



**AASC Alert**  
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**February 2017**

## **Questions and Answers on Compilation Reports Required by Resolution 03-2016 of the Professional Regulatory Board of Accountancy (BOA)**

*This Alert has been prepared by the Auditing and Assurance Standard Council (AASC) to provide guidance to practitioners in the Philippines in applying the requirements of **BOA Resolution 03-2016, Requiring the Submission of Certification by the Responsible Certified Public Accountants on the Compilation Services for the Preparation of Financial Statements and Notes thereto.***

*This Alert has been discussed with and agreed by the BOA and that the necessary BOA written confirmation on this is forthcoming.*

### **Background**

BOA Resolution No. 03-2016, dated January 19, 2016, requires that the financial statements and notes thereto of an entity shall be prepared either by:

- (1) the certified public accountant (CPA) employed by the organizations or
- (2) the CPA contracted by the organizations to perform the compilation services.

Resolution 03-2016 also requires the CPA who prepared the financial statements to prepare and sign a certificate on the preparation of financial statements in accordance with an applicable financial reporting framework. This certificate shall be attached to the audited financial statements that are submitted to the regulatory offices. The format of the certificate is prescribed in Annex A of the resolution.

In another resolution, Resolution No. 70-2016, the BOA adopted, among other standards, Philippine Standard on Related Services (PSRS) 4410 (Revised), *Compilation Engagements*.

PSRS 4410 (Revised) deals with the responsibilities of a practitioner (defined as a professional accountant in public practice) when engaged to:

- (1) assist management with the preparation and presentation of historical financial information without obtaining any assurance on that information and
- (2) report on the engagement in accordance with this PSRS.

## Questions

### **1. What form of report should a practitioner issue in connection with the requirements of BOA Resolution 03-2016?**

When a practitioner is engaged to provide compilation services to an entity, the practitioner's association with the financial statements under PSRS 4410 (Revised) is communicated through a report in writing that includes the elements set forth in paragraph 40 of this PSRS. The report should contain an explicit assertion of the practitioner's compliance with this PSRS. This report shall be attached to the audited financial statements that will be filed with the regulatory offices.

An illustrative practitioner's report for an engagement to compile financial statements using a general purpose financial reporting framework is provided in the Appendix of this AASC Alert.

The Certificate in Annex A of BOA Resolution No. 03-2016 applies only to CPAs in commerce and industry who compiled the financial statements of their employer organization. This Certificate is not applicable to practitioners who were engaged to provide compilation services in accordance with PSRS 4410 since CPAs in public practice are bound to comply with the reporting requirements of the standards on audit, review, other assurance and related services engagements.

### **2. When should the compilation report be dated?**

Paragraph 41 of PSRS 4410 (Revised) states that the practitioner shall date the report on the date the practitioner has completed the compilation engagement. Paragraph A62 of PSRS 4410 (Revised) explains that when completing the compilation engagement, the practitioner should appropriately consider the process that exists within the entity for the approval of the financial statements by management, or by those charged with governance (TCWG). In our jurisdiction, there is an established process that management or TCWG are required to follow for the preparation and finalization of the financial statements of the entity. Therefore, the completion of the compilation engagement should not be earlier than the date of approval of the financial statements by management.

Accordingly, the compilation report date should be the same as the approval date of the financial statements by management or TCWG.

## **APPENDIX**

### **Practitioner's report for an engagement to compile financial statements using a general purpose financial reporting framework**

#### **PRACTITIONER'S COMPILATION REPORT**

[To Management of ABC Company]

We have compiled the accompanying financial statements of ABC Company based on information you have provided. These financial statements comprise the statement of financial position of ABC Company as at December 31, 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS for SMEs.

[Practitioner's signature]

[Date of practitioner's report]

[Practitioner's address]