

## related services [CSRS 4200 — 4460]

### CANADIAN STANDARD ON RELATED SERVICES

### CSRS 4200

### compilation engagements

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#### Basis for Conclusions

[CSQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements \(May 2022\)](#)

[CSRS 4200, Compilation Engagements \(February 2020\)](#)

(Effective for compiled financial information for periods ending on or after December 14, 2021)

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## Introduction

### Scope of this CSRS

1. This Canadian Standard on Related Services (CSRS) deals with:
  - (a) The practitioner's responsibilities when engaged to perform a compilation engagement on financial information, except when the financial information is a forecast or a projection, which is dealt with in [AuG-16](#); 1 and (Ref: Para. [A1](#))
  - (b) The form and content of the compilation engagement report on the compiled financial information.
2. This CSRS does not apply when the financial information prepared is limited to the following circumstances: (Ref: Para. [A2](#))
  - (a) A practitioner acting in the capacity of trustee in bankruptcy, receiver or liquidator;
  - (b) A practitioner contracted to act as a member of the entity's finance department with controllership responsibilities;
  - (c) A practitioner engaged to perform a bookkeeping service; or (Ref: Para. [A3](#))
  - (d) A practitioner preparing financial information:
    - (i) Presented solely in government-prescribed tax forms such as corporate, trust or personal income tax returns;
    - (ii) That will be subject to an audit engagement or a review engagement performed by another practitioner; or
    - (iii) As part of another service performed by the practitioner. (Ref: Para. [A4](#))
3. In the circumstances described in paragraph [2](#), the practitioner may decide, or be requested, to issue a communication on such financial information. In that case, the only appropriate form of communication is a compilation engagement report and all the requirements of this CSRS apply. (Ref: Para. [A5](#))

### *Relationship with CSQM 1*

4. The system of quality management and policies or procedures are the responsibility of the firm. [CSQM 1](#) applies to firms in respect of a firm's related services engagements, including compilation engagements. 3 The provisions of this CSRS regarding quality management at the level of individual compilation engagements are premised on the basis that the firm is subject to CSQM 1 or requirements that are at least as demanding. (Ref: Para. [A6-A11](#))

### The Compilation Engagement

5. The value of a compilation engagement results from the practitioner:
  - (a) Assisting management in the preparation of the compiled financial information in accordance with a basis of accounting selected by management, including the preparation of a note in the compiled financial information that describes that basis of accounting;
  - (b) Complying with professional standards, including relevant ethical requirements; and
  - (c) Issuing a compilation engagement report that clearly communicates the nature and limitations of the engagement, and the practitioner's and management's responsibilities.
6. A compilation engagement is not an assurance engagement. The engagement does not require the practitioner to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, the practitioner does not express an audit opinion or a review conclusion, or provide any form of assurance on the compiled financial information.

### *Bases of Accounting*

7. Compiled financial information may be prepared in accordance with different bases of accounting. Bases of accounting may be established by an authorized or recognized standards-setting organization, prescribed by law, regulation or contract, or developed by management.
8. This CSRS requires the inclusion of a note in the compiled financial information that describes the basis of accounting applied in the preparation of the compiled financial information. The purpose of this note is to assist users in understanding how the compiled financial information is prepared by, for example, describing the accounting policies used to recognize and measure items in the compiled financial information.

### Authority of this CSRS

9. This CSRS contains the objectives of the practitioner in following the CSRS, which provide the context in which the requirements of this CSRS are set and are intended to assist the practitioner in understanding what needs to be accomplished in a compilation engagement.
10. This CSRS contains requirements, expressed using "shall".

11. In addition, this CSRS contains introductory material, definitions, and application and other explanatory material that provide context relevant to a proper understanding of the CSRS.
12. The application and other explanatory material provide further explanation of the requirements, and guidance for carrying them out. While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this CSRS that assists in the application of the requirements.

#### **Effective Date**

13. This CSRS is effective for compiled financial information for periods ending on or after December 14, 2021.
- 13A. The issuance of [CSQM 1](#), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, gave rise to conforming amendments in paragraph [23](#). Paragraph 23 is effective for periods beginning on or after December 15, 2023.

#### **Objectives**

14. The practitioner's objectives in a compilation engagement under this CSRS are to:
  - (a) Assist management in the preparation of the compiled financial information in accordance with a basis of accounting selected by management, based on information provided by management; and
  - (b) Report in accordance with this CSRS.

#### **Definitions**

15. The Glossary of Terms in the CPA Canada Handbook – Assurance includes the terms defined in this CSRS, as well as descriptions of other terms used in this CSRS, to assist in consistent application and interpretation. For example, the terms "management" and "those charged with governance" used throughout this CSRS are as defined in the Glossary.
16. For the purposes of this CSRS, the following terms have the meanings attributed below:
  - (a) Practitioner – A professional accountant in public practice. The term includes the engagement partner or other members of the engagement team, or, as applicable, the firm.
  - (b) Professional judgment – The application of relevant training, knowledge and experience within the context provided by this CSRS and relevant ethical requirements, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.
  - (c) Relevant ethical requirements – Ethical requirements, which the engagement team is subject to, are set out in rules of professional conduct/code of ethics issued by the various professional accounting bodies.
  - (d) Third party – The individual, organization or group other than management or those charged with governance.
17. Hereinafter in this CSRS, references to "management" means "management and, where appropriate, those charged with governance". (Ref: Para. [A12](#))

#### **Requirements**

##### **Conduct of a Compilation Engagement in Accordance with this CSRS**

18. The practitioner shall have an understanding of the entire text of this CSRS, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.
19. The practitioner shall comply with each requirement of this CSRS, unless a requirement is not relevant to the compilation engagement. A requirement is relevant to the compilation engagement when the circumstances addressed by the requirement exist.
20. The practitioner shall not represent compliance with this CSRS in the compilation engagement report, unless the practitioner has complied with all requirements of this CSRS relevant to the compilation engagement.

##### **Ethical Requirements**

21. The practitioner shall comply with relevant ethical requirements. (Ref: Para. [A13](#)-A14)

##### **Professional Judgment**

22. The practitioner shall exercise professional judgment in performing a compilation engagement. (Ref: Para. [A15](#)-A16)

##### **Engagement Level Quality Management**

23. The engagement partner shall take overall responsibility for:
  - (a) Managing and achieving quality on the compilation engagement and being sufficiently and appropriately involved throughout the engagement; and (Ref: Para. [A17](#))
  - (b) The engagement being performed in accordance with the firm's quality management policies or procedures, by:
    - (i) Following the firm's policies or procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. [A18](#))
    - (ii) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement;

- (iii) Being satisfied that the engagement team collectively have the appropriate competence and capabilities, including having sufficient time, to perform the compilation engagement;
- (iv) Being alert for indications of breaches of relevant ethical requirements by members of the engagement team, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have breached relevant ethical requirements; (Ref: Para. [A19](#))
- (v) Directing and supervising engagement team members, reviewing their work, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements;
- (vi) Taking responsibility for appropriate engagement documentation being assembled, appropriately maintained and retained; and
- (vii) When an engagement quality review is required in accordance with [CSQM 1](#) or the firm's policies or procedures, not dating the report until the completion of the engagement quality review. 4

### **Engagement Acceptance and Continuance**

24. Prior to accepting or continuing a compilation engagement, the practitioner shall:
- (a) Make inquiries of management regarding the intended use of the compiled financial information, including whether that information is intended to be used by a third party; and (Ref: Para. [A20](#)-[A21](#))
  - (b) Obtain an acknowledgment from management of the basis of accounting expected to be applied in the preparation of the compiled financial information. (Ref: Para. [A22](#)-[A24](#))

#### *When the Compiled Financial Information Is Intended to Be Used by a Third Party*

25. When the compiled financial information is intended to be used by a third party, the practitioner may accept or continue the engagement if, according to management, the third party:
- (a) Is in a position to request and obtain further information from the entity; or (Ref: Para. [A25](#)-[A26](#))
  - (b) Has agreed with management the basis of accounting to be applied in the preparation of the compiled financial information. (Ref: Para. [A27](#))

If neither (a) nor (b) above are met, the practitioner shall not accept or continue the engagement, unless the basis of accounting to be applied in the preparation of the compiled financial information is a general purpose framework. (Ref: Para. [A28](#))

#### *Agreeing the Terms of the Engagement*

26. Prior to performing the engagement, the practitioner shall agree the terms of the engagement with management or those charged with governance, as appropriate. When the agreement is only with those charged with governance, the practitioner shall seek the written acknowledgment by management of the terms set out in paragraph [27\(e\)\(iv\)](#). (Ref: Para. [A29](#))
27. The agreed terms of the engagement shall be recorded in an engagement letter or other suitable form of written agreement and shall include: (Ref: Para. [A31](#))
- (a) The objective and scope of the compilation engagement;
  - (b) The intended use of the compiled financial information, including whether the compiled financial information is intended to be used by a third party, as identified under paragraph [24\(a\)](#);
  - (c) When the compiled financial information is intended to be used by a third party and the basis of accounting to be applied in the preparation of the compiled financial information is other than a general purpose framework, the acknowledgment of management that the third party:
    - (i) Is in a position to request and obtain further information from the entity; or
    - (ii) Has agreed with management the basis of accounting to be applied in the preparation of the compiled financial information;
  - (d) The responsibility of the practitioner to comply with this CSRS, including relevant ethical requirements;
  - (e) The acknowledgment of management that:
    - (i) A compilation engagement is appropriate for the intended use; (Ref: Para. [A30](#))
    - (ii) It understands that a compilation engagement will not fulfill the entity's legal, regulatory or contractual provisions, if any, for an audit engagement or a review engagement; and (Ref: Para. [A30](#))
    - (iii) It understands that the compiled financial information should not be used by third parties other than those who are in a position to request or obtain further information from the entity or have agreed with management the basis of accounting applied in the preparation of the compiled financial information; and
    - (iv) It is responsible for:
      - a. The compiled financial information;

- b. Selecting the basis of accounting to be applied in the preparation of the compiled financial information that is appropriate for the intended use;
- c. The accuracy and completeness of the information provided to the practitioner; and
- d. Attaching the compilation engagement report when distributing or reproducing the compiled financial information; and

(f) The expected form and content of the compilation engagement report.

#### *Recurring Engagements*

28. On a recurring compilation engagement, the practitioner shall evaluate whether a change in circumstances requires the terms of the engagement to be revised or whether there is a need to remind management of the existing terms of the engagement. (Ref: Para. [A32](#))

### **Performing the Engagement**

#### *The Practitioner's Knowledge*

29. The practitioner shall obtain knowledge of the following matters, sufficient to be able to perform the compilation engagement: (Ref: Para. [A33](#))
- (a) The entity's business and operations; (Ref: Para. [A34](#))
  - (b) The entity's accounting system and accounting records; and (Ref: Para. [A35](#))
  - (c) The basis of accounting to be applied and, where applicable, the accounting policies used, in the preparation of the compiled financial information.

#### *Preparing the Compiled Financial Information*

30. The practitioner shall prepare the compiled financial information, including a note in the compiled financial information that describes the basis of accounting applied in the preparation of the compiled financial information. (Ref: Para. [A36](#)-[A39](#))

#### *Discussing with Management Significant Judgments for Which Assistance Has Been Provided*

31. When the practitioner assists management with significant judgments used in the preparation of the compiled financial information, the practitioner shall discuss those judgments with management, so that management understands their impact on the compiled financial information and accepts responsibility for them. (Ref: Para. [A40](#))

#### *Reading the Compiled Financial Information*

32. After preparing the compiled financial information, the practitioner shall read the compiled financial information in light of the practitioner's knowledge of the entity and the basis of accounting applied in the preparation of the compiled financial information, and consider whether such compiled financial information does not appear misleading. (Ref: Para. [A41](#))

#### *Bringing Matters to the Attention of Management*

33. If the practitioner becomes aware of matters that cause the compiled financial information to appear misleading, the practitioner shall bring these matters to the attention of management and request additional or corrected information.

#### *Withdrawing from the Engagement*

34. If management does not provide additional or corrected information, as required by paragraph [33](#), or if the practitioner is otherwise unable to complete the engagement, the practitioner shall withdraw from the engagement and inform management of the reasons for withdrawing. (Ref: Para. [A42](#)-[A43](#))

#### *Acknowledgment of Responsibility for the Final Version of the Compiled Financial Information*

35. The practitioner shall obtain an acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information. (Ref: Para. [A44](#))

### **Facts that Become Known After the Compiled Financial Information Has Been Issued**

36. If, after the date the compiled financial information has been issued, a fact becomes known to the practitioner that, had it been known to the practitioner at the date of the compilation engagement report, may have caused the practitioner to believe that the compiled financial information appeared misleading, the practitioner shall:
- (a) Discuss the matter with management or those charged with governance, as appropriate;
  - (b) Determine whether the compiled financial information needs to be amended; and, if so,
  - (c) Inquire how management intends to address the matter in the financial information.
37. If management requests that the compiled financial information be amended and the practitioner provides a new compilation engagement report on the amended compiled financial information, the practitioner shall:
- (a) Prepare the amended compiled financial information, including a note describing the nature of the amendment;
  - (b) Refer in the new compilation engagement report to the note required by paragraph [37\(a\)](#) and to the earlier compilation engagement report provided by the practitioner; and
  - (c) Advise management to:

- (i) Inform users in receipt of the previously issued compiled financial information and the earlier compilation engagement report that the compiled financial information has been amended; and
  - (ii) Provide users with the amended compiled financial information, together with the new compilation engagement report.
- 38. If the compiled financial information is not amended in circumstances where the practitioner believes it needs to be amended, or the practitioner becomes aware that management has not taken the steps required in paragraph 37(c), the practitioner shall take appropriate action. (Ref: Para. [A45](#))

### **The Compilation Engagement Report**

- 39. The compilation engagement report shall include the following: (Ref: Para. [A14](#), [A46](#)-A48)
  - (a) The title "Compilation Engagement Report";
  - (b) An addressee (management or those charged with governance, as appropriate);
  - (c) A statement that, on the basis of information provided by management, the practitioner has compiled the financial information;
  - (d) Identification of the financial information that has been subject to the compilation engagement;
  - (e) The date of the compiled financial information or the period to which it relates;
  - (f) A reference to the note in the compiled financial information that describes the basis of accounting applied in the preparation of the compiled financial information;
  - (g) A description of management's responsibilities for the:
    - (i) Compiled financial information, including the accuracy and completeness of the underlying information used to compile it; and
    - (ii) Selection of the basis of accounting;
  - (h) A description of the practitioner's responsibilities to:
    - (i) Perform the engagement in accordance with this CSRS;
    - (ii) Comply with relevant ethical requirements; and
    - (iii) Assist management in the preparation of the compiled financial information;
  - (i) An explanation that:
    - (i) The practitioner did not perform an audit engagement or a review engagement, nor was required to perform procedures to verify the accuracy or completeness of the information provided by management; and
    - (ii) The practitioner does not express an audit opinion or a review conclusion, or provide any form of assurance on the compiled financial information; (Ref: Para. [A46](#))
  - (j) A caution to readers that the compiled financial information may not be appropriate for their purposes; (Ref: Para. [A47](#))
  - (k) The practitioner's signature;
  - (l) The date of the compilation engagement report; and
  - (m) The practitioner's address.

### *Date of the Compilation Engagement Report*

- 40. The practitioner shall date the compilation engagement report on the date the practitioner has completed the compilation engagement in accordance with this CSRS. This includes obtaining acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, as required in paragraph 35.

### **Documentation**

- 41. The practitioner shall prepare documentation that, in the practitioner's judgment, is sufficient to enable an experienced practitioner, having no previous connection with the engagement, to understand how the requirements of this CSRS were met, which, at a minimum, include the following:
  - (a) The engagement letter or other suitable form of written agreement with management;
  - (b) A description of the entity's business, operations, accounting system, accounting records, and the basis of accounting applied, and, where applicable, the accounting policies used, in the preparation of the compiled financial information;
  - (c) A reconciliation of the entity's accounting records to the compiled financial information, including any adjusting journal entries or other amendments to the compiled financial information that the practitioner has agreed with management in the course of the engagement;
  - (d) Where applicable, the discussion with management regarding significant judgments for which the practitioner has provided assistance in the course of preparing the compiled financial information;

- (e) Where applicable, the communication to management regarding matters that may cause the compiled financial information to appear misleading and how management has addressed these matters;
- (f) A copy of the final version of the compiled financial information for which management or those charged with governance, as appropriate, have taken responsibility;
- (g) A copy of the compilation engagement report; and
- (h) Where applicable, the communication to management of the reason(s) for withdrawing from the engagement.

## **Application and Other Explanatory Material**

### **Scope of this CSRS (Ref: Para. 1-3)**

#### *Examples of Financial Information (Ref: Para. 1(a))*

A1. Financial information subject to a compilation engagement may include the following:

- A complete set of financial statements.
- A part of a complete set of financial statements.
- Schedules of financial information.
- Pro forma financial information.

#### *Scope Exclusions – Use of the Term "Limited" (Ref: Para. 2)*

A2. There may be circumstances under which a practitioner prepares financial information that has more than one use. For example, the financial information may be prepared to be used in a tax service performed by the practitioner (meeting the scope exclusion in paragraph 2(d)(i)) and also used in a circumstance not covered by the scope exclusions in paragraph 2. In such a case, the requirements of this CSRS apply because the circumstances are not limited to those described in paragraph 2.

#### *Bookkeeping Service (Ref: Para. 2(c))*

A3. This CSRS does not apply to a bookkeeping service. A bookkeeping service involves collecting, classifying, summarizing and processing data to create underlying accounting records, which may result in a general ledger, trial balance or system-generated financial information to which no practitioner's communication is included or attached. The practitioner may be engaged to undertake a bookkeeping service either solely or in addition to a compilation engagement.

#### *Financial Information Prepared as Part of Another Service Performed by the Practitioner (Ref: Para. 2(d)(iii))*

A4. This CSRS does not apply to financial information prepared as part of another service performed by the practitioner, for example:

- A service to assist in the preparation of forms prescribed by governmental and regulatory bodies, or by others, such as insurers.
- A business valuation service.
- A litigation support service.
- A personal financial planning service.

#### *Deciding to Apply this CSRS When Not Required (Ref: Para. 3)*

A5. Notwithstanding that this CSRS does not apply in the circumstances described in paragraph 2, the practitioner may decide to perform a compilation engagement. This may be the case when, in the practitioner's judgment, a compilation engagement report is necessary to avoid misunderstanding by users as to the nature and limitations of the engagement, and the practitioner's and management's responsibilities.

#### *Relationship with CSQMs (Ref: Para. 4)*

- A6. [CSQM 1](#) deals with the firm's responsibilities to design, implement and operate a system of quality management for related services engagements, including compilation engagements. 5 [CSQM 1](#) also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews. 6 [CSQM 2](#) deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review. 7
- A7. Under [CSQM 1](#), the objective of the firm is to design, implement and operate a system of quality management for engagements, including compilation engagements, that provides the firm with reasonable assurance that:
  - (a) The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
  - (b) Engagement reports issued by the firm or engagement partners are appropriate in the circumstances. 8
- A8. The provisions of this CSRS regarding quality management at the engagement level are premised on the basis that quality management requirements adopted are at least as demanding as those of [CSQM 1](#) and impose obligations on the firm to achieve the objective of [CSQM 1](#). Compliance with [CSQM 1](#) requires, among other things, that the firm's system of quality management addresses the following eight components: 9



- (a) The firm's risk assessment process;
  - (b) Governance and leadership;
  - (c) Relevant ethical requirements;
  - (d) Acceptance and continuance of client relationships and specific engagements;
  - (e) Engagement performance;
  - (f) Resources;
  - (g) Information and communication; and
  - (h) The monitoring and remediation process.
- A9. Within the context of the firm's system of quality management, engagement teams have a responsibility to implement the firm's policies or procedures applicable to the engagement.
- A10. Ordinarily, the engagement team may depend on the firm's system of quality management unless:
- The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or
  - Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.
- For example, the engagement team may depend on the firm's system of quality management in relation to:
- Competence and capabilities of personnel through their recruitment and formal training.
  - Independence through the accumulation and communication of relevant independence information.
  - Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of engagements.
  - Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.
- In considering deficiencies 10 identified in the firm's system of quality management that may affect the compilation engagement, the engagement partner may consider the remedial actions undertaken by the firm to address those deficiencies that the engagement partner considers are sufficient in the context of the engagement.
- A11. A deficiency in the firm's system of quality management does not necessarily indicate that a compilation engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the compilation engagement report was not appropriate.

**Definitions (Ref: Para. 17)**

- A12. In small entities, there is often no separation of the management and governance roles. Those charged with governance may also be involved in managing the entity. In large entities, management is often responsible for the execution of the business or activities of the entity and reporting thereon. Those charged with governance have oversight of management.

**Ethical Requirements (Ref: Para. 21)**

- A13. Relevant ethical requirements establish the fundamental principles of professional ethics, which include:
- Integrity;
  - Objectivity;
  - Professional competence and due care;
  - Confidentiality; and
  - Professional behaviour.

*Independence (Ref: Para. 39)*

- A14. Relevant ethical requirements do not require the practitioner to be independent of the entity for a compilation engagement. However, when the practitioner may be seen by a reasonable observer as lacking independence, the relevant ethical requirements may require disclosure in the compilation engagement report.

**Professional Judgment (Ref: Para. 22)**

- A15. Areas where professional judgment may be needed include:
- Determining whether the engagement can be accepted or continued.
  - Determining the extent of knowledge of the entity required to perform the compilation engagement. The practitioner's primary consideration is whether the knowledge obtained is sufficient to meet the practitioner's objectives for the engagement.
  - Assisting management in making decisions about:
    - o The basis of accounting to be applied, including, where applicable, the appropriate accounting policies to be used in the preparation of the compiled financial information; and
    - o Developing accounting estimates.
  - Determining what matters to bring to the attention of management.



- Reading the compiled financial information and considering whether such compiled financial information does not appear misleading.

A16. The exercise of professional judgment in a compilation engagement is based on the facts and circumstances that are known to the practitioner up to the date of the compilation engagement report.

#### **Engagement Level Quality Management (Ref: Para. 23)**

A17. The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking overall responsibility for managing and achieving quality on each engagement, emphasize the importance to achieving the quality of the engagement of:

- (a) Performing work that complies with professional standards and regulatory and legal requirements.
- (b) Complying with the firm's quality management policies or procedures as applicable.
- (c) Issuing the practitioner's report for the engagement that is appropriate in the circumstances.

#### *Acceptance and Continuance of Client Relationships and Compilation Engagements*

A18. [CSQM 1](#) requires the firm to establish quality objectives dealing with the appropriateness of its judgments about whether to accept or continue a client relationship or engagement based on information obtained about the nature and circumstances of the engagement and the integrity and ethical values of the client (including management, and, when appropriate, those charged with governance) that is sufficient to support such judgments. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.

#### *Compliance with Relevant Ethical Requirements in Conducting the Engagement*

A19. [CSQM 1](#) sets out the responsibilities of the firm for establishing quality objectives that address the fulfillment of responsibilities in relation to the relevant ethical requirements. This CSRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements. 11

#### **Engagement Acceptance and Continuance**

##### *Making Inquiries of Management Regarding the Intended Use of the Compiled Financial Information (Ref: Para. 24(a))*

A20. In making inquiries of management as required by paragraph 24(a), management's response may be, for example, that the compiled financial information is intended to be used for borrowing purposes, but management may not have identified a specific lender. Such response may be sufficient information for the practitioner to consider the conditions for accepting or continuing the engagement under paragraph 25. In other circumstances, the practitioner may need further information about the third party to consider those conditions.

A21. There may be circumstances when management is unable to inform the practitioner of the use of the compiled financial information. In such circumstances, the practitioner does not have sufficient information to consider the conditions outlined in paragraph 25. The practitioner may either:

- (a) Not accept or continue the engagement; or
- (b) Use a general purpose framework in the preparation of the compiled financial information.

##### *Obtain Acknowledgment from Management of the Basis of Accounting (Ref: Para. 24(b))*

A22. Prior to accepting the engagement, the practitioner is required to obtain an acknowledgment from management of the basis of accounting expected to be applied in the preparation of the compiled financial information. Management may not possess the necessary knowledge to identify the basis of accounting and may need the practitioner's assistance. While the practitioner may provide assistance, management retains responsibility for the compiled financial information and the selection of the basis of accounting, as set out in the terms of the engagement (see paragraph 27(e)(iv) a.-b.).

A23. Factors that the practitioner may consider in assisting management in identifying the basis of accounting to be applied in the preparation of the compiled financial information include:

- The nature of the entity.
- The intended use of the compiled financial information.
- Whether there are any specific financial reporting requirements under applicable law or regulation, or contractual provisions with a third party.

A24. At the time of engagement acceptance and continuance, the acknowledgment from management of the basis of accounting expected to be applied in the preparation of the compiled financial information may take different forms. This acknowledgment may be written (e.g., in paper form, or by electronic or other medium) or oral communication documented by the practitioner. The basis of accounting expected to be applied in the preparation of the compiled financial information may change during the performance of the engagement. Paragraph 35 requires the practitioner to obtain acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information, which includes the final basis of accounting applied in the preparation of the compiled financial information.

##### *When the Compiled Financial Information Is Intended to Be Used by a Third Party (Ref: Para. 25)*

- A25. In a compilation engagement, the compiled financial information is often prepared in accordance with a basis of accounting that is other than a general purpose framework, which may not be appropriate for use by a third party. Some third parties may have agreed with management that a basis of accounting other than a general purpose framework is sufficient for their information needs. However, other third parties who may not have agreed with management may be misled by such compiled financial information, unless they are in a position to request and obtain further information from the entity, such as a lender.
- A26. A third party may be in a position to request and obtain further information from the entity through law, regulation, contract, negotiation or other arrangements. The practitioner is not required to verify whether the third party is in a position to request and obtain further information from the entity. Management's acknowledgment that the third party is in a position to request and obtain further information from the entity is included in the engagement letter or other suitable form of written agreement, as required by paragraph 27(c)(i).
- A27. A third party may have agreed with management the basis of accounting to be applied in the preparation of the compiled financial information, in writing or orally. The practitioner is not required to verify whether the third party has agreed to that basis of accounting. Management's acknowledgment that it has agreed with the third party the basis of accounting to be applied in the preparation of the compiled financial information is included in the engagement letter or other suitable form of written agreement, as required by paragraph 27(c)(ii).
- A28. In the rare circumstance that the compiled financial information is to be prepared in accordance with a general purpose framework, the practitioner may ask management to consider whether an audit engagement or a review engagement would better address the needs of users.

*Agreeing the Terms of the Engagement (Ref: Para. 26-27)*

- A29. The written agreement documenting the terms of the engagement helps avoid misunderstanding regarding such matters as the scope of the engagement, the extent of the practitioner's and management's responsibilities, and the form and content of the report to be issued.
- A30. There may be circumstances where law, regulation or contractual provisions with a third party require the entity's financial information to be subject to an audit engagement or a review engagement. In the case of contractual provisions with a third party, management may have confirmed with the third party that it will accept compiled financial information. When management has not obtained such confirmation, the practitioner may consider recommending that management do so. The practitioner is not required to perform procedures to verify that the third party provided such confirmation. Management's acknowledgment for the matters in paragraph 27(c)(i)-(ii) is sufficient.

*Example of an Engagement Letter (Ref: Para. 27)*

- A31. [Appendix 1](#) contains an example of a compilation engagement letter.

*Recurring Engagements (Ref: Para. 28)*

- A32. The practitioner may decide not to send a new engagement letter or other suitable form of written agreement each period. However, the following factors may indicate that it is appropriate to revise the terms of the engagement, or to remind management of the existing terms of the engagement:
- An indication that management misunderstands the objective and scope of the engagement.
  - Any revised or special terms of the engagement.
  - A recent change of management or those charged with governance of the entity.
  - A significant change in ownership of the entity.
  - A significant change in nature or size of the entity's business.
  - A change in legal, regulatory or contractual provisions affecting the entity.
  - An expected change in the use of the compiled financial information.

**Performing the Engagement**

*The Practitioner's Knowledge (Ref: Para. 29)*

- A33. Obtaining the knowledge required by paragraph 29 is an ongoing process that occurs throughout the performance of the compilation engagement. In a continuing client relationship, such knowledge includes information obtained from prior engagements performed by the practitioner in relation to the entity's financial information. The practitioner's knowledge may be obtained through:
- (a) Discussion with management or others within the entity who, in the practitioner's judgment, may have information that is likely to assist the practitioner in the preparation of compiled financial information;
  - (b) Where applicable, performing other engagements for the entity (e.g., taxation services); and
  - (c) Experience gained with the entity's industry.
- A34. In obtaining knowledge of the entity's business and operations, the practitioner may consider:
- (a) The nature of the entity's assets, liabilities, revenues and expenses; and
  - (b) The size and complexity of the entity and its operations.
- A35. In obtaining knowledge of the entity's accounting system and accounting records, the practitioner may consider:

- (a) How transactions are recorded, classified and summarized in the entity's financial information to determine:
  - (i) The nature and extent of accounting adjustments that might need to be made for the compiled financial information to be prepared in accordance with the basis of accounting selected by management; and
  - (ii) Whether the information provided is not otherwise misleading; and
- (b) The types of matters that required accounting adjustments to the entity's financial information in prior periods.

*Preparing the Compiled Financial Information (Ref: Para. 30)*

- A36. The practitioner's involvement in preparing the compiled financial information will vary depending on the circumstances of the engagement. In some cases, it will involve the practitioner receiving underlying accounting records, documents, explanations or other information from management and preparing the compiled financial information in accordance with a basis of accounting selected by management. In other cases, management may have already prepared the financial information itself in a draft or preliminary form. However, in every case, the practitioner assists management in the preparation of the compiled financial information in accordance with the basis of accounting selected by management.
- A37. During the engagement, the practitioner may become aware of a change in the intended use of the compiled financial information. In such case, the practitioner may consider revising the terms of the engagement. For example, the practitioner may do so when the change in the intended use affects the basis of accounting applied in the preparation of the compiled financial information.

*Description of the Basis of Accounting*

- A38. The purpose of the description of the basis of accounting in the note in the compiled financial information is to assist users in understanding how the compiled financial information is prepared. Some compiled financial information may be prepared in accordance with a cash-basis of accounting, or a basis of accounting prescribed by a contract. In such cases, the basis of accounting in the note in the compiled financial information may be described as "The financial information has been prepared on the cash-basis of accounting" or "The financial information has been prepared on a basis of accounting prescribed by the provision in the contract between ABC Company and the bank of ABC Company," respectively. Other compiled financial information may be prepared in accordance with a cash-basis of accounting with selected accruals and accounting estimates. In such case, it may be necessary for the note in the compiled financial information to describe the accounting policies used to recognize and measure items in the compiled financial information.
- A39. The basis of accounting to be applied in the preparation of the compiled financial information may be based on a general purpose framework but does not comply with all the requirements of that framework. In such a case, it is inappropriate for the description of the basis of accounting to imply full compliance with such framework, including recognition, measurement, presentation and disclosure requirements. A description of the basis of accounting that contains imprecise qualifying or limiting language (e.g., "the financial information is in substantial compliance with Canadian accounting standards for private enterprises") is not an adequate description as it may mislead users of the compiled financial information.

*Discussing with Management Significant Judgments for Which Assistance Has Been Provided (Ref: Para. 31)*

- A40. In some engagements, the practitioner may assist management with significant judgments, such as making an accounting estimate or selecting an accounting policy.

*Reading the Compiled Financial Information (Ref: Para. 32)*

- A41. In reading the compiled financial information, the practitioner may become aware of matters that cause such information to appear misleading. Relevant ethical requirements require the practitioner to not associate with such financial information.

*Withdrawing from the Engagement (Ref: Para. 34)*

- A42. The practitioner may be unable to complete the engagement if, for example:
- (a) Management does not provide the practitioner with the records, documents, explanations or other information needed to prepare the compiled financial information;
  - (b) A correction is necessary to the compiled financial information and management refuses to make the correction; or
  - (c) The practitioner becomes aware of information that was not known at the time the engagement was accepted or continued that, had it been known, the practitioner would not have accepted or continued the engagement.
- A43. If withdrawing from the engagement is not possible under relevant ethical requirements, the practitioner may consider it appropriate to seek advice about the professional and legal responsibilities applicable in the circumstances.

*Acknowledgment of Responsibility for the Final Version of the Compiled Financial Information (Ref: Para. 35)*

- A44. Acknowledgment from management or those charged with governance, as appropriate, that it has taken responsibility for the final version of the compiled financial information may take different forms, such as:
- A signature on the final version of the compiled financial information.
  - A written communication (e.g., in paper form, or by electronic or other medium).

- An oral acknowledgment documented by the practitioner.

**Facts that Become Known After the Compiled Financial Information Has Been Issued (Ref: Para. 38)**

A45. The practitioner's responsibilities when the practitioner is aware of an intended or actual inappropriate use of the practitioner's communication or name are set out in [CSOA 5000](#). 12

**The Compilation Engagement Report (Ref: Para. 39-40)**

- A46. An important purpose of the compilation engagement report is to clearly communicate the nature and limitations of the engagement, and the practitioner's and management's responsibilities. The compilation engagement report is not a vehicle to express an opinion or a conclusion on the compiled financial information in any form.
- A47. It is appropriate for the practitioner to prepare the compiled financial information for management purposes since management is aware of the possible limitations of the compiled financial information. It is management, not the practitioner, that determines the distribution of the compiled financial information. Accordingly, it is necessary that a caution to readers be included in the compilation engagement report to inform others who may use the compiled financial information that such information may not be appropriate for their purposes.
- A48. [Appendix 2](#) contains an illustration of a compilation engagement report, incorporating the elements set forth in paragraph [39](#).

**Appendix 1**

(Ref: Para. [A31](#))

**Example of a Compilation Engagement Letter 1**

The following is an example of an engagement letter for a compilation engagement that illustrates the relevant requirements and guidance contained in this CSRS. This letter is not authoritative and is intended only to be a guide that may be used in conjunction with the considerations outlined in this CSRS. It will need to be adapted according to the requirements and circumstances of individual compilation engagements.

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This engagement letter illustrates the following circumstances:

- The financial information is to be compiled for use by management of ABC Company and is intended to be used by third parties, being current or potential lenders for borrowing purposes.
- The third parties are in a position to request and obtain further information from the entity.
- The compiled financial information will comprise only the balance sheet of the company as at December 31, 20X1, and the statement of income and retained earnings for the year then ended, without explanatory notes, other than a note describing the basis of accounting applied in the preparation of the compiled financial information.

[Insert the appropriate addressee(s) of ABC Company]: 2

*[The objective and scope of the compilation engagement]*

You 3 have requested that, on the basis of information that you will provide, we assist you in the preparation of the compiled financial information for ABC Company, which comprises the balance sheet as at December 31, 20X1, the statement of income and retained earnings for the year then ended, and Note X, which describes the basis of accounting to be applied in the preparation of the compiled financial information.

*[The intended use of the compiled financial information]*

The compiled financial information is intended to be used by management of ABC Company and third parties, being current or potential lenders for borrowing purposes. Those third parties are in a position to request and obtain further information from the entity.

We are pleased to confirm our acceptance and understanding of this compilation engagement by means of this letter.

*[The practitioner's responsibilities]*

We will perform the compilation engagement in accordance with Canadian Standard on Related Services (CSRS) [4200, Compilation Engagements](#), which requires us to comply with relevant ethical requirements.

A compilation engagement involves us assisting you in the preparation of the compiled financial information. Since a compilation engagement is not an assurance engagement, we are not required to perform procedures to verify the accuracy or completeness of the information you provide to us for the compilation engagement. Accordingly, we will not express an audit opinion or a review conclusion, or provide any form of assurance on the compiled financial information.

*[Management's responsibilities]*

The compilation engagement is performed on the basis that you acknowledge that:

- The third party that intends to use the compiled financial information is in a position to request and obtain further information from the entity;
- A compilation engagement is appropriate for the intended use;

- (c) You understand that a compilation engagement will not fulfill the entity's legal, regulatory or contractual provisions, if any, for an audit engagement or a review engagement; and
- (d) You understand that the compiled financial information should not be used by third parties other than those who are in a position to request or obtain further information from the entity, or have agreed with you the basis of accounting to be applied in the preparation of the compiled financial information.

Further, you acknowledge that you are responsible for:

- (a) The compiled financial information;
- (b) Selecting the basis of accounting to be applied in the preparation of the compiled financial information that is appropriate for the intended use;
- (c) The accuracy and completeness of the information provided to us; and
- (d) Attaching the compilation engagement report when distributing or reproducing the compiled financial information.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

[Insert appropriate reference to the expected form and content of the compilation engagement report.]

If you have any questions about the contents of this letter, please raise them with us. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for the compilation engagement.

[Practitioner's signature]

Acknowledged and agreed on behalf of the management of ABC Company by

[Management's signature]

[Name and Title]

[Date]

## Appendix 2

(Ref: Para. [A48](#))

### Illustration of a Compilation Engagement Report 1

#### COMPILATION ENGAGEMENT REPORT

[To Management of ABC Company 2 ]

On the basis of information provided by management, we have compiled the balance sheet of ABC Company as at December 31, 20X1, the statement of income and retained earnings for the year then ended, and Note X, which describes the basis of accounting applied in the preparation of the compiled financial information [and, if applicable, other explanatory information] ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) [4200](#), *Compilation Engagements*, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion, or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

[Practitioner's signature]

[Date of the report]

[Practitioner's address]

## Footnotes

1. ASSURANCE AND RELATED SERVICES GUIDELINE [AuG-16](#), Compilation of a Financial Forecast or Projection

2. Canadian Standard on Quality Management ([CSQM](#)) [1](#), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*. Systems of quality management in compliance with

CSQM 1 for related services engagements are required for related services engagements beginning on or after December 15, 2023.

3. CSQM 1, paragraph [5](#)

4. [CSQM 2](#), *Engagement Quality Reviews*

5. CSQM 1, paragraph [1](#)

6. CSQM 1, paragraph [2](#)(a)

7. CSQM 1, paragraph [2](#)(b)

8. CSQM 1, paragraph [14](#)

9. CSQM 1, paragraph [6](#)

10. CSQM 1, paragraph [C16](#)(a)

11. CSQM 1, paragraph [29](#)

12. Canadian Standard on Association [\(CSOA\) 5000](#), *Use of the Practitioner's Communication or Name*

1. Throughout this example, the words in square brackets indicate where the example would be customized. The italicized headings in square brackets are meant to be explanatory and are not required to be included in the letter.

2. The addressee(s) and references in the letter would be management or those charged with governance, as appropriate (see paragraph [26](#)).

3. Throughout this letter, references to "you", "we", "us", "management", "those charged with governance" and "practitioner" would be used or amended as appropriate in the circumstances.

1. Throughout this illustration, the words in square brackets indicate where the example would be customized.

2. The addressee(s) in the compilation engagement report would be management or those charged with governance, as appropriate (see paragraph [39](#)(b)).

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