

GUIDANCE NOTES

INTRODUCTION

Welcome to Version 5 of PCP's audit exemption programme.

The product is designed to enable practitioners to plan, evidence and control the work that they need to undertake to prepare accounts, primarily for audit exempt limited companies. The pack can also be used on all other accounts preparation assignments.

No changes have been made to the structure of the product, so that both compilation and review engagements are still catered for and there are separate programmes for each type of assignment.

The main changes from version 4 are:

- The removal of all transitions to FRS 102 references.
- The strengthening of Anti Money Laundering requirements.
- The impact of the Brexit Auditor Regulations 2019 on subsidiaries and consolidated accounts.
- The addition of consideration of NOCLAR (non compliance with laws and regulations) requirements into the PAF 3 section on laws and regulations.
- The updating of B1 on the criteria for eligibility for audit exemption.
- Simplification of B6 on risk assessment.
- Enhanced procedures for related party loans.
- Additional test added on C3 regarding Persons of Significant Control.
- Consideration of the impact of COVID-19.

Compilation reports are simple reports that accountants make at the end of accounts preparation (compilation) assignments. The accountant does not do any additional work on these assignments, and provides no assurance on the financial statements.

Under the International Standard on Related Services (ISRS) 4410, Engagements to Compile Financial Statements, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), such work should be carefully controlled. This pack allows a firm to do this, whilst not incurring significant additional costs.

International Standard on Related Services 4410 was updated in March 2012, by the IAASB.

ISRS 4410 revised, suggests that the guidance should be used on all compilation assignments (including management accounts) and can be used for forecasting assignments as well.

In a limited assurance review engagement, the accountant provides a limited amount of assurance on the figures, as well as having 'compiled' them from books and records provided by the client. The report should conclude whether the accountant has found anything through the course of their work which suggests that the accounts do not show a true and fair view. In certain circumstances the directors might still want, for a variety of reasons to have the assurance of another type of report which gives a lower level of comfort over the financial statements.

The volume of additional work required on a review engagement is largely as follows:

- Enhanced background knowledge of clients
 - The need to assess risk of material miss-statement in the accounts
 - In addition to accounts compilation procedures the work on low risk sections should include analytical review
 - On higher risk areas, substantive style audit testing should be performed
- More detail on this can be found on pages 5-8 of these guidance notes.

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