

AT A GLANCE

APES 315 Compilation of Financial Information ED

April 2014

APES 315 Compilation of Financial Information (Exposure Draft 01/14)

APES 315 ED At A Glance provides an overview of the key proposed revisions to the existing APES 315 (2009).

Objective:

APESB is issuing APES 315 *Compilation of Financial Information* Exposure Draft (APES 315 ED) to revise the existing APES 315. APESB initiated the project to revise the existing APES 315 due to the International Auditing and Assurance Standards Board's (IAASB's) revision of ISRS 4410 *Compilation Engagements* (ISRS 4410).

Proposed Operative Date:

The proposed APES 315 will be applicable for Engagements commencing on or after 1 April 2015 with early adoption permitted.

For More Information:

Visit the APESB's website www.apesb.org.au for more information on the project's history and the Exposure Draft.

Next Steps:

APESB is seeking feedback from stakeholders to inform its revision of the existing APES 315. APES 315 ED is open for public comment until 20 June 2014

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What are the Objectives of an Engagement to compile Financial Information?

The objectives of an Engagement to Compile Financial Information are to assist a Client with the preparation and presentation of the Client's financial information, without expressing any assurance on the information and where applicable to report in accordance with the requirements of this Standard.

This includes Compilation Engagements (as defined in APES 315 ED) which are in accordance with an Applicable Financial Reporting Framework or Compliance Framework and other Engagements where a Member in Public Practice compiles financial information.

Where a Member in Public Practice performs a Compilation Engagement, the Member will generally issue a Compilation Report. Examples of **Compilation Reports** are given in **Appendix 2**.

Where a Member in Public Practice compiles financial information which is not within the scope of a Compilation Engagement, APES 315 ED proposes that the Member issue an Accountant's Report and Disclaimer. A typical example of this kind of Engagement is an Engagement to compile Financial Statements which is to be used as a basis to prepare the entity's annual tax return.

*An example of an **Accountant's Report and Disclaimer** is in **Appendix 3** to APES 315 ED.*

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Why APESB used the existing APES 315 as the base standard rather than ISRS 4410?

APESB has determined to enhance the existing APES 315 by incorporating additional requirements and guidance based on the revised ISRS 4410 as opposed to revamping APES 315 to mirror the structure and drafting style of the revised ISRS 4410. The matters which the APESB considered in its decision to use the existing APES 315 (2009) as the base standard are:

- IAASB's previous version of ISRS 4410 was issued in 1990 and modified in 1994. Between 1990 and 2012, most jurisdictions (USA, UK, Australia and New Zealand) developed their own version of the Compilation Engagement Standard that was more advanced than the previous ISRS 4410. As a result different practices emerged and each jurisdiction tailored the Compilation Engagement Standard to suit their own jurisdiction. Thus these jurisdictions were ahead of the development process for Compilation Engagements compared to the IAASB.
- Further Clients and entities that use compilations are private companies and small business entities. Consequently, unlike Audit Engagements where there are uniform international practices, the approach to Compilation Engagements is more varied across jurisdictions to reflect local practice and the local legislative environment. Hence, major jurisdictions such as USA, UK and Canada to date have not adopted ISRS 4410 verbatim and in the same format. The likely outcome is that, these jurisdictions will evaluate the revised ISRS 4410 and ensure that their standard is not less than ISRS 4410.

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- In addition, the existing APES 315 has been effective since 1 January 2009. Consequently, Members in Public Practice in Australia who perform Engagements to Compile Financial Information are familiar with the existing APES 315. Further a significant amount of content in APES 315 was from the predecessor standard APS 9 *Statement on Compilation of Financial Reports* which was issued in 1996.
- ISRS 4410's structure and drafting conventions differs to APES 315's existing structure as well as to APESB's drafting conventions. Since, there has been no significant issues reported with APES 315's existing structure and drafting conventions, APESB determined that the Board needs to comply with its own [*Due Process and Working Procedures*](#) and that it is imperative that the suite of APESB Standards follow the same structure and drafting conventions. The majority of Members in Public Practice who perform Engagements to Compile Financial Information will be national Firms, SMPs or sole practitioners who will benefit from the continuation of the existing Australian approach.
- Furthermore, the existing APES 315 is more stringent whereby Members must follow the mandatory requirements of APES 315 when they undertake Engagements to Compile Financial Information whereas, ISRS 4410's scope is flexible and limited to a practitioner who assists management with a compilation and applies only in circumstances where the practitioner is reporting in accordance with the revised ISRS 4410.

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How does the Reporting Framework diagram provide guidance to members in Public Practice?

The Applicable Financial Reporting Framework is prescribed by law or regulation; or adopted by management as the basis of preparation of the financial report. The Applicable Financial Reporting Framework selected by management or Those Charged with Governance may be a Fair Presentation Framework, Compliance Framework or Compliance Framework (with specified criteria) depending on their respective case/ circumstance.

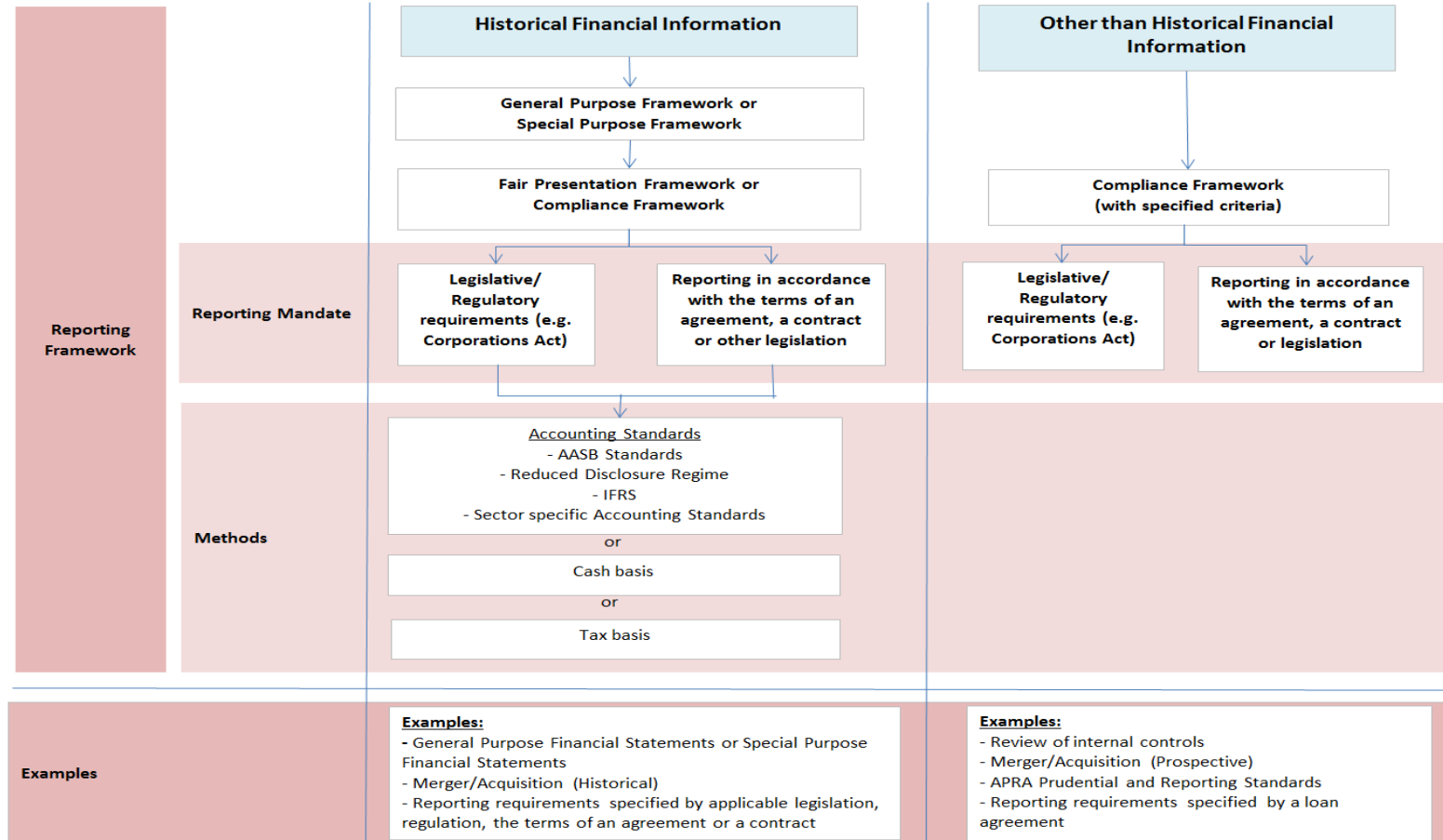
The decision in respect of the Reporting Frameworks applicable to the circumstances will depend on

- Whether the Member in Public Practice is compiling historical financial information or information other than historical financial information
- The reporting mandate of the Client
- Methods to be applied in the compilation

An overview of this decision making process is set out in the reporting frameworks diagram on **page 6** of this ***At A Glance***.

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Reporting Frameworks - applicable depending on each case/circumstance



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Significant changes to the existing APES 315 (2009)

Planning

APES 315 ED provides additional guidance on planning procedures which is dependent upon the context of the Compilation Engagement and the specific circumstance of the Client.

General Purpose or Special Purpose Financial Statements

APES 315 ED provides enhanced guidance on the selection and assessment process of the appropriate Applicable Financial Reporting Framework when undertaking a Compilation Engagement in respect of General Purpose Financial Statements or Special Purpose Financial Statements.

Factors to consider in determining the Applicable Financial Reporting Framework are:

- Nature of the Client and the regulations that apply
- Intended use of the financial information and the intended users
- Whether the Applicable Financial Reporting Framework is prescribed or specified
- The nature and form of the financial information that is to be prepared and presented under the Applicable Financial Reporting Framework

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Defining the Terms of Engagement

Additional guidance on matters to be included in the Engagement Letter such as responsibilities of the Client and the Member in Public Practice.

A **new** *Engagement Letter for a Compilation Engagement* that illustrates the relevant requirements and guidance is set out in **Appendix 1** of APES 315 ED.

Misstatements

Amended guidance in respect of Misstatements has now been included in **section 9** of APES 315 ED as well as a new definition of Misstatements.

Documentation

APES 315 ED provides additional guidance in respect of documentation of a Compilation Engagement. For example:

- Retaining a copy of the Client's working papers used to perform the Compilation Engagement
- Keeping a schedule showing the reconciliation of the general ledger account balances to the Compiled Financial Information

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Significant changes to the existing APES 315 (2009)

Responsibility of the Client

APES 315 ED expands on management's responsibility for the preparation of financial information and external financial reporting obligations based on factors such as:

- Resources and structure of the Client
- Respective roles of management and Those Charged with Governance

Reporting on a Compilation Engagement

Some of the enhancements APES 315 ED proposes are that the Compilation Report must have the following additional disclosures:

- Description of the responsibilities of management in relation to the Compilation Engagement and financial information
- Description of Member's responsibilities in compiling the financial information

Three additional examples of Compilation Reports are included in **Appendix 2** of APES 315 ED. These reports are in respect of Financial Information Prepared for a Special Purpose, where use or distribution of the financial information is restricted to the intended users.

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Conformity with ISRS 4410

Conformity of APES 315 ED with International Pronouncements

APESB has developed the *Conformity with International Pronouncements* paragraph to inform stakeholders of the differences between APES 315 ED and ISRS 4410 (refer to pages 15 -16 of APES 315 ED).

For example, some of the matters addressed in ISRS 4410 are dealt with in other APESB standards. Accordingly, rather than replicating those professional obligations in APES 315, APESB has made references to the following standards:

- APES 110 *Codes of Ethics for Professional Accountants*
- APES 205 *Conformity with Accounting Standards*
- APES 305 *Terms of Engagement*
- APES 320 *Quality Control for Firms*

Stakeholders are encouraged to read the *Conformity with International Pronouncements* to obtain a comprehensive understanding of the differences between APES 315 ED and ISRS 4410.

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Next Steps

The deadline for comments is **20th June 2014**.

How Can I Comment on the Proposals?

APESB welcomes comments from respondents on any matters in the Exposure Draft. APESB would prefer that respondents express a clear overall opinion on whether the proposed Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter.

A copy of all submissions will be placed on public record on the APESB website: www.apesb.org.au.

Stakeholders can submit comments electronically through the APESB website in both PDF and Word format:

<http://www.apesb.org.au/apesb-exposure-drafts-open-for-comment>

Stay Informed:

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