

Chartered Accountants Ireland or CCAB-I material

Technical Alerts

TA 04/2022 - Chartered Accountants' Reports on The Compilation of Financial Information

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Technical Alert 04/2022 Compilation of Financial Information

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1. Background to compilations engagements

A financial statement compilation is a service to assist the management of a business in presenting its financial statements. This presentation involves no activities to obtain any assurance that there are no material modifications needed for the financial statements to be in conformity with the applicable accounting framework (such as GAAP or IFRS). Thus, a person engaged in a compilation does not use inquiries, analytical procedures, or review procedures, nor do they need to obtain an understanding of internal controls or engage in other audit or assurance procedures.

2. Guidance

Members undertaking compilation engagements should refer to **International Standard on Related Services 4410 (Revised) Compilation Engagements (ISRS4410)** for guidance on the completion of such engagements.

[https://www.ifac.org/system/files/publications/files/B011%202013%20IAASB%20Handbook%20ISRS%204410%20\(Revised\).pdf](https://www.ifac.org/system/files/publications/files/B011%202013%20IAASB%20Handbook%20ISRS%204410%20(Revised).pdf)

Below are a number of matters that may be helpful to an accountant in ROI/UK undertaking such an engagement.

3. Terms of engagement and professional ethics

As with all assignments an accountant should agree the terms of engagement in the form of an engagement letter as outlined in ISRS (Revised) 4410 (paragraph 24) and illustrated in [Appendix 1](#) to the standard.

An accountant performing any engagement is required to comply with any ethical and independence requirements as set out in ISRS (Revised) 4410 (paragraph 21). The relevant ethical requirements ordinarily comprise the IESBA code together with the Code of Ethics issued by Chartered Accountants Ireland which can be found on the institute website.

[The Code of Ethics - ..rteredaccountants.ie \(charteredaccountants.ie\)](http://www.charteredaccountants.ie)

4. Accountants Report

The inclusion of an Accountant’s Report is not compulsory but may be agreed as part of the engagement. The principles are outlined in paragraphs 39–41 of ISRS (Revised) 4410 and [Appendix 1](#) to this document contains examples of an accountant’s report for use in ROI/UK where the compilation is for a limited company.

There is no requirement to file a report with Companies House or with the Companies registry Office.

5. Legal requirements.

The table in [Appendix 2](#) provides some information on the legal requirements for companies in ROI and NI.

6. Unincorporated entities

Unlike the statutory financial statements of companies, there is no statutory requirement for the financial information of unincorporated entities to give a true and fair view.

The accountants discuss with clients the purpose and use of the financial information to be compiled and agree an appropriate basis and format for the compilation of the financial

information. The basis of preparation for the information needs to be clearly defined in order that accountants can compile the information presented.

7. Misleading financial statements

Financial statements prepared under the companies' acts are required to give a true and fair view. Without carrying out an assurance service, the accountants cannot form an opinion as to the truth and fairness of the view given by financial statements.

During the course of the engagement, however, matters may come to light which appear to indicate that the financial statements may be misleading. In such cases the accountants discuss the matter with the client with a view to agreeing appropriate adjustments and/or disclosures to be made in the financial statements. If the accountant forms a view that disclosures necessary for the financial statements to give a true and fair view (including those encouraged within the selected reporting framework) have not been made, the accountants will request the directors to include the relevant disclosures. Where there are departures from accounting standards and appropriate disclosures are made in the financial statements, the accountants may wish to highlight these disclosures in their report by way of an explanatory paragraph including the inappropriate use of the going concern basis or inadequate disclosure relating to going concern.

In other situations, the accountant may feel that they have not been provided with all the information required in order to compile the financial statements. The directors of a company are required by law to maintain adequate accounting records, and so in such circumstances they will request the directors to provide the missing information. The accountants may wish to draw attention to this matter in their report. (See [Appendix 1](#) example 2 for illustrative wording for such a report).

Appendix 1 Example Reports

- Example 1 Chartered Accountant's Report to the Board of Directors on the Compilation of the Unaudited Financial Statements of XYZ Ltd
- Example 2 Chartered Accountant's Report to the Board of Directors on the Unaudited Financial Statements of XYZ Ltd Containing an explanatory paragraph
- Example 3 Chartered Accountants'/Accountants' Report to [Entity] on the Unaudited Financial Information of XYZ

Example 1 Chartered Accountant's Report to the Board of Directors on the Compilation of the Unaudited Financial Statements of XYZ Ltd for the [year] period ended x/x/x

In accordance with the engagement letter dated x.x.y, and in order to assist you to fulfil your duties under the Companies Act 2014 [Companies Act 2006]¹, we have compiled the financial statements of the company for the year [/period] ended dd/mm/20yy [as set out on pages x-x/ which comprise [state the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses] and the related notes from the accounting records² and information and explanations you have given to us.

As a practising member [/member firm of] of the Institute of Chartered Accountants Ireland, we are subject to its ethical and other professional requirements which are detailed at [\[https://www.charteredaccountants.ie/Professional-Standards/Home\]](https://www.charteredaccountants.ie/Professional-Standards/Home)

This report is made solely to the Company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors, as a body, for our work, or for this report.

We have carried out this engagement in accordance with guidance issued by the Institute of Chartered Accountants in Ireland and have complied with the relevant ethical guidance laid down by the Institute of Chartered Accountants in Ireland.

You have acknowledged on the balance sheet for the year ended ... your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Act 2014. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

Signature

ABC

Chartered Accountants

Address

Date

Example 2 Chartered Accountant's Report to the Board of Directors on the Unaudited Financial Statements of XYZ Ltd Containing an explanatory paragraph

In accordance with the engagement letter dated x.x.y, and in order to assist you to fulfil your duties under the Companies Acts 2014,[Companies Act 2006]¹ we have compiled the financial statements of the company which comprise [state the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses] and the related notes from the accounting records² and information and explanations you have given to us.

As a practising member [/member firm of] of the Institute of Chartered Accountants Ireland, we are subject to its ethical and other professional requirements which are detailed at [\[https://www.charteredaccountants.ie/Professional-Standards/Home\]](https://www.charteredaccountants.ie/Professional-Standards/Home)

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile for your approval, report to the Company's Board of Directors that we have done so, and state those matters that we have agreed to state to them in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Board of Directors, as a body, for our work, or for this report.

We have carried out this engagement in accordance with guidance issued by the Institute of Chartered Accountants in Ireland and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet for the year ended ... your duty to ensure that the company has kept proper accounting records and to prepare financial statements that give a true and fair view under the Companies Acts 2014 (Companies Act 2006). You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

We draw your attention to note x in the financial statements which discloses and explains a departure from applicable accounting standards. [insert details of departure]

Signature

ABC

Chartered Accountants

Address

Date

Example 3 Chartered Accountants' Report to [Entity] on the Unaudited Financial Information of XYZ

In accordance with the engagement letter dated [date] we have compiled the financial information of [the entity] which comprises [state the financial information compiled, e.g. Profit

and Loss Account, the Balance Sheet, the Cash Flow Statement and, where relevant, the related notes] from the accounting records and information and explanations you have given to us.

The [financial information] has been compiled on the basis set out in note [x] to the [financial information].

This report is made to you, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the [financial information] that we have been engaged to compile, report to you that we have done so, and state those matters that we have agreed to state to you in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the [addressee of this report], for our work, or for this report.

We have carried out this engagement in accordance with guidance issued by the Institute of Chartered Accountants in Ireland and have complied with the Rules of Professional Conduct and the ethical guidance laid down by the Institute.

You have approved the [financial information] [where appropriate, insert period to which the financial information relates] and have acknowledged your responsibility for it, for the appropriateness of the accounting basis and for providing all information and explanations necessary for its compilation.

We have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial information.

Signature

ABC

Chartered Accountants

Address

Date

Appendix 2 legal requirements – Republic of Ireland and Northern Ireland

Reference	Republic of Ireland	Northern Ireland
General	Companies Acts, 2014	Companies Act, 2006
Requirement for Companies to keep accounting records / accounting records	Companies Act, 2014. Section 282.	Companies Act, 2006 Section 386
True and Fair accounts	289. Statutory financial statements to give true and fair view (1)The directors of a company shall not approve financial statements for the purposes of this Part unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position, as at the end of the financial year, and profit or loss, for the financial year -	393. Accounts to give true and fair view (1)The directors of a company must not approve accounts for the purposes of this Chapter unless they are satisfied that they give a true and fair view of the assets, liabilities, financial position and profit or loss - (a)in the case of the company’s individual accounts, of the company; (b)in the case of the company’s group

Reference	Republic of Ireland	Northern Ireland
		accounts, of the undertakings included in the consolidation as a whole, so far as concerns members of the company.
Entitlement to deliver modified accounts as a small / medium company	Companies Act, 2014 Section 280 and following	Companies Act 2006, Section 381–384
Audit Exemption Regulations	<p>Companies Act. 2014 Section 358</p> <p>The company must qualify as a “small company”. The company must not come within any of the 18 classes of companies listed in the Fifth Schedule to the 2014 Act. The company’s annual return, to which Financial Statements are attached, must be filed on time for the year in question and the previous year. (s.363 CA 2014)</p>	<p>Companies Act, 2006 Section 477</p> <p>477. Small companies: conditions for exemption from audit</p> <p>(1)A company that qualifies as a small company in relation to a financial year is exempt from the requirements of this Act relating to the audit of accounts for that year</p> <p>Companies excluded from small companies’ exemption</p> <p>A company is not entitled to the exemption conferred by section 477 (small companies) if it was at any time within the financial year in question—</p> <p>(a)a public company,</p> <p>(b)a company that—</p> <p>(i)is an authorised insurance company, a banking company, an e-money issuer, [F1a MiFID investment firm] or a UCITS management company, [F2or]</p> <p>(ii)carries on insurance market activity, or</p> <p>[F3(iii)is a scheme funder of a Master Trust scheme within the meanings given by section 39(1) of the Pension Schemes Act 2017 (interpretation of Part 1), or]</p> <p>(c)a special register body as defined in section 117(1) of the Trade Union and Labour Relations (Consolidation) Act 1992 (c. 52) or an employers’</p>

Reference	Republic of Ireland	Northern Ireland
		<p>association as defined in section 122 of that Act or Article 4 of the Industrial Relations (Northern Ireland) Order 1992 (S.I. 1992/807 (N.I. 5))</p>
<p>Summary of qualifying Conditions for a Small company – must satisfy two or more of the conditions.</p>	<p>Balance Sheet total does not exceed €6m Turnover does not exceed €12m Average number of employees does not exceed 50 See Section 35</p>	<p>Balance Sheet total does not exceed €5.1m Turnover does not exceed €10.2m Average number of employees does not exceed 50 Refer to Companies Act 2006, sections 381 to 384</p>
<p>Audit Exemption statement to be included on the Balance Sheet</p>	<p>When claiming BOTH audit exemption and the small company (abridgement) exemption: I/We, as director(s) of (company name), state that: (a)the company is availing itself of the exemption provided for by Chapter 15 of Part 6 of the Companies Act 2014, (b)the company is availing itself of the exemption on the grounds that the conditions specified in s.358 are satisfied, (c)the shareholders of the company have not served a notice on the company under s.334(1) in accordance with s.334(2), (d)we acknowledge the company’s obligations under the Companies Act 2014, to keep adequate accounting records and prepare Financial Statements which give a true and fair view of the assets, liabilities and financial position of the company at the end of its financial year and of its profit or loss for such a year and to otherwise comply with the provisions of Companies Act 2014 relating to Financial Statements so far as they are applicable to the company,</p>	<p>For the year ending [your company’s year-end date], the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies’ regime.</p>

Reference	Republic of Ireland	Northern Ireland
	<p data-bbox="496 248 858 651">*(e)the company has relied on the specified exemption contained in s.352 Companies Act 2014; and has done so on the grounds that the company is entitled to the benefit of that exemption as a small company and the abridged Financial Statements have been properly prepared in accordance with s.353 Companies Act 2014.</p> <p data-bbox="443 667 719 701">On behalf of the board:</p> <p data-bbox="443 719 778 752">TYPED Name of Signatory:</p> <p data-bbox="443 770 544 804">Director</p> <p data-bbox="443 822 507 855">Date:</p> <p data-bbox="443 873 778 907">TYPED Name of Signatory:</p> <p data-bbox="443 925 544 958">Director</p> <p data-bbox="443 976 507 1010">Date:</p> <p data-bbox="443 1028 847 1314">(*In the above statement, use sections (a)–(d) if claiming audit exemption and add section (e) if claiming the small company/abridgement exemption. A small company can claim either or both exemptions in their Financial Statements if they qualify.</p>	

1 Delete as appropriate

2 In the context of companies registered in accordance with the Northern Ireland legislation, substitute throughout the words “books of account” with “accounting records”.