Chartered Professional Accountants of Nova Scotia
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Information for Non-CPAs about Compilations

1.0 What is a compilation report?

1.1 A compilation report is a report prepared in accordance with *CSRS 4200 Compilation Engagements (CSRS 4200)* by a licensed CPA and is attached to compiled financial information provided by the client. Under *CSRS 4200*, compiled financial information must include a note describing the basis of accounting to help users understand how the complied financial information is prepared. The compilation engagement is performed with enhanced documentation requirements for improved consistency of engagement performance. The compilation report clearly communicates management's responsibilities, the CPA's responsibilities and the limitations of the compiled financial information.

2.0 Why would I need a compilation report?

2.1 You may be requested to provide a compilation report by a third party. If there are no third-party users, then a compilation engagement may not be required. There are a variety of factors that a financial statement user may consider when determining if a compilation report is appropriate for their needs. Different users have different needs and may require different levels of assurance.

3.0 How is a compilation report different from other reports prepared by CPAs?

3.1 CPAs provide three levels of assurance with respect to communications on financial statements – the audit report, the review report and the compilation report. The *CPA Canada Handbook-Assurance* contains the standards the CPA must follow when conducting an audit, review or compilation engagement.

3.2 A **compilation report** provides *no assurance* that the financial information is free from material misstatement, and it is explicit that no procedures are performed to verify the accuracy or completeness of the financial information provided by management. Accordingly, the CPA does not express an audit opinion or a review conclusion or provide any form of assurance on the compiled financial information (CSRS 4200.5). The CPA preparing a compilation report relies upon their client to provide the data and numbers in the report and cannot assure their accuracy. Readers are cautioned that the financial information may not be appropriate for their purposes.

3.3 A **review report** provides *limited assurance* and forms a conclusion on whether anything has come to the CPA's attention that causes them to believe that the financial information is not presented fairly, in all material respects, in accordance with an applicable financial reporting framework. The CPA will perform various analytical procedures and client inquiries to ensure that the financial information is plausible. The report on the financial statements will expressly state that it is not an audit to highlight to the reader that there is a higher risk of material misstatement in the financial statements than if they were audited.

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3.4 An **audit report** is the highest level of financial reporting and provides *reasonable assurance* that the financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement. An audit engagement builds upon the procedures performed in a review engagement. In addition to analytical procedures and client inquiries, the CPA will perform substantive procedures which include a more in-depth examination of the supporting documentation that backs-up the amounts in the financial statements. The CPA also obtains an understanding of the entity's internal controls and evaluates them for any significant deficiencies. The level of assurance for an audit is much higher than for a review engagement.

4.0 Who can prepare a compilation report for me?

4.1 In accordance with the *Chartered Professional Accountants Act,* only CPAs who hold a compilation licence with CPA Nova Scotia may sign off on a compilation engagement. Non-CPAs may not sign off on any of these three types of financial reports; compilation, review or audit.

5.0 Is a compilation report the same as a Notice to Reader report?

5.1 "Notice to Reader" is outdated language that accountants no longer use. It used to mean something similar to a compilation report, before the compilation standards were amended several years ago. Now, no on can prepare financial statements using the language "Notice to Reader".

5.2 You should consult with your CPA on whether your own business needs merit a compilation report, review report, or audit report. Your CPA can work with you to prepare the most efficient, cost-effective report that will meet your needs.

5.3 If you come across financial statement that use the "Notice to Reader" terminology, please advise us at registrations@cpans.ca, as that terminology is no longer permitted by law.

6.0 My accountant is not a CPA. What financial statements can they prepare for me?

6.1 Accountants, who are not CPAs, can prepare financial statements that may meet your business needs. However, a compilation report, review report or audit report cannot be attached to any financial statements prepared by a non-CPA. Nor can a non-CPA prepare a "Notice to Reader". The types of financial statements prepared by non-CPAs are often described as internal financial statements or white paper financial statements.