

COMPILATION ENGAGEMENTS: SECTION 9200

- This section deals with services provided by accountants with respect to compiling F/S from information received from a client
- **No assurance** is provided on the F/S compiled
- This section does not apply to financial information presented/referenced only in tax returns
 - However, when the financial information **conveys the financial position and the results of operation**, it would be covered under this section
 - When the info presented solely in the tax returns **does not convey the financial position and the results of operation**, the information should contain a disclaimer saying *“prepared solely for income tax purposes without audit or review from information provided by the taxpayer”*
- In a compilation engagement:
 - The public accountant receives information from the client and arranges it into the form of a F/S
 - The public accountant is concerned that the **assembly of information is arithmetically correct**
 - No assurance is provided on these F/S
 - The F/S do not need to be prepared in accordance with GAAP (I.e. ASPE/IFRS)
- According to the **rules of professional conduct**, the public accountant cannot be **associated** with a F/S that he or she knows, or should know, is **false or misleading**
- Perform a compilation engagement only when:
 - There is **no reason to believe** that the F/S the public accountant has been engaged to compile are **false or misleading**; and
 - The public accountant believes that the client understands that:
 - Such **statements may not be appropriate** for general purpose use; and
 - Uninformed readers could be misled unless they are aware of the possible limitations of the statements, and of the public accountant's very limited involvement
- The compilation engagement letter would spell out the following
 - That the public accountant will conduct the engagement in accordance with the standards applicable to compilation engagements
 - The anticipated form and content of the notice to reader and the fact that it will be included on or attached to the F/S
 - That compilation services **will not result in the expression of any assurance**
 - That **management will provide the information** necessary to permit the public accountant to compile F/S
 - That **management is responsible** for the **accuracy** and **completeness** of the representations in the F/S
 - That each page of the F/S will be conspicuously marked as **"Unaudited — See Notice to Reader"**
 - That the statements **may not be appropriate for general purpose use**
 - That **uninformed readers could be misled** unless they are aware of the possible limitations of the statements, and of the public accountant's very limited involvement
 - That a compilation engagement cannot be relied on to prevent or detect error and fraud

Professional Standards

- The services should be performed and the communication should be prepared by a person or persons having **adequate technical training and proficiency in accounting**, and with **due care**
- The work should be **adequately planned** and **properly executed** and, if assistants are employed, they should be properly supervised
- When the public accountant **believes the F/S to be false or misleading**, request additional or revised information in order to complete the statements.
 - If management does not provide the information requested or does not agree with the F/S, the public accountant **should not release the F/S** and should withdraw from the engagement
- There is no requirement that says that the accountant performing the compilation needs to be **independent from the client**; however, the rules of professional conduct requires the accountant to disclose the fact that they are not independent in the Notice to Reader (i.e. I am not independent from XYZ Corp. because I am a shareholder)

Communication

- A communication called “**Notice to Reader**” is attached to the F/S that have been compiled;
- The Notice to Reader should contain the following:
 - What the public accountant did and did not do
 - Compiled the statements from information supplied by management or the proprietor
 - Did not perform an audit or a review engagement on the information supplied
 - Describe the **nature of the engagement** by stating that the engagement was undertaken using information supplied by management
 - Caution to readers that the **statements may not be appropriate** for their purposes

Example of a Notice to Reader:

On the basis of information provided by management (or the proprietor), I have compiled the balance sheet of Client Limited as at December 31, 2012 and the statements of income, retained earnings and cash flows for the (period) then ended.

I have not performed an audit or a review engagement in respect of these financial statements and, accordingly, I express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

City (printed or signed)

Date CHARTERED ACCOUNTANT