

INTERNATIONAL STANDARD ON RELATED SERVICES 4410

(Previously ISA 930)

ENGAGEMENTS TO COMPILE FINANCIAL STATEMENTS

(This Standard is effective)

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International Standard on Related Services (ISRS) 4410, “Engagements to Compile Financial Statements” should be read in the context of the “Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services,” which sets out the application and authority of ISRSs.

Introduction

1. The purpose of this International Standard on Related Services (ISRS) is to establish standards and provide guidance on the accountant's¹ professional responsibilities when an engagement to compile financial information is undertaken and the form and content of the report the accountant issues in connection with such a compilation.
2. This ISRS is directed toward the compilation of financial information. However, it is to be applied to the extent practicable to engagements to compile non-financial information, provided the accountant has adequate knowledge of the subject matter in question. Engagements to provide limited assistance to a client in the preparation of financial statements (for example, on the selection of an appropriate accounting policy), do not constitute an engagement to compile financial information.

Objective of a Compilation Engagement

3. **The objective of a compilation engagement is for the accountant to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarize financial information.** This ordinarily entails 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 accountant to express any assurance on the financial information. However, users of the compiled financial information derive some benefit as a result of the accountant's involvement because the service has been performed with professional competence and due care.
4. A compilation engagement would ordinarily include the preparation of financial statements (which may or may not be a complete set of financial statements) but may also include the collection, classification and summarization of other financial information.

General Principles of a Compilation Engagement

5. **The accountant should comply with the *Code of Ethics for Professional Accountants* issued by the International Federation of Accountants.** Ethical principles governing the accountant's professional responsibilities for this type of engagement are:
 - (a) Integrity;
 - (b) Objectivity;

¹ For the purposes of this ISRS and to distinguish between an audit and a compilation engagement the term "accountant" (rather than "auditor") has been used throughout to refer to a professional accountant in public practice.

- (c) Professional competence and due care;
- (d) Confidentiality;
- (e) Professional behavior; and
- (f) Technical standards.

Independence is not a requirement for a compilation engagement. However, where the accountant is not independent, a statement to that effect would be made in the accountant's report.

6. **In all circumstances when an accountant's name is associated with financial information compiled by the accountant, the accountant should issue a report.**

Defining the Terms of the Engagement

7. **The accountant should ensure that there is a clear understanding between the client and the accountant regarding the terms of the engagement. Matters to be considered include the following:**
 - 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.
 - Fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist.
 - Nature of the information to be supplied by the client.
 - Fact that management is responsible for the accuracy and completeness of the information supplied to the accountant for the completeness and accuracy of the compiled financial information.
 - Basis of accounting on which the financial information is to be compiled and the fact that it, and any known departures therefrom, will be disclosed.
 - Intended use and distribution of the information, once compiled.
 - Form of report to be rendered regarding the financial information compiled, when the accountant's name is to be associated therewith.
8. An engagement letter will be of assistance in planning the compilation work. It is in the interests of both the accountant and the entity that the accountant sends an engagement letter documenting the key terms of the appointment. An engagement letter confirms the accountant's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the accountant's responsibilities and the form of reports to be issued. An example of an engagement letter for a compilation engagement appears in Appendix 1 to this ISRS.

Planning

9. **The accountant should plan the work so that an effective engagement will be performed.**

Documentation

10. **The accountant should document matters which are important in providing evidence that the engagement was carried out in accordance with this ISRS and the terms of the engagement.**

Procedures

11. **The accountant should obtain a general knowledge of the business and operations of the entity and should be familiar with the accounting principles and practices of the industry in which the entity operates and with the form and content of the financial information that is appropriate in the circumstances.**
12. To compile financial information, the accountant requires a general understanding of the nature of the entity's business transactions, the form of its accounting records and the accounting basis on which the financial information is to be presented. The accountant ordinarily obtains knowledge of these matters through experience with the entity or inquiry of the entity's personnel.
13. Other than as noted in this ISRS, the accountant 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.
14. **If the accountant becomes aware that information supplied by management is incorrect, incomplete, or otherwise unsatisfactory, the accountant should consider performing the above procedures and request management to provide additional information. If management refuses to provide additional information, the accountant should withdraw from the engagement, informing the entity of the reasons for the withdrawal.**
15. **The accountant should read the compiled information and consider whether it appears to be appropriate in form and free from obvious material misstatements.** In this sense, misstatements include the following:
 - Mistakes in the application of the applicable financial reporting framework.

- Non-disclosure of the financial reporting framework and any known departures therefrom.
- Non-disclosure of any other significant matters of which the accountant has become aware.

The applicable financial reporting framework and any known departures therefrom should be disclosed within the financial information, though their effects need not be quantified.

16. **If the accountant becomes aware of material misstatements, the accountant should try to agree appropriate amendments with the entity. If such amendments are not made and the financial information is considered to be misleading, the accountant should withdraw from the engagement.**

Responsibility of Management

17. **The accountant should obtain an acknowledgment from management of its responsibility for the appropriate presentation of the financial information and of its approval of the financial information.** Such acknowledgment may be provided by representations from management which cover the accuracy and completeness of the underlying accounting data and the complete disclosure of all material and relevant information to the accountant.

Reporting on a Compilation Engagement

18. **Reports on compilation engagements should contain² the following:**
- (a) **Title;**
 - (b) **Addressee;**
 - (c) **A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to compilation engagements, or with national standards and practices;**
 - (d) **When relevant, a statement that the accountant is not independent of the entity;**
 - (e) **Identification of the financial information noting that it is based on information provided by management;**
 - (f) **A statement that management is responsible for the financial information compiled by the accountant;**

² It may also be appropriate for the accountant to refer to the special purpose for which or party for whom the information has been prepared. Alternatively, or in addition, the accountant may add some form of caution designed to ensure that it is not used for purposes other than those intended.

- (g) **A statement that neither an audit nor a review has been carried out and that accordingly no assurance is expressed on the financial information;**
- (h) **A paragraph, when considered necessary, drawing attention to the disclosure of material departures from the applicable financial reporting framework;**
- (i) **Date of the report;**
- (j) **Accountant's address; and**
- (k) **Accountant's signature.**

Appendix 2 to this ISRS contains examples of compilation reports.

19. **The financial information compiled by the accountant should contain a reference such as "Unaudited," "Compiled without Audit or Review" or "Refer to Compilation Report" on each page of the financial information or on the front of the complete set of financial statements.**

Appendix 1

Example of an Engagement Letter for a Compilation Engagement

The following letter is for use as a guide in conjunction with the considerations outlined in paragraph 7 of this ISRS and will need to be varied according to individual requirements and circumstances. This example is for the compilation of financial statements.

To the Board of Directors or the appropriate representatives of senior management

This letter is to confirm our understanding of the terms of our engagement and the nature and limitations of the services we will provide.

You have requested that we perform the following services:

On the basis of information you provide, we will compile, in accordance with the International Standard on Related Services (or refer to relevant national standards or practices) applicable to compilation engagements, the balance sheet of ABC Company as of December 31, 19XX and related statements of income and cash flows for the year then ended on a cash basis. We will not carry out audit or review engagement procedures in relation to such financial statements. Consequently, no assurance on the financial statements will be expressed. Our report on the financial statements of ABC Company is presently expected to read as follows:

(see Appendix 2 to this ISRS)

Management is responsible for both the accuracy and completeness of the information supplied to us and is responsible to users for the financial information compiled by us. This includes the maintenance of adequate accounting records and internal controls and the selection and application of appropriate accounting policies. Our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we will inform you of any such matters which come to our attention.

The information will be prepared in accordance with [applicable financial reporting framework]. Any known departures from this framework will be disclosed within the financial statements and when considered necessary will be referred to in our compilation report.

We understand that the intended use and distribution of the information we have compiled is [specify] and that should this change in a material respect, that you will inform us.

We look forward to full cooperation with your staff and we trust that they will make available to us whatever records, documentation and other information requested in connection with our compilation.

Our fees, which will be billed as work progresses, are based on the time required by the individuals assigned to the engagement plus out-of-pocket expenses. Individual hourly

rates vary according to the degree of responsibility involved and the experience and skill required.

This letter will be effective for future years unless it is terminated, amended or superseded.

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our compilation of your financial statements.

XYZ & Co

Acknowledged on behalf of ABC Company by

(signed)

.....

Name and Title

Date

RELATED SERVICES

Appendix 2**Examples of Compilation Reports****Example of a Report on an Engagement to Compile Financial Statements**

COMPILATION REPORT TO

On the basis of information provided by management we have compiled, in accordance with the International Standard on Related Services (or refer to relevant national standards or practices) applicable to compilation engagements, the balance sheet of ABC Company as of December 31, 19XX and statements of income and cash flows for the year then ended. Management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no assurance thereon.³

ACCOUNTANT

Date

Address

³ See footnote 2.

Example of a Report on an Engagement to Compile Financial Statements with an Additional Paragraph that Draws Attention to a Departure from the Applicable Financial Reporting Framework

COMPILATION REPORT TO

On the basis of information provided by management we have compiled, in accordance with the International Standard on Related Services (or refer to relevant national standards or practices) applicable to compilation engagements, the balance sheet of XYZ Company as of December 31, 19XX and the related statements of income and cash flows for the year then ended. Management is responsible for these financial statements. We have not audited or reviewed these financial statements and accordingly express no assurance thereon.⁴

We draw attention to Note X to the financial statements because management has elected not to capitalize the leases on plant and machinery which is a departure from the applicable financial reporting framework.

ACCOUNTANT

Date
Address

RELATED SERVICES

⁴ See footnote 2.