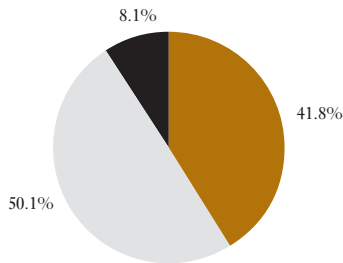


## AICPA Survey: Compiled Financial Statements and Independence

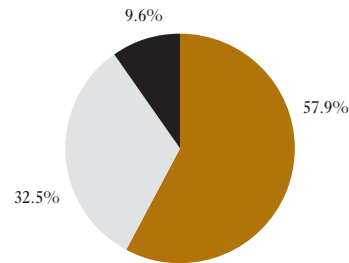
In fall 2005, the American Institute of CPA (AICPA) Accounting and Review Services Committee (ARSC) surveyed CPAs, their clients, and other users of compiled financial statements about the need for independence in compilation engagements. A follow-up question in the survey asked; if independence should be required, how to communicate a lack of independence in the report, i.e., should the reason for the impairment be provided. The survey attracted over 4,300 responses, mainly from persons in CPA firms consisting of ten or fewer partners. The ARSC considered the survey results at its public meeting on May 30, 2006. Mainly as a result of the comments received from third-party users of compiled financial statements (though a very small number as compared to the number of CPA respondents), the ARSC determined that, in order to formulate an appropriate course of action that is in the best interests of CPAs as well as the public, an additional outreach to those third-party users is necessary.

### Highlights of survey results are as follows:

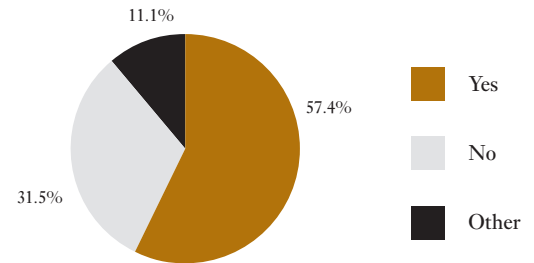
Should the requirement that a member disclose when he or she is not independent in the performance of a compilation engagement be eliminated?



If independence remains a part of the compilation standards, should the disclosure that a member is not independent be broadened to include the reason for impairment?



If disclosure in a compilation report is broadened to include the reason for impairment would the additional disclosure affect the reliability a user places in the financial statements?



An interesting finding was that compilation report users, which included bankers and members of various business associations, overwhelmingly wanted to know why a firm was not independent of a client. “Eighty-eight percent of the users want more information;” says Michael Glynn, Technical Manager-AICPA Audit and Attest Standards Team, “and those are the folks we really want to protect in this.” To help them better understand the needs of users, the ARSC will meet with representatives of the American Banking Association in early 2007. In the meantime, the ARSC will defer its decision on what action, if any, to take as a result of the survey findings.

For more information about this AICPA project, including the audio from the AICPA’s May 30, 2006 meeting, go to

[www.aicpa.org/members/div/auditstd/Need\\_For\\_Independence.htm](http://www.aicpa.org/members/div/auditstd/Need_For_Independence.htm)

If you would like to provide feedback about this issue or wish to be added or removed from the distribution list of the newsletter, please send an e-mail to [feedback@auditconduct.com](mailto:feedback@auditconduct.com).

### AUTHOR & PUBLISHER

Catherine Allen  
[callen@auditconduct.com](mailto:callen@auditconduct.com)