



Accounting Practitioner  
Compilation  
Handbook

# Table of Contents

Accounting Practitioner Compilation Handbook



## Table of Contents

<b>Engagements to Compile Financial Statements</b>	<b>3</b>
Introduction	3
Definitions	4
Objective of a Compilation Engagement	6
General Principles of a Compilation Engagement	6
Defining the Terms of the Engagement	7
Planning	8
Documentation	8
Procedures	8
Responsibility of Management	10
Reporting on a Compilation Engagement	11

---

<b>Appendix 1:</b>	
<b>Compilation Engagement Letter</b>	<b>13</b>

<b>Appendix 2:</b>	
<b>Financial Statements</b>	<b>15</b>

<b>Appendix 3:</b>	
<b>Acknowledgement Letter from Management to Accounting Practitioner</b>	<b>16</b>

---

<b>Contact information</b>	<b>17</b>
----------------------------	-----------

Please note accounting practitioners should consult with their licensing or professional accreditation body as this handbook and its contents are intended for use by specific accounting associations.

## Introduction

The purpose of this Accounting Practitioner Compilation Handbook is to establish standards and provide guidance on the accounting practitioner's responsibilities when an engagement to compile financial information is undertaken, and the form and content of the report the accounting practitioner issues in connection with such a compilation.

## Engagements to Compile Financial Statements

This Handbook is only to be used by qualified accounting practitioners as defined in TABLE 1.

This Accounting Practitioner Compilation Handbook is directed toward the compilation of financial information. However, it is also to be applied to the extent practicable to engagements to compile non-financial information, provided the accounting practitioner has adequate knowledge of the subject matter in question. Engagements to provide limited assistance to a client in the preparation of financial statements (for example, on the selection of an appropriate accounting policy), do not constitute an engagement to compile financial information. The definitions in TABLE 1 shall apply.

TABLE 1

## Definitions

Phrase	Definition
<b>Accounting Practitioner</b>	<p>An individual who has the requisite knowledge and experience to perform accounting functions. The individual is certified and holds one of the following:</p> <ul style="list-style-type: none"> <li>• <b>PBA<sup>®</sup></b>: Professional Business Accountant / Public Business Accountant Licensee</li> <li>• <b>ATAP Member</b>: Association of Tax and Accounting Professionals Member</li> <li>• <b>DFA<sup>™</sup></b>: DFA-Tax Services Specialist<sup>™</sup> and DFA Bookkeeping Service Specialist<sup>™</sup></li> <li>• <b>MFA<sup>™</sup></b>: Business Services Specialist</li> </ul>
<b>Accounting Expertise</b>	<p>Requisite knowledge and skills gained through the completion of standardized education and experience which relates to systems of presenting, summarizing and reporting financial records and transactions of a business or person.</p>
<b>Auditing Expertise</b>	<p>Requisite knowledge and skills gained through the completion of standardized professional training and experience which is related to a system of formalized and methodical examination and verification of financial information and transactions of a business or person.</p>
<b>Compilation Engagement</b>	<p>A process by which an accounting practitioner organizes and presents financial information of a business; the application of accounting expertise, rather than auditing expertise.</p>

TABLE 1 - continued

## Definitions

Phrase	Definition
<b>Compiled Financial Information</b>	The organization and presentation of financial records and business transactions.
<b>Due Care</b>	The care that an ordinarily reasonable and prudent person would use under the same or similar circumstances.
<b>Financial Data</b>	Information about a business or person that can be expressed in dollar values and other numerical forms.
<b>Financial Information</b>	Includes financial data and other information and analysis regarding the financial history and circumstances of a business or person.
<b>Financial Reporting Framework</b>	An agreed upon method or standard for the presenting financial information.
<b>Material Misstatements</b>	Misinformation or omissions of information considered especially important and relevant to the complete understanding of a situation or circumstance.
<b>Standard of Engagement</b>	Accepted terms of a relationship between two parties which contemplates roles and responsibilities of each.

## Objective of a Compilation Engagement

### Objective of a Compilation Engagement

The objective of a compilation engagement is for the accounting practitioner to use accounting expertise, as opposed to auditing expertise, to collect, classify and summarize financial information provided by the client. This entails reducing detailed data to a manageable and understandable form without a requirement to verify the financial information or to test the assertions underlying that information. The procedures employed are not designed to fulfill a standard of engagement associated with an audit, and do not enable the accounting practitioner to express any assurance on the financial information. However, users of the compiled financial information derive benefit as a result of the accounting practitioner's involvement because the service has been performed with experience, competence and due care.

A compilation engagement would ordinarily include the preparation of financial statements (which may or may not be a complete set of financial statements) but may also include the collection, classification and summarization of other financial information.

## General Principles of a Compilation Engagement

### General Principles of a Compilation Engagement

The accounting practitioners are required to comply with the specific skills, knowledge, values and codes of ethics of the governing or credentialing body to which they belong. Ethical principles governing the accounting practitioner's responsibilities for this type of engagement are:

- Objectivity
- Integrity
- Competence and Due Care
- Confidentiality
- Ethical Conduct
- Technical Standards

**Note: Technical standards reflect proficiency requirements set, monitored and enforced by the governing or credentialing body to which the accounting practitioner belongs.**

In all circumstances when an accounting practitioner's name is associated with financial information compiled by that accounting practitioner, that accounting practitioner should issue a report according to the criteria outlined below.

## Defining the Terms of the Engagement

### Defining the Terms of the Engagement

The accounting practitioner should ensure that there is a clear understanding between the client and the accounting practitioner regarding the terms of the engagement.

Matters to be considered include the following:

- Scope of the work to be included in the engagement.
- Nature of the engagement including the fact that neither an audit nor a review will be carried out and that accordingly no assurance will be expressed.
- Fact that the engagement cannot be relied upon to disclose errors, illegal acts or other irregularities, for example, fraud or defalcations that may exist.
- Nature of the information to be supplied by the client, including quantity and detail subject to expectations of the accounting practitioner.
- Fact that management is responsible for the accuracy and completeness of the information supplied to the accounting practitioner for the completeness and accuracy of the compiled financial information.
- Basis of accounting on which the financial information is to be compiled and the fact that it, and any known departures therefrom, will be disclosed.
- Intended use and distribution of the information, once compiled.
- Form of report to be rendered regarding the financial information compiled, when the accounting practitioner's name is to be associated therewith.

An engagement letter from the accounting practitioner to the client regarding the nature and scope of the compilation work is required. This engagement letter shall provide documentation of the key terms of the appointment. Additionally, this engagement letter confirms the accounting practitioner's acceptance of the appointment and helps avoid misunderstanding regarding such matters as the objectives and scope of the engagement, the extent of the accounting practitioner's responsibilities and the form of reports to be issued. (Guidelines for the compilation engagement letter appear in Appendix 1 of this document.)

## Planning

### Planning

The accounting practitioner shall plan the work so that an effective engagement will be performed as outlined by the governing or credentialing body to which they belong.

## Documentation

### Documentation

The accounting practitioner shall document matters which are important in providing evidence that the engagement was carried out in accordance with this Accounting Practitioner Compilation Handbook, and with the terms of the engagement.

## Procedures

### Procedures

The accounting practitioner shall obtain sufficient knowledge of the business and operations of the entity, should be familiar with the accounting principles and practices of the industry in which the entity operates, and with the form, content and source of the financial information that is appropriate in those circumstances.

To compile financial information, the accounting practitioner requires a general understanding of the nature of the entity's business transactions, the form of its accounting records, and the accounting basis on which the financial information is to be presented. The accounting practitioner ordinarily obtains knowledge of these matters through experience with the entity or inquiry of the entity's personnel.



Other than the expectations and requirements set forth by this Accounting Practitioner Compilation Handbook, the accounting practitioner is not ordinarily required to:

- Make any inquiries of management to assess the reliability and completeness of the information provided.
- Assess internal controls.
- Verify any matters.
- Verify any explanations.

If the accounting practitioner becomes aware that information supplied by management is incorrect, incomplete, or otherwise unsatisfactory, the accounting practitioner should consider seeking additional information or clarification from management. If management refuses to provide that additional information or clarification, the accounting practitioner should withdraw from the engagement, informing the entity of the reasons for the withdrawal.

The accounting practitioner should read the compiled information and consider whether it appears to be appropriate in form, and free from obvious material misstatements. In this sense, misstatements include the following:

- Mistakes in the application of the applicable financial reporting framework.
- Non-disclosure of the financial reporting framework and any known departures therefrom.
- Non-disclosure of any other significant matters of which the accounting practitioner has become aware.

The applicable financial reporting framework and any known departures therefrom should be disclosed within the financial information, though their effects need not be quantified.

If the accounting practitioner becomes aware of material misstatements, the accounting practitioner shall try to agree on appropriate amendments with the entity. If such amendments are not made and the financial information is considered to be misleading the accounting practitioner should withdraw from the engagement.

## Responsibility of Management

### Responsibility of Management

The accounting practitioner should obtain an acknowledgment from management of that management's responsibility for the appropriate presentation of the financial information and of that management's approval of the financial information. Such acknowledgment may be provided by representations from management which cover the accuracy and completeness of the underlying accounting data and the complete disclosure of all material and relevant information to the accounting practitioner.

The accounting practitioner shall inquire of management as to whether there is a special purpose for which the information has been prepared. The accounting practitioner shall inquire as to whether or not third-parties are expected to receive the results of the compilation of the financial information, who those third-parties are expected to be, and the reason that those third-parties will receive the information.

## Reporting on a Compilation Engagement

### Reporting on a Compilation Engagement

Reports on compilation engagements should contain the following:

- Name of Client.
- Address of Client.
- A statement that the engagement was performed in accordance with the Accounting Practitioner Compilation Handbook applicable to compilation engagements.
- Independence is not a requirement for a compilation engagement. However, where the accounting practitioner is not independent, a statement will be included in the report.
- Identification of the financial information noting that it is based on information provided by management.
- A statement that management is responsible for the financial information compiled by the accounting practitioner.
- A form of caution designed to ensure that it is not used for purposes other than those intended.
- A statement that neither an audit nor a review has been carried out and that accordingly no assurance is expressed on the financial information.
- A paragraph, when considered necessary, drawing attention to the disclosure of material departures from the applicable financial reporting framework.
- Date of the report.
- Accountant practitioner's address.
- Accountant practitioner's signature.

(Guidelines for the Financial Statements appear in Appendix 2 of this document.)

The financial information compiled by the accounting practitioner should contain a reference such as "Unaudited," "Compiled without Audit or Review" or "Refer to Compilation Report" on each page of the financial information or on the front of the complete set of financial statements.



Accounting Practitioner  
Compilation  
Handbook

# Appendices

## Appendix 1:

### Compilation Engagement Letter

#### Compilation Engagement Letter

Compilation Engagement Letter should contain the following information.

The following is intended to outline what the Compilation Engagement Letter should contain. This list is to be used as a guide in conjunction with the considerations outlined in this Accounting Practitioner Compilation Handbook:

- Should be addressed to the legal entity whom the compilation is being prepared for.
- The letter should be dated.
- The purpose of the engagement should follow, clearly outlining the following:
  - Entity's name;
  - The period the compilation is being prepared for;
  - What the compilation will consist of for example: balance sheet, statement of income and retained earnings, with or without notes;
  - Any notes if required should be limited to describing the basis of accounting being applied in the preparation;
  - Clearly state the intention of the financial statements to be for the use of management and that any third parties should contact management for further information.
- A paragraph detailing the Practitioner's responsibilities communicated to the client:
  - Reference the standard the compilation is being prepared to;
  - Care should be taken to never refer to a standard of another organization or professional body whom you are not licensed through;
  - Clearly state the compilation does not verify the accuracy or completeness of management's information;
  - It should be clearly expressed that the engagement is not an audit or review.

## Appendix 1:

### Compilation Engagement Letter

#### Continued

- A paragraph detailing the Management’s responsibilities including but not limited to:
  - The scope of a compilation is appropriate for the intended use;
  - They understand the possible legal limitations of a compilation;
  - The accuracy of the information is the responsibility of management;
  - Any third-party request is the responsibility of management.
- To include a sample of the **Compilation Report** (which states):
  - What financial statements are being prepared;
  - Should be brief and include in sentence format the practitioner and management’s responsibilities;
  - The standard on which the Compilation is being prepared;
  - Dated, location of preparer, name of preparer (or firm) and the Professional Designation of the preparer.
- Other information to be included but not limited to would be:

<b>File Inspections</b>	Management should be made aware of the possibility that this file may be reviewed by the professional body the practitioner belongs to.
<b>Working Papers</b>	Who will retain the ownership of these documents?
<b>Indemnity Clause</b>	Seek legal advice applicable to your province.
<b>Fees and Cost</b>	This should be agreed to in writing prior to commencement of work.
<b>Confidentiality</b>	Refer to your professional organization’s policies and other related provincial and federal legislation.

- Document should be signed by both the management and the practitioner.

## Appendix 2:

### Financial Statements

Financial Statements should contain the following information.

The following is intended to outline what the Compilation Financial Statements should contain. This list is to be used as a guide in conjunction with the considerations outlined in this Accounting Practitioner Compilation Handbook:

- Title page with Entities name and period statements are compiled for.
- Table of contents.
- A page dedicated to the Compilation Report (see Appendix 1), should include on this page the preparers address and contact information.
- Present the Financial Statements which may or may not include (depending on scope of compilation):
  - The Balance Sheet;
  - The Income Statement;
  - The Statement of Retained Earnings;
  - Cashflow Statement (if part of the compilation);
  - Notes.

## **Appendix 3:**

### **Acknowledgement Letter from Management to Accounting Practitioner**

Acknowledgement Letter from Manager to Accounting Practitioner should include the following information.

The following is intended to outline what the Acknowledgement Letter should contain. This list is to be used as a guide in conjunction with the considerations outlined in this Accounting Practitioner Compilation Handbook:

- Name and contact information of the firm preparing the compilation.
- The approval of the work provided.
- Their understanding that the compilation's use may not be suitable for those other than management.
- They acknowledge acceptance that their file may be subject to a confidential review by your license provider.
- They accept responsibility for the truthfulness of the information they provided.
- Document should be signed and dated by President or legal representative.



**Please note accounting practitioners should consult with their licensing or professional accreditation body as this handbook and its contents are intended for use by specific accounting associations.**

Not for redistribution except with the express permission of Veriguide. The Accounting Practitioner Compilation Handbook does not purport to replace legal advice or to provide legal guidance. Accounting practitioners should inform themselves about relevant laws that apply to them.

This guide is current as of December 14, 2021.

For more information about this guide:

Veriguide Standards Board  
17408 – 108 Avenue NW  
Edmonton, Alberta T5S 1E8  
(780) 760-VERI  
(780) 760-8374