

# International Standard on Related Services 4410 (Revised) Compilation Engagements

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The International Standard on Related Services 4410 (Revised) Compilation Engagements superseded CPA Ireland's Miscellaneous Technical Statements – M14 (Revised) Compiling and Reporting on Financial Statements of Entities not subject to Audit with effect from 1 June 2024.

The adoption of this standard will assist members in compiling and reporting on financial statements of entities not subject to audit and thus provides a more robust framework for members to implement.

Both CPA Ireland and Chartered Accountants Ireland have issued guidance on the use of ISRS 4410 (Revised).

## What is a Compilation Engagement?

A compilation is a non-assurance engagement.

The standard defines a compilation as *"an engagement in which a practitioner applies accounting and financial reporting expertise to assist management in the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by this ISRS"*.

There are three main parties in a compilation engagement:

- 1. Management and Those Charged with Governance (TCWG)** – responsibility for preparation and presentation of the financial statements in accordance with the applicable financial reporting framework (such as FRS 102, S1.A FRS 102, FRS 105).
- 2. Practitioner** – compiles the financial statements using the records, documents, explanations, and other information, including significant judgments, provided by management.
- 3. Intended Users** – Investors, lenders, government agencies, suppliers and

the public are likely to associate the practitioner with the financial statements.

A compilation engagement would typically be provided by a firm for audit exempt entities and unincorporated entities.

## Top twenty key considerations in accepting, performing and reporting on a compilation engagement

### 1. Understanding of the ISRS 4410 (Revised) Standard

Ensure every member of the engagement team has a sufficient understanding of the standard and its requirements appropriate to their role within the engagement.

### 2. Ethical Requirements

When performing any professional service, members are required to comply with ethical requirements as set out within both CPA Ireland and Chartered Accountants Ireland regulations.

### 3. Professional Judgment, including Objectivity and Independence

In exercising professional judgment practitioners are required to apply their training, knowledge, and experience to the known facts and circumstances of the particular engagement.

Objectivity and Independence should be maintained in all engagements. There are certain factors, which by their nature are a threat to objectivity in any professional role and appropriate safeguards should be considered. Areas of risk include:

- Family & other relationships
- Loans
- Goods and services
- Beneficial interests in shares and other investments
- Acting as a business advisor and investing in or sponsoring or promoting shares

### 4. Competence

A compilation engagement may only be accepted by (or assigned by the firm to) an engagement partner who has the professional competence to perform the work required.

Competency in financial reporting is necessary to ensure the requirements of the applicable financial reporting framework (FRS 102, S1.A FRS 102, FRS 105) are understood in sufficient detail to understand the reporting requirements.

### 5. Quality Control Policies and Procedures for Compilation Engagements

The engagement partner takes the overall responsibility for the quality of each compilation engagement being performed in accordance with the firm's quality control policies and procedures.

It is important that the engagement team collectively has the appropriate competence and capabilities to perform compilation engagements in accordance with firm's quality control policies and procedures.

### 6. Appropriateness of Engagement

In exercising professional judgment, the practitioner must consider whether accepting such an engagement would

be appropriate. The practitioner must also determine the nature of the engagement so that the appropriate service is provided. Once engagement has been accepted the practitioner issues Letter of Engagement.

### 7. Understand the Entity & Governance Structure

The practitioner shall obtain an understanding on the entity's business and operations, including the entity's accounting system and accounting records, this provides a frame of reference for planning and performing the compilation engagement.

### 8. Applicable Financial Reporting Framework

Management shall determine the relevant financial reporting framework to apply to the compilation engagement namely FRS 102, S1.A FRS 102, FRS 105. The companies Act 2014 prescribes the criteria for application of relevant financial reporting including appropriate company size thresholds.

### 9. Agree Terms of Engagement via Letter of Engagement

To avoid misunderstandings when

carrying out a compilation engagement it is in the interests of all parties (TCWG, management and the practitioner) that the terms of the engagement are clearly documented in an engagement letter signed by management or TCWG, as appropriate prior to performing the engagement.

### 10. Obtain appropriate work programme

For completeness when carrying out the compilation engagements it is recommended to have an appropriate work programme in use for audit exempt and unincorporated entities. This will aid in ensuring all areas of compliance are actioned and appropriate work is documented. These can be obtained from via CPA Ireland, Chartered Accountants Ireland or a Third-Party Training Provider.

### 11. Develop an action plan for carrying out the compilation engagement

The development and documentation of an action plan when carrying out the compilation engagement will ensure overall completeness of the compilation engagement. Members should plan the work so that the engagement is

conducted in an effective, efficient and timely manner. Plans should be based on knowledge of the client's entity and the complexity of the company's books of account and the accountants' experience of the business. A record of this planning should be retained on the engagement file.

### 12. Communications with Those Charged with Governance (TCWG)

Constructive working relationships with TCWG and the practitioner is vital for every compilation engagement. Modes of communication include oral, written, zoom, Microsoft teams etc. The practitioner communicates with TCWG on findings and other matters in relation to the compilation engagement.

### 13. Consider Materiality in the context of the Applicable Financial Reporting Framework

In general, misstatements, including omissions are considered material if they individually or in aggregate, could reasonably be expected to influence the economic decision of users on the basis of the information. Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of the misstatement, or a combination of both. The practitioner's perception of the needs of users of the financial information affects the practitioner's view of materiality. Amendments to the compiled financial statements may be required for the financial statements not to be materially misstated.

### 14. Type and nature of procedures in carrying out the compilation engagement in tailored circumstances

The practitioner has discussions with TCWG to obtain an understanding of the business and operations as well as to gain familiarity with the accounting principles and practices of the sector in which the entity operates. The practitioner will make requests from management for further information in response to incomplete, inaccurate or otherwise unsatisfactory information. If the practitioner becomes aware during the course of the engagement that:



- The compiled financial statements do not adequately refer to or describe the applicable financial reporting framework
- Amendments to the compiled financial statements are required for the financial statements not to be materially misstated; or
- The compiled financial statements are otherwise misleading, amendments will be proposed to management.

## 15. Misleading Financial Statements

If, in the course of the compilation engagement, the practitioner becomes aware that the records, documents, explanations or other information, including significant judgments, provided by management for the compilation engagement are incomplete, inaccurate or otherwise unsatisfactory, the practitioner shall bring that to the attention of management and request the additional or corrected information.

## 16. Supervision and Review

The firm through their quality control procedures for compilation engagements should develop policies and procedures to ensure that the work of less experienced engagement team members be supervised and reviewed by a more experienced engagement team member.

## 17. Documentation & File Assembly

The basic principles to consider when preparing file documentation is to ensure it is:

- Well organized illustrating the work performed and who performed the work
- Adequate file structure, including referencing and cross-referencing
- The results of the work, as well as any significant matters that arose and how they were addressed during the compilation engagement.
- Copies of supporting and/or other third-party documentation on file for significant items. For example, asset additions could be supported by copies of invoices and/or finance documentation.

A work program for each compilation

engagement is recommended.

The practitioner is required to document all completed work. This is to ensure, where the quality of the accountant's work is challenged or subject to a review by CPA Ireland or Chartered Accountants Ireland, documentation is available to provide evidence that the engagement was carried out in accordance with the basic principles for such an engagement.

The file assembly should be in line with the firm's quality control policies and procedures. For example, the timeline for final assembly could be 60 days after the date of the engagement report.

## 18. Forming and wording of the Compilation Report

Guidelines for the form and wording of the Compilation Report can be found on both the CPA Ireland and Chartered Accountants Ireland websites.

## 19. File Completion Checklist

For completeness a file completion checklist should be filled out and evident on file. This can be found primarily within the Work Programs purchased via CPA Ireland, Chartered Accountants Ireland or alternatively a Third-Party Training Provider.

## 20. Issuing of Final Agreed and Signed Financial Statements

The directors of companies have a statutory responsibility for the 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 as well as entitlement of the company to audit exemption and these should be approved and signed by the directors before the Accountant's Report is signed.

The practitioner should obtain a declaration of the client's responsibility for the appropriate presentation and adequacy of information disclosed within the financial statements. Care should be taken to ensure that the date of the Accountant's Report is the same as the date of the client's declaration.

The compiled financial statements should contain a reference such as

"Unaudited", or "Refer to Compilation Report", on each page of the financial statements or at the front of the complete set of financial statements.

## 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 basis of preparation for the information should be clearly defined in order that the accountant can compile the information for presentation. The basis should be clearly disclosed in the financial statements in a basis of preparation note. For example, the basis used to compile the financial statements may be agreed as being one which provides sufficient and relevant information to enable the completion of a tax return.

## Conclusion

Compilation engagements conducted by firms should be carried out with these considerations in mind to assist with the completion of compliant and good quality engagement files which support the financial statements prepared in accordance with applicable Financial Reporting Framework.

Appropriate Work programs tailored to each client supported by clear quality management policies and procedures for completing compilation will also assist in top quality compilation engagements.



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