

# APES 315 COMPILATION OF FINANCIAL INFORMATION

## LIVE CHAT: QUESTIONS AND ANSWERS

### INTRODUCTION

In March 2017, the Accounting Professional & Ethical Standards Board (APESB) issued the revised APES 315 *Compilation of Financial Information* effective for compilation engagements commencing on or after 1 July 2017, with early adoption permitted.

The key change to the revised APES 315 is an update to the reference in paragraph 1.11 to ASIC Corporations (Audit Relief Instrument) 2016/784, which supersedes ASIC Class Order CO 98/1417 Audit relief for proprietary companies.

With many of our members in public practice performing compilation engagements, the revised APES 315 serves as an opportune time to remind members of the obligations imposed by the Standard, particularly as it is repeatedly the most common Standard breached as reported by CPA Australia's quality review program. More often than not the reason a member is found to be in breach of APES 315 is due to their reliance on the software employed rather than being familiar with the application of the Standard.

Members are reminded that their fundamental responsibility under the Standard when undertaking engagements to compile financial information is to comply with Section 100 Introduction and Fundamental Principles of the Code and relevant laws and regulations.

The experts who addressed members' questions were:

- Josephine Haste CPA, Manager – Quality Review Education, CPA Australia
- Dr Eva Tsahuridu, Manager Accounting Policy – Policy and Corporate Affairs, CPA Australia.

## PRIMARY RESOURCES

- [APES 315 Compilation of Financial Information \(The Standard\)](#)
- [Technical Update 2017/1](#)
- [APES 315 Compilation of Financial Information overview](#)
- [The most common APES 315 breaches](#)

## QUESTIONS AND ANSWERS

### **When do I need to attach a compilation report to a set of financial statements?**

A compilation report is needed for all engagements where a set of financial statements is prepared. A compilation report should identify that the information is not audited, if an audit report has not been attached/included.

Please refer to Section 10 of APES 315 – this section has guidance and requirements in relation to reporting on a compilation engagement. Appendix 2 of the Standard also has a decision tree to determine when a compilation report should be issued.

**Could you give an example of this please: “More often than not the reason a member is found to be in breach of APES 315 is due to their reliance on the software employed rather than being familiar with the application of the Standard.”**

Most members rely on software to prepare their clients' financial statements. The software used should already have the requirements of APES 315 built into it.

Where we find that members have not prepared the compilation report correctly, often this is because the member has not "ticked a box" within the software's settings to receive automatic updates. This would mean that your software is out of date and is not reflective of any changes that have been made to the Standard.

This was particularly evident in 2015 when the Standard underwent significant revision.

**Do compilation reports need to be physically signed by the practitioner when attached to the financials or is the report with the practice/practitioner's name on it sufficient?**

APES 315 Paragraph 10.10 (k) requires that a compilation report contains the member's or firm's name, address *and* signature.

**Is it acceptable for the signature to be an electronic signature?**

Yes, electronic signatures are acceptable.

**Do we still need to prepare a compilation report when preparing financial reports for non-reporting entities where the primary purpose was to prepare tax return? And what are the specific examples that we only need to have disclaimers?**

Whenever you need to prepare a set of accounts, you must prepare a compilation report. The only time you do not need to prepare a compilation report is when you are only preparing a tax return and financial information solely for the inclusion in the tax return.

The primary purpose is not enough to exclude the requirement for a compilation report.

[The Standard](#) defines a compilation engagement and lists the following excluded activities:

- preparation of a taxation return and financial information prepared solely for inclusion in the taxation return
- analysis of figures provided by a Client, in order to report to the Client. For example, providing advice on a Client's proposed purchase of another entity, using the other entity's Financial Statements
- relaying information to a Client, without collection, classification or summarisation of the information
- Assurance Engagements

**As per the previous comment: "Whenever you need to prepare a set of accounts, you must prepare a compilation report," what exactly are the differences as effective from 1st July 2017, as we had been doing that already in the past few years?**

The revised APES 315 has updated definitions.

There have been no significant changes in relation to requirements. [Technical Update 2017/1](#) describes all changes between the current APES 315 and the one issued in February 2015.

**As per the previous comments: "The only time you do not prepare a compilation report is when you are only preparing a tax return and financial information prepared solely for the inclusion in the tax return." Please give some examples under what circumstances will compilation reports not required? Maybe it only applies to the situation like a sole trader or small partnership between husband and wife, when full set of financial reports or statements are not required?**

If you are preparing depreciation schedules for a tax return, then you shouldn't need to prepare a compilation report.

**What are the key differences between a Compilation Engagement and an Assurance Engagement?**

As per the definitions in [the Standard](#):

*Compilation Engagement* means an Engagement to Compile Financial Information in which a Member in Public Practice applies professional expertise in accounting and financial reporting to assist Those Charged with Governance in the preparation and presentation of financial information in accordance with an Applicable Financial Reporting Framework, without undertaking to express any assurance on the information. A Compilation Engagement may involve preparation of Financial Statements or compilation of other financial information.

*Assurance Engagement* means an Engagement in which a Member in Public Practice aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria).

**What is an example of an assurance engagement?**

Please refer to the [AUASB website](#) which provides [the Standards for assurance engagements](#).

Assurance engagements include compliance engagements, report on controls, prospectus etc.

**Do we need to add a compilation report if we are using MYOB/QB financial statements?**

We cannot comment on individual software applications. Should you have concerns about your software, please contact your software provider.

Whenever you prepare a set of accounts, a compilation report should be included with the accounts – please refer to section 10 of the Standard.

**In regards to the question regarding using MYOB/QB financial statements, sometimes our clients want to save accounting fees so we do our journals in the software that they are using and we use these financial statements for preparing tax returns. Do we still need to issue a compilation report?**

Yes, whenever you are preparing financial statements, regardless of the way in which you are preparing these statements, you will need to attach a compilation report.

**I am unsure which of the examples (Appendices) to use for a straight set of Compliance reports prepared for tax purposes. None seem to quite fit.**

If you are preparing financial information solely for the purposes of a tax return, you do not need to include a compilation report, since it is not considered a compilation engagement.

Please refer to the definition of a compilation engagement on page 5 of the Standard.

**A client sends an email with attachments asking you to fill out some financial information for a tender. Does this require a compilation report?**

Please refer to the definition of a compilation engagement.

Whenever you are collating financial information which may be used by an unknown third party, a compilation report should be included.

**Which of the Appendices is most suitable for attachment to reports and tax return you know the client will take to his or her bank?**

Please refer to the list of appendices at page 21 of the Standard. Based on your question, we would suggest that you look at:

*"Compilation engagements for financial information prepared for a special purpose where use or distribution of the financial information is restricted to the intended users." (Examples 4, 5 & 6.)*

**If the financial statements are going to an auditor, do we still need to attach a compilation report?**

Yes, the compilation report needs to indicate that the financials are not audited prior to being sent to the auditor.

Once the auditor attaches their audit report, the footer can be removed from the financial statements and the compilation report can be amended to refer to the auditor's report.

**In a previous QA review, I was instructed by the Reviewer that I was not required to prepare a compilation report for a SMSF (I was the accountant, not the auditor). In actual fact, he suggested I was in breach of the Standard. What is the current policy in relation to compilation reports and SMSFs?**

Due to the fact that an SMSF will be audited, you can elect to not attach a compilation report, but you will have to document why. Please refer to the following paragraphs from the Standard which provides the circumstances for the exclusion of the compilation report:

10.4 Where the Client has engaged another practitioner to audit or review the Compiled Financial Information in accordance with Auditing and Assurance Standards, the Member in Public Practice undertaking the Compilation Engagement shall assess the need to issue a Compilation Report. Where the Member decides not to issue a Compilation Report the Member shall document the rationale for that decision.

10.5 In the circumstances described in paragraph 10.4, if an audit or review report has been issued by another practitioner, this overrides the need for the Member in Public Practice to issue a Compilation Report, except where paragraph 10.6 applies.

10.6 Where the circumstances described in paragraph 10.4 apply, but the scope of the Compilation Engagement extends to significant subject matter not covered under the Assurance Engagement, the Member in Public Practice shall issue a Compilation Report for the subject matter not covered under the Assurance Engagement.

**If we are preparing a tax return for an individual who has some income via sole trading, do we still need compilation report, even we are just doing a simple income and expenses statement?**

Not if the sole purpose is for the tax return. If it could be argued that the financial information you are preparing could be used for another purpose, then issue a compilation report.

## DISCLAIMER

This transcript reflects CPA Australia's interpretation of the APES standard to which it applies. The commentary contained in this transcript is guidance only and does not replace the member's own reading and interpretation of the Standard.

## CONTACT

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