

M14 (REVISED)

MISCELLANEOUS TECHNICAL STATEMENTS

COMPILING AND REPORTING ON FINANCIAL STATEMENTS OF ENTITIES NOT SUBJECT TO AUDIT

(Revised January 2014)

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1. Introduction

This technical statement is intended to give general guidance to members when they compile financial statements for their clients. This guidance applies to the compilation of financial statements of incorporated entities i.e. financial statements prepared in accordance with Companies Acts 1963 to 2013 (referred to as the Acts) and unincorporated entities.

2. Where members have been instructed to carry out an audit the principles of auditing as set out in the relevant standards will apply. Features of these types of engagements are:

<i>Audit</i>	where an opinion on the financial statements is expressed and a reasonable, but not absolute, level of assurance is provided.
<i>Review</i>	where no opinion on the financial statements is expressed but negative assurance is stated and a lower level of assurance on the reliability of the financial statements is provided.
<i>Compilation</i>	where no opinion on the financial statements is expressed and no assurance is provided.
<i>Certification</i>	is where the reporting accountant certifies something to be true thereby expressing the highest degree of assurance (an absolute level of assurance) that it is so.

3. This Miscellaneous Technical Statement contains guidance on compilation engagements while guidance on review engagements will be the subject of a separate Miscellaneous Technical Statement/Statement of Standards for Reporting Accountants.

4. Although this Statement is entitled "Compiling and Reporting on Financial Statements of entities not subject to Audit" the guidance hereunder may also be relevant to compilation of other financial information.

5. A compilation engagement is one in which members use accounting expertise, as distinct from auditing expertise, to collect, classify and summarise financial information. This usually entails reducing detailed data to a manageable and understandable form without a requirement to test assertions underlying that information. The procedures employed are not designed and are not sufficient to enable members to express an opinion on financial statements. However, users of the compiled financial statements may derive some comfort as a result of members' involvement because the service has been performed with due professional skill and care and all assignments are prepared in accordance with the CPA Code of Ethics (revised June 2011).

6. The scope of this Statement relates only to compilation engagements, as described in paragraph 1 above. The Statement does not provide guidance on audit or other types of engagements.

7. The purpose of this Statement is to describe:

- The basic principles and general guidelines to be followed when members undertake an engagement to compile financial statements for their clients;
- The procedures members should apply when performing such an engagement; and
- The form and content of the accountants' report issued in connection with a compilation engagement

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Basic Principles

8. CPA Code of Ethics

When performing any professional service members should comply with the CPA Code of Ethics (reissued June 2011). The fundamental principles governing members' professional responsibilities when an engagement to compile financial information is undertaken are as follows:

Fundamental Principle 1 - Integrity

Members should be straightforward, fair and honest in all professional and business relationships. Integrity implies not merely honesty but fair dealing and truthfulness. Members should not be associated with reports, returns, communications or other information which they believe contains false or misleading information or statements.

Fundamental Principle 2 – Objectivity

Members should strive for objectivity in all professional and business judgements and not compromise because of bias, conflict or undue influence of others. Objectivity is the state of mind which has regard to all considerations relevant to the task in hand but no other.

Fundamental Principle 3 – Professional Competence and Due Care

Members must maintain professional knowledge and skill at the level required to ensure that clients receive competent professional service based on current developments in practice, legislation and techniques.

Fundamental principle 4 – Confidentiality

Members should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to do so.

Fundamental Principle 5 – Professional Behaviour

Members should comply with relevant laws and regulations and should avoid any action that discredits the profession.

9. Objectivity and independence should be maintained in all engagements however, in the sense that it is sometimes applied to audit assignments, is not essential to engagements to prepare financial statements, provided that objectivity is not impaired. There are certain factors, which by their nature are a threat to objectivity in any professional role and appropriate safeguards should be considered. Areas of risk include:

- Family and other relationships
- Loans
- Goods and services: hospitality or other benefits
- Beneficial interests in shares and other investments
- Acting as a business advisor and investing in or sponsoring or promoting shares

10. Members are advised against, inter alia:

- Receiving a loan from a client (unless from financial institutions in the normal course of business, under normal commercial terms and where the significance of the loan does not cast doubt on objectivity)
- Accepting hospitality, goods or services unless the value of any benefits are modest
- Acting for clients where the value of an investment in the client is material to the financial circumstances of the investing member or firm.

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11. Terms of the Engagement

Members should ensure there is a clear understanding between the client and the accountant regarding the terms of the engagement. It is in the interest of both members and clients that members send, before the commencement of work and following discussion with the client of the content, an engagement letter to help avoid misunderstanding relative to the compilation. In the absence of an engagement letter, members should have a clear record of the client's instructions in some other form. The engagement letter includes matter such as:

- the client as addressees;
- a statement that the client will be responsible for the reliability, accuracy and completeness of the books of account and for the truth and fairness of the financial statements themselves;
- the information to be supplied by the client to the accountants and a confirmation that any other information that the accountants consider necessary for the performance of the engagement will be supplied;
- the nature of the engagement including the fact that neither an audit nor a review will be carried out and accordingly no opinion will be expressed;
- the engagement cannot be relied upon to disclose errors, irregularities or illegal acts, including fraud, that may exist;
- the bases of accounting on which the financial statements are to be compiled and the fact that they, and any known departures there from, will be disclosed;
- the accountants' obligation not to allow their name to be associated with misleading financial statements;
- the purpose for which the financial statements have been compiled;
- written management representations may be required prior to the completion of the engagement and the issuing of the accountants' report;
- whether there is any restriction on the use of the report to those for whom it was prepared and for the specific purpose for which it was prepared, if appropriate;
- the form of the report;
- In addition, after discussions with the client, it may be appropriate to include a section on limitation of the accountants' liability.

An example of an engagement letter for a compilation engagement for an unincorporated and an incorporated entity appears in Appendix I.

12. In the case of unincorporated entities, the accountant should discuss with the client the purpose and use of the financial information. The basis of preparation for the information should be clearly defined in order that the accountant can compile the information for presentation. For example, the basis used to compile the financial statements may be agreed as being one which provides sufficient and relevant information to enable the completion of a tax return.

13. Where an appropriate basis and / or format cannot be agreed then the accountant should not accept the engagement.

14. Responsibility of Directors

The directors of incorporated entities are responsible for ensuring that the company maintains proper books of account and for preparing financial statements which give a true and fair view and have been prepared in accordance with the Acts. The directors are responsible for the provision and disclosure to the accountants of all information relevant to the purpose and compilation of the financial information.

The directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

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The directors are also responsible for safeguarding the assets of the company and for taking steps for the prevention and detection of fraud and other irregularities. The engagement to compile the financial statements cannot be regarded as providing assurance on the adequacy of the company's systems or on the incidence of fraud, non-compliance with laws and regulations or weaknesses in internal controls. Engaging external accountants to compile financial statements does not relieve the directors of their responsibilities in this respect.

15. Planning

Members should plan the work so that the engagement is conducted in an effective, efficient and timely manner. Plans should be based on knowledge of the client's entity and the complexity of the company's books of account and the accountants' experience of the business.

16. Compilation Procedures

To compile financial statements, members should possess a general understanding of the nature of the entity's business transactions, the form of its accounting records, and the accounting bases on which the financial statements are to be presented. Members ordinarily obtain this understanding through experience of the client's entity or enquiry of the client or the client's personnel.

Members may also consider other methods available, such as disclosure checklists or software packages, to check that relevant disclosures have been made on the basis of information available.

Where the entity's accounting records are clearly inadequate members should consider withdrawing from the engagement.

17. Documentation

There is no mandatory requirement to document the work done that has been carried out. However, where the quality of the accountant's work is challenged, documentation is important in providing evidence that the engagement has been carried out in accordance with the basic principles for such an engagement. The level of documentation may vary according to the complexity of the client's books of account and accounting procedures, according to the accountant's experience with the business and whether any matters have arisen during the course of the engagement.

18. Management Representations

In compiling financial statements, the accountants are normally reliant on representations by management, particularly in relation to estimates and the reliability, accuracy and completeness of information provided. The accountants therefore consider obtaining management representations on these matters.

19. Accounting Standards

The Institute expects members who assume responsibilities in respect of financial statements to observe accounting standards. Where members undertake compilation engagements, they should be in a position to justify significant departures from generally accepted accounting principles to the extent that their concurrence with the departure is stated or implied. They are not, however, required to refer in their report to departures with which they concur, provided that adequate disclosure has been made in the notes to the financial statements. All significant departures from generally accepted accounting principles should be disclosed in the financial statements. Specifically financial statements prepared under the Acts are required to give a true and fair view and must adhere to applicable accounting standards.

20. General Standards

The financial statements should include a statement of the accounting policies which are regarded as material in determining profit / loss and in arriving at the entity's state of affairs.

21. The balance sheet of a sole trader or sole practitioner should normally include only assets and liabilities relating to the business. In certain circumstances, where it is relevant to the view of the accounts as a whole, it may be necessary to note in the accounts the existence of other assets/liabilities which may or may not be quantified - for example, financial statements may not contain any estimate of the personal tax liabilities of the proprietor/partner.

22. Care should be taken that any reference to members' fees, for instance in the financial statements, fee notes, or

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correspondence, does not describe them as audit fees, since an audit has not been carried out.

23. Other than those procedures described in paragraphs 14 and 16, members are normally not required:

- To make any enquiries of the client or the client's personnel to assess the reliability of the information provided;
- To assess internal controls;
- To verify any matters; or
- To verify any explanations.

24. It may be necessary, because of the nature of the entity's records, for certain financial statement amounts to be based on estimates by the proprietor/partner. The fact that amounts have been estimated should be stated where material. If, based on the information provided to them, it appears that certain estimates are unreasonable, members should draw these to the attention of the management for reconsideration.

25. Misleading Financial Statements

Financial statements prepared under the Acts are required to give a true and fair view. Without carrying out an assurance service, the accountant cannot form an opinion as to the truth and fairness of the view given by financial statements. During the course of the engagement, however, matters may come to light which appear to indicate that the financial statements may be misleading. In such cases the accountant discusses the matter with the client with a view to agreeing appropriate adjustments and / or disclosures to be made in the financial statements. Where there are departures from accounting standards and appropriate disclosures are made in the financial statements, the accountant may wish to highlight these disclosures in their report by way of an explanatory paragraph.

26. Certified Public Accountants have a professional responsibility not to produce, or to allow their name to be associated with, financial statements which they believe to be misleading.

27. Members should in all cases read the compiled financial statements and consider whether they are appropriate in form and free from obvious material misstatements. In this sense, misstatement includes:

- Presentation of the entity's financial position or results such as to suggest that the information supplied by the client is incorrect, incomplete or unsatisfactory;
- Mistakes in the application of, or non-disclosure of known departures from, any relevant statutory, regulatory or other reporting requirements, including applicable accounting standards and non-disclosure of significant changes in accounting policies;
- Non-disclosure of any other significant matters of which the member becomes aware of.

28. During the course of a compilation engagement, matters may come to light which appear to indicate that the accounts are misleading. In such cases the member should discuss the matters with the client and agree the appropriate adjustments and/or disclosures to be made in the accounts.

29. In particular circumstances, where adjustments or disclosures which the members deem appropriate are not made, they may consider that relevant disclosure in their report of the issues detailing such doubt will enable them to issue a report. In considering the adequacy of the disclosure made, members will assess the risk that the interpretation or perception by the users of the compiled financial statements could be that the reporting accountants are satisfied with all other significant balance sheet and profit and loss account items not referred to in their report. For this reason, the explanatory paragraph in the report giving such disclosure should clearly refer to the scope of the work carried out.

30. On the other hand where appropriate amendments and/or disclosures are not made and consequently the financial statements are considered to be misleading, members should withdraw from the engagement.

31. Where the accountant withdraws from the engagement, they should explain to their client their reasons for withdrawing, unless this would constitute a breach of legal or other regulatory requirements

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32. Approval of Financial Statements by Client

Financial statements should be approved and signed by the directors before the accountant's report is signed. The directors have a statutory responsibility for the financial statements. The Companies Acts require that directors approve the financial statements and that two directors sign the profit and loss account and balance sheet on behalf of the Board. The directors of companies that are audit exempt are required to acknowledge on the face of the balance sheet, their responsibilities for keeping proper books of account and for preparing true and fair financial statements as well as entitlement of the company to exemption from audit, and certain other matters.

See Appendix III for required wording of the directors' statement required on the face of the balance sheet

33. Members should obtain a declaration of the client's responsibility for the appropriate presentation and adequacy of information disclosed in the financial statements. In compilation engagements, members will normally be reliant on representations from management for much of the information. Not only will management be making estimates, but also management will be representing that the information given to members is complete and reliable. Members should obtain written confirmation of management representations given orally on which they consider representations are required.

34. The declaration would normally indicate approval of the financial statements, in advance of members signing their report, by a signed statement on the face of a copy of the financial statements along the following lines:

"I/We approve these financial statements and confirm that I/we have made available all relevant records and information relating to the income and expenditure of the business for the period ended ... and relating to the assets and liabilities of the business at

Date: 31st January 20XX

Signed: A. B. Murphy
(J. R. Smith)"

This declaration may be reproduced on all copies of the financial statements.

35. Alternatively, to indicate client approval the statements should contain a note e.g.:

"These financial statements were approved by Mr A. B. Murphy (and J. R. Smith) on 31st January 19XX and confirmation received from him/them that he/they had made available all relevant records and information relating to the income and expenditure of the business for the period ended ... and relating to the assets and liabilities of the business at

36. In the case of partnerships, the declaration should be signed either by all partners or by the partner(s) duly authorised to sign on behalf of all the partners.

37. Reporting on a compilation engagement

In all circumstances, where members' names are associated with compilation of financial statements, they should issue a report. Care should be taken to ensure that the date of the accountants' report is the same as the date of the client's declaration. Until the financial statements have been adopted by the client they do not have a formal status and before this adoption members -should not associate their names with the financial statements.

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38. Reports on compilation engagements should normally contain the following:

Title

- Addressee (normally the client who engaged members to perform the assignment and should include the words 'Accountant's Report to...');
Identification of the financial statements compiled by members on the basis of information supplied by the client;
- A statement that neither an audit nor any other verification procedures have been carried out and that accordingly no opinion is expressed or implied;
When applicable, a statement that members are not independent of the client;
- A paragraph, where necessary, drawing attention to the disclosure of material departures from accounting standards;
- Signature;
- Members' address; and
- Date of the report.

Appendix II contains examples of compilation reports.

39. The compilation report should be signed in the name of the reporting accountants, the personal name of the reporting accountant, or both, as appropriate. The signature is normally that of the accounting firm because the firm as a whole assumes responsibility for the report. To assist identification, the report normally includes the location of the reporting accountants' office. The report should not refer to their status as "Registered Auditors".

40. The compiled financial statements should contain a reference such as "Unaudited", or "Refer to Compilation Report", on each page of the financial statements or at the front of the complete set of financial statements.

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APPENDIX I

1 Example engagement letter for an Incorporated Entity

The following letter is for use as a guide in conjunction with the considerations outlined in paragraph 9 of M14 (Revised) Compiling and Reporting on Financial Statements of Entities not subject to Audit, and should be varied according to individual requirements and circumstances. Reference may be included to other services provided by members e.g. taxation advice.

Dear **[Name of Client]**

Thank you for appointing us as your accountants. **[Use alternative wording if this is a renewal of an existing professional appointment].**

As discussed with **[name]** at our meeting on **[date]** and in accordance with the recommendations of the Institute of Certified Public Accountants in Ireland, this letter sets out our understanding of the terms of our engagement:

- to compile, as your agents, the financial statements to be laid before the members at an Annual General Meeting and filed with the registrar of companies in accordance with the requirements of the Companies Acts, 1963 to 2013; and
- to provide other professional services to the company.

This letter explains the scope of our work. It sets out the respective responsibilities of the directors and ourselves.

[Partner A insert name] will be personally in charge of the work we perform for you. He/She will ensure that the service you receive from us is of the highest quality.

Responsibilities of the Directors

As directors of **[Exempt Co. Limited]** you are responsible for maintaining proper books of account and for preparing financial statements which give a true and fair view and which have been prepared in accordance with the Companies Acts 1963-2013 and all regulations to be construed as one with those acts.

You are responsible for determining whether, in respect of the year, the company meets the conditions for exemption from an audit of the financial statements set out in Section 32 of the Companies (Amendment) Act, 1999 and whether the exemption is not available for the reasons set out in Section 33 of that Act.

In respect of any year, the availability of the exemption from an audit of the financial statements is conditional upon your forwarding an annual return, with accompanying financial statements, to the registrar of companies. You are responsible for ensuring that such return is forwarded within the appropriate time scale.

You are also responsible for making available to us, as and when required, all of the company's accounting records and all other relevant records and information that are necessary for the compilation of financial statements. You are responsible for both the accuracy and completeness of the information supplied to us and are responsible to users for the financial statements compiled by us.

Responsibilities of Accountants

We shall plan our work on the basis that you require us, as your agent, to compile financial statements based on the accounting records maintained by yourself and on the basis of the information you supply to us, unless you inform us in writing that the company requires an audit of the financial statements.

Should you instruct us to carry out an audit, then a separate letter of engagement will be required. As accountants, we are not auditors of your business and therefore we shall not carry out an audit of the financial statements and consequently no opinion will be expressed.

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Scope of the Reporting Accountant's Work

Our work will be carried out in accordance with the Miscellaneous Technical Statement No. 14 (Revised) *Compiling and Reporting on Financial Statements of Entities not subject to audit*. Our procedures will consist of compiling the financial statements from the accounting records kept by the company and the information and explanations supplied to us and making such limited enquiries of the officers of the company as we consider necessary for the purposes of our report.

Our work as accountants will not be an audit conducted in accordance with auditing standards. Accordingly, we will not seek any independent evidence to support the entries in the accounting records, the existence, ownership or value of the assets, or the completeness of income, liabilities or disclosures in the financial statements. Nor will we make any assessment of the estimates and judgements made by you in your preparation of the financial statements. Consequently, our work as accountants will not provide any assurance that the accounting records or financial statements are free from material misstatement, whether caused by fraud, other irregularities or error.

However, we will inform you of any such matters that come to our attention.

We have a professional responsibility not to allow our name to be associated with financial statements which we consider may be misleading. Therefore, although we are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, and the matter cannot adequately be dealt with by means of disclosure within our report (or by other appropriate modification of the report), we will not issue any report, will withdraw from the engagement and will notify you in writing of the reasons. Should this situation occur our fees for the work performed so far will be payable on presentation of our fee note.

As part of our normal procedures, at the time that the financial statements are signed we may ask you to provide written confirmation of any information or explanations given by you orally during the course of our work.

We shall discuss the financial statements with you prior to their finalisation and, after any adjustments arising from those discussions are made, we shall ask you to approve the financial statements. The financial statements will contain a declaration for your signature that you approve them and have made available all relevant records and information for their preparation.

Tax Compliance Work

We have agreed to prepare, in respect of each accounting period, a computation of the company's profits, adjusted with the provisions of the Taxes Acts. Subject to your approval, this will be submitted to the Inspector of Taxes with the company's formal return. We shall advise you each year before the due date of the amount of Corporation Tax payable.

You will be responsible, unless otherwise agreed, for all other returns, including returns relating to employee taxes under PAYE/PRSI and returns of employee expenses and benefits and VAT returns.

We shall also be pleased to advise you on other matters relating to taxation, such as the implications of particular business transactions and on other taxation matters, which you refer to us.

Additional Legal Responsibilities Regarding Taxation

We must report material relevant offences, as defined in Section 1079 of the Taxes Consolidation Act 1997, to the directors of the company in writing, requesting them to rectify the matter or notify an appropriate officer of the Revenue Commissioners of the offence within 6 months. In the event that our request is not complied with, we must cease to act as advisor to the company or to assist the company in any taxation matter. We must also send a copy of our notice of resignation to an appropriate officer of the Revenue Commissioners within 14 days.

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Other Legal Responsibilities

We have responsibilities to report on certain matters as follows:

- the Criminal Justice (Theft and Fraud Offences) Act 2001 requires that where we become aware that an offence, as detailed in the Act, may have been committed that we report same to the Garda Siochana; and
- the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and 2013 requires that where we have a suspicion that a money laundering offence or terrorist financing has been committed that we report the matter to the Garda Siochana and to the Revenue Commissioners.
- The Criminal Justice Act 2011 requires that where we have a suspicion that a listed offence has been committed that we report the matter to the Garda Siochana

We shall endeavor where appropriate and permitted by law, to liaise with you prior to making any reports under these acts.

Company Secretarial

You have authorised us, as your agent, to deal with the company's secretarial matters as follows:

- to prepare for your approval the company's Annual Return
- to deal with any other routine secretarial matters that may arise

To allow us to carry out these services all books, records and explanations requested by us must be submitted to us on a timely basis. To allow us to assist you in preparing returns for the Registrar of Companies it is necessary that the directors of the company have taken the steps to ensure that abridged accounts will be available to be annexed to the relevant statutory return within nine months of the financial year-end.

The directors are requested to note that the company will incur additional late filing penalties if the relevant financial statements are not made available for submission to the Companies Registration Office on time.

It is agreed that the directors of the company are primarily responsible to ensure that the company complies with the provisions of the Companies Acts 1963 to 2013 and will if necessary seek proper legal advice and record all decisions of the directors and members in minute books maintained for that purpose.

Other Services

We shall be pleased to provide, if requested, other services such as:

- (a) General advice on financial matters including pension and investment planning (a separate engagement letter will deal with this area as the need arises)
- (b) Reports in support of returns or claims e.g. for government grants, consequential loss insurance declaration, etc.
- (c) Reports in support of returns or claims e.g. for raising finance, for acquisitions of other businesses or investigation into some specific aspects of the business
- (d) Advice on computers and computer bureau services
- (e) Recruitment of staff
- (f) Formation of limited companies

Consequently, in compiling the financial statements of your business, any working papers, including the nominal ledger, which we bring into existence for this purpose, shall remain the property of this firm.

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Fees

Our fees are based upon the skill involved and the time occupied on the work and will be charged for each class of work. They will be billed at appropriate intervals during the course of the year and will be due on presentation.

Should you so require, we will forward an estimate of fees in advance of any assignment.

We should also be pleased to give you any help you may require with problems which arose during the year and would plan to keep in touch with you throughout the year to discuss any matters affecting your business.

Please do not hesitate to contact **[Partner A]** whenever you feel he/she can be of assistance.

Applicable Law

This engagement letter shall be governed by, and construed in accordance with the laws of the Republic of Ireland. The Courts of the Republic of Ireland shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.

Agreement of Terms

Once it has been agreed this letter will remain effective until it is replaced. Please confirm your agreement with the terms of this letter by signing this copy and returning it to us.

If this is not in accordance with your understanding of the terms of our appointment, please let us know and we will be happy to give you any further information you require.

Yours sincerely,
[ABC & Co]

Acknowledged by: _____ Date: _____
On behalf of the board of [Exempt Co. Limited]

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2 Example engagement letter for an Unincorporated Entity

The following letter is for use as a guide in conjunction with the considerations outlined in paragraph 11 of M14 (Revised) Compiling and Reporting on Financial Statements of Entities not subject to Audit, and should be varied according to individual requirements and circumstances. Reference may be included to other services provided by members e.g. taxation advice.

Dear **[Name of Client]**

Thank you for appointing us as your accountants. **[Use alternative wording if this is a renewal of an existing professional appointment]**.

As discussed with **[name]** at our meeting on **[date]** and in accordance with the recommendations of the Institute of Certified Public Accountants in Ireland, this letter sets out our understanding of the terms of our engagement:

- to assist you in the preparation of the financial statements of the entity for the purpose of enabling profits to be calculated such as to meet the requirements of the Taxes Consolidation Act, 1997 and which provides sufficient and relevant information to enable the completion of a tax return. We will compile the financial statements for your approval based on the accounting records maintained by you and the information and explanations you provide to us.

This letter explains the scope of our work. It sets out the respective responsibilities of you, the client, and ourselves.

Partner A [insert name] will be personally in charge of the work we perform for you. He/She will ensure that the service you receive from us is of the highest quality.

Client's Responsibilities

You are responsible for the reliability, accuracy and completeness of the books of accounts and accounting records generally.

You have undertaken to make available to us, as and when required, all your books of account and related financial information, including any minutes of management meetings, necessary to carry out our work. You will provide us with all information and explanations relevant to the purpose and compilation of the financial information.

Responsibilities of Accountants

We shall plan our work on the basis that you require us, as your agent, to compile financial statements based on the accounting records maintained by yourself and on the basis of the information you supply to us.

As accountants, we are not auditors of your business and therefore we shall not carry out an audit of the financial information and consequently no opinion will be expressed.

Scope of the Reporting Accountant's Work

Our work will be carried out in accordance with the Miscellaneous Technical Statement No. 14 (Revised) *Compiling and Reporting on Financial Statements of Entities not subject to audit*. Our procedures will consist of compiling the financial statements from the accounting records kept by you and the information and explanations supplied to us and making such limited enquiries of the officers of the company as we consider necessary for the purposes of our report.

Our work as accountants will not be an audit conducted in accordance with auditing standards. Accordingly, we will not seek any independent evidence to support the entries in the accounting records, the existence, ownership or value of the assets, or the completeness of income, liabilities or disclosures in the financial statements. Nor will we make any assessment of the estimates and judgements made by you in your preparation of the financial statements. Consequently, our work as accountants will not provide any assurance that the accounting records or financial statements are free from

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material misstatement, whether caused by fraud, other irregularities or error.

However, we will inform you of any such matters that come to our attention. We have a professional responsibility not to allow our name to be associated with financial statements which we consider may be misleading. Therefore, although we

are not required to search for such matters, should we become aware, for any reason, that the financial statements may be misleading, and the matter cannot adequately be dealt with by means of disclosure within our report (or by other appropriate modification of the report), we will not issue any report, will withdraw from the engagement and will notify you in writing of the reasons. Should this situation occur our fees for the work performed so far will be payable on presentation of our fee note.

As part of our normal procedures, at the time that the financial statements are signed we may ask you to provide written confirmation of any information or explanations given by you orally during the course of our work.

We shall discuss the financial statements with you prior to their finalisation and, after any adjustments arising from those discussions are made, we shall ask you to approve the financial statements. The financial statements will contain a declaration for your signature that you approve them and have made available all relevant records and information for their preparation.

Tax Compliance Work

We have agreed to prepare, in respect of each accounting period, a computation of the profits of the business, adjusted with the provisions of the Taxes Acts. Subject to your approval, this will be submitted to the Inspector of Taxes with the formal return. We shall advise you each year before the due date of the amount of Income Tax payable. You will be responsible, unless otherwise agreed, for all other returns, including returns relating to employee taxes under PAYE/PRSI and returns of employee expenses and benefits and VAT returns.

We shall also be pleased to advise you on other matters relating to taxation, such as the implications of particular business transactions and on other taxation matters, which you refer to us.

Other Legal Responsibilities

We have responsibilities to report on certain matters as follows:

- the Criminal Justice (Theft and Fraud Offences) Act 2001 requires that where we become aware that an offence, as detailed in the Act, may have been committed that we report same to the Garda Síochána; and
- the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and 2013 requires that where we have a suspicion that a money laundering offence or terrorist financing has been committed that we report the matter to the Garda Síochána and to the Revenue Commissioners.
- The Criminal Justice Act 2011 requires that where we have a suspicion that a listed offence has been committed that we report the matter to the Garda Síochána

We shall endeavor where appropriate and permitted by law, to liaise with you prior to making any reports under these acts.

Other Services

We shall be pleased to provide, if requested, other services such as:

- a) General advice on financial matters including pension and investment planning (a separate engagement letter will deal with this area as the need arises)
- b) Reports in support of returns or claims e.g. for Government grants, consequential loss insurance declaration, etc.
- c) Reports in support of returns or claims e.g. for raising finance, for acquisitions of other businesses or investigation into some specific aspects of the business
- d) Advice on computers and computer bureau services

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e) Recruitment of staff

f) Formation of limited companies

Consequently, in compiling the financial statements of your business, any working papers, including the nominal ledger, which we bring into existence for this purpose, shall remain the property of this firm.

Fees

Our fees are based upon the skill involved and the time occupied on the work and will be charged for each class of work. They will be billed at appropriate intervals during the course of the year and will be due on presentation.

Should you so require, we will forward an estimate of fees in advance of any assignment. We should also be pleased to give you any help you may require with problems which arose during the year and would plan to keep in touch with you throughout the year to discuss any matters affecting your business.

Please do not hesitate to contact **Partner A** whenever you feel he/she can be of assistance.

Applicable Law

This engagement letter shall be governed by, and construed in accordance with the laws of the Republic of Ireland. The Courts of the Republic of Ireland shall have exclusive jurisdiction in relation to any claim, dispute or difference concerning the engagement letter and any matter arising from it. Each party irrevocably waives any right it may have to object to an action being brought in those Courts, to claim that the action has been brought in an inconvenient forum, or to claim that those courts do not have jurisdiction.

Agreement of Terms

Once it has been agreed this letter will remain effective until it is replaced. Please confirm your agreement with the terms of this letter by signing this copy and returning it to us.

If this is not in accordance with your understanding of the terms of our appointment, please let us know and we will be happy to give you any further information you require.

Yours sincerely,

[ABC & Co]

Acknowledged by: _____ Date: _____

On behalf of [unincorporated entity]

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APPENDIX II

Example compilation reports

Example I - Report on compilation of financial statements for an incorporated entity

ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF (EXEMPT CO.) LIMITED

We have compiled the financial statements set out on pages X to X of (Exempt Co.) Limited for the year ended [balance sheet date].

Respective responsibilities of directors and accountants

As described on page X the company's directors are responsible for the financial statements. It is our responsibility to compile the financial statements of (Exempt Co.) Limited from the accounting records, information and explanations supplied to us by the directors.

Scope of work

We compiled the financial statements in accordance with the guidance contained in M14 (Revised) *Compiling and reporting on financial statements of entities not subject to audit* from the accounting records and information and explanations supplied to us by the directors.

We have not audited or otherwise attempted to verify the accuracy or completeness of such records, information and explanations and, accordingly, express no opinion on the financial statements.

ABC & Co
Certified Public Accountants

Date:

Example 2 - Report on the compilation of financial statements, with an explanatory paragraph drawing attention to a departure from accounting standards with which the member does not concur.

ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF (EXEMPT CO.) LIMITED

We have compiled the financial statements set out on pages X to X of (Exempt Co.) Limited for the year ended [balance sheet date].

Respective responsibilities of directors and accountants

As described on page X the company's directors are responsible for the financial statements. It is our responsibility to compile the financial statements of (Exempt Co.) Limited from the accounting records, information and explanations supplied to us by the directors.

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Scope of work

We compiled the financial statements in accordance with the guidance contained in M14 (Revised) *Compiling and reporting on financial statements of entities not subject to audit* from the accounting records and information and explanations supplied to us by the directors.

We have not audited or otherwise attempted to verify the accuracy or completeness of such records, information and explanations and, accordingly, express no opinion on the financial statements.

We draw your attention to Note YY to the financial statements, which indicates that management has elected not to capitalise finance leases of plant and machinery. This is a departure from accounting standards with which we do not concur.

ABC & Co
Certified Public Accountants

Date:

Example 3 - Report on the compilation of financial statements, with an additional "disclosure paragraph" drawing the readers' attention to an area of doubt.

ACCOUNTANTS' REPORT TO THE DIRECTORS ON THE UNAUDITED FINANCIAL STATEMENTS OF (EXEMPT CO.) LIMITED

We have compiled the financial statements set out on pages X to X of (Exempt Co.) Limited for the year ended [balance sheet date].

Respective responsibilities of directors and accountants

As described on page X the company's directors are responsible for the financial statements. It is our responsibility to compile the financial statements of (Exempt Co.) Limited from the accounting records, information and explanations supplied to us by the directors.

Scope of work

We compiled the financial statements in accordance with the guidance contained in M14 (Revised) *Compiling and reporting on financial statements of entities not subject to audit* from the accounting records and information and explanations supplied to us by the directors.

We have not audited or otherwise attempted to verify the accuracy or completeness of such records, information and explanations and, accordingly, express no opinion on the financial statements.

In carrying out our procedures it has come to our attention that the balance sheet total of debtors includes a debt of €.... which is outstanding for 20 months. (Exempt Company) Limited has no security for this debt. The proprietor/management have informed us that they are satisfied that it will be recovered in full. We draw attention to the scope of our work in carrying out this compilation assignment as set out in the preceding paragraph.

Signature:

ABC & Co
Certified Public Accountants
Date:

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Example 4 - Report on compilation of financial statements for an unincorporated entity

ACCOUNTANTS' REPORT TO [ENTITY] ON THE UNAUDITED FINANCIAL INFORMATION OF (ENTITY)

We have compiled the financial information set out on pages X to X of (Entity) for the year ended [balance sheet date].

Respective responsibilities of (sole trader / partners) and accountants

As described on page XX you are responsible for the financial statements. It is our responsibility to compile the financial statements of (Entity) from the accounting records, information and explanations supplied to us by you.

Scope of work

We compiled the financial information in accordance with the guidance contained in M14 (Revised) *Compiling and reporting on financial statements of entities not subject to audit* from the accounting records and information and explanations supplied to us by you.

We have not audited or otherwise attempted to verify the accuracy or completeness of such records, information and explanations and, accordingly, express no opinion on the financial statements.

ABC & Co
Certified Public Accountants

Date:

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APPENDIX III

Directors' statement required on the face of the balance sheet

The company is availing itself of the exemption provided for by Part III of the Companies (Amendment) (No. 2) Act, 1999 on the grounds that it complies with the requirements of section 32 of the 1999 Act (as amended by Section 53 of the Companies (Auditing and Accounting) Act 2003, section 9 Investment Funds, Companies and Miscellaneous Provisions Act 2006 and the Companies (Amendment)(No.2) Act 1999 (Section 32) Order 2012). The directors confirm that they have not received a notice requesting an audit in accordance with section 33(1) and (2) of the 1999 Act. As set out on page X, the directors acknowledge the obligations of the company to keep proper books of account, prepare financial statements which give a true and fair view and otherwise comply with the provisions of the Companies Acts 1963 – 2013 and all Regulations to be construed as one with those Acts.

We hereby certify that we have relied on the specific exemptions contained in sections 10 and 12 of the Companies (Amendment) Act 1986 on the grounds that the company is entitled to the benefits of those exemptions as a small company.

On behalf of the board

XXXXXXXXX
Director

XXXXXXXXX
Director