provide such assistance, for example, in relation to a required accounting estimate or helping the Client with its consideration of appropriate accounting policies. Where assistance is provided, discussion is needed so that the Client and Those Charged with Governance, as appropriate, understand the significant judgements reflected in the financial information, and accept their responsibility for those judgements.

**Comment [RN5]:** Consider whether to keep this section, and whether it, along with the bulk of additional provisions in section 8, are more appropriate under new section 6. Applicable Financial Reporting Framework

- 8.42 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.

~~8.5 The intended use of the financial information is identified 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. Examples are financial information required to be provided by a Client in connection with undertaking transactions or financing applications with external parties such as suppliers, banks or other providers of finance or funding.~~

**Comment [RN6]:** The Taskforce has determined that these 'examples' are to be deleted.

~~8.6 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. For example, a grant funding body may require the Client to provide financial information compiled by a Member to obtain information about certain aspects of a Client's operations or activities, prepared in a specified form, to support provision of a grant or continuation of an existing grant.~~

**Comment [RN7]:** The Taskforce has determined that these 'examples' are to be deleted.

~~8.7 The decision about the financial reporting framework that the Client adopts for the financial information 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.~~

~~8.8 The following are examples of factors that indicate it may be relevant to consider whether the financial reporting framework is acceptable:~~

- ~~(a) The nature of the Client, and whether it is a regulated form of entity, for example, whether it is a profit-oriented business enterprise, a public sector entity or a not-for-profit organisation;~~
- ~~(b) The intended use of the financial information and the intended users. For example, the financial information could be intended to be used by a wide range of users or, alternatively, could be for use by management or by certain external users in the context of a particular purpose specified as part of agreeing the terms of the Compilation Engagement;~~
- ~~(c) Whether the Applicable 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 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, for example, a complete set of Financial Statements, a single Financial Statement, or financial information presented in another format agreed between parties to a contract or other form of agreement.~~

- 8.9 The Client generally agrees the nature and form of financial information that is intended for a particular purpose with the intended users, for example as specified under the financial reporting provisions of a contract or a project grant or as needed to support the Client's transactions or activities. The relevant contract may require use of an established financial reporting framework, such as the general purpose financial reporting framework established by the AASB. Alternatively, the parties to the contract may agree on the use of a general purpose framework with modifications or adaptations that fit their particular needs. In that case, the Applicable Financial Reporting Framework may be described in the financial information and in the Member in Public Practice's report as being the financial reporting provisions of the specified contract rather than with reference to the modified financial reporting framework. In such cases, notwithstanding that the Compiled Financial Information may be made more broadly available, the Applicable Financial Reporting Framework is a special purpose framework, and the Member is required to comply with the relevant reporting requirements of this Standard.
- 8.10 When the Applicable Financial Reporting Framework is 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, 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.
- 8.311** A Member in Public Practice who, on reasonable grounds, forms the view that the information supplied by the Client is materially false or misleading or the Client has omitted material information, shall consider performing the procedures noted in paragraph 8.42 and request the Client to provide any additional information required to complete the Engagement.
- 8.124** If the Client refuses to provide the additional information as requested under paragraph 8.113 or, having performed the procedures noted in paragraph 8.42, the Member in Public Practice concludes that the information supplied by the Client is materially false or misleading, 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.
- 8.13 Prior to completion of the Compilation Engagement, a Member in Public Practice shall read 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.
- 8.514** 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.

## 9. Misstatements

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

Comment [RN8]: Due to AASB ED 243 *Withdrawal of AASB 1031 Materiality* (closing date for comments 23 Aug 2013), guidance referring Members to AASB 1031 has been removed.

9.2 In this Standard, material **M**isstatements include the following:

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

9.3 Reporting requirements for preparing General Purpose Financial Statements are provided in AASB 1053 *Application of Tiers of Australian Accounting Standards*:

- (a) Tier 1: Australian Accounting Standards; or
- (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Comment [RN9]: Taskforce recommended to delete this paragraph

9.43 For the purpose of paragraph 9.2(a) examples of alternative financial reporting frameworks that may be applied to the presentation of Compiled Financial Information include, but are not limited to:

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

9.5 The Applicable Financial Reporting Framework may include the premise that the financial information is prepared on the going concern basis. If a Member in Public Practice becomes aware that uncertainties exist regarding the Client's ability to continue as a going concern, the Member may, as appropriate, suggest a more appropriate presentation under the Applicable Financial Reporting Framework, or appropriate disclosures concerning the Client's ability to continue as a going concern, in order to be in compliance with that framework, and to avoid the financial information being misleading.

Comment [RN10]: To consider relocating under section 6. AFRF

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

9.75 If such amendments are not made as requested under paragraph 9.64 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 shall compile the financial information using the records, documents, explanations and other information, including significant judgements, provided by the Client.

10.3. Where a Member in Public Practice has provided assistance with judgements in the course of compiling the financial information, the Member shall discuss significant judgements with management of the Client or Those Charged with Governance of the Client, as appropriate.

10.4 A Member in Public Practice may consider also including in the Engagement documentation a copy of the Client's trial balance, summary of significant accounting records or other information that the Member used to perform the compilation.

10.5 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 ~~its~~ 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 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.~~32~~ 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 material and relevant information.

11.43 The acknowledgment referred to in paragraphs 11.1 and 11.32 may be provided by representations from the Client which cover the accuracy and completeness of the underlying accounting data and the complete disclosure of all material and relevant information to the Member in Public Practice.

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. In large Clients, often a subgroup of Those Charged with Governance, such as an audit committee, is charged with certain oversight responsibilities.

## 12. Reporting on a Compilation Engagement

12.1 When a Member in Public Practice prepares Compiled Financial Information, 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) the Compiled Financial Information is for external use. 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 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 and the specific purpose for which it has been prepared;
- (k) if applicable, a paragraph drawing attention to the disclosure of material departures from the ~~A~~applicable ~~f~~Financial ~~r~~Reporting ~~f~~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.

Examples of Compilation Reports are included 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.

**12.87** Where a Member in Public Practice issues a Compilation Report in accordance with paragraph 12.1 or 12.5, the financial information compiled by the Member shall contain a reference such as "Unaudited", "Compiled without Audit or Review", or "Refer to Compilation Report" on each page of the Compiled Financial Information.

### **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 the Member in Public Practice obtains information that indicates that a material fraud, material **M**isstatement 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) material **M**isstatements identified during the Compilation Engagement and the appropriate amendments agreed with the Client in respect of the **M**isstatements;
- (b) additional information sought by the Member as a result of information supplied which contained material **M**isstatements 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 the Member in Public Practice obtains information that a material fraud, **M**isstatement 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 materially false or misleading, had the Member been aware of such facts.
- 14.2 A Member in Public Practice 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 ensure that the Client takes 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 the Member in Public Practice becomes aware that 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 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 1*

## Conformity with International Pronouncements

### APES 315 and ISRS 4410

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

- 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 objectives of the Compilation Engagement (paragraph 4.1) and the requirement for Member to obtain a general knowledge of the business (paragraph 8.1) are included as guidance in APES 315;~~
- APES 315 requires that the Terms of Engagement be documented in accordance with APES 305 *Terms of Engagement*;
- ~~APES 315 requires that the Compilation Report needs to include, where applicable, identification that the Member in Public Practice is reporting on Special Purpose Financial Statements and the specific purpose for which they have been prepared;~~
- APES 315 requires the inclusion of an appropriate disclaimer of liability in the Compilation Report;
- ~~APES 315 addresses communication of significant matters to Those Charged with Governance of the Client and procedures to follow when facts are subsequently discovered which indicate that the Compiled Financial Information is materially misstated;~~
- ~~APES 315 does not include a sample engagement letter;~~ and
- ~~APES 315 includes an example of a Compilation Report for each of General Purpose Financial Statements and Special Purpose Financial Statements. ISRS 4410 only includes an example of a Compilation Report for Financial Statements.~~

Comment [RN11]: To be reviewed with final draft

## 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].<sup>1</sup>

[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.

<sup>1</sup> 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.

### **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 assurance engagement, 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 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 Members* (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 21: ~~Examples of~~ 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 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*].



**Example-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 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 [~~the~~ 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*.

~~Our procedures use~~We have applied our accounting expertise in accounting and financial reporting to collect, classify and summarise~~compile the financial information, which [those charged with governance] provided, in compiling 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.

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.

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

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 ~~to any other person~~ 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-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 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 ~~[T]~~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.

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.

~~Our procedures use accounting expertise to collect, classify and summarise the financial information, which [those charged with governance] provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.~~

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 ~~to any other person~~ 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-Example 3**

Example Compilation Report on an engagement to compile General 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 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 purpose financial statements and 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 ~~[t]hose~~ 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.

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.

~~Our procedures use accounting expertise to collect, classify and summarise the financial information, which [those charged with governance] provided, in compiling the financial statements. Our procedures do not include verification or validation procedures. No audit or review has been performed and accordingly no assurance is expressed.~~

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 ~~to any other person~~ 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

**Example 4: Member in Public Practice's report for an Engagement to compile Financial Statements using the basis of accounting specified in a contract.**

- Financial Statements prepared to comply with the provisions of a contract, applying the basis of accounting specified in the contract.
- The Member in Public Practice is engaged by a party other than management of the Client or Those Charged with Governance of the entity.
- The Financial Statements are intended for use only by the parties specified in the contract.
- Distribution and use of the Member in Public Practice's report is restricted to the intended users of the Financial Statements specified in the 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 general purpose financial statements and 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 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.

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: Member in Public Practice's report for an Engagement to compile Financial Statements using a basis of accounting selected by management of the Client for financial information required for management's own purposes.**

- Financial Statements prepared using a special purpose financial reporting framework, intended for use only by the management of a company for management's own purposes.
- The Financial Statements incorporate certain accruals, and comprise only a 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 Financial Statements are intended for use only by the Client's management.
- Distribution and use of the Member in Public Practice's report is restricted to the Client's management.

**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 purpose financial statements and 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 purpose financial statements in accordance with the *(financial reporting framework/basis of accounting)* and APES 315 *Compilation of Financial Information*.

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 \_\_\_\_\_

**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].**

- **Financial information prepared for a special purpose, i.e., to comply with financial reporting requirements established by a regulator, in accordance with provisions established by the regulator prescribing the form and content of the financial information.**
- **The Applicable Financial Reporting Framework is a compliance framework.**
- **The financial information is intended to meet the needs of particular users, and use of the financial information is restricted to those users.**
- **Distribution of the Member in Public Practice's report is restricted to the intended users.**

**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 purpose financial statements and 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 purpose financial statements in accordance with the (financial reporting framework/basis of accounting) and APES 315 Compilation of Financial Information.

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 \_\_\_\_\_