

# 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**      **02/13**  
ISSUED:                      XXXX

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## Preliminary Working Draft for Illustration Purposes Only

APES 315 Compilation of Financial Information – Preliminary Draft

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### Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by **XX XXXX 201X**.

Comments should be addressed to:

The Chairman  
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Level 7, 600 Bourke Street  
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Respondents are asked to submit their comments **electronically** in both PDF and Word format through the APESB website ([www.apesb.org.au](http://www.apesb.org.au)), using the [Exposure Drafts Open for Comment](#) link on the Current Projects page.

A copy of all submissions will be placed on public record on the APESB website: [www.apesb.org.au](http://www.apesb.org.au).

### Obtaining a copy of this Exposure Draft

This Exposure Draft is available on the APESB website: <http://www.apesb.org.au/apesb-exposure-drafts-open-for-comment>.

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 02/13

Accounting Professional & Ethical Standards Board Limited (APESB) proposes to revise APES 315 *Compilation of Financial Information* (APES 315) in accordance to ISRS 4410 (Revised) *Compilation Engagements*.

## Key requirements and guidance in ED 02/13

### 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;
- The Compilation Engagement;
- Objectives;
- Conduct of a Compilation Engagement in accordance with this Standard;
- Ethical requirements;
- Professional Judgement;
- Engagement Level Quality Control;
- Engagement Acceptance and Continuance;
- Communication with Management and Those Charged with Governance;
- Performing the Engagement;
- Documentation; and
- The Member's Report.

### Proposed operative date

It is intended that this Standard will be operative for Compilation Engagements commencing from **XX XX 201X**.

### Request for comments

Comments are invited on this Exposure Draft of APES 315 *Compilation of Financial Information* by **XX XXXX 201X**. 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.

# 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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### 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 commencing on or after **xx xx xx1x**. 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 This Standard applies to Compilation Engagements for historical or prospective financial information. The Standard may be applied, adapted as necessary, to Compilation Engagements for non-financial information.
- 1.4 **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.**
- 1.5 **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.**
- 1.6 **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.**
- 1.7 Quality control systems, policies and procedures are the responsibility of the Firm. APES 320 *Quality Control for Firms* applies to Firms of Members in respect of a Firm's Compilation Engagements. The provisions of this Standard regarding quality control at the level of individual Compilation Engagements are premised on the basis that the Firm is subject to APES 320.
- 1.8 The Standard is not intended to detract from any responsibilities which may be imposed by law or regulation.
- 1.19 All references to Professional Standards, guidance notes and legislation are references to those provisions as amended from time to time.
- 1.10 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.
- 1.11 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

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the entity and the objective of the financial information or that is required by law or regulation.

**Compilation Engagement** means an Engagement in which a Member applies accounting and financial reporting expertise to assist management in the preparation and presentation of financial information of an entity in accordance with an Applicable Financial Reporting Framework, and reports as required by this Standard. Throughout this Standard, the words “compile”, “compiling” and “compiled” are used in this context.

**Engagement Partner** means the partner or other person in the Firm who is responsible for the Engagement and its performance, and for the report that is issued on behalf of the Firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.

**Engagement Team** means all partners and staff performing the Engagement, and any individuals engaged by the Firm or a network Firm who perform procedures on the Engagement. This excludes external experts engaged by the Firm or a network Firm.

**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 judgement, are necessary for the financial information to be presented fairly, in all material respects, or to give a true and fair view.

**Relevant Ethical Requirements** means the ethical requirements the Engagement Team is subject to when undertaking Compilation Engagements. These requirements ordinarily comprise Parts A and B of APES 110 *Code of Ethics for Professional Accountants* (the Code) (excluding Section 290 *Independence – Audit and Review Engagements* and Section 291 *Independence – Other Assurance Engagements* in Part B), together with local requirements that are more restrictive.

AUST 2.1 For the purpose of this Standard:

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

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

**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.

**Financial Statements** means a structured representation of historical or prospective financial information, which ordinarily includes explanatory notes, intended to

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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, 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.

***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.

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

***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.



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### Fundamental responsibilities of Members in Public Practice [To be discussed]

**AUST 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

**AUST 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.

#### Professional Independence [Potentially relocate to Paragraph 25]

**AUST 3.3** Independence is not a requirement for a Compilation Engagement.

**AUST 3.4** Where a Member in Public Practice is not independent, the Member shall make a statement to that effect in the Compilation Report.

### The Compilation Engagement

4. Management may request a Member in Public Practice to assist with the preparation and presentation of financial information of an entity. The value of a Compilation Engagement 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, including Relevant Ethical Requirements, and the clear communication of the nature and extent of the Member's involvement with the Compiled Financial Information.
5. The respective responsibilities of management and Those Charged with Governance will differ between jurisdictions, and between entities of various types. These differences affect the way the Member in Public Practice applies the requirements of this Standard regarding management or Those Charged with Governance. Accordingly, the phrase "management and, where appropriate, Those Charged with Governance" used in various places throughout this Standard is intended to alert the Member to the fact that different entity environments may have different management and governance structures and arrangements.
6. Various responsibilities relating to the preparation of financial information and external financial reporting fall to either management or Those Charged with Governance according to factors such as:
  - The resources and structure of the entity.
  - The respective roles of management and Those Charged with Governance within the entity as set out in relevant law or regulation or, if the entity is not regulated, in any formal governance or accountability arrangements established for the entity (for example, as recorded in contracts, or a constitution or other type of document by which an entity is established).
  - In many small entities, there is often no separation of the management and governance roles for the entity, or Those Charged with Governance of the entity may also be involved in managing the entity. In most other cases, especially in larger entities, management is responsible for execution of the business or activities of the entity and reporting thereon, while Those Charged with Governance have oversight of management. In larger entities, Those Charged with Governance will often have or assume responsibility for approving the financial information of the entity, particularly when it is

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intended for use by external parties. In large entities, often a subgroup of Those Charged with Governance, such as an audit committee, is charged with certain oversight responsibilities. In some jurisdictions, the preparation of Financial Statements for an entity in accordance with a specified framework is the legal responsibility of Those Charged with Governance, and in other jurisdictions it is a management responsibility.

7. The scope of a Compilation Engagement will vary depending on the circumstances of the Engagement. However, in every case it will involve assisting management in the preparation and presentation of the entity's financial information in accordance with the financial reporting framework, based on information provided by management. In some Compilation Engagements, management may have already prepared the financial information itself in a draft or preliminary form.
8. A Member in Public Practice may also be engaged to undertake certain other activities on behalf of management, additional to the Compilation Engagement. For example, the Member may be requested to also collect, classify and summarise the underlying accounting data of the entity and process the data in the form of accounting records through to production of a trial balance. The trial balance would then be used as the underlying information from which the Member can compile the financial information that is the subject of a Compilation Engagement undertaken in accordance with this Standard. This is often the case for smaller entities that do not have well-developed accounting systems, or entities that prefer to outsource the preparation of accounting records to external providers. This Standard does not address such additional activities that the Member may perform to assist management in other areas, in advance of compiling the entity's Financial Statements.
9. Since a Compilation Engagement is not an assurance Engagement, a Compilation Engagement does not require the 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.
10. Management retains responsibility for the financial information and the basis on which it is prepared and presented. That responsibility includes application by management of the judgement 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. This Standard does not impose responsibilities on management or Those Charged with Governance, or override laws and regulations that govern their responsibilities. An Engagement performed in accordance with this Standard is conducted on the premise that management, or Those Charged with Governance where appropriate, have agreed certain responsibilities that are fundamental to the performance of the Compilation Engagement.
12. Financial information that is the subject of a Compilation Engagement may be required for various purposes including:
  - (a) To comply with mandatory periodic financial reporting requirements established in law or regulation; or
  - (b) For purposes unrelated to mandatory financial reporting under relevant law or regulation, including for example:
    - For management or Those Charged with Governance, prepared on a basis appropriate for their particular purposes (such as preparation of financial information for internal use).

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- For periodic financial reporting undertaken for external parties under a contract or other form of agreement (such as financial information provided to a funding body to support provision or continuation of a grant).
  - For transactional purposes, for example to support a transaction involving changes to the entity's ownership or financing structure (such as for a merger or acquisition).
13. Different financial reporting frameworks can be used to prepare and present financial information, ranging from a simple entity-specific basis of accounting to established financial reporting standards. The financial reporting framework adopted by management to prepare and present the financial information will depend on the nature of the entity and the intended use of the information.
14. The financial information may be prepared in accordance with a financial reporting framework designed to meet:
- The common financial information needs of a wide range of users (that is, a “general purpose financial reporting framework”); or
  - The financial information needs of specific users (that is, a “special purpose financial reporting framework”).
- The requirements of the Applicable Financial Reporting Framework determine the form and content of the financial information. The financial reporting framework may, in some cases, be referred to as the “basis of accounting.”
15. Examples of commonly used general purpose financial reporting frameworks are:
- International Financial Reporting Standards (IFRS) and established national financial reporting standards applicable to publicly-listed entities.
  - International Financial Reporting Standards for Small- and Medium-Sized Entities (IFRS for SMEs) and established national financial reporting standards applicable to small- and medium-sized entities.
16. Examples of special purpose financial reporting frameworks that may be used, depending on the particular purpose of the financial information, are:
- The tax basis of accounting used in a particular jurisdiction to prepare financial information to fulfil tax compliance obligations.
  - For entities not required to use an established financial reporting framework:
    - A basis of accounting used in the financial information of a particular entity that is appropriate for the intended use of the financial information and the entity's circumstances (for example, use of the cash basis of accounting with selected accruals, such as accounts receivable and accounts payable, leading to a balance sheet and income statement; or use of an established financial reporting framework that is modified to suit the particular purpose for which the financial information is prepared).
    - The cash basis of accounting leading to a statement of receipts and disbursements (for example, for the purpose of allocating the excess of cash receipts over disbursements to the owners of a rental property; or to record movements in the petty cash fund of a club).

AUST 16.1 When undertaking a Compilation Engagement in respect of general purpose or special purpose financial reporting framework, a Member in Public Practice shall comply with the requirements of APES 205 *Conformity with Accounting Standards*.

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**AUST16.2 A Member in Public Practice who undertakes a Compilation Engagement in respect of general purpose or special purpose financial reporting framework, shall obtain an acknowledgment from the Client of its responsibility for the reliability, accuracy and completeness of the accounting records and disclosure to the Member of all material and relevant information.**

AUST16.3 A Member in Public Practice who undertakes a Compilation Engagement other than those referred to in paragraph 16.2, should obtain an acknowledgment 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.

### Objectives

17. The Member in Public Practice's objectives in a Compilation Engagement under this Standard are to:

- (a) Apply accounting and financial reporting expertise to assist management in the preparation and presentation of financial information in accordance with an Applicable Financial Reporting Framework based on information provided by management; and
- (b) Report in accordance with the requirements of this Standard.

AUST 18 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; and
- (c) relaying information to a Client, without collection, classification or summarisation of the information.

### Conduct of a Compilation Engagement in Accordance with this Standard

**19 A Member in Public Practice shall have an understanding of the entire text of this Standard, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.**

*Complying with Relevant Requirements*

**20. A Member in Public Practice shall comply with each requirement of this Standard unless a particular requirement is not relevant to the Compilation Engagement, for example if the circumstances addressed by the requirement do not exist in the Engagement.**

**21. A Member in Public Practice shall not represent compliance with this Standard unless the Member has complied with all requirements of this Standard relevant to the Compilation Engagement.**

### Ethical Requirements

**22. A Member in Public Practice shall comply with Relevant Ethical Requirements.**

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23. Part A of the Code establishes the fundamental principles of professional ethics a Member in Public Practice must comply with, and provides a conceptual framework for applying those principles. The fundamental principles are:

- (a) Integrity;
- (b) Objectivity;
- (c) Professional competence and due care;
- (d) Confidentiality; and
- (e) Professional behaviour.

Part B of the Code illustrates how the conceptual framework is to be applied in specific situations. In complying with the Code, threats to the Members' compliance with Relevant Ethical Requirements are required to be identified and appropriately addressed.

24. Under the Code, in applying the principle of integrity, a Member is required to not knowingly be associated with reports, returns, communications or other information where the Member believes that the information:

- (a) Contains a materially false or misleading statement;
- (b) Contains statements or information furnished recklessly; or
- (c) Omits or obscures information required to be included where such omission or obscurity would be misleading.

When a Member becomes aware that the accountant has been associated with such information, the accountant is required by the Code to take steps to be disassociated from that information.

25. Notwithstanding that Section 290, *Independence—Audit and Review Engagements* and Section 291, *Independence—Other Assurance Engagements* in Part B of the Code do not apply to Compilation Engagements, national ethical codes or laws or regulations may specify requirements or disclosure rules pertaining to Independence.

#### Professional Judgement

26. **A Member in Public Practice shall exercise professional judgement in conducting a Compilation Engagement.**

27. Professional judgement is essential to the proper conduct of a Compilation Engagement. This is because interpretation of Relevant Ethical Requirements and the requirements of this Standard, and the need for informed decisions throughout the performance of a Compilation Engagement, require the application of relevant knowledge and experience to the facts and circumstances of the Engagement. Professional judgement is necessary, in particular, when the Engagement involves assisting management of the entity regarding decisions about:

- The acceptability of the financial reporting framework that is to be used to prepare and present the financial information of the entity, in view of the intended use of the financial information and the intended users thereof.
- The application of the Applicable Financial Reporting Framework, including:
  - Selection of appropriate accounting policies under that framework;
  - Development of accounting estimates needed for the financial information to be prepared and presented under that framework; and

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- Preparation and presentation of financial information in accordance with the Applicable Financial Reporting Framework.

The Member's assistance to management is always provided on the basis that management or Those Charged with Governance, as appropriate, understand the significant judgements that are reflected in the financial information, and accept responsibility for those judgements.

28. Professional judgement involves the application of relevant training, knowledge and experience, within the context provided by this Standard and accounting and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the Compilation Engagement.
29. The exercise of professional judgement in individual Engagements is based on the facts and circumstances that are known to the Member up to the date of the Member's report on the Engagement, including:
- Knowledge acquired from performance of other Engagements undertaken for the entity, where applicable (for example, taxation services).
  - The Member's understanding of the entity's business and operations, including its accounting system, and of the application of the Applicable Financial Reporting Framework in the industry in which the entity operates.
  - The extent to which the preparation and presentation of the financial information requires the exercise of management judgement.

### Engagement Level Quality Control

30. **The Engagement Partner shall take responsibility for:**
- a) **The overall quality of each Compilation Engagement to which that partner is assigned; and**
  - b) **The Engagement being performed in accordance with the Firm's quality control policies and procedures, by:**
    - i. **Following appropriate procedures regarding the acceptance and continuance of Client relationships and Engagements;**
    - ii. **Being satisfied that the Engagement Team collectively has the appropriate competence and capabilities to perform the Compilation Engagement;**
    - iii. **Being alert for indications of non-compliance by members of the Engagement Team with Relevant Ethical Requirements, and determining the appropriate action if matters come to the Engagement Partner's attention indicating that members of the Engagement Team have not complied with Relevant Ethical Requirements;**
    - iv. **Directing, supervising and performing the Engagement in compliance with Professional Standards and applicable legal and regulatory requirements; and**
    - v. **Taking responsibility for appropriate Engagement documentation being maintained.**
31. The actions of the Engagement Partner and appropriate messages to the other members of the Engagement Team, in taking responsibility for the overall quality on each Engagement, emphasise the importance to achieving the quality of the Engagement of:

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- (a) Performing work that complies with Professional Standards and regulatory and legal requirements;
  - (b) Complying with the Firm's quality control policies and procedures as applicable; and
  - (c) Issuing the Member's report for the Engagement in accordance with this Standard.
32. APES 320 requires the Firm to obtain such information as it considers necessary in the circumstances before accepting an Engagement with a new Client, when deciding whether to continue an existing Engagement, and when considering acceptance of a new Engagement with an existing Client. Information that assists the Engagement Partner in determining whether acceptance or continuance of Client relationships and Compilation Engagements is appropriate may include information concerning the integrity of the principal owners, key management and Those Charged with Governance. If the Engagement Partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the Engagement, it may not be appropriate to accept the Engagement.
33. APES 320 sets out the responsibilities of the Firm for establishing policies and procedures designed to provide it with reasonable assurance that the Firm and its personnel comply with Relevant Ethical Requirements. This Standard sets out the Engagement Partner's responsibilities with respect to the Engagement Team's compliance with Relevant Ethical Requirements.

#### Engagement Acceptance and Continuance

##### *Continuance of Client Relationships, Engagement Acceptance and Agreeing the Terms of the Engagement*

34. **A Member in Public Practice shall not accept the Engagement unless the Member has agreed the Terms of Engagement with management, and the engaging party if different, including:**
- a. **The intended use and distribution of the financial information, and any restrictions on either its use or its distribution where applicable;**
  - b. **Identification of the Applicable Financial Reporting Framework;**
  - c. **The objective and scope of the Compilation Engagement;**
  - d. **The responsibilities of the Member, including the requirement to comply with Relevant Ethical Requirements;**
  - e. **The responsibilities of management for:**
    - (i) **The financial information, and for the preparation and presentation thereof, 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 records, documents, explanations and other information provided by management for the Compilation Engagement; 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; and**
  - f. **The expected form and content of the Member's report.**

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35. 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 entity, bearing in mind the financial information needs of parties internal or external to the entity who are the intended users. Examples are financial information required to be provided by an entity in connection with undertaking transactions or financing applications with external parties such as suppliers, banks or other providers of finance or funding.
36. The 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 management, 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 entity to provide financial information compiled by a Member to obtain information about certain aspects of an entity's operations or activities, prepared in a specified form, to support provision of a grant or continuation of an existing grant.
37. The decision about the financial reporting framework that management 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.
38. The following are examples of factors that indicate it may be relevant to consider whether the financial reporting framework is acceptable:
- The nature of the entity, 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.
  - 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.
  - 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 entity.
  - 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.
39. The engaging party 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 entity's transactions or activities. The relevant contract may require use of an established financial reporting framework, such as a general purpose financial reporting framework established by an authorised or recognised Standard-setting body or by law or regulation. 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'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 in Public Practice is required to comply with the relevant reporting requirements of this Standard.



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40. When the Applicable Financial Reporting Framework is a special purpose financial reporting framework, the 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.
41. Under this Standard, the Member in Public Practice is required to obtain the agreement of management, or where applicable Those Charged with Governance, on management's responsibilities in relation to both the financial information and the Compilation Engagement as a condition precedent to accepting the Engagement. In smaller entities, management, or Those Charged with Governance where applicable, may not be well-informed about what those responsibilities are, including those arising in applicable law or regulation. In order to obtain management's agreement on an informed basis, the Member may find it necessary to discuss those responsibilities with management in advance of seeking management's agreement on its responsibilities.
42. If management does not acknowledge its responsibilities in the context of a Compilation Engagement, a Member in Public Practice is not able to undertake the Engagement, and it is not appropriate for the Member to accept the Engagement unless required to do so under applicable law or regulation. In circumstances where the Member is nevertheless required to accept the Engagement, the Member may need to communicate with management about the importance of these matters and the implications for the Engagement.
43. A Member in Public Practice is entitled to rely on management to provide all relevant information for the Compilation Engagement on an accurate, complete and timely basis. The form of the information provided by management for the purpose of the Engagement will vary in different Engagement circumstances. In broad terms, it will comprise records, documents, explanations and other information relevant to the compilation of the financial information using the Applicable Financial Reporting Framework. The information provided may include, for example, information about management assumptions, intentions or plans underlying development of accounting estimates needed to compile the information under the Applicable Financial Reporting Framework.
- 44. A Member in Public Practice shall record the agreed Terms of Engagement in an Engagement letter or other suitable form of written agreement, prior to performing the Engagement.**

**AUST 44.1 A Member in Public Practice shall document and communicate the Terms of Engagement in accordance with APES 305 Terms of Engagement.**

45. It is in the interests of both management, and the engaging parties where different, and the Member in Public Practice that the Member sends an Engagement letter to management and, where applicable, to the engaging parties prior to performing the Compilation Engagement, to help avoid misunderstandings with respect to the Compilation Engagement. An Engagement letter confirms the Member's acceptance of the Engagement and confirms such matters as:
- The objectives and scope of the Engagement, including the understanding of the parties to the Engagement that the Engagement is not an assurance Engagement.
  - The intended use and distribution of the financial information, and any restrictions on its use or distribution (where applicable).
  - The responsibilities of management in relation to the Compilation Engagement.
  - The extent of the Member's responsibilities, including that the Member will not express an audit opinion or a review conclusion on the financial information.

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- The form and content of the report to be issued by the Member for the Engagement.
- AUST 45.1 In addition to the *General contents of an Engagement Document of APES 305 Terms of Engagement*, a Member in Public Practice should consider the following matters for inclusion in the Engagement Document:
- (a) fact that the Engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist;
  - (b) nature of the information to be supplied by the Client;
  - (c) in respect of prospective financial information, the basis of forecasting;
  - (d) key assumptions relating to prospective financial information provided by the Client;
  - (e) in the event that the Member makes assumptions in forecasts these assumptions will be brought to the Client's attention;
  - (f) fact that the Client is responsible for 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;
  - (g) 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;
  - (h) requirement for General Purpose Financial Statements to be prepared in accordance with Australian Accounting Standards; and
  - (i) 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.
46. The form and content of the Engagement letter may vary for each Engagement. In addition to the matters required by this Standard, an Engagement letter may make reference to, for example:
- Arrangements concerning the involvement of other Members and experts in some aspects of the Compilation Engagement.
  - Arrangements to be made with the predecessor Member, if any, in the case of an initial Engagement.
  - The possibility that management or Those Charged with Governance, as appropriate, may be requested to confirm in writing certain information or explanations conveyed orally to the Member during the Engagement.
  - Ownership of the information used for purposes of the Compilation Engagement, distinguishing between documents and information of the entity provided for the Engagement and the Member's Engagement documentation, having regard to applicable law and regulation.
  - A request for management, and the engaging party if different, to acknowledge receipt of the Engagement letter and to agree to the Terms of the Engagement outlined therein.

47. An illustrative Engagement letter for a Compilation Engagement is set out in Appendix 1 to this Standard.

#### *Recurring Engagements*

48. **On recurring Compilation Engagements, a Member in Public Practice shall evaluate whether circumstances, including changes in the Engagement acceptance considerations, require the Terms of Engagement to be revised**

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**and whether there is need to remind management of the existing Terms of Engagement.**

49. A Member in Public Practice may decide not to send a new Engagement letter or other written agreement each period. However, the following factors may indicate that it is appropriate to revise the terms of the Compilation Engagement, or to remind management or the engaging party, where applicable, of the existing Terms of the Engagement:
- Any indication that management or the engaging party, where applicable, misunderstands the objective and scope of the Engagement.
  - Any revised or special Terms of the Engagement.
  - A recent change of senior management of the entity.
  - A significant change in ownership of the entity.
  - A significant change in nature or size of the entity's business.
  - A change in legal or regulatory requirements affecting the entity.
  - A change in the Applicable Financial Reporting Framework.

### **Communication with Management and Those Charged with Governance**

50. **A Member in Public Practice shall communicate with management or Those Charged with Governance, as appropriate, on a timely basis during the course of the Compilation Engagement, all matters concerning the Compilation Engagement that, in the Member's professional judgement, are of sufficient importance to merit the attention of management or Those Charged with Governance, as appropriate.**
51. The appropriate timing for communications will vary with the circumstances of the Compilation Engagement. Relevant circumstances include the significance and nature of the matter and any action expected to be taken by management or Those Charged with Governance. For example, it may be appropriate to communicate a significant difficulty encountered during the Engagement as soon as practicable if management or Those Charged with Governance are able to assist the Member to overcome the difficulty.

### **Performing the Engagement**

#### *The Member in Public Practice's Understanding*

52. **A Member in Public Practice shall obtain an understanding of the following matters sufficient to be able to perform the Compilation Engagement:**
- (a) The entity's business and operations, including the entity's accounting system and accounting records; and**
  - (b) The Applicable Financial Reporting Framework, including its application in the entity's industry.**
53. Obtaining an understanding of the entity's business and its operations, including the entity's accounting system and accounting records, is an ongoing process that occurs throughout the Compilation Engagement. The understanding establishes a frame of reference within which the Member exercises professional judgement in compiling the financial information.
54. The breadth and depth of the understanding the Member has or obtains about the entity's business and operations is less than that possessed by management. It is directed at the level that is sufficient for the Member to be able to compile the financial information under the Terms of the Engagement.

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55. Examples of matters the Member may consider in obtaining an understanding of the entity's business and operations and the Applicable Financial Reporting Framework include:
- The size and complexity of the entity and its operations.
  - The complexity of the financial reporting framework.
  - The entity'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.
  - The level of development of the entity's management and governance structure regarding management and oversight of the entity's accounting records and financial reporting systems that underpin the preparation of financial information of the entity.
  - The level of development and complexity of the entity's financial accounting and reporting systems and related controls.
  - The nature of the entity's assets, liabilities, revenues and expenses.

### *Compiling the Financial Information*

56. **A Member in Public Practice shall compile the financial information using the records, documents, explanations and other information, including significant judgements, provided by management.**
57. **A Member in Public Practice shall discuss with management, or Those Charged with Governance as appropriate, those significant judgements, for which the Member has provided assistance in the course of compiling the financial information.**
58. In some Compilation Engagements, the Member does not provide assistance to management with significant judgements. In other Engagements, the Member may provide such assistance, for example, in relation to a required accounting estimate or helping management with its consideration of appropriate accounting policies. Where assistance is provided, discussion is needed so that management and Those Charged with Governance, as appropriate, understand the significant judgements reflected in the financial information, and accept their responsibility for those judgements.
59. **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 entity's business and operations, and of the Applicable Financial Reporting Framework.**
60. A Member's reading of the financial information is intended to assist the Member in fulfilling the Member's ethical obligations relevant to the Compilation Engagement.
61. **If, in the course of the Compilation Engagement, a Member in Public Practice becomes aware that the records, documents, explanations or other information, including significant judgements, provided by management for the Compilation Engagement are incomplete, inaccurate or otherwise unsatisfactory, the Member shall bring that to the attention of management and request the additional or corrected information.**
62. **If a Member in Public Practice is unable to complete the Engagement because management has failed to provide records, documents, explanations or other information, including significant judgements, as requested, the Member shall**

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**withdraw from the Engagement and inform management and Those Charged with Governance of the reasons for withdrawing.**

63. In circumstances addressed by the requirements of this Standard where withdrawal from the Engagement is necessary, the responsibility to inform management and Those Charged with Governance of the reasons for withdrawing provides an opportunity to explain the Member in Public Practice's ethical obligations.
64. **If a Member in Public Practice becomes aware during the course of the Engagement that:**
- (a) **The Compiled Financial Information does not adequately refer to or describe the Applicable Financial Reporting Framework;**
  - (b) **Amendments to the Compiled Financial Information are required for the financial information not to be materially misstated; or**
  - (c) **The Compiled Financial Information is otherwise misleading, the Member shall propose the appropriate amendments to management.**
65. There may be circumstances when the Applicable Financial Reporting Framework is an established financial reporting framework with significant departures therefrom. If the description of the Applicable Financial Reporting Framework in the Compiled Financial Information makes reference to the established framework with significant departures, the Member in Public Practice may need to consider whether the reference to the established framework is misleading in the circumstances of the Engagement.
66. A Member in Public Practice's consideration of materiality is made in the context of the Applicable Financial Reporting Framework. Some financial reporting frameworks discuss the concept of materiality in the context of the preparation and presentation of financial information. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:
- Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial information;
  - Judgements about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a Misstatement, or a combination of both; and
  - Judgements about matters that are material to users of the financial information are based on a consideration of the common financial information needs of users as a group. The possible effect of Misstatements on specific individual users, whose needs may vary widely, is not considered.
67. If present in the Applicable Financial Reporting Framework, such a discussion provides a frame of reference for the Member in Public Practice in understanding materiality for the purpose of the Compilation Engagement. If not present, the above considerations provide the Member in Public Practice with a frame of reference.
68. A Member in Public Practice's perception of the needs of users of the financial information affects the Member's view of materiality. In this context, it is reasonable for the Member to assume that users:
- Have a reasonable knowledge of business and economic activities and accounting, and a willingness to study the financial information with reasonable diligence;
  - Understand that financial information is prepared and presented to levels of materiality;

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- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
  - Make reasonable economic decisions on the basis of the information in the financial information.
69. The Applicable Financial Reporting Framework may include the premise that the financial information is prepared on the going concern basis. If the Member in Public Practice becomes aware that uncertainties exist regarding the entity'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 entity'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.
70. **If management declines, or does not permit the Member in Public Practice to make the proposed amendments to the Compiled Financial Information, the Member shall withdraw from the Engagement and inform management and Those Charged with Governance of the reasons for withdrawing.**
71. **If withdrawal from the Engagement is not possible, the Member in Public Practice shall determine the professional and legal responsibilities applicable in the circumstances.**
72. **A Member in Public Practice shall obtain an acknowledgement from management or Those Charged with Governance, as appropriate, that they have taken responsibility for the final version of the Compiled Financial Information.**
73. The process that exists within the entity for the approval of the financial information by management, or by Those Charged with Governance as appropriate, is a relevant consideration for the Member in Public Practice when completing the Compilation Engagement. Depending on the nature and purpose of the financial information, there may be an established approval process that management or Those Charged with Governance are required to follow, or that is prescribed in applicable law and regulation, for the preparation and finalisation of financial information or Financial Statements of the entity.

### Documentation

74. **A Member in Public Practice shall include in the Engagement documentation:**
- (a) Significant matters arising during the Compilation Engagement and how those matters were addressed by the Member;**
  - (b) A record of how the Compiled Financial Information reconciles with the underlying records, documents, explanations and other information, provided by management; and**
  - (c) A copy of the final version of the Compiled Financial Information for which management or Those Charged with Governance, as appropriate, has acknowledged their responsibility, and the Member's report.**
75. The documentation required by this Standard serves a number of purposes, including the following:
- Providing a record of matters of continuing relevance to future Compilation Engagements.
  - Enabling the Engagement Team, as applicable, to be accountable for its work, including recording the completion of the Engagement.

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76. The Member may consider also including in the Engagement documentation a copy of the entity's trial balance, summary of significant accounting records or other information that the Member used to perform the compilation.
77. In recording how the Compiled Financial Information reconciles with the underlying records, documents, explanations and other information provided by management for the purpose of the Compilation Engagement, the Member in Public Practice may, for example, keep a schedule showing the reconciliation of the entity'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 in the course of the Engagement.

### The Member's Report

**AUST 78** When a Member in Public Practice prepares Compiled Financial Information, the Member shall issue a Compilation Report, subject to the requirements of AUST paragraph 81, in circumstances where:

- (a) the financial information is required under provisions of applicable law or regulation, and whether it is required to be publicly filed;
- (b) the Member's name is identified with the Compiled Financial Information;
- (c) the Compiled Financial Information is for external use; or
- (d) 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.

AUST 79 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.

**AUST 80** 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.

**AUST 81** Where the circumstances described in AUST paragraph 81 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.

**AUST 82** Where a Member in Public Practice issues a Compilation Report in accordance with AUST paragraph 79 or 82, 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.

83. An important purpose of the Member's report is to clearly communicate the nature of the Compilation Engagement, and the Member's role and responsibilities in the Engagement. The Member's report is not a vehicle to express an opinion or conclusion on the financial information in any form.

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84. The Member's report issued for the Compilation Engagement shall be in writing, and shall include the following elements:
- (a) The report title;
  - (b) The addressee(s), as required by the Terms of the Engagement;
  - (c) A statement that the Member has compiled the financial information based on information provided by management;
  - (d) A description of the responsibilities of management, or Those Charged with Governance as appropriate, in relation to the Compilation Engagement, and in relation to the financial information;
  - (e) Identification of the Applicable Financial Reporting Framework and, if a special purpose financial reporting framework is used, a description or reference to the description of that special purpose financial reporting framework in the financial information;
  - (f) Identification of the financial information, including the title of each element of the financial information if it comprises more than one element, and the date of the financial information or the period to which it relates;
  - (g) 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;
  - (h) A description of what a Compilation Engagement entails in accordance with this Standard;
  - (i) Explanations that:
    - a. Since a Compilation Engagement is not an assurance Engagement, the Member is not required to verify the accuracy or completeness of the information provided by management for the compilation,; and
    - b. Accordingly, the Member does not express an audit opinion or a review conclusion on whether the financial information is prepared in accordance with the Applicable Financial Reporting Framework.
  - (j) If the financial information is prepared using a special purpose financial reporting framework, an explanatory paragraph that:
    - a. Describes the purpose for which the financial information is prepared and, if necessary, the intended users, or contains a reference to a note in the financial information that discloses this information; and
    - b. Draws the attention of readers of the report to the fact that the financial information is prepared in accordance with a special purpose framework and that, as a result, the information may not be suitable for other purposes;
  - (k) The date of the Member's report;
  - (l) The Member's signature;
  - (m) The Member's address; and
  - AUST (n) An appropriate disclaimer of liability.



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85. The written report encompasses reports issued in hard copy format and those issued using an electronic medium.
86. When the Member in Public Practice is aware that the Compiled Financial Information and the Member's report will be included in a document that contains other information, such as a financial report, the Member may consider, if the form of presentation allows, identifying the page numbers on which the financial information is presented. This helps users to identify the financial information to which the Member's report relates.
87. Law or regulation may specify to whom the Member's report is to be addressed in the particular jurisdiction. The Member's report is normally addressed to the party who engaged the Member under the Terms of the Engagement, ordinarily the management of the entity.
88. Under this Standard, if the financial information is prepared using a special purpose financial reporting framework, the Member's report is required to draw the attention of readers of the report to the special purpose financial reporting framework used in the financial information, and to state that the financial information may therefore not be suitable for other purposes. This may be supplemented by an additional clause that restricts either the distribution or use, or both, of the Member's report to the intended users only.
89. Financial information prepared for a particular purpose may be obtained by parties other than the intended users, who may seek to use the information for purposes other than those for which the information was intended. For example, a regulator may require certain entities to provide Financial Statements prepared using a special purpose financial reporting framework, and those Financial Statements to be on public record. The fact of the wider availability of those Financial Statements to parties other than the intended users does not mean the Financial Statements would then become general purpose Financial Statements. The Member's statements required to be included in the Member's report are needed to draw readers' attention to the fact that the Financial Statements are prepared under a special purpose financial reporting framework, and may not, therefore, be suitable for other purposes.
90. The Member in Public Practice may consider it appropriate to indicate that the Member's report is intended solely for the specified intended users of the financial information. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting either the distribution or use, or both, of the Member's report to the intended users only.
91. Appendix 2 to this Standard contains illustrations of Members' Compilation Reports incorporating the required elements of the report.
92. **A Member in Public Practice shall date the report on the date the Member has completed the Compilation Engagement in accordance with this Standard.**

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### ***Conformity with International Pronouncements***

#### ***APES 315 and ISRS 4410***

The basic principles and essential procedures of APES 315 and of ISRS 4410 *Engagements to Compile Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB) are consistent in all material respects, except that elements of the scope and application, fundamental responsibilities of Members, 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*;
- APES 315 requires that the Terms of Engagement be documented in accordance with APES 305 *Terms of Engagement*; and
- APES 315 requires the inclusion of an appropriate disclaimer of liability in the Compilation Report; and
- [TO BE COMPLETED]

## Appendix 1

### Illustrative 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 a company (ABC Company), and use of the Financial Statements will be restricted to management. Use and distribution of the Member's report is also restricted to management.
  
- The compiled Financial Statements will comprise only the balance sheet of the company as at December 31, 20XX and the income statement for the year then ended, without notes. Management has determined that the Financial Statements be prepared on an accrual basis as described.

\*\*\*

To the Management<sup>1</sup> of ABC Company:

*[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 ABC Company: the balance sheet of ABC Company as at December 31, 20XX and the income statement for the year then ended, on the historical cost basis, reflecting all cash transactions with the addition of trade accounts payable, trade accounts receivable less an allowance for doubtful accounts, inventory accounted for on an average cost basis, current income taxes payable as at the reporting date, and capitalisation of significant long-lived assets at historical cost amortised over their estimated useful lives on the straight-line basis. These financial statements will not include explanatory notes, other than a note describing the basis of accounting as set out in this engagement letter.

**The purpose for which the financial statements will be used is to provide full-year financial information showing the entity's financial position at the financial reporting date of December 31, 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.**

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<sup>1</sup> Throughout this illustrative engagement letter, references to "you," "we," "us," "management," "those charged with governance" and "practitioner" would be used or amended as appropriate in the circumstances.

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### 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 ABC Company.

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.*]

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XYZ & Co.

Acknowledged and agreed on behalf of the management of ABC Company by

(signed)

.....

Name and Title

Date

## **Appendix 2**

### **Illustrative Members' Compilation Reports**

#### **Compilation Engagement for General Purpose Financial Statements**

- Illustration 1: Member'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**

- Illustration 2: Member's report for an Engagement to compile Financial Statements using a modified general purpose 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**

- Illustration 3: Member's report for an Engagement to compile Financial Statements using the basis of accounting specified in a contract.
- Illustration 4: Member's report for an Engagement to compile Financial Statements using a basis of accounting selected by the management of an entity for financial information required for management's own purposes.
- Illustration 5: Member'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*].

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**Illustration 1: Member’s report for an Engagement to compile Financial Statements using a general purpose financial reporting framework.**

- **General Purpose Financial Statements required under applicable law that specifies that the entity’s Financial Statements are to be prepared applying International Financial Reporting Standards for Small-and Medium-sized Entities (IFRS for SMEs).**

### MEMBER’S COMPILATION REPORT

[To Management of ABC Company]

We have compiled the accompanying financial statements of ABC Company based on information you have provided. These financial statements comprise the statement of financial position of ABC Company as at December 31, 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards for Small-and Medium-sized Entities (IFRS for SMEs). 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 your responsibility.

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 IFRS for SMEs.

[Member’s signature]

[Date of Members report]

[Member’s address]

## Preliminary Working Draft for Illustration Purposes Only

APES 315 Compilation of Financial Information – Preliminary Draft

### Illustration 2: Member's report for an Engagement to compile Financial Statements using a modified general purpose financial reporting framework.

- Financial statements prepared using a General Purpose Financial Reporting framework adopted by management on a modified basis.
- The Applicable Financial Reporting Framework is International Financial Reporting Standards for Small-and Medium-sized Entities (IFRS for SMEs) excluding the treatment of property, which has been revalued rather than being carried at historical cost.
- Use or distribution of the Financial Statements is not restricted.

#### MEMBER'S COMPILATION REPORT

[To Management of ABC Company]

We have compiled the accompanying financial statements of ABC Company based on information you have provided. These financial statements comprise the statement of financial position of ABC Company as at December 31, 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with International Standard on Related Services 4410 (Revised), *Compilation Engagements*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements on the basis of accounting described in Note X 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 your responsibility.

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.

As stated in Note X, the financial statements are prepared and presented in accordance with International Financial Reporting Standards for Small-and Medium-sized Entities (IFRS for SMEs), excluding property which is revalued in the financial statements rather than being carried at historical cost. The financial statements are prepared for the purpose described in Note Y to the financial statements. Accordingly, these financial statements may not be suitable for other purposes.

[Member's signature]

[Date of Member's report]

[Member's address]



## Preliminary Working Draft for Illustration Purposes Only

APES 315 Compilation of Financial Information – Preliminary Draft

### Illustration 3: Member’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 is engaged by a party other than management 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’s report is restricted to the intended users of the Financial Statements specified in the contract.

#### MEMBER’S COMPILATION REPORT

[To the Engaging Party<sup>2</sup>]

We have compiled the accompanying financial statements of ABC Company (“the Company”) based on information provided by the management of the Company (“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]*.

We performed this compilation engagement in accordance with APES 315 *Compilation of Financial Information*.

We have applied our 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 X 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 X.

As stated in Note X, 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.

[Member’s signature]

[Date of Member’s report]

[Member’s address]

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<sup>2</sup> Alternatively, the appropriate addressee specified in the relevant contract

## Preliminary Working Draft for Illustration Purposes Only

APES 315 Compilation of Financial Information – Preliminary Draft

**Illustration 4: Member’s report for an Engagement to compile Financial Statements using a basis of accounting selected by management of an entity 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 balance sheet, an income statement, and a single note that refers to the basis of accounting used for the Financial Statements.**
- **The Financial Statements are intended for use only by management.**
- **Distribution and use of the Member’s report is restricted to management.**

### MEMBER’S COMPILATION REPORT

[To Management of ABC Company]

We have compiled the accompanying financial statements of ABC Company based on information you have provided. These financial statements comprise the balance sheet of ABC Company as at December 31, 20XX and an income statement for the year then ended. We performed this compilation engagement in accordance with APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements on the basis of accounting described in Note X 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 your responsibility.

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 ABC Company, and should not be distributed to other parties.

[Member’s signature]

[Date of Member’s report]

[Member’s address]

## Preliminary Working Draft for Illustration Purposes Only

APES 315 Compilation of Financial Information – Preliminary Draft

**Illustration 5: Member’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’s report is restricted to the intended users.**

### MEMBER’S COMPILATION REPORT

[To the Management of ABC Company<sup>3</sup>]

We have compiled the accompanying schedule of *[identify the compiled financial information]* of ABC Company as at December 31, 20XX (“the Schedule”) based on information you have provided.

We performed this compilation engagement in accordance with APES 315 *Compilation of Financial Information*.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of the Schedule as prescribed by *[insert name of or reference to the relevant regulation]*. We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

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

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 ABC Company’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 ABC Company and Regulator F, and should not be distributed to parties other than ABC Company or Regulator F.

[Member’s signature]

[Date of the Member’s report]

[Member’s address]

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<sup>3</sup> Alternatively, the appropriate addressee specified in the applicable financial reporting requirements