

SRS 4410 "COMPILATION ENGAGEMENT" (ASSIST)

Scope of this SRS

- SRS 4410 deals with **practitioner's** responsibilities when engaged to assist management with the **preparation and presentation of historical financial information** without obtaining any assurance on that information, and to report on the engagement in accordance with this SRS.
- This SRS applies to compilation engagements for historical financial information and may adapt as necessary to:-
 - a. compilation engagements for financial information other than historical financial information, (OHFI)
 - b. compilation engagements for non-financial information, after necessary adaptation. (NFI)

Relationship with SQC 1 (SRS ke liye bhi SQC ke hisaab se QCPP banana padega)

- The provisions of this SRS regarding quality control at the level of individual compilation engagements are premised on the basis that the firm is subject to SQC 1.

Meaning and Concept of Compilation Engagement

- Compilation engagement is 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 FRF and
 - ✓ **issues a report.**
- Management may request a professional accountant in public practice to assist with the preparation and presentation of financial information of an entity. (koi nai baat nahi hai)
- Since a compilation engagement is **not an assurance engagement**, a compilation engagement does not require the practitioner to verify the accuracy or completeness of the information provided by management for the compilation, or otherwise to gather evidence to express an audit opinion or a review conclusion on the preparation of the financial information.
- Financial information that is the subject of a compilation engagement may be required for various purposes including:
 - (1) To comply with mandatory periodic financial reporting requirements established in law or regulation, if any; or
 - (2) For purposes unrelated to mandatory financial reporting under relevant law or regulation, including for example:
 - (i) Management or TCWG, may prepare financial information for internal use.
 - (ii) For periodic financial reporting undertaken for external parties under a contract or other form of agreement (such as financial information provided to a funding body to support provision or continuation of a grant).
 - (iii) For transactional purposes, for example to support a transaction involving changes to the entity's ownership or financing structure (such as for a merger or acquisition).

Objectives

The practitioner's objectives in a compilation engagement under this SRS are to:

- Apply accounting and financial reporting expertise to assist management in the preparation and presentation of financial information in accordance with an applicable financial reporting framework based on information provided by management; (iss baar RA nahi lena hai)
- Report in accordance with the requirements of this SRS.

Scope of Compilation Engagements

- Scope of a compilation engagement will vary depending on the circumstances.
- However, in every case it will involve assisting management in the preparation and presentation of the entity's financial information in accordance with the FRF, based on information provided by management.
- **Management retains responsibility** for the financial information and the basis on which it is prepared and presented. That responsibility includes application of the judgment required for the preparation and presentation of the financial information, including the selection and application of appropriate accounting policies and, where needed, developing reasonable accounting estimates.
- Different FRF can be used to prepare and present financial information, ranging from a simple entity-specific basis of accounting to established financial reporting standards. The FRF is adopted by management to prepare and present the financial information on the nature of the entity and the intended use of the information. (GPFRR/SPFRR)

Ethical Requirements

- The practitioner shall comply with relevant ethical requirements.
- In complying with the Code of Ethics, threats are required to be identified and appropriately addressed.
- Being in nature of non-assurance engagement, **independence requirements do not apply to compilation engagements**. However, laws or regulations may specify requirements or disclosure rules pertaining to independence. (GAJAB GAJAB GAJAB !!! non- independence ko disclose karne ki zarurat nahi hai)

Engagements Acceptance and Continuance

The practitioner shall not accept the engagement unless the practitioner has agreed the terms of engagement with management, including:

- Intended use and distribution of the financial information, and any restrictions on either its use or its distribution where applicable;
- Identification of the applicable FRF;
- Objective and scope of the compilation engagement;
- Responsibilities of the practitioner, including the requirement to comply with relevant ethical requirements;
- Responsibilities of management for:
 - (1) The financial information, and for the preparation and presentation thereof, in accordance with a FRF that is acceptable in view of the intended use of the financial information and the intended users;
 - (2) Design, implementation and maintenance of such internal control as management determines is necessary to enable the preparation of F.S. that are free from material misstatement, whether due to fraud or error;

- (3) The accuracy and completeness of the records, documents, explanations and other information provided by management for the compilation engagement; and
- (4) Judgments needed in the preparation and presentation of the financial information, including those for which the practitioner may provide assistance in the course of the compilation engagement; and
 - The expected form and content of the practitioner’s report.

The practitioner shall record the agreed terms of engagement in an engagement letter or other suitable form of written agreement, prior to performing the engagement.

Recurring Engagements

The practitioner shall evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of engagement to be revised and whether there is need to remind management of the existing terms of engagement.

Performing the Engagement

(a) The Practitioner's Understanding

The practitioner shall obtain an understanding of the following matters sufficient to be able to perform the compilation engagement:

- The entity’s business and operations, including the entity’s accounting system and accounting records; and
- The applicable FRF, including its application in the entity’s industry.

(b) Compiling the Financial Information

- The practitioner shall compile the financial information using the records, documents, explanations and other information, including significant judgments, provided by management.
- The practitioner shall discuss with management, or TCWG as appropriate, those significant judgments, for which the practitioner has provided assistance in the course of compiling the financial information.
- Prior to completion of the compilation engagement, the practitioner shall read the compiled financial information in light of his understanding of the entity’s business and operations, and of the applicable FRF.
- 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.
- If the practitioner is unable to complete the engagement because management has failed to provide records, documents, explanations other information, including significant judgments, as requested, the practitioner shall withdraw from the engagement and inform management and TCWG of the reasons for withdrawing.
- If the practitioner becomes aware during the course of the engagement that:
 - (1) The compiled financial information does not adequately refer to or describe the applicable FRF;
 - (2) Amendments to the compiled financial information are required for the financial information not to be materially misstated; or

- (3) The compiled financial information is otherwise misleading, the practitioner shall propose the appropriate amendments to management.
- If management declines, or does not permit the practitioner to make the proposed amendments to the compiled financial information, the practitioner shall withdraw from the engagement and inform management and TCWG of the reasons for withdrawing.
 - If withdrawal from the engagement is not possible, the practitioner shall determine the professional and legal responsibilities applicable in the circumstances.
 - The practitioner shall obtain an acknowledgement from management or TCWG, as appropriate, that they have taken responsibility for the final version of the compiled financial information.

Communication with Management and TCWG

Practitioner shall communicate with management or TCWG, as appropriate, on a timely basis during the course the compilation engagement, all matters concerning the compilation engagement that, in the practitioner's professional judgment, are of sufficient importance to merit the attention of management or TCWG, as appropriate.

The Practitioner's Report

Practitioner's report shall clearly communicate the nature of the compilation engagement, and the practitioner's role and responsibilities in the engagement. The practitioner's report is not a vehicle to express an opinion or conclusion on the financial information in any form.

Report shall be in writing, and shall include the following elements:

- The report title;
- The addressee(s), as required by the terms of the engagement;
- A statement that the practitioner has compiled the financial information based on information provided by management;
- A description of the responsibilities of management, or TCWG as appropriate, in relation to the compilation engagement, and in relation to the financial information;
- Identification of the applicable FRF and, if a special purpose FRF is used, a description or reference to the description of that special purpose FRF in the financial information;
- Identification of the financial information, including the title of each element of the financial information if it comprises more than one element, and the date of the financial information or the period to which it relates;
- A description of the practitioner's responsibilities in compiling the financial information, including that the engagement was performed in accordance with this SRS, and that the practitioner has complied with relevant ethical requirements;
- A description of what a compilation engagement entails in accordance with this SRS;
- Explanations that:
 - (1) Since a compilation engagement is not an assurance engagement, the practitioner is not required to verify the accuracy or completeness of the information provided by management for the compilation; and
 - (2) Accordingly, the practitioner does not express an audit opinion or a review conclusion on whether the financial information is prepared in accordance with the applicable financial reporting framework.

- If the financial information is prepared using a special purpose FRF, an explanatory paragraph that:
 - (1) Describes the purpose for which the financial information is prepared and, if necessary, the intended users, or contains a reference to a note in the financial information that discloses this information; and
 - (2) Draws the attention of readers of the report to the fact that the financial information is prepared in accordance with a special purpose framework and that, as a result, the information may not be suitable for other purposes;
- The date of the practitioner's report
- The practitioner's signature; and
- The Place of signature.
- The practitioner shall date the report on the date the practitioner has completed the compilation engagement in accordance with this SRS.

Engagement level Quality Control (Engagement Level= EP) (Firm Level= MP)

EP shall take responsibility for:

- The overall quality of each compilation engagement to which that partner is assigned; and
- The engagement being performed in accordance with the firm's quality control policies and procedures.

Documentation (Pratha)

The practitioner shall include in the engagement documentation:

- Significant matters arising during the compilation engagement and how those matters were addressed by the practitioner;
- A record of how the compiled financial information reconciles with the underlying records, documents, explanations and other information, provided by management; and
- A copy of the final version of the compiled financial information for which management or those charged with governance, as appropriate, has acknowledged their responsibility, and the practitioner's report.

The practitioner may consider also including in the engagement documentation a copy of the entity's trial balance, summary of significant accounting records or other information that the practitioner used to perform the compilation.

Rachit's Special:-

1. Report is given in BOTH stds
2. Opinion is NOT given in BOTH stds
3. EOM/OM para will NOT be included in BOTH
4. Independence is NOT mandatory in BOTH (But communication for non independence is mandatory in SRS 4400)
5. Both applies in (700 or 800/ 700 or 805)