

NEW STANDARD ISSUED FOR COMPILEATION ENGAGEMENTS

If you or your firm perform compilation engagements, you will want to read the recently released standard – CSRS 4200.

The new standard, which was added to the CPA Canada Handbook – Assurance in February, 2020, contains new requirements for performing compilations engagements. The new standard on compilation engagements replaces OSC 9200 and AuG-5 and is effective for periods ending on or after December 14, 2021. Early application is permitted.



Here are 10 key changes in the new standard that you will want to learn about.

1. Scope

CSRS 4200 introduces additional exclusions on when a compilation engagement report must be issued. In situations such as bookkeeping or tax preparation, a compilation engagement report may not be required.

2. Basis of Accounting

A compilation engagement report will be issued on compiled financial information in accordance with a basis of accounting. Additionally, in order to assist users in their understanding, a note to the financial information that describes the basis of accounting is now required.

3. Client Acceptance / Continuance

Prescribed client acceptance and continuance procedures are now required. This includes asking management about the intended users of the financial information, such as banks, lenders, customers or suppliers.

4. Third-party Users

If third-party users of the compiled financial information are identified, management will need to acknowledge that the third-party either has access to additional information (such as with a lender who can request additional information in accordance with a lending agreement) or the third-party has agreed with the basis of accounting selected by management. If neither of these can be acknowledged, the compilation engagement cannot be accepted unless the financial information is prepared in accordance with a general purpose financial framework, such as ASPE. *(Note that performing a compilation engagement using a general purpose framework is expected to be rare.)*

5. Engagement Letter

A signed engagement letter will need to be obtained from management (or those charged with governance, as appropriate) prior to the start of the engagement.

If the engagement letter is signed by those charged with governance, then management will need to separately acknowledge their responsibilities and the intended use of the compiled financial information.

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6. Knowledge of the Entity

In order to perform a compilation engagement, a knowledge of the entity will need to be obtained. This includes gaining an understanding about business and operations and the accounting records and systems. This isn't meant to be a deep understanding but rather it should be sufficient in order to determine whether the financial information is not misleading and to assist management when required in making significant judgments.

7. Stand-back

The main objective of the compilation engagement is to assist management in compiling the financial information which is not misleading.

Determining when a misstatement is to be considered misleading is a matter of professional judgment. When a disagreement exists relating to a significant judgment between the practitioner and management, professional judgment will need to be exercised as to whether the matter would be misleading to the users.

Minimum Documentation

- a) The engagement letter
- b) A description of the entity's business, operations, accounting system, accounting records and accounting policies;
- c) A reconciliation of the entity's accounting records to the FI including any adjusting journal entries agreed with management
- d) Where applicable,:
 - discussion with management regarding significant judgments made by the practitioner
 - the communication to management regarding matters that may cause the compiled FI to appear to be misleading and how management has addressed these matters;
- e) A copy of the final version of the compiled FI for which management or TCWG have taken responsibility;
- f) A copy of the compilation engagement report;
- g) Where applicable, the communication to management of the reason(s) for withdrawing from the engagement.

9. Communication

There is an emphasis on communicating with management, and where appropriate, those charged with governance. In particular, communication is required with management when assistance is provided to them in making significant judgments. Communication is also required when you feel that the compiled financial information may be misleading.

10. Engagement Report

The Notice To Reader is now gone. The focus on the compilation engagement report is to clearly communicate to users both the responsibilities of management and the practitioner. Additionally, the new report clarifies that no work was performed over the accuracy or completeness of the compiled financial information.

3-Step Process for Performing Compilation Engagements under CSRS 4200

Step 1:

Perform client acceptance/continuance procedures

- Understand the intended use of the compiled financial information
- Obtain acknowledgement of the expected basis of accounting
- Evaluate ethical requirements
- Obtain a signed engagement letter

Step 2:

Perform the engagement

- Understand the entity
- Compile the financial information
- Discuss with management significant judgments where assistance was provided
- Evaluate the results

Step 3:

Prepare the report

- Obtain management's acknowledgement of responsibility over the compiled financial information
- Draft the compilation engagement report
- Date and issue the report

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Coming Soon!

FocusCPD is finalizing an online, on-demand course to help practitioners better understand the new CSRS 4200 requirement. Using case studies and the new templates from the Professional Engagement Guide (PEG), practitioners will learn:

- When to issue a compilation engagement report
- The key elements of performing a compilation engagement
- What needs to be documented
- Identifying/developing the basis of accounting
- The elements of the compilation engagement report
- Tips and tricks to consider when performing compilation engagements

Ask us Your Questions

At FocusCPD we are committed to providing you with the most helpful and useful training courses. That is why we need your help in knowing what you need. Send us your questions and areas you want us to create courses on, and **we will work to create course material to address your needs!**

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