AASB
Auditing and Assurance Standards Board

Compilation of Future-oriented Financial Information (FOFI) and Pro Forma

Responses to Exposure Draft

September 2024

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January 7, 2025

By online form

Ms. Karen DeGiobbi, CPA, CA

Director, Auditing and Assurance
Standards Auditing and Assurance
Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Ms. DeGiobbi,

Re: Comments on Exposure Draft – Proposed Canadian Standard on Related Service (CSRS) 4250, Compilation Engagements on Future-Oriented Financial Information and Pro Forma

We are pleased to provide our comments on the exposure draft that the Auditing and Assurance Standards Board ("AASB") has proposed related to Compilation Engagements on Future-Oriented Financial Information and Pro Forma.

The views expressed in this submission are those of the Canadian member firm of the Deloitte Touche Tohmatsu Limited global network, and only include responses to certain of the AASB's specific questions as set out in their exposure draft.

We would be pleased to discuss any questions or comments you may have with respect to our comments included herein. Please contact Matthew Welchinski (mwelchinski@deloitte.ca) for further information.

Yours truly,

Matt Welchinski
Deloitte LLP

We have included responses to the specific questions posed in the Exposure draft below, however, we would like to raise one overarching concern about the potential gap in understanding of procedures being performed by the practitioner compared to the expectation of the users of the compiled financial information that may occur with the issuance of this new standard.

It is imperative that the AASB considers protecting the public interest in issuing any new standard for use by practitioners and, in doing so, we strongly encourage the AASB to consider how this new standard is implemented, socialized and supported by the AASB.

For example, it is foreseeable that with the issuance of a new standard, new requests for this type of service may arise. If that is the case, then it is imperative that both the practitioner and the intended user of the compilation report have full transparency about the level of work effort required and any resulting reliance by the report's user.

In order to address this concern, we suggest one or more of the following actions could be undertaken by the AASB and/or standard setting implementation support groups:

- A targeted campaign designed to educate practitioners and, separately, users about the new standard, including clear messaging about the inherent limitations of this type of information, level of work effort required to perform the engagement, and the level of reliance a user can place on the report
- Updating existing guidance produced by the AASB which explains the types of services a practitioner may perform, including the intended level of reliance or assurance a user can place on these engagements.
- A planned post-implementation review

Responses to certain questions raised in the exposure draft

1. Do you agree with the scope of proposed CSRS 4250, including the exclusions? (Paragraphs 1-3 and A1-A5)

(i) For further clarity, we recommend that circumstances where the CSRS does not apply as set out in paragraph A4 could also reference section 7150.14 where the auditor is performing procedures on pro forma financial statements in order to consent to the use of a report of an auditor used in an offering document.

Broadly we are of the view that this type of engagement should not be used in connection with any kind of offering document.

(ii) Paragraph 3 considers a circumstance where in addition to providing one or more services contemplated in paragraph 2, which are outside the scope of this CSRS, the practitioner is also engaged to issue a compilation. The format of the report, specifically paragraph 42 (j) requires an explanation that:

(i) For future-oriented financial information, the practitioner did not perform an audit engagement or a review engagement, nor were they required to perform procedures to verify the accuracy or completeness of the information provided by management or to evaluate the appropriateness of the assumptions;

(ii) For pro forma, the practitioner did not perform an audit engagement or a review engagement, nor were they required to perform procedures to verify the accuracy or completeness of the information provided by management or to evaluate the appropriateness of the pro forma adjustments and the underlying assumptions on which they are based.

Where the practitioner has performed a service contemplated in paragraph 2, the statements in the report that they were not required to perform procedures to verify the accuracy or completeness of information or to evaluate assumptions or pro forma adjustments may not be factually accurate and could be misleading to the user. To avoid this kind of scenario we recommend removing paragraph 3.

2. Do you agree that the considerations for engagement acceptance are appropriate? (Paragraphs 27-30 and A28-A37)

(i) To address the potential expectation gap about the procedures performed by the practitioner and the understanding thereof by the intended user of the compiled financial information, consider whether an additional requirement could be added to paragraph 28 (see suggestion in bullet (c) below):

> When the compiled financial information is intended to be used by a third party, the practitioner may accept the engagement if, according to management, the third party:
> (a) Is in a position to request and obtain further information from the entity; (Ref: Para. A33-A34)
> (b) Has agreed with management on the basis of accounting to be applied in the preparation and presentation of the compiled financial information; or (Ref: Para. A35)
> (c) Has acknowledged to management that they understand the responsibilities of both management and the practitioner related to the compiled financial information.

(ii) When neither of the criteria in paragraph 28 (a) or (b) are satisfied it is not clear how the additional considerations set out in (i) and (ii) overcome the fact that the third party is not in a position to request and obtain further information from the entity, and hence why it would be appropriate for the practitioner to accept the engagement.

(iii) the acknowledgement in paragraph 30 (g) (iii) does not address the circumstance set out when conditions in paragraph 28 (a) and (b) are not met and how this should be addressed in the engagement letter.

(iv) we recommend that further application guidance be included as to how management determined the point in time for which such information can be estimated (paragraph 30 (g) (iv))

3. Do you agree that the proposed definitions are appropriate? (Paragraphs 16-20 and A15-A20)

Paragraph 17 (e) – suggest that the use of the word plausible is beyond the scope of a compilation as the practitioner would not be able to determine plausibility without performing procedures on the hypotheses.

4. Do you agree that the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement? (Paragraphs 31-38 and A38-A71) Exposure Draft — September 2024 | 4 Compilation Engagements on Future-oriented Financial Information and Pro Forma

Broadly, we have concerns that there may be a gap in both understanding and expectation of the intended users of the compilation report about the nature of the procedures that the practitioner will perform on the future-oriented financial information, and consequently the level of assurance that may be taken by that user, compared to what is intended in the draft standard. Our comments are intended to highlight areas where we think further clarification may reduce this expectation gap.

i) The requirement in Paragraph 33 (f) for the practitioner to prepare and present notes "For a forecast, disclose that the forecast has been prepared using management's best-estimate assumptions that are supportable and consistent with planned courses of action for the period covered, including planned courses of action based on future events that management expects to take place" could be understood to mean that the practitioner has performed procedures to evaluate whether the forecast is supportable and has evaluated whether the procedures are consistent with planned courses of action.

   Suggested wording: "For a forecast, disclose that the forecast has been prepared using management's best-estimate assumptions that management has asserted are supportable and consistent with management's planned courses of action for the period covered, including planned courses of action based on future events that management expects to take place."

   If this change is accepted, we would also recommend consistent amendments to the definition of best estimate assumptions in paragraph 17 (b).

(ii) The procedures performed by the practitioner to obtain sufficient knowledge about the assumptions to be applied and how management (i) developed them and (ii) determined they are appropriate in the circumstances in paragraphs 31 (d) and A41-A48 would require the practitioner to perform additional procedures and apply judgment in evaluating whether management's conclusions are consistent with planned courses of action for the period covered and supportable. We believe that this expected work effort extends beyond that necessary in performing a compilation.

(iii) It is unclear what procedures the practitioner would perform to identify missing or inappropriate underlying information (paragraph A62) that would be proportionate to a compilation engagement as it would require judgment on the part of the practitioner, as well as specifically designed procedures to address completeness of the information.

The concern that the above observations highlights is whether a compilation is the appropriate form of engagement, if this level of work effort is considered necessary to.

8. What implementation challenges or unintended consequences, if any, might proposed CSRS 4250 create?

Please see our introductory comments where we encourage the AASB to plan and perform a robust implementation support plan. We believe that there is risk that third party users of the compiled financial information may take more reliance from the practitioner's report than it is intended to provide or is warranted, which would be contrary to the public interest.

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January 6, 2025

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
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Dear. Ms DeGiobbi:

Subject: Exposure draft: Proposed Canadian Standard on Related Services (CSRS) 4250

We are pleased to have the opportunity to comment on the Audit and Assurance Standards Board's (the "AASB" or the "Board") exposure draft on the proposed Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma* (the "Exposure Draft"). We agree that the existing Assurance and Related Services Guideline (AuG 16), *Compilation on a Financial Forecast or Projection*, is outdated and in need of replacement with a new standard.

Overall, we agree with the requirements of the proposed standard outlined in the Exposure Draft and have taken this opportunity to highlight areas where we believe the proposed standard would benefit from further clarity.

Please find our detailed response to the request for comments included in the appendix to this letter.

Should you wish to discuss any of our comments, please contact Greg Weber (greg.weber@doane.gt.ca).

Yours sincerely,

Greg Weber, CPA, CA
Doane Grant Thornton LLP

Appendix

1. Do you agree with the scope of proposed CSRS 4250, including the exclusions?

Yes, we agree with the proposed scope of CSRS 4250, including exclusions.

2. Do you agree that the considerations for engagement acceptance are appropriate?

Yes, we agree the considerations for engagement acceptance are appropriate.

3. Do you agree that the proposed definitions are appropriate?

Overall, we agree the proposed definitions are appropriate for all the definitions in paragraph 17, although we believe further clarifying the following two items would be beneficial:

a) the proposed definition of "best-estimate assumptions" references management's assumptions that are supportable and consistent with planned courses of action for the period covered. Practitioners may benefit from further explanation of what is meant by supportable, so as not to infer that additional work effort above the level expected in a compilation is required.

b) the proposed definition of "hypotheses" includes the word plausible. Plausible itself is not defined and may imply a level of work effort that would normally be associated with a review engagement rather than a compilation engagement. Although the proposed standard does not require the practitioner to make an assessment or determination of whether the hypotheses are plausible, there is a requirement to consider whether the compiled financial information does not appear misleading. These two requirements could be at odds where the practitioner, in order to appropriately consider whether the compiled financial information does not appear misleading, may interpret the requirement and related definitions to mean that they must determine that the hypotheses are plausible.

4. Do you agree that the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement?

Overall, the work effort required by proposed CSRS 4250 appears appropriate for the performance of a compilation engagement. However, in proposed paragraph 35 (a) there is a requirement where the practitioner shall consider whether the significant assumptions do not appear to be inappropriate in the circumstances. As this is a "shall" requirement practitioners may interpret that more work effort than intended is required.

Similarly, proposed paragraph 35 (c) requires the practitioner to consider whether the compiled financial information does not appear to be incorrectly identified as a forecast, projection or pro forma. Practitioners may interpret that more work effort than intended is required, as they may infer they are required to make an assessment of the degree of supportability of the best-estimate assumptions, and/or plausibility of the hypotheses and underlying hypothetical assumptions in order to appropriately consider that the compiled information does not appear to be incorrectly identified.

Further clarification regarding these requirements would be beneficial to practitioners.

5. Do you believe that the required notes in the compiled financial information will help with users' and readers' understanding of the information provided? If no, please specify which note disclosures are unclear or missing.

We believe that the required notes to the compiled financial information will help with users' and readers' understanding.

6. Do you agree that the content in the proposed compilation engagement report:

a. Appropriately describes the nature and scope of the engagement and the responsibilities of management and the practitioner?

b. Is informative, clear and understandable?

We agree the content in the proposed compilation engagement report appropriately describes the nature and scope of the engagement and the responsibilities of management and the practitioner. In considering our response to part b. of this question, we overall agree that the content is informative and understandable but see an opportunity to provide further clarity by indicating whether the future-oriented financial information is either a forecast or a projection in the title of the report.

7. **Do you agree that the documentation requirements are appropriate?**

   We agree the documentation requirements as outlined in proposed CSRE 4250 are appropriate.

8. **What implementation challenges or unintended consequences, if any, might proposed CSRS 4250 create?**

   As noted in responses to questions 3 and 4 above, there may be an inferred level of work required that is more than intended given the proposed wording in the paragraphs referenced in responses 3 and 4.

9. **Do you agree that the proposed implementation period of at least 18 months is sufficient?**

   A proposed effective date approximately 18 months after approval of the final standard is not anticipated to cause implementation issues with respect to timing.

10. **Are there any other matters that you think the AASB should be aware of as it considers finalizing proposed CSRS 4250?**

    No other items to note.

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Montréal, le 14 novembre 2024

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Madame,

Vous trouverez ci-joint les commentaires du Groupe de travail technique — Certification de l'Ordre des comptables professionnels agréés du Québec, concernant l'exposé-sondage *Projet de Norme canadienne de services connexes (NCSC) 4250, Missions de compilation d'informations financières prospectives et d'informations pro forma.*

Nous vous serions reconnaissants de nous faire parvenir une copie de la traduction anglaise de nos commentaires.

Veuillez prendre note que ni l'Ordre des comptables professionnels agréés du Québec, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à leur utilisation et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires, comme décrit dans le déni de responsabilité joint à la présente.

Veuillez agréer, Madame De Giobbi, nos salutations distinguées.

Guylaine Houde, CPA auditrice
Représentante du groupe de travail technique — Certification

p. j. Déni de responsabilité et commentaires

DÉNI DE RESPONSABILITÉ

Les documents préparés par les groupes de travail de l'Ordre des comptables professionnels agréés du Québec (Ordre) ci-après appelés les « commentaires », sont fournis selon les conditions décrites dans la présente, pour faire connaître leur opinion sur des énoncés de principes, des documents de consultation, des exposés-sondages préliminaires ainsi que des exposés-sondages publiés par le Conseil des normes comptables, le Conseil des normes d'audit et de certification, le Conseil sur la comptabilité dans le secteur public, le Conseil sur la gestion des risques et la gouvernance et d'autres organismes.
Les commentaires fournis ne doivent pas être utilisés comme substitut à des missions confiées à des professionnels spécialisés. Il est important de noter que les lois, les normes et les règles sur lesquelles sont émis les commentaires peuvent changer en tout temps et que, dans certains cas, les commentaires écrits peuvent être sujets à controverse.

Ni l'Ordre, ni quelque personne que ce soit ayant participé à la préparation des commentaires ne peuvent être tenus responsables relativement à l'utilisation de ces commentaires et ils ne sont tenus à aucune garantie de quelque nature que ce soit découlant de ces commentaires. Les commentaires donnés ne lient pas, par ailleurs, les membres des Groupes de travail de l'Ordre ou, de façon plus particulière, le Bureau du syndic de l'Ordre.

La personne qui se réfère ou utilise ces commentaires assume l'entière responsabilité de sa démarche ainsi que tous les risques liés à l'utilisation de ceux-ci. Elle consent à exonérer l'Ordre à l'égard de toute demande en dommages-intérêts qui pourrait être intentée par suite de toute décision qu'elle aurait pu prendre en fonction de ces commentaires. Elle reconnaît également avoir accepté de ne pas faire état de ces commentaires reçus via le Groupe de travail dans les avis exprimés ou les positions prises.

MANDAT DES GROUPES DE TRAVAIL

Les groupes de travail de l'Ordre des comptables professionnels agréés du Québec ont comme mandat notamment de recueillir et de canaliser le point de vue des praticiens exerçant en cabinet et de membres œuvrant dans les affaires, dans les services gouvernementaux, dans l'industrie et dans l'enseignement ainsi que le point de vue d'autres personnes concernées œuvrant dans des domaines d'expertise connexes.

Pour chaque exposé-sondage ou autre document étudié, les membres mettent leurs analyses en commun. Les commentaires ci-dessous reflètent les points de vue exprimés et, sauf indication contraire, ces commentaires ont fait l'objet d'un consensus parmi les membres des groupes de travail ayant participé à cette analyse.

Les commentaires formulés ne font l'objet d'aucune sanction de l'Ordre. Ils n'engagent pas la responsabilité de celui-ci.

Questions du CNAC

1. **Le champ d'application de la NCSC 4250 [en projet], y compris les exclusions, vous convient-il? (paragraphes 1 à 3 et A1 à A5)**

   Clarification de l'expression « services comptables » : certains membres ont constaté une certaine confusion autour de l'expression « services comptables » dans les exclusions du champ d'application énoncées au paragraphe 2c) et dans les modalités d'application A3. Selon le groupe, les précisions apportées au paragraphe A3 au sujet des « services comptables » ne permettent pas de dissiper cette confusion. Le caractère prépondérant de l'absence de déclaration du professionnel en exercice en lien avec les services offerts n'est pas clairement mis en évidence. À ce sujet, un membre précise que l'expérience pratique avec la définition similaire du Chapitre 4200 A3 suggère que peu de professionnels en exercice saisissent cette nuance importante. Un nombre important de ces derniers pensent que c'est uniquement la nature du service qui est déterminant dans l'application de cette exclusion et non pas le besoin du client, à savoir si le client désire une déclaration du professionnel ou non.

   Nous suggérons de préciser dans la définition que le besoin d'une déclaration du professionnel est un critère déterminant dans ce contexte.

2. **Êtes-vous d'accord que les questions à considérer pour l'acceptation d'une mission sont appropriées? (paragraphes 27 à 30 et A28 à A37)**

   Les membres sont en accord avec les propositions.

3. **Êtes-vous d'accord que les définitions proposées sont appropriées? (paragraphes 16 à 20 et A15 à A20)**

   Les membres sont en accord avec les propositions.

4. **Êtes-vous d’accord que les travaux à effectuer selon la NCSC 4250 [en projet] conviennent à la réalisation d’une mission de compilation? (paragraphes 31 à 38 et A38 à A71)**

   Les membres sont en accord avec les propositions.

5. **Selon vous, les notes afférentes aux informations financières compilées à présenter aideraient-elles les utilisateurs et les lecteurs à comprendre les informations fournies? (paragraphes 33 et A55 à A59) Dans la négative, quelles informations à fournir par voie de notes seraient à préciser ou à ajouter?**

   Les membres n’ont exprimé aucun commentaire en lien avec ces paragraphes.

6. **Êtes-vous d’accord que le contenu du rapport de mission de compilation proposé (paragraphes 42, A22 et A73 à A75 et Annexe 2) : a) décrit de façon appropriée la nature et l’étendue de la mission ainsi que les responsabilités de la direction et du professionnel en exercice? b) est informatif, clair et compréhensible?**

   Clarté entre les prévisions et les projections : Les membres du groupe notent que les différences entre le rapport sur des prévisions et celui sur des projections ne sont pas suffisamment apparentes. Actuellement, les seuls éléments distinctifs sont les expressions « bilan prévisionnel » et « bilan projeté » dans le premier paragraphe de chacun des rapports. Pour améliorer la compréhension des utilisateurs, le groupe recommande de clarifier davantage ces distinctions dans le contenu du rapport et dans le titre de ce dernier. Ils mentionnent que ces différences sont très difficiles à cerner même pour un professionnel en exercice alors il sera très difficile, voire quasi-impossible, pour un utilisateur de saisir la nature des informations compilées.

   Un membre suggère l’ajout d’une mention explicite (projection ou prévision) dans le paragraphe sur les responsabilités de la direction. Il serait également pertinent de faire cette mention dans l'avant-dernier paragraphe.

Modifications suggérées :

Ainsi pour les prévisions, le paragraphe pourrait se lire :

« De plus, étant donné que ces informations financières prospectives (prévisions) sont fondées sur des hypothèses les plus probables relatives à des lignes de conduite et à des événements futurs…

Pour les projections, le paragraphe pourrait se lire :

« De plus, étant donné que ces informations financières prospectives (projections) sont fondées sur [une ou plusieurs hypothèses spéculatives, en fonction d'hypothèses théoriques ou d'une combinaison d'hypothèses théoriques et d'hypothèses les plus probables] relatives à des lignes de conduite et à des événements futurs…

Le membre du groupe de travail juge qu'en apportant ces modifications, les exigences du paragraphe 42e) concernant l'identification de la nature (prévisions, projections ou informations pro forma) en seraient grandement améliorées.

Le groupe recommande également de modifier le titre du rapport en y intégrant les termes « prévisions » ou « projections » de manière explicite. Par exemple, il pourrait être utile de préciser « Rapport de mission de compilation de prévisions financières » ou « Rapport de mission de compilation de projections financières ». Une autre option serait d'ajouter la nature précise des informations. « Rapport de mission de compilation d'informations financières prospectives (projections) » ou « Rapport de mission de compilation d'informations financières prospectives (prévisions) »

Cette modification aiderait les utilisateurs à identifier le type d'information financière compilée sans avoir à parcourir le contenu du rapport pour en déduire la nature.

8. **Êtes-vous d'accord que les exigences en matière de documentation sont appropriées? (paragraphe 44)**

Les membres n'ont fait aucun commentaire sur cette question.

9. **Quelles difficultés de mise en œuvre ou conséquences inattendues la NCSC 4250 [en projet] pourrait-elle entraîner, s'il y a lieu?**

Les membres n'ont fait aucun commentaire sur cette question.

10. **Êtes-vous d'accord que le délai de mise en œuvre proposé (au moins 18 mois) est suffisant? (paragraphe 14)**

Le groupe de travail est d'accord avec la durée minimale de 18 mois pour la mise en œuvre de la NCSC 4250, estimant que ce délai est raisonnable pour permettre aux cabinets d'intégrer les nouvelles exigences dans leurs pratiques. Cependant, le groupe souligne l'importance de permettre une application anticipée de la norme et recommande de le préciser explicitement dans le texte.

Considérant que la NOV-16 est désuète et que cette nouvelle norme apportera une plus grande clarté et rehaussera l'uniformité des pratiques relatives à la réalisation des missions de compilation d'informations financières prospectives (IFP) et d'informations pro forma, ainsi que des rapports connexes, la totalité des membres du groupe juge qu'il serait pertinent et utile de pouvoir appliquer la norme de façon anticipée.

Un membre du groupe de travail précise qu'il est important que le délai de 18 mois débute non pas à la date d'adoption du texte final, mais à la date de publication des textes finaux en anglais et en français, assurant ainsi leur disponibilité simultanée dans les deux langues.

11. Selon vous, y a-t-il d'autres points qui devraient être portés à la connaissance du CNAC avant la mise au point définitive de la NCSC 4250 [en projet]?

Certains membres du groupe ont relevé des différences dans le texte de la NCSC 4250 et NCSC 4200. Par souci de cohérence et pour éviter toute confusion, il serait préférable que la terminologie utilisée pour exprimer des exigences identiques soit la même dans les deux normes.

Par exemple, le paragraphe 17 de la NCSC 4250 fait référence à « l'exercice de l'expertise comptable » dans la définition des « exigences déontologiques pertinentes » alors que la NCSC 4200 ne le fait pas. Considérant que cette expression pourrait se retrouver dans certaines règlementations provinciales, il serait préférable d'utiliser le texte de la NCSC 4200.

Les tableaux ci-dessous illustrent les différences. Les versions anglaises ont aussi été comparées pour bien cerner les différences.

4250.17 l) «règles de déontologie pertinentes», les règles de déontologie auxquelles l'équipe de mission et le responsable de la revue de la qualité de la mission sont soumis lors de la réalisation de missions de compilation, **<u>qui sont définies dans les règles ou codes de déontologie pertinents applicables à l'exercice de l'expertise comptable</u>** et publiés par les différents organismes professionnels comptables, ou d'autres exigences professionnelles (ou des exigences légales ou réglementaires) à tout le moins aussi rigoureuses;	**4250.17 (m)** Relevant ethical requirements – Ethical requirements, which the engagement team and engagement quality reviewer are subject to when undertaking compilation engagements, **<u>are set out in relevant rules of professional conduct/code of ethics applicable to the practice of public accounting,</u>** issued by various professional accounting bodies, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding
4200.16(c) «règles de déontologie pertinentes», les règles de déontologie auxquelles l'équipe de mission est soumise, **<u>qui sont définies dans les règles ou codes de déontologie publiés par les différents organismes professionnels comptables</u>**;	**4200.16(c)** Relevant ethical requirements – Ethical requirements, which the engagement team is subject to, **<u>are set out in rules of professional conduct/code of ethics</u>** issued by the various professional accounting bodies.

En ce qui concerne l'indépendance, il ne semble pas justifié d'utiliser des libellés différents dans la NCSC 4250 et la NCSC 4200.

4250.A22 Les règles de déontologie pertinentes n'exigent pas que le professionnel en exercice soit indépendant de l'entité pour pouvoir réaliser une mission de compilation. Cependant, les règles de déontologie pertinentes peuvent exiger l'ajout d'une mention dans le rapport de mission de compilation **dans les situations où le professionnel en exercice peut être perçu comme manquant d'indépendance**.	**4250.A22** Relevant ethical requirements do not require the practitioner to be independent of the entity for a compilation engagement. However, the relevant ethical requirements may require disclosure in the compilation engagement report **when the practitioner may be considered to be lacking independence.**
4200.A14 Les règles de déontologie pertinentes n'exigent pas que le professionnel en exercice soit indépendant de l'entité pour pouvoir réaliser une mission de compilation. Cependant, **dans les situations où le professionnel en exercice serait perçu par un observateur raisonnable comme manquant d'indépendance**, les règles de déontologie pertinentes peuvent exiger l'ajout d'une mention dans le rapport de mission de compilation.	**4200.A14** Relevant ethical requirements do not require the practitioner to be independent of the entity for a compilation engagement. However, **when the practitioner may be seen by a reasonable observer as lacking independence,** the relevant ethical requirements may require disclosure in the compilation engagement report.

January 6, 2025

SENT ELECTRONICALLY

Karen DeGiobbi, CPA, CA
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Toronto, ON M5V 3H2

Dear Ms. DeGiobbi,

RE: Exposure Draft – Proposed Canadian Standard on Related Services (CSRS) 4250 Compilation Engagements on Future-oriented Financial Information and Pro Forma

Thank you for the opportunity to provide input to the Auditing and Assurance Standards Board (AASB) on the above noted Exposure Draft (ED).

MNP LLP (MNP) is one of Canada's largest chartered professional accountancy and business advisory firms. Our clients include a wide variety of businesses and enterprises representing the mid-market segment in Canada, including small to mid-sized owner-managed businesses in agriculture, agribusiness, retail and manufacturing, medical and legal professionals, not-for-profit organizations, Indigenous, municipalities and other public sector entities, credit unions and co-operatives. We believe that we are well-positioned to provide feedback on this ED.

1. **Do you agree with the scope of proposed CSRS 4250, including the exclusions?**

   Yes, we agree with the scope of proposed CSRS 4250. MNP performs engagements to compile future-oriented financial information (forecasts and projections) and we agree these engagements would appropriately fall within the scope of the proposed standard.

   In addition, we agree with the scope exclusions outlined in paragraph .2 which provide a clear and succinct outline of out-of-scope services. MNP often provides business advisory services that may involve preliminary conversations with management about future fiscal periods but which, in our view, do not constitute an engagement to compile future-oriented financial information. We appreciate the clarification provided by the scope exclusions paragraph and related application material, which is useful in supporting our evaluation of whether business advisory services provided are in scope of the proposed standard.

However, we are concerned that the restriction in paragraph .3, which states that attaching any sort of communication to future-oriented financial information produced in the out-of-scope services of paragraph .2 would scope that work into proposed CSRS 4250. In our business advisory services, we often create sample future scenarios for discussion with the client. We believe we should be able to mitigate our firm's risk by including a limited disclaimer stating the work product is intended for discussion with management only. This should not bring our work into the scope of CSRS 4250 as full compliance may be cost-prohibitive for clients and not ultimately meet their needs. We suggest a guidance paragraph be included in the application material to this effect, allowing practitioners to apply professional judgment in regard to providing a limited disclaimer on services provided which are not intended to fall within the scope of the standard.

2. Do you agree that the considerations for engagement acceptance are appropriate?

Yes, we agree that the considerations for engagement acceptance are appropriate for the proposed standard. In our view, the engagement acceptance considerations appropriately leverage existing requirements of CSRS 4200 *Compilation Engagements* and incorporate reasonable incremental considerations specific to compiled future-oriented or pro forma financial information intended to be used by third parties.

3. Do you agree that the proposed definitions are appropriate?

Overall, we agree the proposed definitions are appropriate and provide clarity for the terms used in the standard. We suggest the AASB consider the following potential clarifications to the definitions:

- The definition in paragraph .17(f) for "hypothetical assumptions" could be expanded where it currently states "Such assumptions may not be supportable" in the second sentence, to state "Such assumptions may not be supportable but are plausible and consistent with the purpose of the engagement". We believe this would improve the understandability of the defined term and provide consistency between the definition of "best-estimate assumptions" and "hypothetical assumptions" so that the reader does not need to refer to the application material related to the "hypothetical assumptions" definition in paragraph .A45 to see the expectation for the appropriateness of management's hypothetical assumptions.
- The definition in paragraph .17(n) "third party" could be amended to "**An** individual…" rather than "**The** individual" to reflect that there may be more than one third party contemplated by the proposed standard. In multiple instances throughout the standard, the term third party is used in reference to a third party user of the compiled financial information, except in the instance in application material paragraph .A31 where the third party term is used in relation to an individual, organization or group who the entity may engage, transact or contract with.

4. **Do you agree that the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement?**

   In our view, the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement. It appropriately leverages existing requirements for the work effort of a compilation engagement from CSRS 4200 *Compilation Engagements* as the starting point and introduces reasonable incremental requirements specific to the performance of a compilation of future-oriented or proforma financial information. These requirements appropriately relate to the practitioner's responsibilities for the use of management's assumptions underlying the compiled financial information.

   We believe the work effort requirements in the proposed standard and the related guidance in the application material achieve an appropriate balance between providing sufficient direction to the practitioner, while also allowing the application of professional judgment by the practitioner given the nature and circumstances of the entity and engagement. Furthermore, we believe the work effort requirements are scalable for the size and complexity of an entity. Overall, it is our opinion that the work effort requirements of the proposed standard will promote greater consistency in the performance of these engagements while balancing the cost of the compilation engagement with the benefit to a user of the compiled financial information.

5. **Do you believe that the required notes in the compiled financial information will help with users' and reader's understanding of the information provided? If no, please specify which note disclosures are unclear or missing.**

   Yes. Overall, we believe the required note disclosures for the compiled financial information as outlined in the proposed standard will provide useful information for the understandability of users and readers. Although a greater number of disclosures are required under the proposed standard in comparison to a compilation of historical financial information, we believe the disclosure requirements provide necessary explanatory information to allow users to understand and interpret the financial information and to prevent it from being misleading to readers. Furthermore, the ability of the practitioner to apply professional judgment in determining significant assumptions provides a balance for ensuring note disclosures are informative and not overly onerous or cost prohibitive.

   In field-testing the new disclosure requirements for projections, we noted the examples provided for the disclosure of the purpose and hypothesis in the application material paragraph .A58 differed from our current disclosure practices. Currently, we present the hypothesis as a statement incorporating the impact of the hypothesis on the subject-matter information whereas the purpose of the projection refers to the intended uses of the projected financial information (e.g., for management purposes, for the purpose of obtaining financing, etc.). We recommend the AASB consider amending the example disclosure in paragraph. A58 to align with current disclosure practices.

6. **Do you agree that the content in the proposed compilation engagement report:**
    a. **Appropriately describes the nature and scope of the engagement and the responsibilities of management and the practitioner?**
    b. **Is informative, clear, and understandable?**

We agree with form and content of the proposed compilation engagement report. We believe the nature and scope of the engagement, as well as the responsibilities of management and the practitioner are clearly articulated in the report. Furthermore, we support the consistency between the format of the proposed report and the compilation engagement report under CSRS 4200 *Compilations Engagements* and anticipate this will provide greater understanding in the marketplace about the nature of the practitioner's work effort in preparing and presenting the compiled future-oriented or pro forma financial information.

7. **Do you agree the documentation requirements are appropriate?**

We agree that the documentation requirements are appropriate to support that the practitioner has fulfilled their responsibilities in accordance with the requirements of the proposed CSRS and that the engagement report on the compiled financial information is appropriate in the circumstances. The documentation requirements of the proposed CSRS provide greater clarity compared to the existing AuG-16 requirements and appropriately align with the practitioner's work-effort requirements to support their overall compliance with the proposed new standard.

8. **Do you agree that the proposed implementation period of at least 18 months is sufficient?**

We believe the 18-month effective date may be too short, especially considering translation requirements to develop and release firm methodology, enablement, and training for the new standard. A 24-month effective date would better benefit practitioners to allow time for quality implementation guidance, sufficient training, and effective change management. We acknowledge that earlier application of the new standard is still permitted for those who wish to implement the new requirements sooner.

9. **Are there any other matters that you think the AASB should be aware of as it considers finalizing proposed CSRS 4250?**

We recommend that the AASB link the effective date of the final standard to an engagement milestone other than the report date. Given the report date's late stage in the engagement, there is a risk the planned report date may be delayed due to unforeseen circumstances, causing an engagement which is planned to be performed under the existing standards to instead fall within the effective date of the new standard. By linking the effective date to an earlier engagement milestone, such as the date the terms of the engagement are agreed to with management or those charged with governance, the risk of a delay causing an engagement to be completed under an inappropriate standard is reduced.

Furthermore, this approach would be consistent with the effective date requirements of other Canadian standards for related services engagements, such as CSRS 4400 *Agreed-upon Procedures,* where the engagement period is not associated with an entity's regular financial reporting period.

We also support the ability for earlier application of the new standard and acknowledge this option also reduces the risk of an unintended delayed report date affecting the relevant standards or guidelines under which the engagement is performed.

Please contact Dana Ray (dana.ray@mnp.ca) if you would like to discuss our responses or if we can be of any assistance to the AASB on this project.

Yours truly,

MNP LLP

Dana Ray

Dana Ray, CPA

Partner, Assurance Professional Standards Group

December 9, 2024

Ms. Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto ON M5V 3H2

Dear Ms. DeGiobbi:

Re: Proposed Canadian Standard on Related Services (CSRS) 4250 – Compilation Engagements on Future-oriented Financial Information and Pro Forma

We welcome and thank you for the opportunity to comment on the Proposed CSRS 4250, Compilation Engagements on Future-oriented Financial Information and Pro Forma (hereinafter referred to as 'ED 4250').

Overview

We generally support the proposals in ED 4250, as we believe it will provide important updated guidance and clarity in the area of future-oriented financial information and pro forma information (both in terms of preparation and reporting thereon).

We also fully support the fact that the proposals in this ED are not to be applied when auditors are engaged to perform procedures in connection with pro forma financial information included in an offering document as part of a request to issue a comfort letter or to participate in a due diligence meeting relating to a securities offering under *Auditor Assistance to Underwriters and Others, Section 7200*.

However, considering the nature of the financial information that is the subject of ED 4250, i.e., the future-oriented financial information and pro forma which are prepared based on hypothetical and other assumptions, we believe there is a risk of an expectation gap (the same "expectation gap" that historically existed when compilation reports had previously been issued in connection with pro forma financial information that was included in an offering document) between what the user understands the practitioner has performed with respect to this engagement and what the practitioner has actually performed under an engagement to issue a compilation report.

For instance, as stated in the ED, a compilation report states that the practitioner *is not required to, and has not performed an audit or review, nor were they required to perform procedures to verify the accuracy or completeness of the information, or to evaluate the appropriateness of the assumptions/pro forma adjustments*. However, the footnotes to the forecast (as an example) must state that it is "*...prepared using management's best-estimate assumptions that are supportable and consistent with planned courses of actions for the period covered*...".

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We are concerned that this note disclosure (which forms part of the future-oriented financial information or pro forma financial information) may convey that the practitioner has performed more work with respect to management's stated assumptions than what is stated in the practitioner's compilation report.

The Board should consider whether the third party engaging the practitioner, as part of the engagement acceptance, should acknowledge to management their understanding of the level of work performed by the practitioner (i.e. the practitioner has not performed an audit or review, nor were they required to perform procedures to verify the accuracy or completeness of the information, or to evaluate the appropriateness of the assumptions/pro forma adjustment) as part of the engagement acceptance procedures (which could be added to paragraph 28) and also confirm to the practitioner through the engagement letter that such acknowledgment was obtained by management (which could be added to paragraph 30f).

Furthermore, we believe that the Board should also consider whether the *Application and Other Explanatory Material* with respect to paragraph 44 should include a paragraph on whether, in certain circumstances, it would be appropriate to restrict the use and distribution of the compilation report to the third party that has provided the acknowledgement discussed above (added to paragraph 28).

We also believe that the implementation material should be expanded to discuss the risks of an expectation gap as discussed above.

Response to specific questions

1. Do you agree with the scope of proposed CSRS 4250, including the exclusions? (Paragraphs 1-3 and A1-A5)

We agree with the scope of the proposed CSRS 4250, however, would like the Board to consider the following:

We noted that in ED 4250, we refer to "preparation and presentation" throughout the standard and in CSRS 4200, we refer only to preparation. It is not clear why the term "presentation" was added, and what more is expected to be done as a result of this change. If we believe that there is an expectation that more should be done by the practitioner, it would be useful to include what this is in the Application and Other Explanatory Material or in the implementation guidance, so the practitioner who are familiar with CSRS 4200 understands what additional procedures they are expected to perform as a result of this reference to "presentation" in CSRS 4250.

2. Do you agree that the considerations for engagement acceptance are appropriate? (Paragraphs 27-30 and A28-A37)

Refer to our comments in the Overview section of this letter which suggest that as part of the engagement acceptance, the third party should acknowledge to management their understanding of the level of work performed by the practitioner and whether this acknowledgement should be included in the engagement letter.

The considerations for engagement acceptance as specified in paragraphs 27-30 are largely aligned to the principles set out in paragraphs 24-25 of CSRS 4200, except for paragraph 28 which states that you could not accept the engagement for a projection or pro forma if a practitioner does not meet 28a) or b). We question whether the intention is to not allow third party access to projection and proforma if the third party is not in a position to request and obtain further information from the entity or agreed with management on the basis of accounting to be applied. It might be useful to explain in the implementation guidance why the practitioner would not be allowed to have pro forma or projection prepared in accordance with a basis of accounting described in paragraph 28ii).

Another point is the reference in paragraph 28ii) to basis of accounting comprising accounting policies consistent with the recognition and measurement principles of the general purpose framework expected to be applied in preparing and presenting the historical financial information for the future period, is this reference supposed to have the same meaning as paragraph 7a), if so should they be described the same way, if not then why should there be a difference.

Paragraph 30f) of the ED 4250, refers to the fact that *When the compiled financial information is intended to be used by a third party, the acknowledgment of management that the third party: (i) Is in a position to request and obtain further information from the entity; or (ii) Has agreed with management the basis of accounting to be applied in the preparation and presentation of the compiled financial information; or (iii) Is neither (i) nor (ii).* This does not seem to address the point that when neither (i) or (ii) are met, paragraph 28 requires that the compiled financial information is expected to be prepared and presented: (i) As a forecast, and not a projection or pro forma; and (ii) In accordance with a basis of accounting comprising accounting policies consistent with the recognition and measurement principles of the general-purpose framework expected to be applied in preparing and presenting the historical financial information for the future period. We believe if neither (i) and (ii) are not met that acknowledgement from management should include a reference to the fact that financial information is expected to be prepared and presented: (i) As a forecast, and not a projection or pro forma; and (ii) in accordance with a basis of accounting comprising accounting policies consistent with the recognition and measurement principles of the general-purpose framework expected to be applied in preparing and presenting the historical financial information for the future period.

Paragraph 30g)(iii) of ED 4250, requires *an acknowledgment of management or those charged with governance that if the compiled financial information is to be used by a third party, that the management understands that the compiled financial information should not be used by third parties other than those: a) Who are in a position to request or obtain further information from the entity; or b) Have agreed with management the basis of accounting applied in the preparation and presentation of the compiled financial information.* Again, this does not seem to address the point noted in the paragraph above.

3. Do you agree that the proposed definitions are appropriate? (Paragraphs 16-20 and A15-A20)

We agree with the proposed definitions, however, would request the Board to consider following:

The term 'future-oriented financial information' as defined in AuG-16 has been time tested and seems more detailed when compared with the definition in the ED 4250. For example, the AuG-16 definition is specifically referring to information about prospective results of operations, financial position and/or cash flows' as the basis for preparation of the future oriented financial information. It is not clear whether the current definition could result in a wider scope and whether that was the intention.

We believe that the definition of the **"effective date"** which is first mentioned in paragraph 17 should be included into the definition section of this standard instead of in the application material.

4. **Do you agree that the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement? (Paragraphs 31-38 and A38-A71)**

Yes, we agree with the work effort as required by ED 4250 is appropriate for the performance of a compilation engagement.

We would request the Board to consider if there is a need for specific inclusion on 'proforma adjustment' in paragraph 31 of ED 4250, unless the Board believes that reference to assumptions would be sufficient to cover 'proforma adjustments'.

5. **Do you believe that the required notes in the compiled financial information will help with users' and readers' understanding of the information provided? (Paragraphs 33 and A55-A59) If no, please specify which note disclosures are unclear or missing.**

Refer to the Overview section about our concerns around the impact of the notes on the expectation gap matter.

It is not clear whether the definition in paragraphs 7a) and 32a) requires to have all the related disclosure, for example if the framework used for the preparation and presentation of the historical financial statements is IFRS Accounting Standards, is the expectation that all the disclosure required by this framework would be required, or it would suffice if only recognition and measurement principles of the IFRS Accounting Standards were followed and only limited disclosure in respect of certain specific accounting policies would be needed. If the expectation is that measurement and recognition principles of the framework should be followed, then this should be made clearer in the standard. Paragraph 28 would be a better description of that framework than paragraph 7a). Also refer to question 2, for our comment on the inconsistency of the definition of the framework between paragraphs 7a) and 28ii).

6. **Do you agree that the content in the proposed compilation engagement report (paragraphs 42, A22, A73-A75, and Appendix 2): (a) Appropriately describes the nature and scope of the engagement and the responsibilities of management and the practitioner? (b) Is informative, clear and understandable?**

Although the compilation report appropriately described the nature and scope of the engagement and the responsibilities, refer to the Overview section of this letter for concerns around the expectation gap.

As suggested in the Overview section of this letter, we believe that the Board should consider providing additional application material about including restriction of use and distribution paragraph in the compilation report. There are several requirements around acceptance when the compilation report is intended to be used by third party, for example the third party is in a position of requesting and obtaining further information, we believe that providing application material on this topic would be relevant.

7. Do you agree that the documentation requirements are appropriate? (Paragraph 44)

We agree that documentation requirements are appropriate.

8. What implementation challenges or unintended consequences, if any, might proposed CSRS 4250 create?

We have noted a few areas where implementation guidance could be provided. Refer to the Overview section and questions 1 and 2 above for suggestions.

9. Do you agree that the proposed implementation period of at least 18 months is sufficient? (Paragraph 14)

Yes, no concern with the proposed implementation period.

10. Are there any other matters that you think the AASB should be aware of as it considers finalizing proposed CSRS 4250?

We request the Board to consider:

Consequential amendments to CSRS 4200 to ensure consistency in the terminology, procedures etc. as included in ED 4250. Examples include:

a. inclusion of 'engagement quality reviewer' as suggested in paragraph 17m) of ED 4250;

b. disclosure of accounting policies as required in paragraph 33 of ED 4250; and

c. documentation requirement as mentioned in paragraph 44a)/b) of the ED 4250, i.e., the intended use of the compiled financial information and the results of engagement acceptance; and the engagement letter or other suitable form of written agreement with management and 44(l), acknowledgment of responsibility by management or those charged with governance, as appropriate, for the final compiled financial information.

If you have any questions about any part of this response, we would be happy to explore this further with you by reaching out to Alex Young, at alex.young@pwc.com or 905 330 2755 or Sophie Gaudreault, at sophie.gaudreault@pwc.com or 416 816 8407.

Yours truly,

PricewaterhouseCoopers LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

January 7, 2025

Karen DeGiobbi, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

sent via email

Re: Exposure Draft on Proposed CSRS 4250

Compilation Engagements on Future-oriented Financial Information and Pro Forma

EXPOSURE DRAFT RESPONSE

On behalf of the Standards and Ethics Consultation Group (Working Group) of CPA Manitoba, CPA New Brunswick, CPA Newfoundland and Labrador, CPA Nova Scotia, and CPA Saskatchewan, we appreciate the opportunity to provide feedback on the Auditing and Assurance Standards Board (AASB)'s exposure draft on the proposed Canadian Standard on Related Services (CSRS) 4250, *Compilation Engagements on Future-oriented Financial Information and Pro Forma* and consequential amendments to CSRS 4200, *Compilation Engagements*.

The Working Group participants support the AASB's replacement of AuG-16 with a new standard to promote consistency in performing and reporting on compilation engagements on future-oriented financial information ("FOFI") and pro forma. Overall, the Working Group participants feel this is an excellent start to a very difficult project.

The Working Group responses to AASB's specific questions within the Exposure Draft are included below.

QUESTION 1

Do you agree with the scope of proposed CSRS 4250, including the exclusions? (Paragraphs 1-3 and A1-A5)

In general, the Working Group participants are in agreement with the scope of the proposed CSRS 4250, including the exclusions. The scope deals with both FOFI (forecast and projection) and proforma financial statements and the form and content of the compilation engagement report for both.

It would be important to ensure paragraph 2(b) remains in the proposed standard as more and more accounting firms are being contracted to act as a member of the finance department with controllership responsibilities.

Paragraph A3 currently uses the term "accounting" within the scope exclusion. The use of the term "accounting" may create some confusion as to whether an engagement to prepare a forecasted set of statements or proforma set of statements for a client with no compilation report attached would be excluded from the requirements of the proposed CSRS 4250. Additional clarity around the scope exclusions may be beneficial.

While defined in paragraph 17, clarity may be improved by introducing the terms "forecast" and "projection" within the scope of the CSRS (e.g., paragraph 1). This would create a clear linkage to Illustration 1 and Illustration 2 within Appendix 2.

One Working Group participant suggested moving the section for "Objectives" (paragraph 15) further up in the document to give the reader early context and understanding of when this standard will apply.

QUESTION 2

Do you agree that the considerations for engagement acceptance are appropriate? (Paragraphs 27-30 and A28-A37)

In general, the Working Group participants are in agreement with the considerations for engagement acceptance.

Paragraph 28 currently states that if neither (a) nor (b) are met, the practitioner shall not accept the engagement unless the compiled financial information is expected to be prepared and presented as (i) and (ii). Paragraph 30(f) requires an acknowledgement of management regarding third-party use. Paragraph 30(f)(iii) currently states: "Is neither (i) nor (ii)". This is confusing as to what management is acknowledging in this instance. Consider mirroring paragraph 28 within this clause for management acknowledgement.

Paragraph 30(e) indicates the engagement letter shall include a statement that the practitioner has no responsibility to update their compilation engagement report for events and circumstances occurring after the date of the compilation engagement report. Further, the compilation engagement report template also includes a paragraph stating that the practitioner has no responsibility to update the report for events and circumstances occurring after the date of the report. There is the potential that a report date may be subsequent to the date management has taken responsibility for the final version of the compiled financial information. However, there is no corresponding requirement currently proposed within the CSRS for the practitioner to identify events up to the date of the practitioner's report that require adjustment. Consideration should be given to adjusting this clause within the engagement letter and this paragraph within the engagement report to refer instead to events and circumstances occurring after the date management or those charged with governance have taken responsibility for the final version of the compiled financial information (and the effective date of the underlying assumptions accordingly).

Within paragraphs 27 and 30(c), consider if there would be a benefit in requiring management to clarify whether the compiled financial information is to be used internally only, or published for external use. The latter would increase the risk of the engagement and the practitioner would likely want to have this explicit awareness.

QUESTION 3

Do you agree that the proposed definitions are appropriate? (Paragraphs 16-20 and A15-A20)

In general, the Working Group participants are in agreement with the proposed definitions.

The use of the term "accounting policy" within the basis of accounting context may create some confusion as this term is typically used in reference to a general-purpose financial reporting framework (e.g., ASPE).

Paragraph 17(k) includes the definition for "pro forma base financial information (base financial information)". As the definitions are presented alphabetically and the term "base financial information" is used throughout the CSRS, it might be easier for the reader if this definition was presented in paragraph 17 as "base financial information (pro forma base financial information)" or, alternatively, if the term pro forma base financial information was used throughout the CSRS.

Paragraph 17(i) includes the definition for pro forma. Consider clearly differentiating between actual versus contemplated events, particularly in the documentation notes for the users of the financial information.

QUESTION 4

Do you agree that the work effort required by proposed CSRS 4250 is appropriate for the performance of a compilation engagement? (Paragraphs 31-38 and A38-A71)

The Working Group participants generally agree that the proposed work effort is appropriate.

QUESTION 5

Do you believe that the required notes in the compiled financial information will help with users' and readers' understanding of the information provided? (Paragraphs 33 and A55-A59) If no, please specify which note disclosures are unclear or missing.

In general, the Working Group participants support the inclusion of the required notes in the compiled financial information and agree that they will help the users and readers understand the information provided.

Additional clarity and guidance could be considered in paragraph A55(c) in reference to the term "highly sensitive" to avoid inconsistent application in practice.

Development of the proposed CSRS must take into consideration a practitioner's professional liability exposure in regards to actual impacts.

QUESTION 6

Do you agree that the content in the proposed compilation engagement report (Paragraphs 42, A22, A73-A75, and Appendix 2):

- ***(a) Appropriately describes the nature and scope of the engagement and the responsibilities of management and the practitioner?***
- ***(b) Is informative, clear and understandable?***

The Working Group participants support the proposed content of the compilation engagement report.

Consider enhancing disclosure to address management's responsibilities for best-estimate assumptions or pro forma base financial information, as appropriate.

Illustration 1 of Appendix 2 appears to contain a typographical error in paragraph five (i.e., "Further, since this the future-oriented financial information" should be updated to "Further, since this future-oriented financial information"). This would align with the current disclosure in Illustration 2 of Appendix 2.

QUESTION 7

Do you agree that the documentation requirements are appropriate (Paragraph 44)?

The Working Group participants agree that the documentation requirements are appropriate.

There may be a need for clear instructions for the practitioner to provide documentation of the business or industry risks that are associated with the entity. One Working Group participant suggested incorporating some kind of Representation Letter that requires signature of management acknowledging their responsibility for the accuracy and completeness of the information provided in their role in the engagement.

Within paragraph 33 or 44, the practitioner should know if management assumptions are derived from complex or predictive financial models or end-user computing and have a way to know the program or code is functioning as intended. Management should also be able to demonstrate accuracy and completeness of data inputs (financial and non-financial) used for assumptions, estimates, and pro-formas.

QUESTION 8

What implementation challenges or unintended consequences, if any, might proposed CSRS 4250 create?

The Working Group participants have identified the following challenges and/or unintended consequences:

- Practitioners may face challenges identifying the effect of the business or industry risks on the entity and providing for the same within the assumptions of future results and ensuring complete disclosure of information for user consideration.
- Inconsistent application of the proposed standard across firms and practitioners may result in a lack of comparability of information, disclosures provided, and work effort expended.
- Guidance may be required for practitioners in events where they become aware of significant events or changes in the economy or industry after the release of their report.
- Guidance may be required for practitioners who may be engaged to perform a CSRS 4250 and then a subsequent CSRS 4200 on the financial information for the same period. Third-party users or management themselves may be looking for explanations as to significant changes between the FOFI or pro forma and the actual results. Further, guidance may need to be provided on considerations regarding potential impacts on the practitioner's requirement to comply with relevant ethical requirements (e.g., addressing a potential bias or perceived lack of independence when preparing a CSRS 4200 when they have already reported on the financial information under a CSRS 4250).
- One of the main challenges with implementation will be to ensure practitioners are aware of the new standard and have the right level of experience and skills to interpret and apply the guidelines using professional judgment. Training may need to be provided to promote adoption and adherence to the standard.
- It might be helpful to have clearly documented escalation procedures or dispute management protocols which the practitioner could follow when there is disagreement or difficulty with management complying with requests for information.

QUESTION 9

Do you agree that the proposed implementation period of at least 18 months is sufficient? (Paragraph 14)

The Working Group participants feel that 18 months is an appropriate period of time.

QUESTION 10

Are there any other matters that you think the AASB should be aware of as it considers finalizing proposed CSRS 4250?

The Working Group participants have provided Appendix A as a listing of additional edits to be considered or modified to provide greater clarity within the CSRS.

CONTACT INFORMATION

This specific Exposure Draft response has been submitted with contributions from the following individuals:

- Carrie Carson, CPA, CA
- Sheila Filion, FCPA, FCA
- Ross Harwood, FCPA
- Amy Lunov, CPA, CMA
- Dale McErlean, CPA, CMA
- Tanya Scott, CPA, CGA
- Tiffany Sotkowy, CPA, CA

If you require any clarification regarding this response, please contact the Working Group leader, Marilyn Flaman, CPA at rules@cpask.ca.

Regards,

Marilyn Flaman, CPA

Associate Director, CPD and Monitoring
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APPENDIX A

Paragraph 9 – Consider referencing to Paragraph A14. Paragraph A14 applies to both Paragraph 8 and 9. Also, is the wording of Paragraph A14 what would be used in the note that is required in Paragraph 9?

Paragraph 10 – 13 – Authority of the CSRS – There is a lack of clarity as to the purpose and necessity of these comments. If required, consider placing them right after Paragraph 3 or at the end of the document.

Paragraph 15 – Objectives – This section is potentially redundant as this is already covered in Paragraphs 6 – 9.

Paragraph 17 – Definitions – If there was a definition for “Management” as being “Management or Those Charged with Governance, as appropriate”, then in a situation like Paragraph 30(g), the words “or those charged with governance” could be replaced with “Management” and the word “It” in Paragraph 30(g) (ii) and (v) could be replaced with ‘Management’. There are additional references throughout the CSRS where this could be applied.

Paragraph 30(v)e. – Consider deleting the “; and” and replacing with a “.” Same for Paragraph 33(h)(iii).

Paragraph 30(h) – Consider adding (Ref: A73-A75)

Paragraph 33(i) – An example of the wording for this caution to readers might be helpful. Should this caution appear in the report instead of the notes? It is an important one.

Paragraph 30 – 41 – All of these should be referenced to Paragraph A72.

Paragraph A1 – A complete set of financial statements – should add “including notes thereto.” Alternatively, a definition could be included in Paragraph 17 for the term: “complete set of financial statements.”

Paragraph A10 – Deficiencies identified – The working papers for the engagement should identify the deficiencies and factors considered by the engagement team and the practitioner in resolving the deficiencies.

Paragraph A12 – Assisting Management – Should a Representation Letter or some other document be required that obtains the signature of Management acknowledging their understanding that the Practitioner only assisted by providing advice and Management made the decisions?

After Paragraph A14 – Definitions – Consider deleting (Ref: Paragraph 19) and replacing with “*Management (Ref; Paragraph 19)*”

Paragraph A39 – Knowledge of the business risks of the entity, consider including frequency and cost of same as these are important when developing assumptions.

Paragraph A40 – Determining that information provided is not otherwise misleading sounds very much like an opinion. Presumably if the practitioner thought some information was misleading, they would request management make a change or notify the users. These options are already covered in the CSRS.

Paragraph A50 – This point might be better placed after Paragraph A36 so the reader has all of the information they need on agreeing to the engagement terms in one place.

Paragraph A63 – After all of the guidance that has been provided so far in this CSRS and assuming that the guidance has been followed by the practitioner, it is really hard to believe that this would occur. Consider providing an example of a situation to which this would apply.

Paragraph A64 – “the practitioner may consider the knowledge it obtained” – consider using another term rather than “it”. There is a general lack of clarity as to the expectation and purpose of this paragraph.