This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements.

PURPOSE OF THIS BASIS FOR CONCLUSIONS

This Basis for Conclusions provides a brief summary of the AASB's objectives in developing CSRS 4200, the public exposure and approval steps for this project and how the AASB dealt with significant matters arising from comments received in response to its Exposure Draft. This information is set out below.

BACKGROUND

CSRS 4200 replaces the following standard and guideline:

(a) Section 9200, COMPILATION ENGAGEMENTS; and

(b) ASSURANCE AND RELATED SERVICES GUIDELINE AuG-5, Compilation Engagements – Financial Statement Disclosures.

Section 9200 had not been significantly revised since 1987. Starting in 2011, the AASB conducted extensive consultations with representatives of the provincial accounting bodies, practitioners and lenders. These consultations identified several key public interest issues with Section 9200, which led the AASB to conclude that the Section is outdated and in need of replacement.

From 2015 through 2018, the AASB’s main activities on this project included:

(a) recruiting a task force to assist the AASB with analysis and recommendations related to development of a new standard on compilation engagements;

(b) seeking practitioners’ views, through an online survey and roundtables held across Canada, on various matters relevant to the development of a new standard on compilation engagements; and

(c) considering the work done in this area by other standard-setting bodies, such as the International Auditing and Assurance Standards Board and the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. These standard-setting bodies have each issued a revised standard on compilation engagements.

In September 2018, the AASB issued the Exposure Draft of CSRS 4200 (ED-4200). The AASB received 188 comment letters and heard from more than 140 stakeholders at roundtables held across Canada and from 26 lenders through an online survey. Discussion sessions were also held with stakeholders who field tested ED-4200 on a completed file. All comment letters to ED-4200 that were not requested to remain confidential were posted on the AASB’s webpage. All French language comment letters were translated and posted.

The AASB approved CSRS 4200 in October 2019. The Auditing and Assurance Standards Oversight Council confirmed that the AASB followed due process in developing CSRS 4200 and related consequential amendments prior to their issuance in the CPA Canada Handbook – Assurance.

PUBLIC INTEREST CONSIDERATIONS

The key public interest considerations in developing CSRS 4200 include:

• lack of clarity among practitioners about whether certain services fall within the scope of Section 9200;
• a gap exists between:
  ◦ the premise used in Section 9200 that the financial information is meant for use by management; and
  ◦ the reality of the current environment that compiled financial information is often provided to a third party;

• variability in the extent of work practitioners perform in compilation engagements and the level of documentation included in working paper files;

• a gap exists between:
  ◦ lenders’ perception of the extent of work practitioners perform in compilation engagements; and
  ◦ what is required by Section 9200; and

• lack of clarity among lenders as to the basis of accounting applied in the preparation of compiled financial information.

CSRS 4200 includes the following key features to address the public interest considerations:

• a scope that fits the current environment by more clearly addressing circumstances when the standard does and does not apply;

• requirements that set boundaries as to when it is appropriate to accept or continue an engagement to prepare compiled financial information that is intended to be used by a third party;

• requirements that establish the minimum work effort and documentation;

• a compilation engagement report that describes:
  ◦ the responsibilities of management and the practitioner; and
  ◦ the nature and scope of the engagement; and

• a requirement to describe in a note in the compiled financial information the basis of accounting applied in the preparation of the compiled financial information.

SIGNIFICANT MATTERS

The Scope of the Standard

Scope Exclusion – A Bookkeeping Service

1. Stakeholders generally supported the ED-4200 proposal to exclude from the scope of the standard financial information prepared by a practitioner engaged to perform a bookkeeping service. However, some stakeholders felt that the description of a bookkeeping service in the proposed application material was not sufficiently different from a compilation engagement. Specifically, the description indicated that a bookkeeping service may deliver system-generated financial information. Stakeholders asked for clarification of the phrase “system-generated financial information” in the context of a bookkeeping service as compared to a compilation engagement.

2. Some stakeholders thought that the reference to “system-generated financial information” in the description of a bookkeeping service should be removed, for the following reasons:
   (a) A practitioner can provide an entity with system-generated financial information that resembles compiled financial information but without having to comply with provincial regulations and professional standards applicable to compilation engagements.
   (b) Users may be misled by financial information resulting from a bookkeeping service as it will not be accompanied by a communication to explain the practitioner’s limited involvement.
3. In finalizing CSRS 4200, the AASB decided to:
   (a) retain the scope exclusion of a bookkeeping service in paragraph 2(c) of CSRS 4200; and
   (b) retain the reference to “system-generated financial information” in the description of a bookkeeping service in paragraph A3 of CSRS 4200 but add wording to clarify that no practitioner’s communication is included or attached to such financial information.

4. The AASB acknowledged that system-generated financial information may look like compiled financial information. Today's technology allows a practitioner or an entity’s management to easily generate financial information. However, a compilation engagement and a bookkeeping service are different in their activities and communication. The service an entity requests, including whether a communication is required to be attached to the financial information, determines whether the practitioner has been engaged to perform a compilation engagement or a bookkeeping service.

5. The AASB noted that paragraph 3 of CSRS 4200 provides an option to issue a communication on financial information prepared in a bookkeeping service if the practitioner decides to or if the entity requests it. However, in such circumstances, the only appropriate form of communication is a compilation engagement report and all the requirements of CSRS 4200 apply.

**Scope Exclusion – Tax Service**

6. ED-4200 proposed to exclude from the scope of the standard financial information prepared as part of another service a practitioner performed. The related proposed application material listed examples of “another service”, which included a service to assist in the preparation of tax forms. Stakeholders commented that this scope exclusion seems hidden in an example in the proposed application material. They felt that financial information prepared for use in a tax service is sufficiently common in practice that its exclusion from the scope of the standard should be made more prominent.

7. The AASB agreed to make the scope exclusion related to preparation of financial information for use in a tax service more prominent in the standard. Consequently, it moved this scope exclusion from the application material to the introduction section in paragraph 2(d)(i) of CSRS 4200 and used clearer wording taken from extant Section 9200.

8. Some stakeholders asked that CSRS 4200 make it clear whether financial information prepared for use in a tax service can be provided to management and still meet the scope exclusion. The AASB agreed to clarify its intention and revised paragraph A2 of CSRS 4200 to indicate that the scope exclusions apply only when the financial information prepared is limited to the circumstances in paragraph 2 of CSRS 4200. When the financial information is prepared for use in a tax service and for submission to management, CSRS 4200 will apply. This is because the submission of financial information to management is not covered by the scope exclusions in paragraph 2 of CSRS 4200.

**Public Sector Consideration**

9. A stakeholder asked that CSRS 4200 indicate whether financial information prepared by legislative auditors for inclusion in a schedule or other documents for submission to legislators or parliamentary committees is within the scope of CSRS 4200.

10. The AASB decided not to make a revision. The AASB believes that preparation of financial information by legislative auditors would typically be outside the scope of CSRS 4200 and stating this in CSRS 4200 was not necessary. Reasons why financial information prepared by legislative auditors would typically be outside the scope of CSRS 4200 include the following:
    (a) Legislative auditors are often engaged to prepare financial information to be used in another service, usually to support reporting of another engagement. Paragraph 2(d)(iii) of CSRS 4200 indicates that the standard does not apply to financial information prepared as part of another service performed by the practitioner.
(b) Legislative auditors are often engaged by a third party (not management) to perform services. Paragraph 24 of CSRS 4200 requires that the engaging party be management or those charged with governance, as appropriate.

Definitions of “Practitioner” and “Relevant Ethical Requirements”

11. Stakeholders who are Public Business Accountants (PBAs) or entities that use the services of PBAs expressed concern with the term “professional” included in the proposed definitions of “practitioner” and “relevant ethical requirements”. They indicated that the term “professional” under the statutory requirements in some provinces is reserved for Chartered Professional Accountants (CPAs). Therefore, they were concerned that including these proposed definitions in the standard will prohibit PBAs from performing compilation engagements.

12. The AASB decided to retain the term “professional” in the definitions of “practitioner” and “relevant ethical requirements”. It believes that application of CSRS 4200 requires a certain level of expertise. Therefore, it is appropriate that the term “professional” be included in the definitions of “practitioner” and “relevant ethical requirements” in paragraphs 15(a) and 15(c) of CSRS 4200, respectively. The AASB noted that the term “professional” is also used in the same definitions in Canadian Standard on Review Engagements (CSRE) 2400, Engagements to Review Historical Financial Statements.

13. In considering the PBAs’ concern, the AASB became aware that the statutory requirements and their interpretations regarding the use of the term “professional” varies by province. Addressing who can perform a compilation engagement is a provincial regulatory matter and not within the AASB’s mandate or the standards it sets.

Engagement Acceptance and Continuance

Practitioners’ Work Effort in Meeting the Engagement Acceptance and Continuance Conditions

14. ED-4200 proposed to require that certain conditions be met before accepting or continuing a compilation engagement when the compiled financial information is intended to be used by a third party. The conditions were that the third party:

(a) is in a position to request and obtain further information from the entity; or
(b) has agreed with management the basis of accounting to be applied in the preparation of the compiled financial information.

When these conditions are not met, ED-4200 proposed to require that the practitioner not accept or continue the engagement, unless the basis of accounting to be applied in the preparation of the compiled financial information is a general purpose framework.

15. Stakeholders had mixed views about the proposed conditions for accepting or continuing the engagement. Stakeholders who were supportive noted that these proposed conditions respond to the reality of the current environment, where it is common for compiled financial information to be used by a third party. By contrast, other stakeholders either opposed these proposed conditions or expressed various concerns about their practical application. Key concerns cited were as follows:

(a) Having knowledge of the third-party users may expose the practitioner to increased legal liability if the practitioner’s duty of care is extended to those third parties.
(b) Management’s distribution of the compiled financial information to third parties is not within a practitioner’s control. Therefore, the proposed conditions for accepting or continuing the engagement may not be effective in reducing the likelihood of compiled financial information being used in circumstances that may be inappropriate.
(c) There may be practical challenges in meeting the proposed conditions. For example,
management may not know at the time of engagement acceptance or continuance to whom it may distribute the compiled financial information. So it may be common for these conditions not to be met. As a result, stakeholders were concerned that there may be an increase in compiled financial information prepared in accordance with a general purpose framework compared to existing practice.

16. Many stakeholders cautioned against compiled financial information prepared in accordance with a general purpose framework. They commented that such compiled financial information increases the likelihood that users will place unwarranted reliance on the information. They also commented that the information and work effort required to prepare compiled financial information in accordance with a general purpose framework is significantly greater than what is required in performing a compilation engagement.

17. Many stakeholders, including those who supported the conditions for engagement acceptance and continuance, commented that ED-4200 did not include sufficient guidance on the work effort and documentation required to assess those conditions.

18. In finalizing CSRS 4200, the AASB reaffirmed its view that the standard should include conditions under which it is appropriate to accept or continue a compilation engagement when the compiled financial information is intended for use by a third party. The AASB noted that except in rare circumstances, compiled financial information is prepared in accordance with a basis of accounting that is not a general purpose framework. Such compiled financial information may not be appropriate for use by all third parties. Setting boundaries for accepting or continuing the engagement reduces the likelihood of practitioners performing the engagement when it may be inappropriate for the circumstances in which the compiled financial information is intended to be used.

19. The AASB recognized the need to provide clarity about the practitioner’s required work effort in meeting the conditions for accepting or continuing the engagement. To further support consistent application, the AASB decided on the following revisions:

(a) Redrafted paragraph 22(a) of CSRS 4200 to require that the practitioner make inquiries of management about the intended “use” rather than “use and distribution” of the compiled financial information. By removing the term “distribution”, it makes it clear that the practitioner is not required to know about the specific user to whom the compiled financial information may be distributed when considering whether to accept or continue the engagement. It is the knowledge of the intended use that is important when considering the conditions for accepting or continuing the engagement. New application material in paragraph A11 of CSRS 4200 explains that, in some cases, knowledge of the broad user group (e.g., current or potential lenders for borrowing purposes) rather than the specific user (e.g., ABC bank) may be sufficient when considering the conditions for accepting or continuing the engagement.

(b) Added the wording “according to management” to the preamble of paragraph 23 of CSRS 4200. This makes it clear that determining whether the conditions for accepting or continuing the engagement are met is based on management’s acknowledgment. The practitioner is not required to perform procedures to verify these conditions, as indicated in added paragraphs A17-A18 of CSRS 4200.

(c) Clarified paragraph A12 of CSRS 4200 regarding the circumstance when management is unable to inform the practitioner of the use of the compiled financial information.

(d) Added wording in paragraph A19 of CSRS 4200 to indicate that it is in rare circumstances that the compiled financial information is prepared in accordance with a general purpose framework.
Management Acknowledgment of Understanding Regarding the Use of the Compiled Financial Information By Third Parties

20. Some stakeholders suggested that CSRS 4200 should address practitioners' responsibilities when, after the compiled financial information has been issued, management wants to provide the compiled financial information to a third party not contemplated when accepting or continuing the engagement.

21. The AASB believes that CSRS 4200 should not impose an obligation on practitioners beyond the issuance of the compiled financial information. As stated in paragraph A38 of CSRS 4200, it is management, not the practitioner, that determines the distribution of the compiled financial information. The practitioner is required by paragraph 37(j) of CSRS 4200 to include in the compilation engagement report a caution to readers that the compiled financial information may not be appropriate for their purposes.

22. Nonetheless, the AASB agreed that the written agreement should include management's acknowledgment that it understands that the compiled financial information should not be used by third parties other than those who meet the conditions for accepting or continuing the engagement. Accordingly, a requirement in this regard was added in paragraph 25(e)(iii) of CSRS 4200.

Identifying and Describing the Basis of Accounting

Describing the Basis of Accounting in the Compiled Financial Information

23. ED-4200 proposed to require that the compiled financial information include a note that describes the basis of accounting applied in the preparation of the compiled financial information. Stakeholders had mixed views about this proposed requirement. Stakeholders who agreed with this proposed requirement felt that such a note will help users understand how the compiled financial information was prepared. Other stakeholders either opposed this proposed requirement or expressed various concerns about its practical application.

24. The most common reasons stakeholders cited for disagreeing with the requirement to describe the basis of accounting in a note in the compiled financial information were as follows:
   (a) The basis of accounting note could be inappropriately read as implying that the practitioner has performed work beyond that which is required for the compilation engagement. Consequently, users may place undue reliance on the compiled financial information. The expectation gap may widen between the practitioner’s responsibility in a compilation engagement and what the public believes it to be.
   (b) There is no guidance in ED-4200 on how to draft the basis of accounting note. Because the practitioner will need to apply considerable professional judgment in drafting the basis of accounting note, this may lead to a lack of consistency in practice. As a result, users may be confused.
   (c) The description of the basis of accounting in the note in the compiled financial information is redundant given the engagement acceptance and continuance conditions in paragraph 23 of CSRS 4200. These conditions require users to be able to request and obtain further information from the entity or to have agreed with management the basis of accounting. Therefore, such users have, or can obtain, information about how the compiled financial information was prepared.

25. In finalizing CSRS 4200, the AASB decided to retain the requirement in paragraph 28 of CSRS 4200 to include a note in the compiled financial information that describes the basis of accounting applied. The AASB believes that including such a note in the compiled financial information is in the public interest as it will help users understand how this information was prepared.
26. In considering the concerns raised by stakeholders, the AASB reached the following conclusions:

(a) The compilation engagement report is clear about the limitations of the compiled financial information, including that no assurance is provided. However, to further emphasize to users that selecting the basis of accounting is management’s responsibility, the AASB added wording in this regard in the compilation engagement report, as set out in paragraph 37(g)(ii) of CSRS 4200.

(b) It is not possible to achieve consistency in the notes describing the basis of accounting because it will depend on the facts and circumstances of the engagement, and practitioners’ use of professional judgment. Differences in the basis of accounting applied in preparing the compiled financial information exist in practice today and will continue with the use of CSRS 4200.

(c) The AASB disagrees with the comment that the inclusion of the basis of accounting in the note in the compiled financial information is redundant given the engagement acceptance and continuance conditions in paragraph 23 of CSRS 4200. It believes that such a note provides helpful information to all users, including users who are able to request and obtain further information from the entity or to have agreed with management the basis of accounting. For example:

(i) For third parties that are able to request and obtain further information from the entity, as required by paragraph 23(a) of CSRS 4200, the basis of accounting note helps them understand the compiled financial information. It also provides, if needed, a basis for asking for further information from the entity.

(ii) For third parties that have agreed with management on the basis of accounting to be applied, as required by paragraph 23(b) of CSRS 4200, the basis of accounting note confirms what was used to prepare the compiled financial information.

27. Many stakeholders, including those who supported the proposed requirement to describe the basis of accounting in the compiled financial information, indicated that providing examples and guidance is vital to help practitioners draft these notes. However, the example of a basis of accounting note that was provided in the Appendix of ED-4200 raised many questions.

28. The AASB decided not to provide any examples of basis of accounting notes within CSRS 4200 and removed the example included in the Appendix of ED-4200. The AASB noted that examples are very much dependent on the facts and circumstances of the engagement. These examples are best illustrated in non-authoritative guidance where they can be framed in the appropriate context of the nature of the entity and the intended use of the compiled financial information. They can also be updated more easily than if they are in a standard.

29. However, the AASB added guidance relating to the basis of accounting note, as follows:

(a) A new introduction paragraph 7 of CSRS 4200 that explains the purpose of including a description of the basis of accounting in the note in the compiled financial information.

(b) A new paragraph A29 of CSRS 4200 that explains how the description of the basis of accounting is influenced by what the practitioner believes will help users understand how the compiled financial information was prepared.

**Identifying the Basis of Accounting**

30. Prior to accepting or continuing the engagement, ED-4200 proposed to require the practitioner to:

(a) make inquiries of management regarding the basis of accounting to be applied in the preparation of the compiled financial information; and

(b) record that basis of accounting in the written agreement.
31. Some stakeholders expressed concern with the practicality of these proposed requirements, as follows:
   (a) The proposed requirement for the practitioner to make inquiries of management regarding the basis of accounting to be applied was not practical because management often does not have the knowledge or expertise to respond to such inquiries.
   (b) The proposed requirement to document the basis of accounting in the written agreement would create an administrative burden for practitioners. This is because the basis of accounting identified at the beginning of the engagement is preliminary and may change as the engagement progresses.

32. Some stakeholders also noted that the proposed requirements mentioned in paragraph 31 above were repetitive as they each required the practitioner to document the basis of accounting expected to be applied in the preparation of the compiled financial information.

33. The AASB agreed with these comments and made revisions to address the practical challenges stakeholders raised. In making revisions, the AASB affirmed its objective of requiring management to acknowledge the basis of accounting expected to be applied before the practitioner accepts or continues the engagement. While the practitioner may assist management in describing the basis of accounting, management retains responsibility for the compiled financial information and for selecting the basis of accounting.

34. The AASB made the following revisions to address the practical challenges stakeholders raised:
   (a) redrafted the requirement in paragraph 22(b) of CSRS 4200 to require the practitioner “to obtain an acknowledgement from management” rather than “making inquiries of management” of the basis of accounting expected to be applied;
   (b) added new paragraph A15 of CSRS 4200 to explain that management’s acknowledgment required in paragraph 22(b) of CSRS 4200 can be either written or oral; and
   (c) removed the requirement in paragraph 25(a) of ED-4200 to identify the basis of accounting in the written agreement. This proposed requirement was no longer necessary because:
      (i) management’s acknowledgment of the basis of accounting before accepting or continuing the engagement is obtained in amended paragraph 22(b) of CSRS 4200; and
      (ii) management’s responsibility for the final version of the compiled financial information, which includes the basis of accounting applied, is obtained in paragraph 33 of CSRS 4200.

Referring to a General Purpose Framework in Describing the Basis of Accounting in the Compiled Financial Information

35. ED-4200 proposed application material stating that it is inappropriate for the description of the basis of accounting in the compiled financial information to refer to a general purpose framework if the basis of accounting applied does not comply with all the requirements of that framework. Some stakeholders felt that this application material was too restrictive.

36. Stakeholders noted that there may be circumstances when the basis of accounting applied is based on, but does not fully comply with, a general purpose framework, such as accounting standards for private enterprises. In such cases, they felt that it may be more understandable for users to refer to a general purpose framework with modifications rather than describe the criteria used to determine measurement, recognition, presentation and disclosure of the items in the compiled financial information.

37. The AASB accepted these comments and revised paragraph A30 of CSRS 4200 to provide some flexibility in referring to a general purpose framework in the description of the basis of accounting. The application material cautions that it is inappropriate for the description of the basis of accounting to imply full compliance with such framework. It also reminds practitioners that a description of the basis of accounting that contains imprecise qualifying and limiting language is not an adequate description as it may mislead users of the compiled financial information.
Performing and Documenting the Engagement

Knowledge of the Entity’s Accounting System and Accounting Records

38. ED-4200 proposed to require that the practitioner obtain and document knowledge of the entity’s accounting system and accounting records, sufficient to be able to perform the compilation engagement. Many stakeholders suggested that the standard provide further guidance to help practitioners understand the nature and extent of this work effort and how it differs from a review engagement.

39. The AASB decided not to provide further guidance to paragraphs 27(b) and 39(b) of CSRS 4200, which require the practitioner to obtain and document knowledge of the accounting system and accounting records. The AASB noted that the nature and extent of work to be performed is a matter of professional judgment. It believes that examples of such work will be best illustrated in non-authoritative guidance, where they can be framed in the context of the nature of the entity and updated more easily than if they were included in the standard.

Knowledge of the Accounting Policies

40. ED-4200 proposed to require the practitioner to obtain and document knowledge of the accounting policies selected under the basis of accounting to be applied in the preparation of the compiled financial information. Some stakeholders associated the phrase “accounting policies selected” with an assurance engagement, indicating that the basis of accounting applied would be extensive.

41. The AASB acknowledged that the phrase “selected accounting policies” that was used in ED-4200 may have unintended consequences. The use of “selected” in this phrase may have suggested that it would be common for the basis of accounting applied in preparing the compiled financial information to contain choices of accounting policies, similar to what would be included in accounting standards for private enterprises. This was not the AASB’s intent. To prevent possible confusion, the AASB revised paragraph 27(c) of CSRS 4200 to make it clear that the basis of accounting may or may not include accounting policies. Paragraph 27(c) requires the practitioner to obtain knowledge of “the basis of accounting to be applied and, where applicable, the accounting policies used, in the preparation of the compiled financial information.”

Discussing with Management Significant Judgments for Which Assistance Has Been Provided

42. ED-4200 proposed to require that the practitioner discuss with management those significant judgments for which the practitioner has assisted in preparing the compiled financial information and document this discussion. Some stakeholders asked for guidance on the phrase “significant judgments” to help them assess which judgments should be discussed with management and the extent of required documentation.

43. The AASB decided not to provide further guidance on the phrase “significant judgments”. The interpretation of this phrase depends on the circumstances and any attempt to define it may be unduly restrictive. The AASB noted that guidance in paragraph A31 of CSRS 4200 provides examples of significant judgments.

44. However, the AASB recognized that additional clarification may assist practitioners to understand the intent of the discussion with management. Consequently, the AASB decided to describe in paragraph 29 of CSRS 4200 the purpose of the discussion with management (i.e., so that management understands the impact of the significant judgments on the compiled financial information and accepts responsibility for them). Adding the purpose of the discussion with management gives context to the documentation that may be appropriate.
Using the Phrases “Misleading” and “False or Misleading”

45. ED-4200 proposed to use the term “misleading” (rather than “false or misleading”) to describe the principle-based threshold a practitioner should consider when performing the engagement. Some stakeholders noted that it was confusing to refer to the term “misleading” in the requirements and “false or misleading” in the guidance when describing the relevant ethical requirements that the practitioner is required to follow.

46. The AASB reaffirmed that the term “misleading” is the appropriate description of the threshold of “wrongness” in compiled financial information to which a practitioner must react in a compilation engagement. The term “false” was left out because it may inappropriately suggest that a practitioner is required to search for errors or incomplete information, even when they are insignificant. Nonetheless, a practitioner’s ethical responsibility not to be knowingly associated with information that is false or misleading applies to all aspects of their work regardless of the service being provided.

47. However, the AASB accepted that referring to “false or misleading” in the proposed application material caused confusion with the reference to “misleading” in the proposed requirements of ED-4200. Consequently, the AASB removed the term “false or misleading” from the standard. Paragraph A32 of CSRS 4200 now reads, “In reading the compiled financial information, the practitioner may become aware of matters that cause such information to appear misleading. Relevant ethical requirements require the practitioner to not associate with such financial information.”

The Practitioner’s Report

Labeling the Compiled Financial Information “Unaudited”

48. ED-4200 did not include a proposed requirement to label each page of the compiled financial information as being unaudited, as required in extant Section 9200. Many stakeholders suggested that this requirement in extant Section 9200 should be retained in the new standard. Stakeholders felt that such labeling is an effective way to distinguish a compilation engagement from an assurance engagement.

49. The AASB decided not to make the suggested revision. The AASB acknowledged that practitioners have used such labeling for many years. However, the AASB believes that such labeling is not a key driver in informing users about the limitations of the compiled financial information. Consistent with reporting in an audit engagement and a review engagement, the compilation engagement report is the appropriate way to inform users of the limitations of the compiled financial information.

Length and Format of the Report

50. Some stakeholders expressed general concern that the proposed compilation engagement report and the review engagement report are similar in length and format. Consequently, users may misunderstand the compilation engagement as providing assurance.

51. The AASB evaluated the length and format of the compilation engagement report and decided not to revise it for the following reasons:
   (a) It would result in deleting information that is important to users.
   (b) The compilation engagement report’s resemblance to the review engagement report is unavoidable. Both types of engagements share some required reporting elements.
   (c) The compilation engagement report is factual and informative and, therefore, users should not be misled.
References to “CSRS 4200” and “Relevant Ethical Requirements” in the Report

52. ED-4200 proposed to require that the compilation engagement report include a statement that the practitioner performed the engagement in accordance with CSRS 4200 and complied with relevant ethical requirements.

53. Stakeholders who are PBAs or entities that use the services of PBAs expressed a common concern that the references to CSRS 4200 and relevant ethical requirements in the proposed compilation engagement report will prohibit PBAs from issuing such a report. In their view, statutory requirements restrict those who are not CPAs from referring to the CPA Canada Handbook – Assurance.

54. Other stakeholders expressed concerns that:
   (a) The reference to CSRS 4200 in the compilation engagement report would be meaningless to users. It may also lead some to believe that the practitioner has performed work beyond that which is required for the compilation engagement. Consequently, users may place undue reliance on the compiled financial information.
   (b) The wording that informs users that the practitioner is required to comply with relevant ethical requirements is unnecessary. Compliance is implicit in the work carried out by a member of a professional body.

55. In finalizing the compilation engagement report, the AASB decided to retain the wording that informs users that the practitioner performed the engagement in accordance with CSRS 4200 and complied with relevant ethical requirements. This wording is factual and provides appropriate transparency to users about the standard under which the engagement has been conducted.

56. In gathering more information about the PBAs’ concern, the AASB became aware that the statutory requirements and their interpretation regarding the practice of professional accounting varies by province. Addressing who can perform a compilation engagement is a provincial regulatory matter and not within the AASB’s mandate or the standards it sets.

Dating the Report

57. Some stakeholders asked for clarification on whether dating the compilation engagement report comes after management or those charged with governance acknowledges responsibility for the final version of the compiled financial information.

58. The AASB accepted the need for clarification. It revised paragraph 38 of CSRS 4200 to explain that the date the practitioner has completed the compilation engagement includes the date that management or those charged with governance acknowledged responsibility for the final version of the compiled financial information, as required by paragraph 33 of CSRS 4200.

Facts that Become Known After the Compiled Financial Information Has Been Issued

Amending the Compiled Financial Information

59. ED-4200 proposed to require that, if management amends the financial information and the practitioner provides a new compilation engagement report, the practitioner refer in the new report to a note in the amended compiled financial information that discusses the reason for the amendment of the previously issued compiled financial information. However, there was no requirement in ED-4200 to include such a note in the amended compiled financial information.

60. The AASB added a requirement in paragraph 35(a) of CSRS 4200 that when management requests the practitioner to amend the compiled financial information and issue a new compilation engagement report, the practitioner must include a note in the amended compiled financial information.
information describing the nature of the amendment. The AASB believes that it is necessary to communicate the nature of the amendment as it is relevant to users’ understanding of the amended compiled financial information.

**Advising Management to Inform Users that the Compiled Financial Information Has Been Amended**

61. ED-4200 included proposed application material suggesting that, if management amends the compiled financial information subsequent to the date it is issued, the practitioner advise management to inform users that the compiled financial information has been amended. The AASB decided to elevate this proposed application material to a requirement in paragraph 35(c) of CSRS 4200. The AASB believes that it is in the public interest to always advise management to inform users that the compiled financial information has been amended to prevent users from using misleading information.

**Compiled Financial Information Is Not Amended**

62. A stakeholder suggested that CSRS 4200 address the practitioner’s responsibility when the compiled financial information is not amended where the practitioner believes it needs to be amended. The AASB agreed with the stakeholder and added a new requirement in paragraph 36 and related application material in paragraph A36 of CSRS 4200.

**Effective Date**

63. ED-4200 did not propose an effective date, but rather indicated that the effective date will be at least 12 months after the issuance of the standard.

64. Some stakeholders expressed concern with a 12-month period to apply the new standard, for the following reasons:
   (a) The change from Section 9200 to CSRS 4200 will affect many practitioners and time is needed to raise their awareness.
   (b) Firms will need time to develop new methodologies and forms, and train staff.
   (c) Some stakeholders may need time to consider the implications on existing legislation.

65. The AASB accepted these comments and decided to defer the standard’s effective date to allow for a longer than 12-month period to apply the new standard. However, practitioners may use the new standard before the effective date because CSRS 4200 permits early application. The AASB believes that it is in the public interest to allow early application given the much improved CSRS 4200 compared to extant Section 9200. CSRS 4200 is effective for periods ending or after December 14, 2021.