

# **Compilation Engagements and Related Services**



Registered<sup>TM</sup>  
Professional  
Accountant

Accountants for  
Small to Medium  
Sized Businesses

**RPA Accounting  
Practitioner's  
Handbook**

**The Society of Professional Accountants of Canada**  
[www.RPACanada.org](http://www.RPACanada.org)



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## President's Message

The accounting profession has gone through an incredible transformation due to the integration of new technology. With these rapidly advancing technologies, professional accountants must also pay attention and take action to learn and adapt. In the past, accountants had more time and opportunities to keep up with the changing business and tax environment as it took effect following government or industry regulations. This allowed for professional development at a manageable pace to better serve clients and the public at large.

The situation is dramatically different now that newer and more complex technology and processes have begun changing and improving our profession. Fast-developing technologies such as AI, cloud accounting and data analytics are tools today's accountants are encouraged to adapt and implement to stay relevant in the profession.

Keeping this urgent need in mind, the Society of Professional Accountants of Canada has recently incorporated key technology modules in the new set of prerequisite courses. This will equip the young accountants starting out to be able to use the latest technology in the service of their clients, making the RPA designation more valuable.

The Society has also launched its new courses for Accounting Practitioners focusing on the RPA Code of Ethics for Accountants and a comprehensive course for Compilation Engagements with emphasis on the new CSRS 4200 guidelines issued by the Auditing and Assurance Board of Canada (AASB). These courses will prepare the RPA members for practice certification if they are planning to operate their own firms or equip them with in demand skills established firms are seeking.

This Handbook for Practitioners has been developed as a companion document to provide practical direction for the accounting practitioners, accounting staff and other stakeholders within the accounting profession. Practitioners will thus have access to a series of useful advice and templates to assist them in either performing accounting services or conducting training courses for staff, or in implementing working papers processes. It is hoped that this publication will make a helpful contribution to the strengthening of capacity and practice for the accounting profession in Canada and around the world. We are grateful to Jim Green, RPA & Umar Choudhry, CPA, and LPA for producing this handbook and thanks to the RPA Professional Practice Committee for their assistance.

Sincerely,

**Zubair Choudhry, RPA, APA**  
President & CEO

This handbook is created for the benefit of RPA members and others who are engaged in the practice of accounting and related services or motivated to work in the field of accounting. Interdisciplinary thinking in accounting practice, strong ethical standards, relevant teaching and research and discovery are the key elements that form the foundational mission of the Society. Accounting professionals, whether beginners or established would be well-served by the material assembled here by experts, providing easy and quick reference.

The purpose of this Handbook is to set standards and provide guidance to the accounting practitioner while offering additional services related to tax, bookkeeping or business consulting. This also includes guidance on the updated requirement as the new CSRS 4200 Compilation Engagement.

## Introduction

RPA members in good standing must obtain Certificate of Accounting Practice before engaging in public practice. To achieve certification RPA members must comply with the following basic requirements.

## Certified Accounting Practitioner

- Practitioner must be an RPA member in good standing
- RPA Member must complete the necessary education training to obtain Certificate of Accounting Practice
- Practitioner must follow the RPA Code of Ethic
- Practitioner must meet the Society's Continuing Professional Development (CPD) requirements
- Practitioner must have Error & Omission Insurance
- Practitioner will be subject to periodic practice review

## Engagements to Compile Financial Information

### Objective of a Compilation Engagement

The objective of a compilation engagement is for the accounting practitioner to use accounting expertise to collect, classify and summarize financial information provided by the client. The accounting practitioner provides no assurance on these compilation engagements, and the client takes responsibility for the underlying financial information, and the accounting method chosen to use in its presentation.

Accounting practitioners must be familiar with and comply with the code of ethics, which requires specific skills, knowledge, and values. These requirements are contained in detail within the RPA Code of Ethics handbook. 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

The accounting practitioners must ensure there is clear understanding regarding the terms of an engagement between themselves and their clients. The terms of an engagement must take into consideration the following:

## Defining the Terms of the Engagement

- Scope of work in the engagement
- Nature of the engagement including that neither an audit nor review will be carried out, nor accordingly no assurance will be expressed.
- The engagement cannot be relied upon to disclose errors, illegal acts or other irregularities.
- Nature of the information to be supplied by the client, including quantity and particulars are subject to expectations of the accounting practitioner.
- That management of the client is responsible for the accuracy and completeness of the financial information supplied to the accounting practitioner.
- The basis of accounting with which the financial information is to be compiled, and that it must be disclosed in the financial information.
- Intended use and distribution of the information and those third party users are in a position to request more information from management.
- Form of report to be issued regarding the financial information compiled, when the accounting practitioner's name is to be associated (all instances where a CRSR 4200 compilation will be issued and communication attached).

## Compilation Engagement Process

The compilation engagement letter contains the mutually understood scope of work. An engagement letter from the accounting practitioner to the client regarding the nature and scope of the compilation is required each time a compilation engagement is undertaken.

This letter includes the key terms of the appointment and confirms the accounting practitioner's acceptance of the engagement. This helps to 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

The accounting practitioner must plan the compilation engagement using the CSRS 4200 applicable standard procedures and documentation, and generally accepted accounting principles that are appropriate for the intended use.

### Documentation

The accounting practitioner shall document matters which are important in providing evidence that the engagement was carried out in accordance with the compilation standards in this handbook and with the CSRS 4200 standard.

### Procedures

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

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 obtains knowledge of these matters through experience with the entity or by asking the client's management about the nature of its operations and documenting these details.



Other than the expectations and requirements set forth by this Handbook, the accounting practitioner is not ordinarily required to: **make any inquiries of management to assess the reliability or completeness of financial information; assess any internal controls; verify any matters; verify any explanations.**

The reason why these exclusions exist in the context of a compilation engagement is because performing them would move the engagement beyond the scope of a compilation into an assurance type engagement, known as an audit or a review depending on the level of assurance required by the client. Such assurance engagements are beyond the scope of a compilation, and therefore are not performed when undertaking a compilation engagement.

However, it is worth noting that if the accounting practitioner becomes aware of a reason to believe the compiled financial statement will be misleading in any way (to a third-party user), the professional code of ethics requires that they not proceed with the engagement.

## Procedures Excluded from a Compilation Engagement

The accounting practitioner, while not required to perform procedures to verify the underlying information, is required by the RPA Code of Ethics and by CSRS 4200 to assess whether the financial information included in the report may be misleading to a third party user and withdraw from the engagement if it is deemed to be the case. Therefore, if the practitioner becomes aware during the engagement of incomplete or inaccurate information, or if the client is unwilling to select an appropriate basis of accounting, the practitioner must assess whether the code of ethics requires withdrawal and proceed accordingly.

Therefore, during what is known as the “STAND BACK” phase of the compilation, the accounting practitioner should read the compiled information and consider whether there appears to be 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 significant matters the accounting practitioner has become aware of

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

As the accounting practitioner, your role is to assist management in their ability to select the appropriate basis of accounting for their third-party users and be able to take responsibility for the financial information.

## Important Note on Ethics

### Reminder:

This guide is to be used in conjunction with the RPA Code of Ethics publication. The RPA Code of Ethics comprises a set of rules that all RPA members must adhere to in all their accounting work, which includes but is not limited to, the performance of compilation engagements. For more information see the RPA Code of Ethics.

## Reports on Compilation Engagements

- Name of management
- Address of the business
- A statement that the engagement was performed in accordance with CSRS 4200 as required by law when performing a compilation engagement
- Independence from undue influence, or close relationship, with the client is not 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

For guidelines on Financial Statements, see Appendix 2

**PLEASE NOTE – THE PRESCRIBED WORDING** (Also referred to as the Financial Information): The financial information compiled by the accounting practitioner must contain the prescribed wording set out in the CSRS 4200 standard for compilations (see Appendix 5).

## Related Services

Related services include bookkeeping, income tax preparation, and consulting of an accounting or tax nature. These are the professional services a practitioner may provide in conjunction with a CSRS 4200 Compilation Engagement, or independent of a compilation engagement.

Related Services can be provided to individuals and corporations and such services must always be provided in the context of the RPA Professional Code of Ethics, which details the role and responsibility of the practitioner in delivery of these services.

The steps a practitioner must take when entering into a relationship to provide these types of services will depend on the nature of the service, and professional judgement must be used.

If the nature of the Related Services is ongoing, as in the case of bookkeeping, or complex as in the case of ongoing business consulting, the practitioner may need to follow steps including securing an engagement letter to define the scope of the engagement and the roles and responsibilities of the practitioner and the client.

If the nature of the engagement is simple and transactional, as in the case of filing personal taxes, there may not need to be an engagement letter – professional judgement should guide the accountant in evaluating which documentation is required in a given situation.

Regardless of the type of engagement, the practitioner must always follow professional ethics as defined by the RPA Code of Ethics, which includes a duty to clearly communicate with clients the roles and responsibilities of all parties, the price structure, and any related information as may be necessary to comply with the ethics code in a given situation.

In addition, the practitioners are bound by the code of ethics to ensure that the consulting, tax or other related services they provide are delivered in a competent and ethical manner.

**For a step-by-step guide to delivering related services, see Appendix 11.**

## Quality Management Systems at the Firm and Engagement Level

The new CSRS 4200 Standard on Compilation Engagements that include updated Quality Management standards modelled after the ISQM 1 (International Standard on Quality Management) will come into force in December 2023. This standard applies to all accounting firms providing compilation services to their clients; as such it applies to RPA practitioners. Quality management systems at the firm and engagement level are scalable, and for RPA practitioners operating small firms, or solo practitioners, these standards can be adopted and scaled to fit each size of firm. This means a small firm can adopt processes that are reasonable for its own circumstances toward reaching the goal of improved quality management. In other words, simpler processes of quality review can be adopted for smaller firms. What is required for your firm is a formal system defined by your firm in a small document (1 to 2 pages), explaining processes, roles and responsibilities of the firm towards achieving a Quality Management System. A Quality Management System is a system of checking work and testing for quality control of the work product. These systems reduce errors and the possibility that work product will be incomplete or not up to the standards of RPA Canada. An example of a small firm Quality Management System is included in Appendix 10.



This concludes the general text of the RPA practice handbook. Thank you for reading. What follows are Appendices that include examples and clarification on the subject matter discussed in the practice handbook.

RPA Accounting Practitioner's Handbook

## **Appendices**





## Appendix 1: Compilation Engagement Letter

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.

The Compilation Engagement letter should be addressed to the legal entity for which the compilation is being prepared for. The letter should be dated. The purpose of the engagement should be clearly outlined with 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 client's management for further information.

### **A paragraph detailing the Practitioner's responsibilities communicated to the client with following details:**

- 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 that you do not hold a license.
- Clearly state the compilation does not verify the accuracy or completeness of information provided by management.
- It should be clearly expressed that the engagement is not an audit or review.

### **A paragraph detailing the Management's responsibilities including but not limited to:**

- The scope of a compilation is appropriate for the intended use.
- Clients 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.

### **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.
- Date, 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:**

**File Inspections**

Management should be made aware of the possibility that this file may be reviewed by the professional body.

**Working Papers**

Who will retain the ownership of these documents?

**Indemnity Clause**

Seek legal advice applicable to your province

**Fees and Cost**

This should be agreed to in writing prior to commencement of work

**Confidentiality clause**

**Note:** Document should be signed by both the management and the practitioner

**SAMPLE ENGAGEMENT LETTER:** Below is a sample engagement letter which may guide you in developing your own engagement letter for clients. This sample is comprehensive, and some terms may need to be tailored to your specific situation.

**JOHN SMITH, RPA**

Certified Accounting Practitioner

123 Church Street, Toronto ON, M1A 1A1

October 12, 20XX

Ms. Anne Rose  
Anne's Flower Shoppe

Dear Anne:

You have requested that, on the basis of information that you will provide, we assist you in the preparation of the compiled financial information of Anne's Flower Shoppe, which comprise the balance sheet as at December 31, 20XX, and the statement of income and retained earnings for the year then ended, and Note 1, which describes the basis of accounting to be applied in the preparation of the compiled financial information.



## Intended Use of the Compiled Financial Information

The compiled financial information is intended to be used by management of Anne's Flower Shoppe and third parties, being the company's bank. Those parties are in a position to request and obtain further information from the entity.

We are pleased to confirm our acceptance and our understanding of this compilation engagement by means of this letter.

## Our Responsibilities

We will perform the compilation engagement in accordance with the Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements.

A compilation engagement involves us assisting you in the preparation of compiled financial information. Since a compilation engagement is not an assurance engagement, we are not required to perform procedures to verify the accuracy or completeness of the information you provide to us for the compilation engagement. Accordingly, we will not express an audit opinion or a review conclusion, or provide any form of assurance on the compiled financial information.

## Management's Responsibilities

The compilation engagement is performed on the basis that you acknowledge that:

- a. The third party that intends to use the compiled financial information is in a position to request and obtain further information from the entity;
- b. A compilation engagement is appropriate for the intended use;
- c. You understand that a compilation engagement will not fulfill the entity's legal, regulatory or contractual provisions, if any, for an audit engagement or a review engagement; and
- d. You understand that the compiled financial information should not be used by third parties other than those who are in a position to request or obtain further information from the entity or have agreed with you the basis of accounting applied in the preparation of the compiled financial information.

Further, you acknowledge that you are responsible for:

- a. The compiled financial information;
- b. Selecting the basis of accounting to be applied in the preparation of the compiled financial information that is appropriate for the intended use;
- c. The accuracy and completeness of the information provided to us; and
- d. Attaching the compilation engagement report when distributing or reproducing the compiled financial information.

## Reporting

Unless unanticipated difficulties are encountered, our report will be substantially in the form contained in Appendix A to this letter. *[Not included in this case study.]*

## Use of Information

It is acknowledged that we will have access to all information about identified individuals ("personal information") in your custody that we require to complete our Engagement. Our services are provided on the basis that:

- a. You represent to us that management has obtained any required consents for our collection, use, disclosure, storage, transfer and process of personal information required under applicable privacy legislation and professional regulation; and
- b. We will hold all personal information in compliance with our Privacy Statement.

## File Inspections

In accordance with professional regulations (and by firm policy), our client files must periodically be reviewed by practice inspectors and by other firm personnel to ensure that we are adhering to professional and firm standards. File reviewers are required to maintain confidentiality of client information.

## Confidentiality

One of the underlying principles of the profession is a duty of confidentiality with respect to client affairs. Each professional accountant must preserve the secrecy of all confidential information that becomes known during the practice of the profession. Accordingly, we will not provide any third party with confidential information concerning the affairs of Anne's Flower Shoppe unless:

- a. We have been specifically authorized with prior consent;
- b. We have been ordered or expressly required by law or by the provincial *Code of Professional Conduct / Code of Ethics*; or
- c. The information requested is (or enters into) public domain.

## Communications

In performing our services, we will send messages and documents electronically. As such communications can be intercepted, misdirected, infected by a virus, or otherwise used or communicated by an unintended third party; we cannot guarantee or warrant that communications from us will be properly delivered only to the addressee.

Therefore, we specifically disclaim, and you release us from, any liability or responsibility whatsoever for interception or unintentional disclosure of communications transmitted by us in connection with the performance of this Engagement. In that regard, you agree that we shall have no liability for any loss or damage to any person or entity resulting from such communications, including any that are consequential, incidental, direct, indirect, punitive, exemplary or special damages (such as loss of data, revenues or anticipated profits).

If you do not consent to our use of electronic communications, please notify us in writing.

## **Other Terms of Engagement**

Subject to management review and approval, we will carry out such bookkeeping as we find necessary prior to the preparation of the compiled financial information, prepare the necessary federal and provincial income tax returns and prepare any special reports as required. Management will provide the information necessary to complete the returns/reports and will file them with the appropriate authorities on a timely basis.

It should be noted that our accounting work in the area of GST/HST and other commodity taxes is limited to that appropriate to compile the financial information. Accordingly, we may not detect situations where you are incorrectly collecting GST/HST or incorrectly claiming input tax credits. As you are aware, failure to properly account for the GST/HST could result in you or your company becoming liable for tax, interest or penalties. These situations may also arise for provincial sales tax, custom duties and excise taxes.

We will also be pleased to provide other additional services upon request. Such services include income tax planning, GST/HST and PST advice, business financing, management consulting and valuations.

## **Ownership**

The working papers, files, other materials, reports and work created, developed or performed by us during the course of the Engagement are the property of our firm, constitute our confidential information and will be retained by us in accordance with our firm's policies and procedures.

During the course of our work, we may provide, for your own use, certain software, spreadsheets and other intellectual property to assist with the provision of our services. Such software, spreadsheets and other intellectual property must not be copied, distributed or used for any other purpose. We also do not provide any warranties in relation to these items and will not be liable for any lost or corrupted data or other damage or loss suffered or incurred by you in connection with your use of them.

We retain the copyright and all intellectual property rights in any original materials provided to you.

## **Accounting Advice**

Except as outlined in this letter, the Engagement does not contemplate the provision of specific accounting advice or opinions or the issuance of a written report on the application of accounting standards to specific transactions and to the facts and circumstances of the entity. Such services, if requested, would be provided under a separate engagement letter.

## **Dispute Resolution**

You agree that any dispute that may arise regarding the meaning, performance or enforcement of this Engagement will, prior to resorting to litigation, be submitted to mediation.

## **Indemnity**

Anne's Flower Shoppe hereby agrees to indemnify, defend (by counsel retained and instructed by us) and hold harmless our firm (and its partners, agents and employees) from and against any and all losses, costs (including solicitors' fees), damages, expenses, claims, demands and liabilities arising out of (or in consequence of):

- a. The breach by Anne's Flower Shoppe, or its directors, officers, agents, or employees, of any of the covenants or obligations of Anne's Flower Shoppe herein, including, without restricting the generality of the foregoing, the misuse of, or the unauthorized dissemination of, our engagement report or the financial information in reference to which the engagement report is issued, or any other work product made available to you by our firm.
- b. A misrepresentation by a member of your management or those charged with governance.

### **Limitation of Liability**

Our aggregate liability for all claims, losses, liabilities and damages in connection with this Engagement, whether as a result of breach of contract, tort (including negligence), or otherwise, regardless of the theory of liability, is limited to \$12,000. Our liability shall be several and not joint and several. We shall only be liable for our proportionate share of any loss or damage, based on our contribution relative to the others' contributions and only if your claim is commenced within 24 months of the date Anne's Flower Shoppe should have been aware of the potential claim. In addition, we will not be liable in any event for consequential, incidental, indirect, punitive, exemplary, aggravated or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

### **Time Frames**

We will use all reasonable efforts to complete the Engagement as described in this letter within the agreed upon time frames.

However, we shall not be liable for failures or delays in performance that arise from causes beyond our reasonable control, including any delays in the performance by Anne's Flower Shoppe of its obligations.

### **Fees at Regular Billing Rates**

Our professional fees will be based on our regular billing rates, plus direct out-of-pocket expenses and applicable GST, and are due when rendered. Fees for additional services will be established separately.

If significant additional time is likely to be incurred, we will discuss the reasons with you and agree on a revised fee estimate before we incur the additional costs.

Fees will be rendered as work progresses and are payable on presentation.

### **Billing**

Our fees and costs will be billed monthly and are payable upon receipt. Invoices unpaid 30 days past the billing date may be deemed delinquent and are subject to an interest charge of 1% per month. We reserve the right to suspend our services or to withdraw from this Engagement in the event that any of our invoices are deemed delinquent. In the event that any collection action is required to collect unpaid balances due to us, you agree to reimburse us for our costs of collection, including lawyers' fees.

## Costs of Responding to Government or Legal Processes

In the event we are required to respond to a subpoena, court order, government agency or other legal process for the production of documents and/or testimony relative to information we obtained and/or prepared during the course of this Engagement, you agree to compensate us, at our normal hourly rates, for the time we expend in connection with such response and to reimburse us for all of our out-of-pocket costs (including applicable GST/HST) incurred.

## Termination

Management acknowledges and understands that failure to fulfill its obligations as set out in this engagement letter will result, upon written notice, in the termination of the Engagement.

Either party may terminate this agreement for any reason upon providing written notice to the other party [not less than 30 calendar days before the effective date of termination]. If early termination takes place, Anne's Flower Shoppe shall be responsible for all time and expenses incurred up to the termination date and all costs in terminating any agreement with any specialist or other third party retained by us in connection with this Engagement.

If we are unable to complete the Engagement, we may withdraw from the Engagement before issuing our Compilation Engagement Report or compiling the financial information. If this occurs, we will communicate the reasons and provide details.

## Survival of Terms

This engagement letter will continue in force for subsequent Engagements unless terminated by either party by written notice prior to the commencement of the subsequent Engagement.

## Conclusion

This engagement letter includes the relevant terms that will govern the Engagement for which it has been prepared. The terms of this letter supersede any prior oral or written representations or commitments by or between the parties. Any material changes or additions to the terms set forth in this letter will only become effective if evidenced by a written amendment to this letter, signed by all of the parties.

If you have any questions about the contents of this letter, please raise them with us. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for the compilation engagement.

We appreciate the opportunity of being of service to your company.

Yours truly,

Signed   
John Smith, RPA

Acknowledged and agreed on behalf of the management of Anne's Flower Shoppe

Per:   
Anne Rose

Date October 12, 20XX

## Appendix 2: The Financial Statements

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 other considerations included in this Accounting Practitioners Compilation Handbook.

- Title page with Entity name and statement periods
- Table of contents. A page dedicated to the Compilation Report (appendix 5) should include on this page the preparers address and contact information.
- Compiled Financial Information generally includes: The Balance Sheet, The Income Statement, The Statement of Retained Earnings, and Notes, including the Basis of Accounting Note.

Given below is a Sample Financial Statement:

### Financial Statement Page 1

#### **CLIENTCOMPANY INC**

Financial Information

Unaudited – See Compilation Report

Year Ended March 31, 2022

### Financial Statement Page 2

#### Table of Contents:

1. Compilation Engagement Report
2. Balance Sheet
3. Income Statement
4. Statement of Retained Earnings
5. Notes: Note 1 – Basis of Accounting and Note 2 – Capital Assets

### Financial Statement Page 3

## COMPILATION ENGAGEMENT REPORT

To Company Client Inc.:

On the basis of information provided by management, we have compiled the balance sheet of Company Client Inc. as at 2022/03/31, the statement of income and retained earnings for the year then ended, and Note X, which describes the basis of accounting applied in the preparation of the compiled financial information [and, if applicable, other explanatory information] ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the financial information. Readers are cautioned that the financial information may not be appropriate for their purposes.

Cambridge, Ontario  
6/15/2022

John Smith, RPA

Registered Professional Accountant  
Certified Accounting Practitioner

#### Financial Statement Page 4

#### Balance Sheet March 31 (un-audited - see compilation report)

	2022	2021
<b>Assets</b>		
Current		
Cash	\$ 328,935	\$ 256,629
Accounts Receivable	622	8,138
Income Taxes Receivable		7,541
	<u>329,557</u>	<u>272,308</u>
Capital assets (note 2)	4,369	5,937
	<u>\$ 333,926</u>	<u>\$ 278,245</u>
<b>Liabilities</b>		
Current		
Accounts Payable and Accrued Liabilities	\$ 8,432	\$ 6,824
Income Taxes Payable	2,198	
Shareholder's Loan	3,943	24,719
	<u>14,573</u>	<u>31,543</u>
Shareholder's equity		
Share Capital	<sup>1</sup>	<sup>1</sup>
Retained Earnings	319,352	246,701
	<u>319,353</u>	<u>246,702</u>
	<u>\$ 333,926</u>	<u>\$ 278,245</u>

## Financial Statement Page 5

Statement of Income  
Year ended March 31  
(un-audited - see compilation report)

	2022	2021
Revenue		
Sales	\$ 207,560	\$ 81,295
Cost of sales	22,508	11,023
Gross margin	185,052	70,272
Expenses		
Advertising and promotion	1,005	1,052
Amortization	2,458	21,529
Interest and bank charges	60	57
Insurance	1,500	1,241
Professional fees	1,726	1,538
Small tools and supplies		76
Telephone	4,008	31,597
Vehicle expenses	5,444	21,201
Office and general	3,283	21,901
Wages and benefits	100,820	96,491
	120,304	1,11,1628
Income (loss) from operations	64,748	(41,356)
Other income		
Forgivable Portion of Government Loan	17,997	47,103
Income before income taxes	82,745	5,747
Income taxes	10,094	355
<u>Net income for the year</u>	<u>\$ 72,651</u>	<u>\$ 5,392</u>



## Financial Statement Page 6

Statement of Retained Earnings  
Year ended March 31  
(Unaudited - see compilation report)

	2022	2021
Retained earnings, beginning of year	\$ 246,701	\$ 241,309
Net income for the year	<u>72,651</u>	<u>5,392</u>
Retained earnings, end of year	<u>\$ 319,352</u>	<u>\$ 246,701</u>

## Financial Statement Page 7

Notes to the Financial Statements  
March 31, 2022  
(Unaudited - see compilation report)

Note 1: The basis for accounting applied is historical cost, reflecting cash transactions with selected adjustments for accounts receivable less doubtful accounts, property plant and equipment amortized on the capital cost allowance basis, accounts payable and accrued liabilities.

Note 2. Capital assets

	2022		2021	
	Accumulated Cost Amortization		Net	<u>Net</u>
Equipment and tools	\$ 8,992	\$ 8,533	\$ 459	\$ 574
Vehicle	199,988	197,627	2,361	3,373
Computer equipment	4,044	3,885	159	4
Machinery and equipment	19,332	19,105	227	325
Trailer	8,140	6,977	1,163	1,661
	<u>\$ 240,496</u>	<u>\$ 236,127</u>	<u>\$ 4,369</u>	<u>\$ 5,937</u>

## Appendix 3: Management Acknowledgement Letter

The following outlines what the Acknowledgement Letter should contain. This list is to be used as a guide in conjunction with the considerations outlined in this Accounting Practitioners 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.

### Example:

Date: 5/26/22

To: Company Name Ltd.

Dear Client Name

Further to our engagement letter, you acknowledge that you are responsible for:

- a. The compiled financial information.
- b. Selecting the basis of accounting to be applied in the preparation of the compiled financial information that is appropriate for the intended use.
- c. The accuracy and completeness of the information provided to us; and
- d. Attaching the compilation engagement report when distributing or reproducing the compiled financial information.

If you have any questions about the contents of this letter, please raise them with us. Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, your responsibilities for the compilation engagement.

We appreciate the opportunity of continuing to be of service to your company.

Yours truly,

Signed

\_\_\_\_\_  
John Smith, RPA, CAP

Acknowledged and agreed on behalf of the management of Company Name Ltd.:

Per: \_\_\_\_\_

Date \_\_\_\_\_

## Appendix 4: Steps to performing CSRS 4200 Compilation Engagement

FI = Financial Information  
TCWG = Those Charged with Governance

### STEP 1 – PERFORM CLIENT ACCEPTANCE/CONTINUANCE PROCEDURES

**Purpose:** To decide whether the firm can perform the compilation engagement.

Activity	Description
----------	-------------

- |    |  |
|----|--|
| A. | Inquire about the <b>intended use</b> of the compiled FI   |
| B. | Inquire of management about the following: <ol style="list-style-type: none"> <li>The <b>intended use</b> of the FI.</li> <li>Whether the FI will be used by <b>a third party</b>. If so, inquire about whether the third party:               <ol style="list-style-type: none"> <li>is in <b>a position to request and obtain further information</b>;</li> <li>has agreed with management on the <b>basis of accounting</b>.</li> </ol> </li> </ol> |

If neither a. nor b. applies, the FI must be prepared in accordance with a general-purpose framework (eg. ASPE) or the engagement cannot be accepted (generally) for RPA practitioners, the engagement cannot be accepted – **it would be exceedingly rare that an RPA practitioner would apply ASPE or IFRS in a compilation engagement.**

*Note:* when these standards are said to be applied, they **MUST BE FULLY APPLIED** and correct. Therefore, such application is normally prepared for assurance engagements – audit and review -not compilation engagements.

- Obtain acknowledgement of the expected basis of accounting.** Obtain acknowledgement from management of the basis of accounting expected to be applied in compiling the FI.  
*Note:* If assistance is provided in compiling the FI, management is still responsible for the FI and the basis of accounting applied.
- Evaluate compliance with ethical requirements.** Evaluate whether the firm and team are in compliance with relevant ethical requirements. If not independent, determine if disclosure is required in the compilation engagement report.
- Obtain a signed engagement letter**

Agree to the terms of engagement with management or TCWG, and obtain a signed engagement letter before work commences.

On recurring engagements, evaluate whether there is a need to issue a new letter.

**Documentation:** Engagement partners sign-off that the acceptance/continuance criteria have been met, intended use of the FI, expected basis of accounting, details of any independence or other ethical matters, and a signed engagement letter.

## STEP 2 – PERFORM THE ENGAGEMENT

Purpose: To assist management in preparing the FI and evaluate whether the FI is misleading.

Activity	Description
a. <b>Obtain knowledge of the entity</b>	Obtain knowledge of the entity in the following matters: i. business and operations ii. accounting system and accounting records iii. the basis of accounting to be applied
b. <b>Compile the FI</b>	Compile the FI, including a note that describes the applied basis of accounting.
c. <b>Discuss significant judgments</b>	Discuss any significant judgments for which assistance has been provided with management (such as accounting estimates and policies).
d. <b>Evaluate the results</b>	Read the FI in light of the knowledge of the entity and the basis of accounting applied, and then consider whether the FI appears to be misleading.  If so, discuss matters identified with management, and request additional or revised information.

**Documentation:** Description of the entity's business, operations, accounting system, accounting records, basis of accounting to be applied, details of discussions with management and others within the entity or TCWG, if applicable, reconciliation of accounting records, copy of the FI and any supporting information.

## STEP 3 – PREPARE THE REPORT

Purpose: To attach an appropriate communication to the FI.

Activity	Description
a. <b>Obtain management's acknowledgement of responsibility</b>	Obtain management or TCWG acknowledgement for responsibility of the final FI.
b. <b>Draft and prepare the compilation engagement report to be attached to the FI.</b>	
c. <b>Date and issue the compilation engagement report &amp; sign/date the compilation engagement report when:</b>	i. required approvals to release the report have been obtained ii. management has acknowledged its responsibility for the FI

**Documentation:** Final FI, management's acknowledgement of responsibility and compilation engagement report.

## Appendix 5: The Compilation Report

**Note:** This report is required to be included when a compilation engagement is performed.

### COMPILATION ENGAGEMENT REPORT

To Management of Company Name Ltd:

On the basis of information provided by management, we have compiled the balance sheet of COMPANY NAME, as on 7/31/2022, the statement of income and retained earnings for the year then ended, and Note X, which describes the basis of accounting applied in the preparation of the compiled financial information [and, if applicable, other explanatory information] ("financial information").

Management is responsible for the accompanying financial information, including the accuracy and completeness of the underlying information used to compile it and the selection of the basis of accounting.

We performed this engagement in accordance with Canadian Standard on Related Services (CSRS) 4200, Compilation Engagements, which requires us to comply with relevant ethical requirements. Our responsibility is to assist management in the preparation of the financial information.

We did not perform an audit engagement or a review engagement, nor were we required to perform procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an audit opinion or a review conclusion or provide any form of assurance on the financial information.

Readers are cautioned that the financial information may not be appropriate for their purposes.

Location, Province  
6/13/2022

John Smith, RPA  
RPA – Certified Accounting Practitioner

## Appendix 6: Basis of Accounting Example - Note X

The Basis of Accounting does not imply use of a specific accounting framework like ASPE or IFRS. Instead, this is the general-purpose accounting framework or generally accepted accounting type you will be using in presenting the financial information. For example, use of the Cash Basis of accounting is an accounting type that would not be appropriate to use in preparation of a compilation report because it is misleading to the user in terms of the financial performance of a company. Instead, most of the time you will use generally accepted accrual accounting which will include a note like the following:

### EXAMPLE:

**Note X:** The basis for accounting applied is historical cost, reflecting cash transactions with selected adjustments for accounts receivable less doubtful accounts, property plant and equipment amortized on the capital cost allowance basis, accounts payable and accrued liabilities.

### How to adapt the note

Depending on the exact nature of the adjusting entries you will make when preparing the financial information, you will update this note as appropriate. For instance, you might have a client that has inventory in a retail or manufacturing business, and then you would need to include details about how you have accounted for this in the note. A good way to determine the modifications you will make to the note is to ask yourself what items are on the balance sheet and how are you treating each in terms of accounting adjustments? Are these treatments clearly reflected in the note so that a third-party reader of the statement understands what they are reading?

## Appendix 7: Knowledge of Entity Example

### Knowledge of Entity

- Name: Company Name Inc.
- Period Ending: 2/2/2022

### Inquiries made of management:

Name: Client Name      Position: Owner      Date: 6/8/2022

### GENERAL INFORMATION:

- **Type of entity:** Canadian Controlled Private Corporation - Ontario  
Examples: private entity, not for profit, general partnership, joint arrangement, unincorporated division, limited partnership, other (specify).
- **Jurisdiction of incorporation:** Ontario.
- **Date of incorporation:** 14-Dec-16.

**Corporate Structure:** Shareholders, employees working under them – etc. - list organization structure. Examples: ownership, investments, any related groups or companies.

- **Governance and key management:** List corporate officers.
- **Key advisors to the entity:** List key advisors. Examples: lawyers, banks, investment advisors.
- **Users of the Financial Information:** The bank, a potential buyer of shares in the company, management and the CRA. Examples: management, shareholders, CRA plus any third-party users such as lenders/bank, investors, others.
- **Other general information:** Anything of note goes here. Examples: any other key information not specified above.
- **Business & Operations:** Industry and nature of operations: list what they do.
- **Products or services:** List what they sell and do .
- **Size of entity:** Input relevant details like revenue, assets, number of employees.
- **Debt / Financing Arrangements:** e.g., BDC Loan, Bank Loan, etc.
- **Significant changes from prior period:** Any major changes?
- **Other (key details not listed above):** Miscellaneous details you want to note.

**Accounting Systems and Records:** Who inputs data and prepares accounting records: Dedicated bookkeeper - maybe you, maybe they hired one?

- **Primary accounting software used:** e.g., Case ware, Sage 50, QuickBooks, other.
- **Describe how the entity processes transactions:** List details here. Consider: source documents like invoices, cash, credit cards, how they are recorded and systems used.
- **Financial Reporting Software:** Case ware? Other? Examples: how the financial is compiled, summarized and journalized, etc.
- **Revenue, receivables, and receipts:** 2M gross sales, 100K receivables at year end, and so on – enter here. Examples: sources of revenue, nature of receivables.
- **Purchases, payments, payables:** Inventory, Payables, list. Examples: major suppliers, how are they paid, transactions?
- **Payroll:** Details about payroll. Examples: number of employees, how it is prepared, bonuses?
- **Other transactions:** Any? Examples: Inventory, investments, property plant and equipment purchases.
- **Describe period end adjustments:** Describe your accounting adjustments here.
- **Describe any prior period adjustments needed:** If applicable.
- **Other (any other important related information:** If applicable.
- **Basis of Accounting:** Describe management's final basis of accounting used to recognize/ measure: Generally accepted or accrual accounting, adjustments for CCA depreciation of assets, inventory at lower of cost or net realizable value, accounts receivable less doubtful accounts, accounts payable, etc.
- **Areas of Complexity Identified:** Describe areas of complexity in the financial information.

**PREPARED BY:**

<b>Prepared by:</b>	Name	<b>Date:</b> 6/8/2022
<b>Reviewed by:</b>	Name / First Last	<b>Date:</b> 6/8/2022



## Appendix 8: Intended Users of Financial Information

A compilation engagement is always required (by law) if your client intends to share it with a third-party user. If your client is only filing their corporate income taxes and wants a bookkeeping summary and will not share it with a third-party user, a CSRS4200 compilation engagement is not required (this is out of scope). Therefore, it is critical that an accounting practitioner always understands what the intended use of the financial information is, and who the third-party users are.

It is always a given that your client (internal management) will be a user of the financial information, and that CRA by extension of filing the T2 corporate tax return may be a user of the information. These are not considered third party users in terms of the scope of CSRS 4200 compilation engagements.

**Examples of common third-party users** that are considered in scope of CSRS 4200 for compilation engagements and situations RPA practitioners will encounter are:

- (1) Your client may have a **financing arrangement** with a lender, often a bank. This lender will ask to see the compiled financial information as part of the loan granting process, or as part of the ongoing loan servicing process which is to say the client may have a loan agreement that requires a compiled financial statement be shown to the bank on an annual basis for the duration of the loan. In addition, your client may receive a request midyear for a financial statement update as part of a new loan granting process. All such circumstances require a CSRS 4200 compilation to be performed in full for the third-party user.
- (2) Your client may be **attempting to find a buyer or investor for their business**. If your client is trying to sell their business, or find an investor to invest in their business, it is necessary for a CSRS 4200 compilation to be performed.

**Note:** Sometimes lenders, potential buyers, and potential investors will require assurance type reports like audits or reviews, in these cases a compilation engagement is not appropriate and an RPA practitioner must assist their client in understanding when this is the case.

## Appendix 9: Engagement Checklist - Example

The compilation engagement checklist must be completed every time you perform a compilation. An example of the checklist is below; it will guide you in ensuring all the steps have been properly followed.

### COMPLETION CHECKLIST

**Entity:** Client Name Inc.

**Period Ending:** 2/21/2022

**1. Engagement acceptance and continuance Y/N?**

Example: Has the engagement acceptance and continuance criteria been documented and a signed engagement letter obtained?

**2. Obtain Knowledge of entity Y/N?**

Example: Has the knowledge of entity document been completed?

**3. Change in intended use? Y/N?**

Example: Has there been a change in use of the financial information? If so, have you discussed the basis of accounting with management?

**4. Prepare the Financial Information? Y/N?**

Example: Has the financial information been prepared in accordance with the acknowledgement basis of accounting documented in the Knowledge of Entity Form?

**5. Significant judgements made? Y/N?**

Example: Where assistance was provided to management in making judgements, have those been discussed and documented to make sure management understand the impact of the judgements and accepts the responsibility for the financial information?

**6. Stand-back? Y/N?**

Example: Read the financial information, considering the knowledge of entity and basis of accounting applied determine if any matters exist that make it misleading.

**7. Matters identified? Y/N?**

Example: When matters exist that are misleading, are they documented and discussed with management? Have you documented how they were resolved? NOTE: If the financial information is judged to be misleading, the engagement cannot be continued (consult the Code of Ethics)

**8. Reconciliation to accounting records? Y/N?**

Example: Have the accounting records been reconciled to the financial information, including adjustments agreed to by management?

**9. Acknowledgement of responsibility? Y/N?**

Example: Has acknowledgement or responsibility been obtained from management for the financial information, basis of accounting, and adjustments? This may consist of a signature on the financial information, a written communication, or an oral acknowledgement documented in the work papers

**10. Compilation engagement report? Y/N?**

Example: Has the compilation report been properly worded, including disclosure of impairment of independence (see Code of Ethics) and dated when the compilation is completed in compliance with CSRS4200, and included as documentation in the working papers?

### CONCLUSION:

Based on the results of the work performed, the requirements of CSRS 4200 have been met.

**Prepared by:** Name

**Date:** 6/8/2022

**Reviewed by:** Name

**Date:** 6/8/2022

**Practitioner:** Name

**Date:** 6/8/2022

## Appendix 10: Quality Management System - Small Firm Example

As of December 2023, all small firms providing CSRS 4200 Compilation Engagements will be required, as part of following the CSRS 4200 standard for which compliance of every firm is represented in the required Compilation Engagement Report, to have a firm level system of Quality Management modelled after the International Standard on Quality Management ISQM1

### Components of a Quality Management System:

- **Risk Assessment Process** – A process of establishing quality objectives, identifying and assessing risks to quality, and designing and implementing responses to address these.
- **Governance and Leadership** – Deals with matters such as a firm's culture, leadership and accountability. The firm's structure, assignment of roles, responsibilities and resource planning.
- **Relevant Ethical Requirements** – Deals with fulfilling the RPA Code of Ethics ethical requirements by the firm and its personnel.
- **Acceptance and Continuance of Relationships and Engagements** – Deals with the firm's judgements about whether to accept or continue a specific client relationship or engagement.
- **Engagement Performance** – Deals with the firm's actions to promote and support consistent performance of quality engagements, including through direction, supervision, review, consultation, and differences of opinion. Includes how the firm supports engagement members in exercising professional judgement.
- **Resources** – Deals with obtaining and developing, using and maintaining and allocating resources in a timely manner to enable the design, implementation and operating of a quality management system. Includes technical, intellectual, and human resources.

### Quality Management System – Scaled to the Small Firm and Engagement Level

A concise process documented over several pages at the firm level that details the firm's goals, individual roles and responsibilities, and processes.

#### Example:

**Goal of Quality Management System** – to ensure all work product is in compliance with relevant ethics including competence and continuance of engagements by virtue of the work product being of professional grade, free from misstatements, and appropriate for all users of the financial information including assessment of risks the client may create related to their choice of accounting basis, or provision of financial information in terms of its completeness, etc.

#### Ongoing Quality Management Process:

(1) Apply the CSRS 4200 acceptance and continuance process and relevant ethical requirements in all acceptance and continuance decisions, and

- (2) Ensure acceptance and continuance decisions are made at a firm level by the engagement team members (ideally more than one team member, except in the case of solo practitioners where this is unavoidable) and the firm management or practitioner.
- (3) Engage in team review including sign-off by the firm manager on all continuance and engagement acceptance decisions and document these in the CSRS 4200 compliance process documents as part of the engagement process for each client.
- (4) Identify specific engagements that involve a high degree of complication in terms of potential risk in any area of relevance and monitor these against the perceived risk (risks might include professional competence risk, or otherwise). Ensure that adequate resources are dedicated to files as appropriate.
- (5) Perform annual reviews of the quality management system performance to identify areas that need improvement based on actual outcomes.

#### Roles and Responsibilities

The following example is for a small firm – in the case of solo practitioners it may be the same person filling several or all roles.

- **Firm (engagement team members and firm management / practitioner):** Acceptance and Continuance decisions – team discussions after initial meeting – decision to accept and continue made based on following CSRS 4200 process and the RPA Code of Ethics as a guide.
- **Engagement Member or Team** – Responsible for performing the compilation engagement work, accounting or adjusting entries, making inquiries of client's management.
- **Review Team or Firm Member / Manager** – Responsible for reviewing completed work of the engagement team or team member, responsible for reviewing the work for competence, ensuring it is compliant with relevant ethical requirements and free from misstatements, etc. Reviewer signs off on quality management, trial balance, adjustments, and other compliance related documents once review is complete on each file (firm level, engagement level quality management). Any areas of concern are identified, discussed and resolved prior to issuing the final work product (the compilation report).
- **Firm Management / Practitioner** – Annually assesses the performance of the quality management system to ensure its structure is aligned with the goals of the system, and a team meeting is taken to review performance of the system and discuss any improvements to it that may be required.

**Note:** Each firm must design their own appropriately scaled Quality Management System using ISQM 1 (the International Standard on Quality Management) as a guide. These systems are at the firm level and engagement level and are intended to help practitioners reduce the risks associated with performing compilation engagements. A properly designed system of Quality Management will help you ensure your work product meets the high standards expected of a Registered Professional Accountant.

## Appendix 11: A Guide to Delivering Related Services

For purposes of this document, when we say Related Services we mean in reference to Compilation Engagements. Services that are related to compilation engagements might include bookkeeping, tax planning, T1 or T2 or T3 tax return preparation, or some other type of accounting consultation. Essentially, these are professional services provided by an accounting practitioner that are related to but not covered by the compilation standard CSRS 4200.

As CSRS 4200 lays out very specific guidance on how to proceed when performing compilation engagements, which have been detailed in this handbook, we require some guidance on how to proceed with these related services, for which there is less formal guidance and regulation.

### Guidance on Accepting and Performing Related Services

- (1) Practitioners should apply similar acceptance and continuance logic when evaluating whether to accept work performing related services.
- (2) There is no formal requirement for a management letter or engagement letter (although sometimes it is still a good idea), so practitioners must use judgement in how to proceed. If the engagement is transactional in nature like a T1 tax return, there is generally no engagement letter.
- (3) If the engagement is more in depth or long term, such as bookkeeping or consulting, an engagement letter should be included. The same type of logic in drafting such a letter should apply as does with CSRS 4200 compilations – it should detail the roles and responsibilities of each party, the price, etcetera.
- (4) In addition, relevant ethical requirements from the RPA Code of Ethics always remain, no matter what type of work you are doing – Compilations, or Related Services, or any function as an RPA Member. For example, you have a duty of professional competence (only take on work you know how to do properly), you have a duty to not accept engagements where the client intends to break the law, you have a duty to price your engagements in a way that they can reasonably be completed properly, and so on.
- (5) Once you have a system of Quality Management at the firm and engagement level, it will be straight forward to include monitoring and review of your related services work within it – such a system acts as a check on quality to ensure you are delivering high quality, standardized work product in all areas.

Essentially, if you apply the same type of rigorous logic, ethics, and professionalism in accepting and continuing your Related Services work as the well-defined process for accepting and continuing CSRS 4200 compilation work, you will have a sound process for conducting yourself in all your professional accounting activities.

## Acknowledgements

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