

SSARS No. 19 Compilation and Review Engagements

Effective for periods ending on or after December 15, 2010

There are three sections to the new SSARS:

1. Establishes a framework for the performance and reporting on compilation and review engagements.

- A compilation is a service, the objective of which is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework. The accountant has no responsibility to obtain any evidence about the accuracy or completeness of the financial statements.
- A review is a service, the objective of which is to obtain limited assurance that there are no material modifications that should be made to the financial statements in order for the statements to be in conformity with the applicable financial reporting framework. In a review engagement, the accountant performs procedures designed to accumulate review evidence to obtain a limited level of assurance.
- A written engagement letter is now required to perform compilation and review services. It should include the objectives of the engagement, management's responsibilities, the accountant's responsibilities and the limitations of the engagement. The new SSARS emphasizes management's responsibilities as follows:
 - Management is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
 - Management is responsible for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
 - Management is responsible to prevent and detect fraud.
 - Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities.

2. Establishes standards and provides guidance on compilations of financial statements.

- The accountant should obtain knowledge about the client, including an understanding of the client's business and the industry it operates in as well as an understanding of the accounting principles and practices used by the client.
- The accountant should read the financial statements and consider whether such financial statements appear to be appropriate in form and free from obvious material errors.
- The accountant should prepare documentation in sufficient detail to provide a clear understanding of the work performed.
- When an accountant issues a compilation report to which the accountant is not independent, the accountant's report is modified. The new SSARS allows the election to

disclose a description about the reasons independence is impaired. However the accountant must ensure that all reasons are included in the description.

- Going concern – During the performance of compilation procedures, evidence or information may come to the accountants' attention indicating that an uncertainty may exist about the entity's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the statements being compiled. The accountant should request that management consider the possible effects of the going concern uncertainty on the financial statements, including the need for related disclosure.
- Subsequent events - During the performance of compilation procedures, evidence or information may come to the accountants' attention of a subsequent event which has a material effect on the financial statements. The accountant should request that management consider the possible effects of the subsequent event on the financial statements, including the need for related disclosure.
- Emphasis of a matter – The accountant may emphasize a matter disclosed in the financial statements in any report on financial statements, presented in a separate paragraph of the accountant's report. Emphasis paragraphs are never required; they may be added solely at the accountant's discretion. However, they cannot be used in lieu of management's disclosures, so at a minimum must be accompanied by selected disclosures.
- When evidence or information comes to the accountant's attention during the performance of compilation procedures that fraud or an illegal act may have occurred, that matter should be brought to the attention of the appropriate level of management. When such matters involve an owner of the business, the accountant should consider resigning from the engagement.

3. Establishes standards and provides guidance on reviews of financial statements.

- The accountant should obtain knowledge about the client, including an understanding of the client's business and the industry it operates in as well as an understanding of the accounting principles and practices used by the client.
- The accountant should design and perform analytical procedures, make inquiries and perform other procedures, as appropriate, to accumulate review evidence in obtaining limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with the applicable financial reporting framework.
- Analytical procedures involve comparison of expectations developed by the accountant to recorded amounts or ratios developed from recorded amounts. The accountant develops such expectations by identifying and using plausible relationships that are reasonably expected to exist based on the accountant's understanding of the client's business and the industry in which it operates. The accountant should focus the analytical procedures and inquiries in those areas where the accountant believes there are increased risks of misstatements.

- Written representations are required from management for all periods covered by the accountant's review report. In the representation letter management acknowledges its responsibilities (as outlined above in section one) and confirms their full and truthful response to all inquiries.
- The accountant should prepare documentation in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of review procedures performed) the review evidence obtained and the conclusions reached.
- When the basic financial statements are accompanied by information presented for supplementary analysis purposes, the accountant should clearly indicate the degree of responsibility, if any, he or she is taking with respect to such information. The report should indicate whether the supplementary schedules have or have not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements.