

Agenda Item

2-E

The table below compares the requirements in exposure drafts¹ for proposed ISA for LCE (the Exposure Drafts) (left column), with the requirements in the proposed ISA for LCE as presented in **Agenda Item 2-B** (right column). Text highlighted in gray is based on ED-ISA for LCE-Group Audits. The rest of the text is based on ED-ISA for LCE.

The purpose of the table is explained in **Agenda Item 2**. When paragraphs were added in proposed ISA for LCE that were not included in the Exposure Drafts, the corresponding “The Exposure Drafts” column will be empty. When paragraphs in the Exposure Drafts have been moved to a different location or incorporated into other paragraphs in proposed ISA for LCE, comments have been provided to assist in navigation.

Table of Comparison Between Requirements in ED-ISA for LCE and Proposed ISA for LCE

The Exposure Drafts	Proposed ISA for LCE
Preface	Preface
<p>P.1. This [draft] standard (i.e., the ISA for LCE) has been designed to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, for audits of financial statements of less complex entities (LCEs) in the private and public sectors. The [draft] standard has been developed to reflect the nature and circumstances of an audit of the financial statements of an LCE and result in the consistent performance of a quality audit engagement. A quality audit engagement is achieved by planning and performing the engagement and reporting on it in accordance with professional standards and applicable legal and regulatory requirements. Achieving the objective</p>	<p>P.1. This standard (i.e., the ISA for LCE) has been designed to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, for audits of financial statements of less complex entities (LCEs) in the private and public sectors. The standard has been developed to reflect the nature and circumstances of an audit of the financial statements of an LCE and result in the consistent performance of a quality audit engagement. This standard is premised on the basis that the firm is subject to ISQM 1² or to national requirements that are at least as demanding. A quality audit engagement is achieved by planning and performing the engagement and reporting on it in</p>

¹ There have been two exposure drafts for the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE):

- [Exposure Draft, Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\) \(ED-ISA for LCE\)](#)
- [Exposure Draft, Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\) \(ED-ISA for LCE-Group Audits\)](#)

² International Standards on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews for Financial Statements, or Other Assurance or Related Services Engagements*

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of this [draft] standard involves exercising professional judgment and professional skepticism.	accordance with professional standards and applicable legal and regulatory requirements. Achieving the objective of this standard involves exercising professional judgment and maintaining professional skepticism.
	P.2. This standard is written in the context of an audit of a complete set of general purpose financial statements of an LCE as contemplated in Part A. It may also be adapted as necessary in the circumstances of the engagement to an audit of a complete set of special purpose financial statements, or an audit of a single financial statement or of a specific element, account or item of a financial statement, only if the entity is an LCE as set out in Part A.
	P.3. When an audit engagement is undertaken using this standard, the International Standards on Auditing do not apply to the engagement.
P.2. Part A sets out the authority for this [draft] standard. A clear description of the types of entities for which an audit in accordance with this [draft] standard has been designed - as set out in Part A - is essential so that: [Also see paragraph P.3. below]	P.4. Part A sets out the authority for determining the appropriate use of the ISA for LCE. Decisions about the required or permitted use of this standard, including descriptions of the type of entities for which an audit in accordance with this standard may be used rest with legislative and regulatory authorities or relevant local bodies with standard-setting authority.
<ul style="list-style-type: none"> The IAASB can decide on objectives and requirements for inclusion within the ISA for LCE that are appropriate for an audit of an LCE; and 	
<ul style="list-style-type: none"> Legislative or regulatory authorities or relevant local bodies with standard setting authority (such as national standard setters or professional accountancy organizations), firms, auditors, and 	

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others will be informed of the intended scope of the [draft] standard.	
P.3. Descriptions of the type of entities for which an audit in accordance with this [draft] standard is permitted rest with legislative and regulatory authorities or relevant local bodies. Such descriptions may or may not align with the limitations for use as set out in Part A. The intended scope of this [draft] standard corresponds to the matters describing an audit of the financial statements of an LCE as set out in Part A and does not contemplate jurisdictional descriptions.	[See paragraph P.4. above]
P.4. This [draft] standard does not override local law or regulation that governs audits of financial statements in a particular jurisdiction	[See paragraph P.6. below]
P.5. If this [draft] standard is used for audit engagements other than those contemplated in Part A, the auditor is not permitted to represent compliance with the [draft] ISA for LCE in the auditor's report.	P.5. If this standard is used for audit engagements other than those contemplated in Part A, the auditor is not permitted to represent compliance with the ISA for LCE in the auditor's report.
[See paragraph P.4. above]	P.6. This standard does not override local law or regulation that governs audits of financial statements in a particular jurisdiction. The ISA for LCE does not address the responsibilities of the auditor that may exist in legislation or regulation. Such responsibilities may differ from those established in this standard and it is the responsibility of the auditor to ensure compliance with all relevant legal, regulatory, or professional obligations.
The Applicable Financial Reporting Framework	The Applicable Financial Reporting Framework
P.6. The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance. Law or regulation may establish the responsibilities of management, and those charged with governance,	P.7. The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance. Law or regulation may establish the responsibilities of management, and those charged with governance,

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<p>in relation to financial reporting. This [draft] standard does not impose responsibilities on management or those charged with governance and does not override law or regulation that govern their responsibilities. However, an audit in accordance with this [draft] standard is conducted on the premise that management, and where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the audit. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>	<p>in relation to financial reporting. This standard does not impose responsibilities on management or those charged with governance and does not override law or regulation that govern their responsibilities. However, an audit in accordance with this standard is conducted on the premise that management, and where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the audit. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<p>P.7. The applicable financial reporting framework often encompasses financial reporting standards established by an authorized or recognized standard setting organization, or may also encompass legislative or regulatory requirements. In some cases, the financial reporting framework may encompass both financial reporting standards established by an authorized or recognized standard-setting organization and legislative or regulatory requirements.</p>	<p>P.8. The applicable financial reporting framework often encompasses financial reporting standards established by an authorized or recognized standard setting organization, or legislative or regulatory requirements.</p>
<p>P.8. The requirements of the applicable financial reporting framework determine the form and content of the financial statements. Although the framework may not specify how to account for or disclose all transactions or events, the framework ordinarily embodies sufficiently broad principles that can serve as a basis for developing and applying accounting policies consistent with the framework's concepts underlying the requirements</p>	<p>P.9. The requirements of the applicable financial reporting framework determine the form and content of the financial statements. Although the framework may not specify how to account for or disclose all transactions or events, the framework ordinarily embodies sufficiently broad principles that can serve as a basis for developing and applying accounting policies consistent with the framework's concepts underlying the requirements.</p>
<p>P.9. Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks. This [draft] standard covers both frameworks. The term "fair presentation framework" is used to</p>	<p>P.10. Some financial reporting frameworks are fair presentation frameworks, while others are compliance frameworks. This standard covers both frameworks. The term "fair presentation framework" is used to refer to</p>

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refer to a financial reporting framework that requires compliance with the requirements of the framework and:	a financial reporting framework that requires compliance with the requirements of the framework and:
(i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or	(a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
(ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances	(b) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.
The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.	The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (a) or (b) above.
An Audit of Financial Statements	An Audit of Financial Statements
P.10. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. As the basis for the auditor’s opinion, this [draft] standard requires the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.	P.11. The purpose of an audit is to enhance the degree of confidence of intended users in the financial statements. This is achieved by the expression of an opinion by the auditor on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. As the basis for the auditor’s opinion, this standard requires the auditor to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.
P.11. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce	P.12. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to

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audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive.	reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive.
Format of the [Draft] ISA for LCE	Format of the ISA for LCE
P.12. The [draft] ISA for LCE includes:	P.13. The ISA for LCE includes:
<ul style="list-style-type: none"> • The Authority (Part A), which sets out the circumstances for which the [draft] ISA for LCE is prohibited or not appropriate to use. 	<ul style="list-style-type: none"> (a) Part A, which sets out the authority for determining the appropriate use of the ISA for LCE.
<ul style="list-style-type: none"> • Part 1, which sets out the fundamental concepts and overarching principles to be applied throughout the audit. 	<ul style="list-style-type: none"> (b) Part 1, which sets out the fundamental concepts, general principles and overarching requirements to be applied throughout the audit.
<ul style="list-style-type: none"> • Part 2, which sets out the general requirements for audit evidence and documentation, as well as the overall objective of the audit. 	<ul style="list-style-type: none"> (c) Part 2, which sets out the general requirements for audit evidence and documentation, as well as the overall objective of the audit.
<ul style="list-style-type: none"> • Part 3, which sets out the auditor's and engagement partner's obligations and responsibilities for quality management in an audit of an LCE. 	<ul style="list-style-type: none"> (d) Part 3, which sets out the auditor's and engagement partner's obligations and responsibilities for quality management in an audit of an LCE.
<ul style="list-style-type: none"> • Parts 4 to 9, which follow the flow of an audit engagement, and set out the detailed requirements for the audit. Each of these 	<ul style="list-style-type: none"> (e) Parts 4 to 9, which follow the flow of an audit engagement, and set out the detailed requirements for the audit. Each of these

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Parts also includes specific communication and documentation requirements as necessary.	Parts also includes specific communication and documentation requirements as necessary.
	(f) Part 10, which sets out the special considerations that apply to an audit of group financial statements.
<ul style="list-style-type: none"> Appendices, which include the glossary of terms used in this [draft] standard, assertions, an illustrative engagement letter and an illustrative representation letter, as well as other relevant supporting materials for implementation of the requirements within this [draft] standard. 	<ul style="list-style-type: none"> (g) Appendices, which include the glossary of terms used in this standard, assertions, an illustrative engagement letter and an illustrative representation letter, as well as other relevant supporting materials for implementation of the requirements within this standard.
P.13. The content of each Part includes:	P.14. The content of Parts 1-10 includes:
<ul style="list-style-type: none"> Introductory material in a separate box setting out the content and scope of that Part (but does not create any additional obligations for the auditor). 	<ul style="list-style-type: none"> (a) Introductory material in a separate box setting out the content and scope of that Part (but does not create any additional obligations for the auditor).
<ul style="list-style-type: none"> Objective(s), which link the requirements of that Part and the overall objective of the audit 	<ul style="list-style-type: none"> (b) Objective(s), which link the requirements of that Part and the overall objective of the audit.
<ul style="list-style-type: none"> Requirements to be met, except where the requirement is conditional and the condition does not exist. All requirements are numbered relating to the relevant Part, for example A.1., A.2., or 1.1.1., 1.1.2., etc. Requirements are expressed using “shall.” 	<ul style="list-style-type: none"> (c) Requirements to be met, except where the requirement is conditional, and the condition does not exist. Requirements are expressed using “shall.” Requirements that are only applicable when there are engagement team members other than the engagement partner are presented in a box with the header “Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner”.
<ul style="list-style-type: none"> Essential explanatory material (EEM), designed to provide further explanation relevant to a sub-section or a specific requirement. All EEM is presented in italics within separate blue 	<ul style="list-style-type: none"> (d) Essential explanatory material (EEM) designed to provide further explanation relevant to a sub-section or a specific requirement. All EEM is presented in italics within separate blue

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boxes. There are two types of EEM: general introductory EEM that explains the context of the section that follows and EEM specific to the requirement directly above it.	boxes. There are two types of EEM: general introductory EEM that explains the context of the section that follows, and EEM specific to the requirement directly above it. EEM that is only applicable when there are engagement team members other than the engagement partner are presented in a box with the header “Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner.”
P.14. Definitions, describing the meanings attributed to certain terms for the purpose of this [draft] standard, can be found in the Glossary of Terms in Appendix 1. ³ The definitions assist in the consistent application and interpretation of the requirements, and are not intended to override definitions that may be established for other purposes, whether in law or regulation. Unless otherwise indicated, the definitions carry the same meanings throughout this [draft] standard.	P.15. Definitions, describing the meanings attributed to certain terms for the purpose of this standard, can be found in the Glossary of Terms in Appendix 1. ⁴ The definitions assist in the consistent application and interpretation of the requirements, and are not intended to override definitions that may be established for other purposes, whether in law or regulation. Unless otherwise indicated, the definitions carry the same meanings throughout this standard.
	P.16. For the purposes of this standard, the use of “LCE” or “entity” also refers to a group (i.e., where the audit is an audit of group financial statements).
<i>Non-Authoritative Support Materials</i>	<i>Non-Authoritative Support Materials</i>
P.15. The IAASB may issue Staff publications or other non-authoritative material to support the implementation of the [draft] ISA for LCE.	P.17. The IAASB may issue Staff publications or other non-authoritative material to support the implementation of the ISA for LCE.

³ The definitions in this [draft] standard are consistent with the definitions in the International Standards on Auditing (ISAs) (i.e., contained in the IAASB’s Glossary of Terms within the IAASB’s Handbook Volume 1). The Glossary of Terms in Appendix 1 also includes other relevant terms in the IAASB Handbook Glossary of Terms that are not defined but are used in the ISAs.

⁴ The definitions in this standard are consistent with the definitions in the International Standards on Auditing (ISAs) (i.e., contained in the IAASB’s Glossary of Terms within the IAASB’s Handbook Volume 1). The Glossary of Terms in Appendix 1 also includes other relevant terms in the IAASB Handbook Glossary of Terms that are not defined but are used in the ISAs.

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Public Sector Entities	Public Sector Entities
P.16. This [draft] standard is relevant to engagements in the public sector if the criteria set out in the Authority in Part A have been met. The public sector auditor's responsibilities, however, may be affected by the audit mandate, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the legislature), which may encompass a broader scope than an audit of financial statements in accordance with this [draft] standard. These additional responsibilities are not dealt with in this [draft] standard. They may be dealt with in the pronouncements of the International Organization of Supreme Audit Institutions or national standard setters, or in guidance developed by public sector audit agencies.	P.18. This standard is relevant to engagements in the public sector, when the considerations set out in the Authority in Part A apply. The public sector auditor's responsibilities, however, may be affected by the audit mandate, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the legislature), which may encompass a broader scope than an audit of financial statements in accordance with this standard. These additional responsibilities are not dealt with in this standard. They may be dealt with in the pronouncements of the International Organization of Supreme Audit Institutions or national standard setters, or in guidance developed by public sector audit agencies.
P.17. The applicable financial reporting framework in a public sector entity is determined by the legislative and regulatory frameworks relevant to each jurisdiction or within each geographical area. Matters that may be considered in the entity's application of the applicable financial reporting requirements, and how it applies in the context of the nature and circumstances of the entity and its environment, include whether the entity applies a full accrual basis of accounting or a cash basis of accounting in accordance with the International Public Sector Accounting Standards, or a hybrid.	P.19. The applicable financial reporting framework used by a public sector entity is determined by the legislative and regulatory frameworks relevant to each jurisdiction or within each geographical area. Matters that may be considered in the entity's application of the applicable financial reporting requirements, and how it applies in the context of the nature and circumstances of the entity and its environment, include whether the entity applies a full accrual basis of accounting or a cash basis of accounting in accordance with the International Public Sector Accounting Standards, or a hybrid.
P.18. Ownership of a public sector entity may not have the same relevance as in the private sector because decisions related to the entity may be made outside of the entity as a result of political processes. Therefore, management may not have control over certain decisions that are made. Matters that may be relevant include understanding the ability of the entity to make unilateral decisions, and the ability of other public	P.20. Ownership of a public sector entity may not have the same relevance as in the private sector because decisions related to the entity may be made outside of the entity as a result of political processes. Therefore, management may not have control over certain decisions that are made. Matters that may be relevant include understanding the ability of the entity to make unilateral decisions, and the ability of other public

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sector entities to control or influence the entity's mandate and strategic direction.	sector entities to control or influence the entity's mandate and strategic direction.
P.19. Where relevant, considerations specific to public sector entities have been included in EEM.	P.21. When appropriate, additional considerations specific to public sector entities have been included in EEM.
Maintenance of the [draft] ISA for LCE	
P.20. The IAASB expects to propose amendments to the ISA for LCE periodically. The IAASB will consider the impact on the [draft] ISA for LCE as part of a project to revise or develop a new ISA, and a determination made as to the urgency for the need for a change to this [draft] standard. In developing the exposure draft of the changes for the [draft] ISA for LCE, the IAASB will consider any specific issues that have been brought to the attention of the IAASB regarding application of the ISA for LCE. The IAASB expects that there will be a period of at least eighteen months between when amendments to the ISA for LCE are issued and the effective date of those amendments.	
A. Authority of the [Draft] ISA for Audits of Financial Statements of Less Complex Entities	A. Authority of the [Draft] ISA for Audits of Financial Statements of Less Complex Entities
A.1. Part A sets out the authority of the [draft] ISA for LCE by describing the specific prohibitions and qualitative characteristics that will make the [draft] standard inappropriate for use in an audit of the financial statements of an LCE. The requirements in this [draft] ISA for LCE have been designed to be proportionate to the typical nature and circumstance of an audit of an LCE (i.e., they do not address complex matters or circumstances).	[Addressed in the "Introductory box"]
A.2. This [draft] ISA for LCE is not permitted to be used for audits that are not audits of financial statements of LCEs. If the [draft] ISA for LCE is	[Addressed in the "Introductory box"]

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used for an audit outside the intended scope of this [draft] standard, compliance with the requirements of the [draft] ISA for LCE will not be sufficient for the auditor to obtain sufficient appropriate audit evidence to support a reasonable assurance opinion.	
Limitations for Using the [Draft] ISA for LCE	
A.3. Limitations for using the [draft] ISA for LCE are designated into two categories:	[Addressed in EEM]
<ul style="list-style-type: none"> Specific classes of entities for which the use of the [draft] ISA for LCE is prohibited (i.e., specific prohibitions); and 	[Addressed in EEM]
<ul style="list-style-type: none"> Qualitative characteristics that if exhibited by an entity preclude the use of the [draft] ISA for LCE for the audit of the financial statements of that entity. 	[Addressed in EEM]
A.4. This section explains these limitations for use of the [draft] ISA for LCE. The <i>Supplemental Guidance for the Authority of the Standard</i> (the Authority Supplemental Guide) which can be found on the ISA for LCE Exposure Draft webpage , further explains matters that may be relevant in the determination of use of the [draft] ISA for LCE.	[Addressed in the "Introductory box"]
<i>Specific Prohibitions</i>	
A.5. Entities that have public interest characteristics could embody a level of complexity in fact or appearance and are specifically prohibited from using the [draft] ISA for LCE.	[Addressed in EEM]
A.6. Paragraph A.7. sets out the classes of entities for which the use of this [draft] standard is specifically prohibited. The classes in paragraph A.7.(a), (b) and (d) are outright prohibitions and cannot be modified.	[See paragraph A.2. below]

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Legislative or regulatory authorities or relevant local bodies with standard-setting authority can modify each class described in paragraph A.7.(c) but a class cannot be removed. Modifications can be made by adding a class of entities to the list of prohibited entities, permitting specific sub-sets within a class to be able to use the [draft] standard or using quantitative thresholds to prohibit use of the [draft] standard. Legislative or regulatory authorities or relevant local bodies with standard-setting authority may subsequently remove or amend modifications that they have made.	
A.7. The [draft] ISA for LCE shall not be used if:	A.1. The ISA for LCE shall not be used if:
(a) Law or regulation: [Also see paragraphs A.7.(a)(i) and (ii) below]	(a) Law or regulation prohibits the use of the ISA for LCE or specifies the use of auditing standards other than the ISA for LCE for the audit of financial statements in that jurisdiction.
(i) Explicitly prohibits the use of the [draft] ISA for LCE (i.e., the [draft] standard is not authorized for use in a particular jurisdiction); or	[See paragraph A.1.(a) above]
(ii) Specifies the use of auditing standards, other than the [draft] ISA for LCE, for an audit of financial statements in that jurisdiction.	[See paragraph A.1.(a) above]
(b) The entity is a listed entity.	(b) The entity is a listed entity.
(c) An entity meets one of the following criteria: ⁵	(c) The entity falls into one of the following classes:

⁵ See paragraphs 51-63 of the accompanying Explanatory Memorandum.

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(i) An entity one of whose main functions is to take deposits from the public;	(i) An entity one of whose main functions is to take deposits from the public;
(ii) An entity one of whose main functions is to provide insurance to the public;	(ii) An entity one of whose main functions is to provide insurance to the public; or
(iii) An entity whose function is to provide post-employment benefits;	
(iv) An entity whose function is to act as a collective investment vehicle and that issues redeemable financial instruments to the public; or	
(v) A class of entities where use of the [draft] ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard-setting authority in the jurisdiction.	(iii) A class of entities where use of the ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard-setting authority in the jurisdiction.
(d) The audit is an audit of group financial statements. ⁶	(d) The audit is an audit of group financial statements (group audit) and:
	(i) Any of the group's individual entities or business units meet the criteria as described in paragraph A.1.(b) or A.1.(c); or

⁶ Consistent with the proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, group financial statements are financial statements that include the financial information of more than one entity or business unit through a consolidation process. The term consolidation process refers not only to the preparation of consolidated financial statements in accordance with the applicable financial reporting framework, but also to the presentation of combined financial statements, and to the aggregation of the financial information of entities or business units such as branches or divisions. This definition may change as ISA 600 (Revised) is finalized. See Paragraphs 62–63 and Section 5 of the accompanying Explanatory Memorandum for further discussion related to group audits.

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	(ii) Component auditors are involved, except when the component auditor's involvement is limited to circumstances in which a physical presence is needed for a specific audit procedure for the group audit (e.g., attending a physical inventory count or physically inspecting assets or documents).
[See paragraph A.6. above]	A.2. The classes in paragraph A.1.(a) (b) and (d) are outright prohibitions and cannot be modified. Legislative or regulatory authorities or relevant local bodies with standard-setting authority can modify each class described in paragraph A.1.(c) but a class cannot be removed.
<i>Qualitative Characteristics</i>	<i>Qualitative Characteristics</i>
A.8. If an audit engagement is not prohibited from use of the [draft] ISA for LCE as set out in paragraph A.7., it would be inappropriate for an audit of the financial statements of the entity to be undertaken using the [draft] ISA for LCE if the entity exhibits the following:	
<ul style="list-style-type: none"> Complex matters or circumstances relating to the nature and extent of the entity's business activities, operations and related transactions and events relevant to the preparation of the financial statements. 	
<ul style="list-style-type: none"> Topics, themes and matters that increase, or indicate the presence of, complexity, such as those relating to ownership, corporate governance arrangements, policies, procedures or processes established by the entity. 	
These are indicators of, or proxies for, matters or circumstances for which the [draft] ISA for LCE has not been designed to address	

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<p>A.9. In accordance with paragraph A.8., the [draft] ISA for LCE is inappropriate for the audit of the financial statements if an entity exhibits one or more of the following characteristics:</p> <p>[Also see hanging paragraph of paragraph A.9. below]</p>	<p>A.3. The following list describes characteristics of an LCE for the purpose of determining the appropriate use of the ISA for LCE. The list is not exhaustive nor intended to be absolute (including numerical indicators), and other relevant matters may also need to be considered. Each of the qualitative characteristics may not, on its own, be sufficient to determine whether the ISA for LCE is appropriate or not in the circumstances. Therefore, the matters described in the list are intended to be considered both individually and in combination. For the purpose of group audits, these considerations shall apply to both the group and each of its individual entities and business units.</p>		
<ul style="list-style-type: none"> The entity's business activities, business model or the industry in which the entity operates results in pervasive risks that increase the complexity of the audit, such as when the entity operates in new or emerging markets, or entities in the development stage. <p>[Also see fourth and fifth bullets (first level of bullets) below the lead in of paragraph A.9.]</p>	<table border="1"> <tr> <td data-bbox="1096 695 1304 1057">Business Activities, Business Model & Industry</td><td data-bbox="1304 695 2009 1057"> <p>The entity's business activities, business model, or the industry in which the entity operates, do not give rise to significant pervasive business risks.</p> <p>There are no specific laws or regulations that govern the business activities that add complexity (e.g., prudential requirements).</p> <p>The entity's transactions result from few lines of business or revenue streams.</p> </td></tr> </table>	Business Activities, Business Model & Industry	<p>The entity's business activities, business model, or the industry in which the entity operates, do not give rise to significant pervasive business risks.</p> <p>There are no specific laws or regulations that govern the business activities that add complexity (e.g., prudential requirements).</p> <p>The entity's transactions result from few lines of business or revenue streams.</p>
Business Activities, Business Model & Industry	<p>The entity's business activities, business model, or the industry in which the entity operates, do not give rise to significant pervasive business risks.</p> <p>There are no specific laws or regulations that govern the business activities that add complexity (e.g., prudential requirements).</p> <p>The entity's transactions result from few lines of business or revenue streams.</p>		
<ul style="list-style-type: none"> The organizational structure is not relatively straightforward or simple, such as <p>[Also see two bullets under this bullet]</p>	<table border="1"> <tr> <td data-bbox="1096 1081 1304 1276">Organizational Structure and Size</td><td data-bbox="1304 1081 2009 1276"> <p>The organizational structure is relatively straightforward, with few reporting lines or levels and a small key management team (e.g., 5 individuals or less).</p> </td></tr> </table>	Organizational Structure and Size	<p>The organizational structure is relatively straightforward, with few reporting lines or levels and a small key management team (e.g., 5 individuals or less).</p>
Organizational Structure and Size	<p>The organizational structure is relatively straightforward, with few reporting lines or levels and a small key management team (e.g., 5 individuals or less).</p>		
<ul style="list-style-type: none"> Multiple levels and reporting lines, with many individuals involved in financial reporting, to accommodate the entity's business activities; or 	<p>[See "Organizational Structure and Size" above]</p>		

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<ul style="list-style-type: none"> ○ Including unusual entities or arrangements, such as special-purpose entities, complex joint ventures, off-balance sheet financing arrangements, or other complex financing arrangements. 	<p>[See “Organizational Structure and Size” above]</p>		
<ul style="list-style-type: none"> • Ownership or oversight structures are complex. 	<table border="1"> <tr> <td data-bbox="1098 451 1304 626">Ownership Structure</td><td data-bbox="1304 451 2009 626">The entity’s ownership structure is straightforward and there is clear transparency of ownership and control, such that all individual owners and beneficial owners are known.</td></tr> </table>	Ownership Structure	The entity’s ownership structure is straightforward and there is clear transparency of ownership and control, such that all individual owners and beneficial owners are known.
Ownership Structure	The entity’s ownership structure is straightforward and there is clear transparency of ownership and control, such that all individual owners and beneficial owners are known.		
<ul style="list-style-type: none"> • The entity’s operations are subject to a higher degree of regulation or to significant regulatory oversight, such as being subject to prudential regulations. 	<p>[See “Business Activities, Business Model & Industry” above]</p>		
<ul style="list-style-type: none"> • Transactions are complex or the information system and related processes relevant to the entity’s financial statements are complex such that the data collection and processing involves complex accounting or calculations. 	<table border="1"> <tr> <td data-bbox="1098 805 1304 1003">Nature of Finance Function</td><td data-bbox="1304 805 2009 1003"> <p>The entity has a centralized finance function, including centralized activities related to financial reporting.</p> <p>There are few employees involved in financial reporting roles (e.g., 5 individuals or less).</p> </td></tr> </table> <p>[Also see “Business Activities, Business Model & Industry” above]</p>	Nature of Finance Function	<p>The entity has a centralized finance function, including centralized activities related to financial reporting.</p> <p>There are few employees involved in financial reporting roles (e.g., 5 individuals or less).</p>
Nature of Finance Function	<p>The entity has a centralized finance function, including centralized activities related to financial reporting.</p> <p>There are few employees involved in financial reporting roles (e.g., 5 individuals or less).</p>		
<ul style="list-style-type: none"> • The entity’s IT environment or IT systems are complex, such as when the IT environment and processes involve highly-customized or highly-integrated IT applications, with internal resources or external service providers that have software development and IT environment maintenance skills to support the IT environment and processes. 	<table border="1"> <tr> <td data-bbox="1098 1101 1304 1373">Information Technology (IT)</td><td data-bbox="1304 1101 2009 1373"> <p>The IT environment of the entity, including its IT applications and IT processes, is straightforward.</p> <p>The entity uses commercial software and does not have the ability to make any program changes other than to configure the software (e.g., the chart of accounts, reporting parameters or thresholds).</p> </td></tr> </table>	Information Technology (IT)	<p>The IT environment of the entity, including its IT applications and IT processes, is straightforward.</p> <p>The entity uses commercial software and does not have the ability to make any program changes other than to configure the software (e.g., the chart of accounts, reporting parameters or thresholds).</p>
Information Technology (IT)	<p>The IT environment of the entity, including its IT applications and IT processes, is straightforward.</p> <p>The entity uses commercial software and does not have the ability to make any program changes other than to configure the software (e.g., the chart of accounts, reporting parameters or thresholds).</p>		

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			<p>Access to the software is generally limited to one or two designated individuals for the purpose of making the configurations.</p> <p>Few formalized general IT controls are needed in the entity's circumstances.</p>
<ul style="list-style-type: none"> The entity's accounting estimates are subject to a higher degree of estimation uncertainty or the measurement basis requires complex methods that may involve multiple sources of historical and forward-looking data or assumptions, with multiple interrelationships between them. 		<p>Application of the Financial Reporting Framework and Accounting Estimates</p>	<p>Few accounts or disclosures in the financial statements of the entity necessitate the use of significant management judgment in applying the requirements of the financial reporting framework.</p> <p>The entity's financial statements ordinarily do not include accounting estimates that involve the use of methods, models, assumptions, or data, that are complex.</p>
Additional Characteristics Relevant for Group Audits		Additional Characteristics Relevant for Group Audits	
For group audits, the following qualitative characteristics are to be considered in addition to those above:		For group audits, the following qualitative characteristics are to be considered in addition to those above:	
Group Structure and Activities	<p>The group has few entities or business units (e.g., 5 or less).</p> <p>Group entities or business units are limited to few jurisdictions (e.g., 3 or less).</p>	Group Structure and Activities	<p>The group has few entities or business units (e.g., 5 or less).</p> <p>Group entities or business units operate in jurisdictions with similar characteristics, for example laws or regulations and business practices.</p>

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Access to Information or People	Group management will be able to provide the engagement team with access to information and unrestricted access to persons within the group as determined necessary by the auditor.	Access to Information or People	Group management will be able to provide the engagement team with access to information and unrestricted access to persons within the group as determined necessary by the group auditor.
Consolidation Process	<p>The group has a simple consolidation process. For example:</p> <ul style="list-style-type: none"> Financial information of all entities or business units has been prepared in accordance with the same accounting policies applied to the group financial statements; All entities or business units have the same financial reporting period-end as that used for group financial reporting; There are no sub-consolidations; and Intercompany, or other consolidation adjustments are not complex. 	Consolidation Process	<p>The group has a simple consolidation process. For example:</p> <ul style="list-style-type: none"> Intercompany, or other consolidation adjustments are not complex; Financial information of all entities or business units has been prepared in accordance with similar accounting policies applied to the group financial statements; and All entities or business units have the same financial reporting period-end as that used for group financial reporting.
This list is not exhaustive and other relevant matters may also need to be considered. Each of the qualitative characteristics may on its own not be sufficient to determine whether the [draft] ISA for LCE is appropriate or not in the circumstances, therefore the matters		[See lead in of paragraph A.3. above]	

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described in the list are intended to be considered both individually and in combination. The presence of one characteristic exhibited by an entity does not necessarily exclude the use of the [draft] ISA for LCE for that entity. Notwithstanding that professional judgment is used in determining whether the [draft] standard is appropriate to use, if there is uncertainty about whether an audit is an audit of the financial statements of an LCE, the use of the [draft] ISA for LCE is not appropriate	
	<i>Quantitative Thresholds</i>
	A.4. Determining quantitative thresholds assists in the consistent and appropriate use of the ISA for LCE in a jurisdiction. This section anticipates that legislative or regulatory authorities or relevant local bodies with standard setting authority will determine quantitative threshold(s) for use of the ISA for LCE in their respective jurisdictions.
Responsibilities of Legislative or Regulatory Authorities or Relevant Local Bodies	Responsibilities of Legislative or Regulatory Authorities or Relevant Local Bodies
A10. Decisions about the required or permitted use of the IAASB's International Standards rest with legislative or regulatory authorities or relevant local bodies with standard-setting authority (such as regulators or oversight bodies, national standard setters, professional accountancy organizations or others as appropriate) in individual jurisdictions. This applies to the International Standards on Auditing (ISAs) and the [draft] ISA for LCE	[Addressed in EEM]
A.11. As part of the local adoption and implementation process, legislative or regulatory authorities or relevant local bodies with standard-setting authority may:	[Addressed in EEM]

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(a) Modify, but not remove, the classes of entities in paragraph A.7.(c)(i)-(iv) by, for example, applying quantitative criteria to a class or otherwise modifying as set out in paragraph A.6.; or	[Addressed in EEM]
(b) Further limit use of the [draft] standard in paragraph A.7.(c)(v) by inclusion of an additional class(es) of entity or through setting specific size criteria (such as using revenue, assets or employee number limits)	[Addressed in EEM]
In doing so, the specific prohibitions and the qualitative characteristics should be considered, as well as other specific needs that may be relevant in the jurisdiction. The Supplemental Guide may be helpful when determining the permitted use of the [draft] standard for a jurisdiction.	[Addressed in EEM]
Firms and Auditors	
A.12. Firms are responsible for establishing policies or procedures in relation to the permitted use of the [draft] ISA for LCE by the firm's engagement teams. ⁷ In doing so, the firm takes into account the specific prohibitions for use of the [draft] standard in paragraph A.7., including any further modifications or limitations for the applicable jurisdiction, as well as the qualitative characteristics described in paragraphs A.8.–A.9. The firm may also further limit the classes of entities for which the firm's engagement teams can use the [draft] ISA for LCE.	[To Be Addressed in the Supplemental Guidance for the Authority]

⁷ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraphs 24-27 and 30

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A.13. For individual audit engagements, as part of the firm's acceptance or continuance procedures and the engagement partner's responsibilities related thereto, the engagement partner is required to determine that the audit engagement is an audit of an LCE in accordance with this Part (i.e., Part A) in order to use the [draft] ISA for LCE (see Part 4, paragraph 4.2.1.). For this purpose, the engagement partner takes into account:	[To Be Addressed in the Supplemental Guidance for the Authority]
<ul style="list-style-type: none"> The list of entities for which the use of the [draft] standard is specifically prohibited as set out in the local jurisdiction. 	[To Be Addressed in the Supplemental Guidance for the Authority]
<ul style="list-style-type: none"> The qualitative characteristics (see paragraphs A.8.–A.9.). 	[To Be Addressed in the Supplemental Guidance for the Authority]
<ul style="list-style-type: none"> Firm policies or procedures. 	[To Be Addressed in the Supplemental Guidance for the Authority]
A.14. The Supplemental Guide may also be helpful to firms in developing policies or procedures in relation to the use of the [draft] ISA for LCE. At the engagement level, the engagement partner may also find the guidance helpful in understanding when the [draft] standard would be appropriate for a particular audit engagement.	[To Be Addressed in the Supplemental Guidance for the Authority]
<u>1. Fundamental Concepts, General Principles and Overarching Requirements</u>	<u>1. Fundamental Concepts, General Principles and Overarching Requirements</u>
1.1. Effective Date	1.1. Effective Date
1.1.1 This [draft] standard is effective for audits of financial statements for periods beginning on or after [XXX].	1.1.1 This standard is effective for audits of financial statements for periods beginning on or after [December 15, 2025].
1.2 Relevant Ethical Requirements and Firm-Level Quality Management	1.2 Relevant Ethical Requirements and Firm-Level Quality Management

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<i>Relevant Ethical Requirements for an Audit of Financial Statements</i>	<i>Relevant Ethical Requirements for an Audit of Financial Statements</i>
1.2.1. The auditor shall comply with relevant ethical requirements, including those pertaining to independence, for financial statement audit engagements.	1.2.1. The auditor shall comply with relevant ethical requirements, including those pertaining to independence, for financial statement audit engagements.
<i>Firm-Level Quality Management</i>	<i>Firm-Level Quality Management</i>
	1.2.2. The engagement partner shall be a member of a firm that applies the ISQMs, or national requirements that are at least as demanding as the ISQMs.
1.3. Overall Objectives of the Auditor	1.3. Overall Objectives of the Auditor
1.3.1. The overall objectives of the auditor when conducting an audit of financial statements using the [draft] ISA for LCE are to:	1.3.1. The overall objectives of the auditor when conducting an audit of financial statements using the ISA for LCE are to:
(a) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects in accordance with an applicable financial reporting framework; and	(a) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, to enable the auditor to express an opinion on whether the financial statements are prepared, in all material respects in accordance with an applicable financial reporting framework; and
(b) Report on the financial statements, and communicate as required by this [draft] ISA for LCE, in accordance with the auditor's findings.	(b) Report on the financial statements, and communicate as required by this standard, in accordance with the auditor's findings.
1.3.2. The entire text of this [draft] ISA for LCE is relevant to an understanding of the objectives of this [draft] standard and the proper application of the requirements.	1.3.2. The auditor shall obtain an understanding of the entire text of this standard to understand its objectives and to apply its requirements properly.

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1.3.3. To achieve the overall objectives, the auditor shall use the objectives stated in the relevant Parts in planning and performing the audit, to:	1.3.3. To achieve the overall objectives, the auditor shall use the objectives stated in the relevant Parts in planning and performing the audit, to:
(a) Determine whether any audit procedures in addition to those required by the relevant Part are necessary to achieve the objectives stated in this [draft] standard; and	(a) Determine whether any audit procedures in addition to those required by the relevant Part are necessary to achieve the objectives stated in this standard; and
(b) Evaluate whether sufficient appropriate audit evidence has been obtained.	(b) Evaluate whether sufficient appropriate audit evidence has been obtained.
1.3.4. If an objective in a Part cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor to:	1.3.4. If an objective in a Part cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor to:
(a) Modify the terms of engagement and perform the audit and report in accordance with the International Standards on Auditing; or	(a) Modify the terms of engagement and perform the audit and report in accordance with the International Standards on Auditing; or
(b) Modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).	(b) Modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation).
Failure to achieve an objective represents a significant matter requiring documentation.	Failure to achieve an objective represents a significant matter requiring documentation.
1.4. Fundamental Concepts and General Principles for Performing the Audit	1.4. Fundamental Concepts and General Principles for Performing the Audit
1.4.1. The auditor shall comply with all relevant requirements unless paragraph 1.4.3. applies. A requirement is relevant when the circumstances of the audit addressed by the requirement exist.	1.4.1. The auditor shall comply with all relevant requirements unless, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement. In such circumstances the auditor shall

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[Also see paragraph 1.4.3. below]	perform alternative procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement.
1.4.2. The auditor shall not represent compliance with the [draft] ISA for LCE in the auditor's report unless all relevant requirements in this [draft] standard have been met or the circumstances in paragraph 1.4.3. apply.	1.4.2. The auditor shall not represent compliance with the ISA for LCE in the auditor's report unless all relevant requirements in this standard have been met or the circumstances in paragraph 1.4.1. apply.
1.4.3. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement. In such circumstances, the auditor shall perform alternative procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement.	[See paragraph 1.4.1. above]
<i>Professional Judgment</i>	<i>Professional Judgment</i>
1.4.4. The auditor shall exercise professional judgment in planning and performing the audit.	1.4.3. The auditor shall exercise professional judgment in planning and performing the audit.
<i>Professional Skepticism</i>	<i>Professional Skepticism</i>
1.4.5. The auditor shall plan and perform the audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated	1.4.4. The auditor shall plan and perform the audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated.

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1.4.6. The auditor shall design and perform procedures in a way that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.	1.4.5. The auditor shall design and perform procedures in a way that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.
1.5. Fraud	1.5. Fraud
1.5.1. The auditor shall address the risk of fraud when:	1.5.1. The auditor shall address the risk of fraud when:
(a) Identifying and assessing risks of material misstatement, whether due to fraud or error. In doing so, the auditor shall evaluate whether information obtained from the procedures to identify and assess risks and related activities indicates that one or more fraud risk factors are present; ⁸	(a) Identifying and assessing risks of material misstatement, whether due to fraud or error. In doing so, the auditor shall evaluate whether information obtained from the procedures to identify and assess risks, and related activities, indicates that one or more fraud risk factors are present; ⁹
(b) Obtaining sufficient appropriate audit evidence through designing and implementing appropriate responses to assessed risks of material misstatement, including risks of material misstatement due to fraud; and	(b) Obtaining sufficient appropriate audit evidence through designing and implementing appropriate responses to assessed risks of material misstatement, including risks of material misstatement due to fraud; and
(c) Responding appropriately to fraud or suspected fraud identified during the audit.	(c) Responding appropriately to fraud or suspected fraud identified during the audit.
<i>Auditor Unable to Continue the Engagement</i>	<i>Auditor Unable to Continue the Engagement</i>
1.5.2. If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit, the auditor shall determine the legal and professional responsibilities	1.5.2 If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit, the auditor shall determine the legal and professional responsibilities

⁸ Appendix 3 sets out fraud risk factors relevant to less complex entities.

⁹ Appendix 4 sets out fraud risk factors relevant to less complex entities.

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applicable in the circumstances or consider whether it is appropriate to withdraw, where withdrawal is possible under law or regulation	applicable in the circumstances or consider whether it is appropriate to withdraw, where withdrawal is possible under law or regulation.
1.6. Law or Regulation	1.6. Laws and Regulations
1.6.1. During the audit, the auditor shall remain alert to the possibility that performing audit procedures may bring instances of non-compliance or suspected non-compliance with law or regulation to the auditor's attention.	1.6.1. During the audit, the auditor shall remain alert to the possibility that performing audit procedures may bring instances of non-compliance or suspected non-compliance with laws and regulations to the auditor's attention.
1.6.2. In the absence of identified or suspected non-compliance with law or regulation, the auditor is not required to perform audit procedures regarding the entity's compliance with law or regulations, other than what is required by this [draft] standard.	[Addressed in EEM]
<i>Reporting to an Appropriate Authority Outside the Entity</i>	<i>Reporting to an Appropriate Authority Outside the Entity</i>
1.6.3. If the auditor has identified or suspects non-compliance with law or regulation, or fraud, the auditor shall determine whether law, regulation or relevant ethical requirements:	1.6.2. If the auditor has identified or suspects non-compliance with laws and regulations, including fraud, the auditor shall determine whether law, regulation or relevant ethical requirements:
(a) Require the auditor to report to an appropriate authority outside the entity.	(a) Require the auditor to report to an appropriate authority outside the entity.
(b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.	(b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.
1.7. Related Parties	1.7. Related Parties
1.7.1. During the audit, the auditor shall remain alert for:	1.7.1. During the audit, the auditor shall remain alert for:

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(a) Information about the entity's related parties, including circumstances involving a related party with dominant influence; and	(a) Information about the entity's related parties, including circumstances involving a related party with dominant influence;
(b) Arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor, and significant transactions outside the entity's normal course of business.	(b) Arrangements or other information that may indicate the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor; and [Also see paragraph 1.7.1.(c) below]
[See paragraph 1.7.1.(b) above]	(c) Significant transactions outside the entity's normal course of business.
1.8 General Communications with Management and Those Charged with Governance	1.8 General Communications with Management and Those Charged with Governance
1.8.1. The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate.	1.8.1. The auditor shall determine the appropriate person(s) within the entity's governance structure with whom to communicate.
	1.8.2. The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement.
1.8.2. The auditor shall communicate, on a timely basis, with management and, if separate, those charged with governance.	1.8.3. The auditor shall communicate, on a timely basis, with management and, where appropriate, those charged with governance.
1.8.3. Specific matters to be communicated are required throughout this [draft] standard. The auditor shall use professional judgment in determining the appropriate form, timing and general content of the communications with management, and when appropriate, those	1.8.4. Specific matters to be communicated are required throughout this standard. The auditor shall use professional judgment in determining the appropriate form, timing, and general content of the communications with management, and where appropriate, those

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charged with governance. When determining the form of communication, the auditor shall consider:	charged with governance. When determining the form and timing of communication, the auditor shall consider:
(a) Legal requirements for communication; and	(a) Legal requirements for communication; and
(b) The significance of the matters to be communicated.	(b) The significance of the matters to be communicated.
1.8.4. In some cases, all of those charged with governance are involved in managing the entity, for example, an LCE where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this [draft] standard are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The auditor shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.	1.8.5. In some cases, all of those charged with governance are involved in managing the entity, for example, an LCE where a single owner manages the entity and no one else has a governance role. In these cases, if matters required by this standard are communicated with person(s) with management responsibilities, and those person(s) also have governance responsibilities, the matters need not be communicated again with those same person(s) in their governance role. The auditor shall nonetheless be satisfied that communication with person(s) with management responsibilities adequately informs all of those with whom the auditor would otherwise communicate in their governance capacity.
1.8.5. Where the responses to inquiries of management, and where appropriate, those charged with governance about a particular matter are inconsistent, the auditor shall investigate the inconsistency.	1.8.6. Where the responses to inquiries of management, and where appropriate, those charged with governance about a particular matter are inconsistent, the auditor shall investigate the inconsistency.
1.8.6. If the auditor has identified fraud or has obtained information that indicates that fraud may exist, the auditor shall communicate these matters, unless prohibited by law or regulation, on a timely basis to the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities.	[See paragraph 1.8.7. below]

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<i>Specific Communications to Those Charged with Governance in Relation to Fraud</i>	<i>Specific Communications in Relation to Fraud</i>
[See paragraph 1.8.6. above and 10.7.1. below]	1.8.7. If the auditor has identified fraud or has obtained information that indicates that fraud may exist, the auditor shall communicate these matters, unless prohibited by law or regulation, on a timely basis to the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities.
1.8.7. Unless prohibited by law or regulation, the auditor shall communicate to those charged with governance, on a timely basis, if the auditor has identified or suspects fraud involving:	1.8.8. Unless prohibited by law or regulation, the auditor shall communicate with those charged with governance, on a timely basis, if the auditor has identified or suspects fraud involving:
(a) Management, unless those charged with governance are involved in managing the entity;	(a) Management, unless those charged with governance are involved in managing the entity;
(b) Employees who have significant roles in the entity's internal control system; or	(b) Employees who have significant roles in the entity's system of internal control; or
(c) Others where the fraud results in a material misstatement in the financial statements.	(c) Others where the fraud results in a material misstatement in the financial statements.
1.8.8. If the auditor suspects fraud involving management, the auditor shall discuss with those charged with governance the nature, timing and extent of audit procedures necessary to complete the audit.	1.8.9. If the auditor suspects fraud involving management, the auditor shall discuss with those charged with governance the nature, timing and extent of audit procedures necessary to complete the audit
	1.9. Specific Documentation Requirements

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[See paragraph 2.5.5.(a) below]	1.9.1. The auditor shall include in the audit documentation communications about fraud made to management, those charged with governance, regulators and others.
<u>2. Audit Evidence and Documentation</u>	<u>2. Audit Evidence and Documentation</u>
2.1. Objectives	2.1. Objectives
2.1.1. The objectives of the auditor are to:	2.1.1. The objectives of the auditor are to:
(a) Design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion; and	(a) Design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion; and
(b) Prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report and provides evidence that the audit was planned and performed in accordance with the [draft] ISA for LCE and applicable law or regulation.	(b) Prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report and provides evidence that the audit was planned and performed in accordance with the ISA for LCE and applicable law or regulation.
2.2 Sufficient Appropriate Audit Evidence	2.2. Sufficient Appropriate Audit Evidence
2.2.1. To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level thereby enabling the auditor to draw reasonable conclusions on which to base the auditor's opinion.	2.2.1. To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level thereby enabling the auditor to draw reasonable conclusions on which to base the auditor's opinion.
2.2.2. The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.	2.2.2. The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

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2.3 Information to be Used as Audit Evidence	2.3. Information to be Used as Audit Evidence
2.3.1. When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence, including information from external information sources.	2.3.1. When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence, including information from external information sources.
2.3.2. When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes including, as necessary in the circumstances:	2.3.2. When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes including, as necessary in the circumstances:
(a) Obtaining evidence about the accuracy and completeness of the information; and	(a) Obtaining evidence about the accuracy and completeness of the information; and
(b) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.	(b) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.
2.3.3. Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine. If conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further and determine the effect on the rest of the audit evidence obtained.	2.3.3. Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine. If conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further and determine the effect on the rest of the audit evidence obtained.
2.3.4. The auditor shall determine what modifications or additions to procedures are necessary if:	2.3.4. The auditor shall determine what modifications or additions to audit procedures are necessary if:
(a) Audit evidence obtained from one source is inconsistent with that obtained from another; or	(a) Audit evidence obtained from one source is inconsistent with that obtained from another; or

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(b) The auditor has doubts about the reliability of information to be used as audit evidence.	(b) The auditor has doubts about the reliability of information to be used as audit evidence.
2.4 Procedures for Obtaining Audit Evidence	
2.5 General Documentation Requirements	2.4. General Documentation Requirements
2.5.1. Specific matters to be documented are set out throughout this [draft] standard. The auditor shall prepare audit documentation on a timely basis that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:	2.4.1. The auditor shall prepare audit documentation on a timely basis that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:
(a) The nature, timing and extent of the audit procedures performed in accordance with this [draft] standard and applicable legal and regulatory requirements, including recording:	(a) The nature, timing and extent of the audit procedures performed in accordance with this standard and applicable legal and regulatory requirements, including recording:
(i) The identifying characteristics of the specific items or matters tested;	(i) The identifying characteristics of the specific items or matters tested;
(ii) Who performed the work and the date such work was completed;	(ii) Who performed the work and the date such work was completed;
(iii) Who reviewed the audit work performed and the date and extent of such review, including what was reviewed;	(iii) Who reviewed the audit work performed and the date and extent of such review.
(b) The results of the audit procedures performed, and the audit evidence obtained; and	(b) The results of the audit procedures performed, and the audit evidence obtained; and
(c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.	(c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

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2.5.2. The auditor shall document identified or suspected non-compliance with law or regulation and the results of discussion with management, and where appropriate, those charged with governance and parties outside the entity.	[See paragraph 7.7.3.(a) below]
2.5.3. If the auditor identified information that is inconsistent with the auditor's conclusion regarding a significant matter, the auditor shall document how the inconsistency was addressed.	2.4.2. If the auditor identified information that is inconsistent with the auditor's conclusion regarding a significant matter, the auditor shall document how the inconsistency was addressed by the auditor.
2.5.4. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement of this [draft] standard, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure.	2.4.3. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement of this standard, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure.
[See paragraph 2.5.6. below]	2.4.4. The auditor shall document discussions of significant matters with management, and where appropriate, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.
<i>Documentation of Communications</i>	<i>Documentation of Communications</i>
2.5.5. The auditor shall include in the audit documentation any:	
(a) Communications about fraud made to management, those charged with governance, regulators and others; and	[See paragraph 1.9.1. above]
(b) Discussions of significant matters related to non-compliance with law or regulation, or fraud, with management, those charged with governance and others, including how the matter has been responded to.	[See paragraph 7.7.3.(a) below]

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2.5.6. The auditor shall document discussions of significant matters with management, and where appropriate, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.	[See paragraph 2.4.4. above]
2.5.7. Where matters required to be communicated by this [draft] standard are communicated orally, the auditor shall include them in the audit documentation, and when and to whom they were communicated.	2.4.5. Where matters required to be communicated by this standard are communicated orally, the auditor shall include them in the audit documentation, and when and to whom they were communicated.
2.5.8. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation. Written communications need not include all matters that arose during the audit.	2.4.6. Where matters have been communicated in writing, the auditor shall retain a copy of the communication as part of the audit documentation. Written communications need not include all matters that arose during the audit.
<u>3. Engagement Quality Management</u>	<u>3. Engagement Quality Management</u>
3.1. Objective	3.1. Objective
3.1.1. The objective of the auditor is to manage quality at the engagement level to obtain reasonable assurance that quality has been achieved such that:	3.1.1. The objective of the auditor is to manage quality at the engagement level to obtain reasonable assurance that quality has been achieved such that:
(a) The auditor has fulfilled the auditor's responsibilities in accordance with this [draft] ISA for LCE, relevant ethical standards and the applicable legal and regulatory requirements; and	(a) The auditor has fulfilled the auditor's responsibilities, and has conducted the audit, in accordance with this standard and applicable legal and regulatory requirements; and
(b) The auditor's report issued is appropriate in the circumstances.	(b) The auditor's report issued is appropriate in the circumstances.
3.2. The Engagement Partner's Responsibilities	3.2. The Engagement Partner's Responsibilities

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<i>Leadership Responsibilities for Managing and Achieving Quality</i>	<i>Leadership Responsibilities for Managing and Achieving Quality</i>
3.2.1. The engagement partner shall take overall responsibility for managing and achieving quality on the audit engagement. In doing so, the engagement partner shall be sufficiently and appropriately involved throughout the audit engagement such that the engagement partner has the basis for determining whether the significant judgments made, and conclusions reached are appropriate in the circumstances.	3.2.1. The engagement partner shall take: [Also see paragraph 3.2.1.(a) below]
[See paragraphs 3.2.1. above and 3.2.3. below]	(a) Overall responsibility for managing and achieving quality on the audit engagement including being sufficiently and appropriately involved throughout the audit engagement such that the engagement partner has the basis for determining whether the significant judgments made, and conclusions reached are appropriate in the circumstances; and
	(b) Responsibility for clear, consistent and effective actions being taken that reflect the firm's commitment to quality.
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraphs 3.2.3. and 3.2.4. below]	3.2.2. In taking overall responsibility for managing and achieving quality on the audit engagement, the engagement partner shall determine that the nature, timing and extent of direction, supervision and review is:
[See paragraph 3.2.4. below]	(a) Responsive to the nature and circumstances of the engagement and the resources assigned; and

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[See paragraph 3.2.4. below]	(b) Planned and performed in accordance with the firm's policies or procedures, this standard, relevant ethical requirements and regulatory requirements.
3.2.2. The engagement partner shall take responsibility for clear, consistent and effective actions being taken that reflect the firm's commitment to quality, and establish and communicate the expected behavior of the engagement team members, including emphasizing:	3.2.3. The engagement partner shall take responsibility for establishing and communicating to the members of the engagement team the expected behavior of the engagement team members, including emphasizing:
(a) That all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level;	(a) That all engagement team members are responsible for contributing to the management and achievement of quality at the engagement level;
(b) The importance of professional ethics, values and attitudes to the members of the engagement team	(b) The importance of professional ethics, values and attitudes;
(c) The importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear of reprisal; and	(c) The importance of open and robust communication within the engagement team, and supporting the ability of engagement team members to raise concerns without fear of reprisal; and
(d) The importance of each engagement team member exercising professional skepticism throughout the audit engagement.	(d) The importance of exercising professional skepticism throughout the audit engagement.
3.2.3. If the engagement partner assigns the design or performance of procedures, tasks or actions to other members of the engagement team, the engagement partner shall continue to take overall responsibility for managing and achieving quality through direction and supervision of those members of the engagement team, and review of their work.	[See paragraph 3.2.1.(a) and 3.2.2. above]

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3.2.4. In taking overall responsibility for managing and achieving quality through direction, supervision and review of the work, the engagement partner shall determine that the nature, timing and extent of direction, supervision and review is responsive to the nature and circumstances of the engagement and the resources assigned, in compliance with the firm's related policies or procedures, this [draft] standard, relevant ethical requirements and regulatory requirements.	[See paragraphs 3.2.2.(a) and (b) above]
<i>Relevant Ethical Requirements</i>	<i>Relevant Ethical Requirements</i>
	3.2.4. The engagement partner shall have an understanding of the relevant ethical requirements, including those related to independence, that are applicable given the nature and circumstances of the audit engagement.
3.2.5. Throughout the audit engagement, the engagement partner shall:	[See paragraph 3.2.6. below]
(a) Take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the audit engagement and the firms related policies or procedures for identifying, evaluating and addressing threats to compliance with relevant ethical requirements; and	[See paragraph 3.2.6.(a) below]
(b) Remain alert through observation, inspection of audit documentation and making inquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team.	[See paragraph 3.2.6.(b) below]

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3.2.6. If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists or relevant ethical requirements have not been fulfilled, the engagement partner shall take action, as appropriate in the circumstances, including:	3.2.5. If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists or relevant ethical requirements have been breached, the engagement partner shall take action, including:
(a) Following the firm's policies or procedures to evaluate the threat; and	(a) Following the firm's policies or procedures to evaluate the threat; and
(b) Consulting with others in the firm.	(b) Consulting with others in the firm.
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraph 3.2.5. above]	3.2.6. Throughout the audit engagement, the engagement partner shall:
[See paragraph 3.2.5.(a) above]	(a) Take responsibility for other members of the engagement team having been made aware of relevant ethical requirements and the firm's related policies or procedures for identifying, evaluating, and addressing threats to compliance with relevant ethical requirements; and
[See paragraph 3.2.5.(b) above]	(b) Remain alert through observation, inspection of audit documentation and making inquiries as necessary, for breaches of relevant ethical requirements by members of the engagement team.
	<i>Engagement Resources</i>

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[See paragraph 3.2.7. below]	3.2.7. Taking into account the nature and circumstances of the audit and the firm's related policies or procedures, the engagement partner shall:
[See paragraph 3.2.7. below]	(a) Determine that:
[See paragraph 3.2.7.(a) below]	(i) Sufficient and appropriate resources are assigned or made available to the engagement team in a timely manner; and
[See paragraph 3.2.7.(b) below]	(ii) Members of the engagement team, and any auditor's external experts, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement.
[See paragraph 3.2.8. below]	(b) If the conditions in (a) are not met, the engagement partner shall take appropriate action.
<i>Other Engagement Partner Responsibilities</i>	<i>Other Engagement Partner Responsibilities</i>
3.2.7. Taking into account the nature and circumstances of the audit and the firm's related policies or procedures, the engagement partner shall determine that:	[See paragraph 3.2.7. above]
(a) Sufficient and appropriate resources are assigned or made available to the engagement team in a timely manner; and	[See paragraph 3.2.7.(a)(i) above]
(b) Members of the engagement team, and any auditor's external experts, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement.	[See paragraph 3.2.7.(a)(ii) above]

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3.2.8. If the conditions in paragraph 3.2.7. are not met, the engagement partner shall take appropriate action including, if relevant, communicating with appropriate individuals about the need to assign or make available additional or alternative resources to the engagement.	[See paragraph 3.2.7.(b) above]
3.2.9. The engagement partner shall take responsibility for using the resources assigned or made available to the engagement team appropriately.	
3.2.10. The engagement partner shall:	3.2.8. The engagement partner shall:
(a) Understand the information from the firm's monitoring and remediation process that has been communicated, and if applicable, information for the monitoring and remediation process of other network firms that has been communicated, and determine the relevance and effect of that information on the audit engagement, and take appropriate action; and	(a) Obtain an understanding of the information from the firm's monitoring and remediation process, as communicated by the firm, including, as applicable, the information from the monitoring and remediation process of the network and across the network firms, and: [Also see paragraphs 3.2.8.(a)(i) and (ii) below]
[See paragraph 3.2.10.(a) above]	(i) Determine the relevance and effect of that information on the audit engagement; and
[See paragraph 3.2.10.(a) above]	(ii) Take appropriate action; and
(b) Remain alert for matters that may be relevant to the firm's monitoring and remediation process, and communicate that information as appropriate.	(b) Remain alert for matters that may be relevant to the firm's monitoring and remediation process and communicate to those responsible for the process.
3.2.11. The engagement partner shall review audit documentation at appropriate points in time during the audit, including documentation of significant matters, significant judgments (including those relating to	[See paragraph 3.2.11., 3.2.11.(a), (b) and (c) below]

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difficult or contentious matters) and the conclusions reached, and other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.	
3.2.12. The engagement partner shall:	3.2.9. The engagement partner shall:
(a) Take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures;	(a) Take responsibility for differences of opinion being addressed and resolved in accordance with the firm's policies or procedures;
(b) Take responsibility for consultations being undertaken in accordance with the firm's related policies or procedures, or where deemed necessary on difficult or contentious matters;	(b) Take responsibility for consultations being undertaken in accordance with the firm's related policies or procedures, or where deemed necessary on difficult or contentious matters;
(c) Determine that conclusions reached with respect to differences of opinion and difficult or contentious matters are documented, agreed with the party consulted and implemented; and	(c) Determine that conclusions reached with respect to differences of opinion and difficult or contentious matters are documented, agreed with the party consulted, and implemented; and
(d) Not date the auditor's report until any differences of opinion are resolved.	(d) Not date the auditor's report until any differences of opinion are resolved.
3.2.13. For audit engagements for which an engagement quality review is required, the engagement partner shall determine that an engagement quality reviewer has been appointed and:	3.2.10. For audit engagements for which an engagement quality review is required, the engagement partner shall determine that an engagement quality reviewer has been appointed and:
(a) Cooperate with the engagement quality reviewer;	(a) Cooperate with the engagement quality reviewer;
(b) Discuss significant matters and significant judgments arising during the audit with the engagement quality reviewer; and	(b) Discuss significant matters and significant judgments arising during the audit with the engagement quality reviewer; and
(c) Not date the auditor's report before the engagement quality review is complete.	(c) Not date the auditor's report before the engagement quality review is complete.

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	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraph 3.2.11. above]	3.2.11. The engagement partner shall review audit documentation at appropriate points in time during the audit, including documentation of:
[See paragraph 3.2.11. above]	(a) Significant matters;
[See paragraph 3.2.11. above]	(b) Significant judgments and the conclusions reached; and
[See paragraph 3.2.11. above]	(c) Other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.
[See paragraph 3.2.14. below]	3.2.12. The engagement partner shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities.
<i>Review of Communications</i>	
3.2.14. The engagement partner shall review, prior to their issuance, formal written communications to management, those charged with governance or regulatory authorities.	[See paragraph 3.2.12. above]
3.3. Specific Documentation Requirements	3.3. Specific Documentation Requirements
3.3.1. In addition to the general documentation requirements (Part 2.5.) for an audit engagement, the auditor shall include in the audit documentation matters identified, relevant discussions, and conclusions reached with respect to fulfillment of responsibilities for	3.3.1. The auditor shall include in the audit documentation: [Also see paragraph 3.3.1.(a) below]

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relevant ethical requirements, including applicable independence requirements.	
[See paragraph 3.3.1. above]	(a) Matters identified, relevant discussions, and conclusions reached with respect to fulfillment of responsibilities for relevant ethical requirements, including applicable independence requirements.
	(b) If the audit engagement is subject to an engagement quality review, that the engagement quality review has been completed on or before the date of the auditor's report.
<u>4. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements</u>	<u>4. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements</u>
4.1. Objectives	4.1. Objectives
4.1.1. The objectives of the auditor are:	4.1.1. The objectives of the auditor are:
(a) To accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through:	(a) To accept or continue an audit engagement only when the basis upon which it is to be performed has been agreed, through
(i) Establishing whether the preconditions for an audit are present; and	(i) Establishing whether the preconditions for an audit are present; and
(ii) Confirming that there is a common understanding between the auditor and management, and where appropriate, those charged with governance, of the terms of the audit engagement.	(ii) Confirming that there is a common understanding between the auditor and management, and where appropriate, those charged with governance, of the terms of the audit engagement.

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(b) For initial audit engagements, to obtain sufficient appropriate audit evidence about whether:	(b) For initial audit engagements, to obtain sufficient appropriate audit evidence about whether:
(i) Opening balances contain misstatements that materially affect the current period's financial statements, and	(i) Opening balances contain misstatements that materially affect the current period's financial statements, and
(ii) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.	(ii) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.
4.2. Determining that the [Draft] ISA for LCE is Appropriate for the Audit Engagement	
4.2.1. The engagement partner shall determine, in accordance with Part A of this [draft] standard, that the audit engagement can be undertaken using the [draft] ISA for LCE.	[See paragraph 4.3.1.(b) below]
4.3. Preconditions for an Audit	4.2. Preconditions for an Audit
4.3.1. In order to establish whether the preconditions for an audit are present, the auditor shall:	4.2.1. In order to establish whether the preconditions for an audit are present, the auditor shall:
(a) Determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable;	(a) Determine whether the financial reporting framework to be applied in the preparation of the financial statements is acceptable;

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(b) Obtain the agreement of management and where appropriate, those charged with governance, that it acknowledges and understands its responsibility:	(b) Obtain the agreement of management that it acknowledges and understands its responsibility:
(i) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;	(i) For the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
(ii) For such controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and	(ii) For such controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
(iii) To provide the auditor with:	(iii) To provide the auditor with:
a. Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;	a. Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
b. Additional information that the auditor may request from management for the purpose of the audit; and	b. Additional information that the auditor may request from management for the purpose of the audit; and
c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.	c. Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence.
4.3.2. If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or	4.2.2. If the preconditions for an audit are not present the auditor shall discuss the matter with management. Unless required by law or

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regulation to do so, the auditor shall not accept the proposed audit engagement:	regulation to do so, the auditor shall not accept the proposed audit engagement:
(a) If the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable; or	(a) If the auditor has determined that the financial reporting framework to be applied in the preparation of the financial statements is unacceptable; or
(b) If the agreement of management that it acknowledges and understands its responsibility has not been obtained.	(b) If the agreement of management that it acknowledges and understands its responsibility has not been obtained.
4.3.3. If management or those charged with governance impose a limitation on the scope of the auditor's work such that the auditor believes that the limitation will result in the auditor disclaiming the opinion on the financial statements, the auditor shall not accept such a limited engagement as an audit engagement, unless required by law or regulation to do so.	4.2.3. If management or those charged with governance impose a limitation on the scope of the auditor's work such that the auditor believes that the limitation will result in the auditor disclaiming the opinion on the financial statements, the auditor shall not accept such a limited engagement as an audit engagement, unless required by law or regulation to do so.
4.4. Additional Considerations in Engagement Acceptance	4.3. Considerations in Engagement Acceptance or Continuance
4.4.1. The engagement partner shall determine that the firm's policies or procedures regarding acceptance and continuance of the audit engagement have been followed ¹⁰ and that conclusions reached in this regard are appropriate, including the appropriate use of the [draft] ISA for LCE.	4.3.1. The engagement partner shall determine: [Also see paragraphs 4.3.1.(a) and (b) below]

¹⁰ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 30 sets out the firm's responsibilities for establishing quality objectives for the acceptance of specific engagements, including judgments relating to financial and operating priorities of the firm when deciding to accept or continue specific engagements.

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[See paragraphs 4.4.1. above]	(a) Whether the firm's policies or procedures regarding acceptance and continuance of the audit engagement have been followed; ¹¹ and,
[See paragraphs 4.4.1. and 4.2.1. above]	(b) Whether the conclusions reached regarding acceptance and continuance are appropriate, including that the audit engagement can be undertaken using the ISA for LCE in accordance with Part A of this standard.
4.4.2. In some cases, law or regulation of the relevant jurisdiction prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of this [draft] standard. In these circumstances, the auditor shall evaluate:	4.3.2. In some cases, law or regulation of the relevant jurisdiction prescribes the layout or wording of the auditor's report in a form or in terms that are significantly different from the requirements of this standard. In these circumstances, the auditor shall evaluate:
(a) Whether users may misunderstand the assurance obtained from the audit of the financial statements, and, if so,	(a) Whether users may misunderstand the assurance obtained from the audit of the financial statements, and, if so,
(b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.	(b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.
4.4.3. If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, the auditor shall not accept the audit engagement, unless required by law or regulation to do so. An audit conducted in accordance with such law or regulation does not comply with the [draft] ISA for LCE. Accordingly, the auditor shall not include any reference within the auditor's report to the audit having been conducted in accordance with this [draft] ISA for LCE.	4.3.3. If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, the auditor shall not accept the audit engagement, unless required by law or regulation to do so. An audit conducted in accordance with such law or regulation does not comply with the ISA for LCE. Accordingly, the auditor shall not include any reference within the auditor's report to the audit having been conducted in accordance with this ISA for LCE.

¹¹ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 30 sets out the firm's responsibilities for establishing quality objectives for the acceptance of specific engagements, including judgments relating to financial and operating priorities of the firm when deciding to accept or continue specific engagements.

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4.5. Terms of the Audit Engagement	4.4. Terms of the Audit Engagement
4.5.1. The auditor shall agree the terms of the audit engagement with management, or where appropriate, those charged with governance.	4.4.1. The auditor shall agree the terms of the audit engagement with management, or where appropriate, those charged with governance.
4.5.2. On recurring audits, the auditor shall assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement.	4.4.2. On recurring audits, the auditor shall assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement.
4.5.3. The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so.	4.4.3. The auditor shall not agree to a change in the terms of the audit engagement where there is no reasonable justification for doing so.
4.5.4. If, prior to completing the audit engagement, the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, the auditor shall determine whether there is reasonable justification for doing so	4.4.4. If, prior to completing the audit engagement, the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, the auditor shall determine whether there is reasonable justification for doing so.
4.5.5. If the terms of the audit engagement are changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.	4.4.5. If the terms of the audit engagement are changed, the auditor and management shall agree on and record the new terms of the engagement in an engagement letter or other suitable form of written agreement.
4.5.6. If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:	4.4.6. If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall:
(a) Withdraw from the audit engagement where possible under applicable law or regulation; and	(a) Where possible under applicable law or regulation, withdraw from the audit engagement; and

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(b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners or regulators	(b) Determine whether there is any obligation, either contractual or otherwise, to report the circumstances to other parties, such as those charged with governance, owners, or regulators.
4.6. Initial Audit Engagements	4.5. Initial Audit Engagements
4.6.1. If the engagement is an initial audit and there has been a change in auditor, the auditor shall communicate with the predecessor auditor, in compliance with relevant ethical requirements.	4.5.1. If the engagement is an initial audit and there has been a change in auditor, the auditor shall communicate with the predecessor auditor, in compliance with relevant ethical requirements.
4.6.2. The auditor shall read the most recent financial statements, if any, and the auditor's report thereon, if any, for information relevant to opening balances, including disclosures.	4.5.2. The auditor shall read the most recent financial statements, if any, and the auditor's report thereon, if any, for information relevant to opening balances, including disclosures.
4.6.3. If the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion, the auditor shall evaluate the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the current period's financial statements. ¹²	4.5.3. If the prior period's financial statements were audited by a predecessor auditor and there was a modification to the opinion, the auditor shall evaluate the effect of the matter giving rise to the modification in assessing the risks of material misstatement in the current period's financial statements. ¹³
4.6.4. The auditor shall obtain sufficient appropriate audit evidence ¹⁴ about whether the opening balances contain misstatements that materially affect the current period's financial statements by:	4.5.4. The auditor shall obtain sufficient appropriate audit evidence ¹⁵ about whether the opening balances contain misstatements that materially affect the current period's financial statements by:

¹² For the effect on the auditor's report see Part 9, paragraph 9.5.1.I.

¹³ For the effect on the auditor's report see Part 9, paragraph 9.5.9.

¹⁴ For the effect on the auditor's report see Part 9, paragraph 9.5.1.F.

¹⁵ For the effect on the auditor's report see Part 9, paragraph 9.5.6.

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(a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated;	(a) Determining whether the prior period's closing balances have been correctly brought forward to the current period or, when appropriate, have been restated;
(b) Determining whether the opening balances reflect the application of appropriate accounting policies; and	(b) Determining whether the opening balances reflect the application of appropriate accounting policies; and
(c) Performing one or more of the following:	(c) Performing one or more of the following:
(i) Where the prior year financial statements were audited, inspecting the predecessor auditor's working papers to obtain evidence regarding the opening balances;	(i) Where the prior year financial statements were audited, inspecting the predecessor auditor's working papers to obtain evidence regarding the opening balances;
(ii) Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or	(ii) Evaluating whether audit procedures performed in the current period provide evidence relevant to the opening balances; or
(iii) Performing specific audit procedures to obtain evidence regarding the opening balances.	(iii) Performing specific audit procedures to obtain evidence regarding the opening balances.
4.6.5. If the auditor obtains audit evidence that the opening balances contain misstatements that could materially affect the current period's financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's financial statements. ¹⁶	4.5.5. If the auditor obtains audit evidence that the opening balances contain misstatements that could materially affect the current period's financial statements, the auditor shall perform such additional audit procedures as are appropriate in the circumstances to determine the effect on the current period's financial statements. ¹⁷
4.6.6. The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have	4.5.6 The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have

¹⁶ For the effect on the auditor's report see Part 9, paragraph 9.5.1.G.

¹⁷ For the effect on the auditor's report see Part 9, paragraph 9.5.7.

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<p>been consistently applied in the current period's financial statements, and whether any changes in accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.¹⁸</p>	<p>been consistently applied in the current period's financial statements, and whether any changes in accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.¹⁹</p>
4.7. Specific Communication Requirements	4.6. Specific Communication Requirements
<i>Communications with Those Charged with Governance</i>	<i>Communications with Those Charged with Governance</i>
<p>4.7.1. The auditor shall communicate with those charged with governance the auditor's responsibilities for forming and expressing an opinion on the financial statements prepared by management, and that the auditor's responsibilities do not relieve management or those charged with governance from their responsibilities for oversight of the preparation of the financial statements.</p>	<p>4.6.1. The auditor shall communicate with those charged with governance: [Also see paragraphs 4.6.1.(a) and (b) below]</p>
<p>[See paragraphs 4.7.1. above]</p>	<p>(a) The auditor's responsibilities for forming and expressing an opinion on the financial statements prepared by management; and</p>
<p>[See paragraphs 4.7.1. above]</p>	<p>(b) That the auditor's responsibilities do not relieve management or those charged with governance of their responsibilities for oversight of the preparation of the financial statements.</p>
4.8. Specific Documentation Requirements	4.7. Specific Documentation Requirements
<p>4.8.1. In addition to the general documentation requirements (Part 2.5.), the auditor shall include in the audit documentation matters identified, relevant discussions, and conclusions reached with respect to the</p>	<p>4.7.1. The auditor shall include in the audit documentation matters identified, relevant discussions with personnel, and conclusions reached with</p>

¹⁸ For the effect on the auditor's report see Part 9, paragraph 9.5.1.H.

¹⁹ For the effect on the auditor's report see Part 9, paragraph 9.5.8.

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acceptance and continuance of the client relationship and audit engagement.	respect to the acceptance and continuance of the client relationship and audit engagement.
4.8.2. The auditor shall document the determination made for using the [draft] ISA for LCE.	4.7.2. The auditor shall document the basis for the determination made for using the ISA for LCE.
4.8.3. The auditor shall document changes, if any, to the determination of the use of the [draft] ISA for LCE if further information comes to the auditor's attention during the audit that may change the professional judgment made in this regard.	4.7.3. The auditor shall document changes, if any, to the determination of the use of the ISA for LCE if further information comes to the auditor's attention during the audit that may change the professional judgment made in this regard.
4.8.4. The auditor shall record in an audit engagement letter or other suitable form of written agreement:	4.7.4. The auditor shall record in an audit engagement letter or other suitable form of written agreement:
(a) That the audit will be undertaken using the [draft] ISA for LCE.	(a) That the audit will be undertaken using the ISA for LCE;
(b) The objective and scope of the audit of the financial statements;	(b) The objective and scope of the audit of the financial statements;
(c) The respective responsibilities of the auditor and management;	(c) The respective responsibilities of the auditor and management;
(d) Identification of the applicable financial reporting framework for the preparation of the financial statements;	(d) Identification of the applicable financial reporting framework for the preparation of the financial statements;
(e) Reference to the expected form and content of any reports to be issued by the auditor; and	(e) Reference to the expected form and content of any reports to be issued by the auditor; and
(f) A statement that there may be circumstances in which a report may differ from its expected form and content.	(f) A statement that there may be circumstances in which a report may differ from its expected form and content.
4.8.5. If law or regulation prescribes in sufficient detail the terms of the audit engagement referred to in this [draft] standard, the auditor need not record them in a written agreement, except for the fact that such law	4.7.5. If law or regulation prescribes in sufficient detail the terms of the audit engagement referred to in this standard, the auditor need not record them in a written agreement, except for the fact that such law or

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or regulation applies, and that management acknowledges and understands its responsibilities.	regulation applies, and that management acknowledges and understands its responsibilities.
<u>5. Planning</u>	<u>5. Planning</u>
5.1. Objectives	5.1. Objectives
5.1.1. The objectives of the auditor are to:	5.1.1. The objectives of the auditor are to:
(a) Plan the audit so that it will be performed in an effective manner; and	(a) Plan the audit so that it will be performed in an effective manner; and
(b) Apply the concept of materiality appropriately in planning and performing the audit.	(b) Apply the concept of materiality appropriately in planning and performing the audit.
5.2. Planning Activities	5.2. Planning Activities
5.2.1. The engagement partner and other key members of the engagement team shall be involved in planning the audit.	[See paragraph 5.2.2. below]
5.2.2. The auditor shall set the scope, timing and direction of the audit and:	5.2.1. The auditor shall set the scope, timing and direction of the audit and:
(a) Identify the characteristics of the engagement that define its scope;	(a) Identify the characteristics of the engagement that define its scope;
(b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;	(b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required;
(c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;	(c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts;

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(d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for this entity is relevant;	(d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for this entity is relevant; and
(e) Ascertain the nature, timing and extent of procedures to be performed and the resources necessary to perform the audit, including determining whether experts are needed; and	(e) Ascertain the nature, timing and extent of procedures to be performed and the resources necessary to perform the audit, including determining whether experts are needed.
(f) Plan the nature, timing and extent of direction and supervision of engagement team members and review of their work.	[See paragraph 5.2.3. below]
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraph 5.2.1. above]	5.2.2. The engagement partner and other key members of the engagement team shall be involved in planning the audit.
[See paragraph 5.2.2.(f) above]	5.2.3. The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and review of their work.
5.2.3. The engagement partner shall take into account information obtained in the acceptance and continuance process in planning and performing the audit.	5.2.4. The engagement partner shall consider information obtained in the acceptance and continuance process in planning and performing the audit.
5.2.4. When information used to plan and perform the audit has been obtained from the previous experience with the entity, or prior audits, the auditor shall evaluate whether such information remains relevant and reliable as audit evidence in the current period.	5.2.5. When information used to plan and perform the audit has been obtained from the previous experience with the entity, or prior audits, the auditor shall evaluate whether such information remains relevant and reliable as audit evidence in the current period.

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5.2.5. The auditor shall update and change the scope, timing and direction as necessary during the audit.	5.2.6. The auditor shall update and change the scope, timing and direction as necessary during the audit.
<i>Engagement Team Discussion</i>	<i>Engagement Team Discussion</i>
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
5.2.6. The engagement partner and other key engagement team members shall discuss the susceptibility of the entity's financial statements to material misstatement, including:	5.2.7. The engagement partner and other key engagement team members shall discuss the susceptibility of the entity's financial statements to material misstatement, including:
(a) The application of the applicable financial reporting framework to the entity's facts and circumstances.	(a) The application of the applicable financial reporting framework to the entity's facts and circumstances.
(b) How and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud may occur, and how fraud or error could arise from related party relationships or transactions.	(b) How and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud may occur, and how fraud or error could arise from related party relationships or transactions.
Discussions among the engagement team shall occur setting aside beliefs the engagement team may have that management, and where appropriate, those charged with governance are honest and have integrity.	Discussions among the engagement team shall occur setting aside beliefs the engagement team may have that management, and where appropriate, those charged with governance are honest and have integrity.
5.2.7. When there are engagement team members not involved in the discussion, the engagement partner shall determine which matters are to be communicated to those members.	5.2.8. When there are engagement team members not involved in the discussion, the engagement partner shall determine which matters are to be communicated to those members.
<i>Using the Work of Management's Expert</i>	<i>Using the Work of Management's Expert</i>

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5.2.8. If information to be used as audit evidence has been prepared using the work of management's expert, the auditor shall, having regard to the significance of that expert's work for the auditor's purpose:	5.2.9. If information to be used as audit evidence has been prepared using the work of management's expert, the auditor shall, having regard to the significance of that expert's work for the auditor's purpose:
(a) Evaluate the competence, capabilities and objectivity of that expert;	(a) Evaluate the competence, capabilities, and objectivity of that expert; and
(b) Understand the work of that expert; and	(b) Obtain an understanding of the work of that expert.
(c) Evaluate the appropriateness of the expert's work as audit evidence for the relevant assertion.	[See paragraph 7.4.29. below]
<i>Determining Whether to Use the Work of an Auditor's Expert</i>	<i>Determining Whether to Use the Work of an Auditor's Expert</i>
5.2.9. If expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence, the auditor shall determine whether to use the work of an auditor's expert.	5.2.10. If expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence, the auditor shall determine whether to use the work of an auditor's expert.
5.2.10. The auditor shall consider the following when determining the nature, timing and extent of procedures related to the auditor's expert:	5.2.11. The auditor shall consider the following when determining the nature, timing and extent of procedures related to the auditor's expert:
(a) The nature of the matter to which that expert's work relates;	(a) The nature of the matter to which that expert's work relates;
(b) The risks of material misstatement in the matter to which that expert's work relates;	(b) The risks of material misstatement in the matter to which that expert's work relates;
(c) The significance of that expert's work in the context of the audit;	(c) The significance of that expert's work in the context of the audit;
(d) The auditor's knowledge of and experience with previous work performed by that expert; and	(d) The auditor's knowledge of and experience with previous work performed by that expert; and

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(e) Whether that expert is subject to the auditor's firm's quality management policies or procedures.	(e) Whether that expert is subject to the auditor's firm's quality management policies or procedures.
5.2.11. If the auditor is using the work of an auditor's expert, the auditor shall:	5.2.12. If the auditor is using the work of an auditor's expert, the auditor shall:
(a) Evaluate whether the auditor's expert has the necessary competence, capabilities and objectivity, including inquiry regarding interests and relationships that may create a threat to objectivity, for the auditor's purpose;	(a) Evaluate whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes. In the case of an auditor's external expert, the evaluation of objectivity shall include inquiry regarding interests and relationships that may create a threat to that expert's objectivity;
(b) Obtain sufficient understanding of the field of expertise to enable the auditor to determine the nature, scope and objectives of the auditor's expert work and evaluate that work for the auditor's purpose; and	(b) Obtain sufficient understanding of the field of expertise of the expert to enable the auditor to determine the nature, scope and objectives of the expert's work for the auditor's purpose, and evaluate the adequacy of that work for the auditor's purpose; and
(c) Agree in writing with the auditor's expert the nature, scope and objectives of the expert's work, the respective roles and responsibilities of the expert and the auditor in relation to that work, the nature, timing and extent of communications and the need for the expert to observe confidentiality requirements.	(c) Agree, in writing when appropriate, the nature, scope and objectives of the expert's work, the respective roles and responsibilities of the auditor and that expert, the nature, timing and extent of communications and the need for the expert to observe confidentiality requirements.
<i>Going Concern</i>	
5.2.12. The auditor shall determine whether management has already performed a preliminary assessment of the entity's ability to continue as a going concern and:	[See paragraph 6.3.1.(f) below]

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(a) If such an assessment has been performed, discuss the assessment with management and determine whether management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and, if so, management's plans to address them; or	[See paragraph 6.3.1.(f) below]
(b) If such an assessment has not yet been performed, discuss with management the basis for the intended use of the going concern basis of accounting, and inquire of management whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.	[See paragraph 6.3.1.(f) below]
5.2.13. The auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.	[See paragraph 6.4.10. below]
5.3. Materiality	5.3. Materiality
5.3.1. The auditor shall determine materiality for the financial statements as a whole.	5.3.1. The auditor shall determine materiality for the financial statements as a whole.
5.3.2. The auditor shall also determine the materiality level or levels to be applied to particular classes of transactions, account balances or disclosures if, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	5.3.2. The auditor shall also determine the materiality level or levels to be applied to particular classes of transactions, account balances or disclosures if, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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5.3.3. The auditor shall determine performance materiality for the purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.	5.3.3. The auditor shall determine performance materiality for the purposes of assessing the risks of material misstatement, and determining the nature, timing, and extent of further audit procedures.
5.3.4. The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) if the auditor becomes aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially.	5.3.4. If the auditor becomes aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially, the auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures).
5.3.5. If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.	5.3.5. If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.
5.4. Specific Communication Requirements	5.4. Specific Communication Requirements
5.4.1. The auditor shall communicate to management, and where appropriate, those charged with governance an overview of the planned scope, timing and direction of the audit.	5.4.1. The auditor shall communicate with management, and where appropriate, those charged with governance an overview of the planned scope, timing and direction of the audit.
5.5. Specific Documentation Requirements	5.5. Specific Documentation Requirements
5.5.1. In addition to the general documentation requirements (Part 2.5.) for an audit engagement, the auditor shall include a description of the scope, timing and direction of the audit, and significant changes made during the audit, together with the reasons for such changes, in the audit documentation.	5.5.1. The auditor shall include in the audit documentation a description of the scope, timing and direction of the audit, including the nature, timing and extent of procedures to be performed, and significant changes made during the audit, together with the reasons for such changes.

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[See paragraph 5.5.3. below]	5.5.2. The auditor shall document significant decisions reached, including significant decisions regarding the susceptibility of the entity's financial statements to material misstatement due to fraud or error.
5.5.2. The auditor shall include in the audit documentation a description of:	[See paragraph 5.5.1. above]
(a) The nature, timing and extent of planned risk identification and assessment procedures.	[See paragraph 5.5.1. above]
(b) The nature, timing and extent of planned further audit procedures at the financial statement and assertion level.	[See paragraph 5.5.1. above]
(c) Other planned audit procedures that are required to be carried out so that the engagement complies with the requirements of this [draft] standard.	[See paragraph 5.5.1. above]
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
5.5.3. The auditor shall document the discussion among the engagement team and significant decisions reached including significant decisions regarding the susceptibility of the entity's financial statements to material misstatement due to fraud or error.	5.5.3. The auditor shall document the significant decisions reached during the discussion among the engagement team regarding the susceptibility of the entity's financial statements to material misstatement due to fraud. [Also see paragraph 5.5.2. above]
5.5.4. The auditor shall include in the audit documentation the following amounts and the factors considered in their determination of materiality (including any revisions as applicable):	5.5.4. The auditor shall include in the audit documentation the following amounts and the factors considered in determining the amounts from (a) to (c) (including any revisions as applicable):
(a) Materiality for the financial statements as a whole;	(a) Materiality for the financial statements as a whole;

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(b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures; and	(b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures;
(c) Performance materiality.	(c) Performance materiality; and
[See paragraphs 7.7.1.(e) and 8.9.1.(a) below]	(d) The amount below which misstatements would be considered clearly trivial.
<u>6. Risk Identification and Assessment</u>	<u>6. Risk Identification and Assessment</u>
6.1. Objectives	6.1. Objectives
6.1.1. The objectives of the auditor are to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.	6.1.1. The objectives of the auditor are to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.
6.2. Procedures for Identifying and Assessing Risks and Related Activities	6.2. Procedures for Identifying and Assessing Risks and Related Activities
6.2.1. The auditor shall design and perform procedures to obtain audit evidence that provides an appropriate basis for:	6.2.1. The auditor shall design and perform procedures to obtain audit evidence that provides an appropriate basis for:
(a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and	(a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and
(b) The design of further audit procedures.	(b) The design of further audit procedures.

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[See paragraph 6.2.4. below]	6.2.2. When obtaining audit evidence to identify and assess risks of material misstatement and design further audit procedures, the auditor shall consider information from:
[See paragraph 6.2.4.(a) below]	(a) The acceptance or continuance procedures; and
[See paragraph 6.2.4.(b) below]	(b) When applicable, other engagements performed by the engagement partner for the entity.
6.2.2. The procedures to identify and assess risks of material misstatement shall include:	6.2.3. The procedures to identify and assess risks of material misstatement shall include:
(a) Inquiries of management, and other appropriate individuals within the entity;	(a) Inquiries of management, and other appropriate individuals within the entity;
(b) Analytical procedures.; and	(b) Analytical procedures; and
(c) Observation and inspection.	(c) Observation and inspection.
6.2.3. In designing and performing procedures to identify and assess risks of material misstatement, the auditor shall consider possible risks of material misstatement arising from:	6.2.4. In designing and performing procedures to identify and assess risks of material misstatement, the auditor shall consider possible risks of material misstatement arising from:
(a) Fraud or error;	(a) Fraud or error;
(b) Related parties; and	(b) Related party relationships and transactions; and
(c) Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.	(c) Events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
6.2.4. When identifying risks of material misstatement, including those arising from fraud, the auditor shall consider information from all	[See paragraph 6.2.2. above]

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procedures designed and performed for risk identification to determine whether fraud risk factors are present, including:	
(a) The acceptance or continuance procedures; and	[See paragraph 6.2.2.(a) above]
(b) When applicable, other engagements performed by the engagement partner for the entity.	[See paragraph 6.2.2.(b) above]
6.2.5. The auditor shall evaluate whether unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate risks of material misstatement due to fraud.	[Addressed in EEM]
6.2.6. If the audit opinion on the prior period's financial statements was modified the auditor shall evaluate the effect on the current year's financial statements when identifying and assessing risks of material misstatement.	6.2.5. If the audit opinion on the prior period's financial statements was modified, the auditor shall evaluate the effect on the current year's financial statements when identifying and assessing risks of material misstatement.
6.3. Understanding Relevant Aspects of the Entity	6.3. Understanding Relevant Aspects of the Entity
	<i>Inquiries of Management and Others within the Entity</i>
[See paragraph 6.6.1. below]	6.3.1. The auditor shall inquire of management and, where appropriate, those charged with governance, regarding:
[See paragraph 6.3.7. below]	(a) How the entity identifies business risks relevant to the preparation of the financial statements and how they are addressed;
[See paragraph 6.3.2. below]	(b) The risks of fraud in the entity and the controls that management has established to mitigate these risks;

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[See paragraph 6.3.8. below]	(c) The nature and extent of management's direct involvement in operations or other activities that may help management to prevent or detect misstatements in accounting information or identify controls that are not operating as intended.
[See paragraph 6.6.1.(e) below]	(d) The identity of the entity's related parties, including:
[See paragraph 6.6.1.(e) below]	(i) Changes from the prior period;
[See paragraph 6.6.1.(e) below]	(ii) The nature of the relationships between the entity and these related parties; and
[See paragraph 6.6.1.(e) below]	(iii) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions; and
[See paragraph 6.6.1.(f) below]	(e) Whether the entity is in compliance with laws or regulations that may have an effect on the financial statements, and if there has been any correspondence with relevant licensing or regulatory authorities that may be relevant to the financial statements.
[See paragraphs 5.1.12.(a) and (b) above and 6.6.1.(g) below]	(f) The basis for the intended use of the going concern basis of accounting, whether events or conditions exist that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern and, if so, management's plans to address them.
[See paragraph 6.6.2. below]	6.3.2. The auditor shall make inquiries of management, those charged with governance, and as appropriate others within the entity, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.

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	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraph 7.4.10. below]	6.3.3. The auditor shall share relevant information obtained about the entity's related parties with other members of the engagement team.
<i>Understanding the Entity and Its Environment</i>	<i>Understanding the Entity and Its Environment</i>
6.3.1. The auditor shall understand:	6.3.4. The auditor shall obtain an understanding of:
(a) The entity's organizational structure, ownership and governance, business model (including how the entity uses IT in its business model).	(a) The entity's organizational structure, ownership and governance, and business model.
(b) The industry and other external factors.	(b) The industry and other external factors affecting the entity.
(c) How the entity's financial performance is measured internally and externally.	(c) How the entity's financial performance is measured.
(d) The legal and regulatory framework applicable to the entity, and how the entity is complying with that framework.	(d) The legal and regulatory framework applicable to the entity, and how the entity is complying with that framework.
(e) The entity's transactions and other events and conditions that may give rise to the need for, or changes in, accounting estimates to be recognized or disclosed.	(e) The entity's transactions and other events and conditions that may give rise to the need for, or changes in, accounting estimates to be recognized or disclosed.
(f) Agreements or relationships that may result in unrecognized liabilities, future commitments or changes to current asset valuations through inspecting minutes of meetings and correspondence with legal counsel and inspecting legal expense accounts.	(f) Agreements or relationships that may result in unrecognized liabilities or future commitments.

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6.3.2. The auditor shall understand how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud or error in the entity and the controls that management has established to mitigate these risks.	[See paragraph 6.3.1.(b) above]
<i>Understanding the Applicable Financial Reporting Framework</i>	<i>Understanding the Applicable Financial Reporting Framework</i>
6.3.3. The auditor shall understand:	6.3.5. The auditor shall obtain an understanding of:
(a) The applicable financial reporting framework including, for accounting estimates, the recognition criteria, measurement bases, and the related presentation and disclosure requirements and how these apply in the context of the nature and circumstances of the entity and its environment.	(a) The requirements of the applicable financial reporting framework including, for accounting estimates, the recognition criteria, measurement bases, and the related presentation and disclosure requirements, and how these apply in the context of the nature and circumstances of the entity and its environment.
(b) The entity's accounting policies and reasons for any changes thereto.	(b) The entity's accounting policies and reasons for any changes thereto.
6.3.4. The auditor shall evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework.	6.3.6. The auditor shall evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework.
<i>Inherent Risk Factors</i>	
6.3.5. In understanding the entity and its environment and the applicable financial reporting framework in accordance with this Part, the auditor shall understand how inherent risk factors affect the susceptibility of assertions to misstatement, and the degree to which they do so.	[Addressed in EEM]
<i>Understanding the Entity's Internal Control System</i>	<i>Understanding the Entity's System of Internal Control</i>

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	Understanding the Entity's Control Environment
[See paragraph 6.3.6. below]	6.3.7. The auditor shall:
[See paragraph 6.3.6. below]	(a) Obtain an understanding of the control environment relevant to the preparation of the financial statements; and
[See paragraph 6.3.6. below]	(b) Evaluate whether the control environment provides an appropriate foundation for the entity's system of internal control considering the nature and complexity of the entity.
	Understanding the Entity's Process to Prepare its Financial Statements
[See paragraphs 6.3.9. and 6.3.12(c) below]	6.3.8. For significant classes of transactions, account balances and disclosures, the auditor shall obtain an understanding of the entity's process to prepare its financial statements including:
[See paragraph 6.3.9.(a)(ii) below]	(a) The accounting records and other records that support the classes of transactions, account balances and disclosures in the financial statements;
[See paragraph 6.3.9.(a) below]	(b) How transactions are initiated, and how information about them is recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements;
[See paragraph 6.3.9.(a)(i) below]	(c) How information about events and conditions, other than transactions are identified, processed and disclosed; and
[See paragraphs 6.3.9.(a)(iii) and 6.3.9.(b) below]	(d) The entity's resources, including the IT environment, relevant to (a) to (c) above.

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[See paragraph 6.3.12. below]	6.3.9. For accounting estimates and related disclosures for significant classes of transactions, account balances or disclosures, the auditor shall obtain an understanding of how management:
[See paragraph 6.3.12.(a) below]	(a) Identifies, selects and applies relevant methods, assumptions and data that are appropriate in the context of the applicable financial reporting framework, including identification of significant assumptions;
[See paragraph 6.3.12.(b) below]	(b) Understands the degree of estimation uncertainty and addresses such uncertainty, including selecting a point estimate and related disclosures for inclusion in the financial statements; and
[See paragraph 6.3.12.(d) below]	(c) Reviews the outcome(s) of previous accounting estimates and responds to the results of that review.
[See paragraph 6.3.11. below]	6.3.10. The auditor shall evaluate whether the entity's process to prepare its financial statements, including for accounting estimates, appropriately supports the preparation of its financial statements in accordance with the applicable financial reporting framework.
	Understanding the Services Provided by a Service Organization
[See paragraph 6.3.17. below]	6.3.11. If the entity uses the services of a service organization and those services are relevant to the entity's process to prepare its financial statements, the auditor's understanding in accordance with paragraph 6.3.8. shall include:

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[See paragraph 6.3.17.(a) below]	(a) The nature of the services provided by the service organization and the significance of those services to the entity including the effect thereof on the user entity's system of internal control;
[See paragraph 6.3.17.(b) below]	(b) The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organization;
	(c) The degree of interaction between the activities of the service organization and those of the user entity; and
[See paragraph 6.3.17.(c) below]	(d) The relevant contractual terms for the activities undertaken by the service organization.
	The auditor's understanding shall be sufficient to provide and appropriate basis for the identification and assessment of the risks of material misstatement.
6.3.6. The auditor shall evaluate whether management (with the oversight of those charged with governance, if applicable) has created and maintained a control environment that provides an appropriate foundation for the other components of the entity's internal control system, including determining whether there are any deficiencies in the control environment that undermine the other components of the entity's internal control system. For this purpose, the auditor shall understand:	[See paragraphs 6.3.7.(a)(b) above]
(a) How management, and where appropriate, those charged with governance, oversee the entity, and demonstrate integrity and ethical values;	[Addressed in EEM]

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(b) The entity's assignment of authority and responsibility;	[Addressed in EEM]
(c) The culture of the entity, including whether the culture supports honesty and ethical behavior; and	[Addressed in EEM]
(d) When applicable, how owner-managers have an active involvement and influence the risks arising from management override of controls due to lack of segregation of duties.	[Addressed in EEM]
6.3.7. The auditor shall evaluate whether the entity's risk assessment process is appropriate to the entity's circumstances considering the nature and complexity of the entity. For this purpose, the auditor shall understand the entity's risk assessment process relevant to the preparation of the financial statements (i.e., how risks are identified, assessed and addressed), including how this process identifies and addresses risks related to accounting estimates.	[See paragraph 6.3.1.(a) above]
6.3.8. The auditor shall evaluate whether the entity's process for monitoring the internal control system is appropriate to the entity's circumstances considering the nature and complexity of the entity. For this purpose, the auditor shall understand the entity's process to monitor the entity's internal control system, including the sources of information and the basis upon which management considers the information to be sufficiently reliable, as well as how deficiencies are remediated.	[See paragraph 6.3.1.(c) above]
6.3.9. The auditor shall understand the information system relevant to the preparation of the financial statements, including:	[See paragraph 6.3.8. above]
(a) For significant classes of transactions, account balances and disclosures, how those transactions are initiated, recorded,	[See paragraph 6.3.8.(b) above]

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processed, corrected as necessary, transferred to the general ledger and reported in the financial statements, as well as:	
(i) How the information system captures, processes and discloses events and conditions, other than transactions;	[See paragraph 6.3.8.(c) above]
(ii) The accounting records, specific accounts in the financial statements and other supporting records for the flows of information;	[See paragraph 6.3.8.(a) above]
(iii) The entity's resources used in the financial reporting process;	[See paragraph 6.3.8.(d) above]
(iv) The financial reporting process used to prepare the entity's financial statements, including disclosures; and	[See paragraph 6.3.8. above]
(b) The IT environment relevant to (a)(i) to (iv) above.	[See paragraph 6.3.8.(d) above]
6.3.10. The auditor shall understand how the entity communicates significant matters related to the preparation of the financial statements, and related reporting responsibilities, between people within the entity, between management and those charged with governance (if applicable) and with external parties (such as regulatory authorities or others as required).	
6.3.11. The auditor shall evaluate whether the entity's information system and communication appropriately supports the preparation of the entity's financial statements in accordance with the applicable financial reporting framework.	[See paragraph 6.3.10. above]
6.3.12. For accounting estimates and related disclosures for significant classes of transactions, account balances or disclosures, the auditor's	[See paragraph 6.3.9. above]

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understanding of the information system and the flow of information relevant to the preparation of the financial statements shall include:	
(a) How management identifies, selects and applies relevant methods, assumptions and data that are appropriate in the context of the applicable financial reporting framework, including identification of significant assumptions;	[See paragraph 6.3.9.(a) above]
(b) How management understands the degree of estimation uncertainty and addresses such uncertainty, including selecting a point estimate and related disclosures for inclusion in the financial statements;	[See paragraph 6.3.9.(b) above]
(c) Controls over management's process for making accounting estimates; and	[See paragraphs 6.3.8. above and 6.3.12. below]
(d) How management reviews the outcomes of previous estimates and responds to the results of that review.	[See paragraph 6.3.9.(c) above]
6.3.13. Based on the auditor's evaluations about whether the control environment, the entity's risk assessment process, the monitoring of the entity's internal control system and the information system are appropriate in context of the nature and circumstances of the entity, the auditor shall determine whether one or more control deficiencies have been identified.	[See paragraph 6.3.14. below]
	Understanding the Entity's Control Activities
6.3.14. The auditor shall identify controls that address risks of material misstatement at the assertion level as follows:	6.3.12. The auditor shall obtain an understanding of the entity's control activities by identifying controls that address risks of material misstatement at the assertion level as set out below. For each control identified in (a)—(e) below, the auditor shall perform procedures,

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[Also see paragraph 6.3.12.(c) above and hanging paragraph of 6.3.14. below]	beyond inquiry, to evaluate whether the control is designed effectively and has been implemented:
(a) Controls that address risks determined to be significant risks;	(a) Controls that address risks determined to be significant risks;
(b) Controls over journal entries including to record non-recurring, unusual transactions or adjustments;	(b) Controls over journal entries, including journal entries to record non-recurring, unusual transactions or adjustments;
(c) Controls for which the auditor plans to test the operating effectiveness of controls in determining the nature, timing and extent of substantive testing, including those controls that address risks for which substantive procedures alone are not enough to obtain sufficient appropriate audit evidence;	(c) Controls, if any, for which the auditor plans to test the operating effectiveness of controls in determining the nature, timing and extent of substantive testing, including those controls that address risks for which substantive procedures alone are not enough to obtain sufficient appropriate audit evidence; and
(d) Other controls, based on the auditor's professional judgment, where the auditor considers it appropriate to meet the objectives of identifying risks of material misstatement at the assertion level;	
(e) If applicable, controls that relate to information processed by a service organization; and	[See paragraph 6.3.12.(e) below]
(f) Controls, if any, to identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework, authorize and approve significant transactions and relationships with related parties, and authorize and approve significant transactions and arrangements outside the normal course of business.	(d) Controls, if any, related to significant transactions and arrangements with related parties, and significant transactions and arrangements outside the normal course of business.
[See paragraph 6.3.14.(e) above]	(e) Controls, if any, in (a) to (d) at the user entity related to the services provided by the service organization, including those

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	that are applied to the transactions processed by the service organization.
For each control identified in (a)–(f) above, the auditor shall evaluate whether the control is designed effectively to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls, and determine whether the control has been implemented, by performing procedures more than inquiry.	[See paragraph 6.3.12. above]
6.3.15. For the controls identified in paragraph 6.3.14. the auditor shall identify the IT applications and other aspects of the IT environment that are subject to risks arising from the use of IT.	6.3.13. For the controls identified in paragraph 6.3.12. the auditor shall: [Also see paragraph 6.3.13.(a) below]
[See paragraph 6.3.15. above]	(a) Identify the IT applications and other aspects of the IT environment that are subject to risks arising from the use of IT and what those related risks are;
6.3.16. For the IT applications and other aspects of the IT environment identified in paragraph 6.3.15, the auditor shall identify the related risks arising from the use of IT and the entity's general IT controls that respond to those risks, and evaluate whether the general IT controls are effectively designed to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls, and determine whether the control has been implemented by performing procedures more than inquiry.	(b) Identify the entity's general IT controls that respond to those identified risks; and [Also see paragraph 6.3.13.(c) below]
[See paragraph 6.3.16. above]	(c) By performing procedures in addition to inquiries, evaluate whether the identified general IT controls are designed effectively and have been implemented.

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6.3.17. If the entity uses the services of a service organization, the auditor's understanding of the information system shall include:	[See paragraph 6.3.11. above]
(a) The nature of the services provided by the service organization and the significance of those services to the entity;	[See paragraph 6.3.11.(a) above]
(b) The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organization;	[See paragraph 6.3.11.(b) above]
(c) The relevant contractual terms for the activities undertaken by the service organization;	[See paragraph 6.3.11.(d) above]
(d) Controls at the service organization relevant to the entity's transactions; and	
(e) The controls applied to transactions with the service organization.	
<i>Deficiencies in the Entity's Internal Control System</i>	<i>Deficiencies Within the Entity's System of Internal Control</i>
6.3.18. The auditor shall determine whether deficiencies identified in the entity's internal control system, individually or in combination, constitute significant deficiencies.	6.3.14. The auditor shall determine whether one or more deficiencies have been identified in the entity's system of internal control and if so whether, individually or in combination they constitute significant deficiencies.
6.4. Identifying Risks of Material Misstatement	6.4. Identifying and Assessing the Risks of Material Misstatement
6.4.1. The auditor shall identify the risks of material misstatement, due to fraud or error, at: [Also see paragraph 6.5.1. below]	6.4.1. The auditor shall identify and assess the risks of material misstatement, due to fraud or error, at:

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(a) The financial statement level; and [Also see paragraph 6.5.1.(a) below]	(a) The financial statement level. In doing so, the auditor shall determine whether they affect risks at the assertion level and consider the nature and extent of the pervasive effect of identified risks on the financial statements; and
(b) The assertion level for classes of transactions, account balances, and disclosures.	(b) The assertion level for classes of transactions, account balances, and disclosures. In doing so, the auditor shall:
[See paragraph 6.4.3. below]	(i) Determine the relevant assertions and related significant classes of transactions, account balances and disclosures; and
[See paragraph 6.5.1.(b) below]	(ii) Assess inherent risk for identified risks of material misstatement at the assertion level by assessing the likelihood and magnitude of misstatement.
6.4.2. In identifying the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions or assertions give rise to such risks.	6.4.2. In identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of fraud in revenue recognition, evaluate which types of revenue, revenue transactions, or assertions give rise to such risks.
6.4.3. The auditor shall determine the relevant assertions and the related significant classes of transactions, account balances and disclosures.	[See paragraph 6.4.1.(b)(i) above]
6.5. Risk Assessment	
<i>Assessing Inherent Risk</i>	
6.5.1. For identified risks of material misstatement, the auditor shall assess:	[See paragraph 6.4.1. above]

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(a) The risks of material misstatement at the financial statement level. In doing so, the auditor shall determine whether such risks affect risks at the assertion level, and evaluate the nature and extent of their pervasive effect on the financial statements; and	[See paragraph 6.4.1.(a) above]
(a) Inherent risk for identified risks of material misstatement at the assertion level by assessing the likelihood and magnitude of misstatement. In doing so, the auditor shall take into account how, and the degree to which inherent risk factors affect the susceptibility of relevant assertions to misstatement.	[See paragraph 6.4.1.(b)(ii) above]
6.5.2. In identifying and assessing risks of material misstatement relating to an accounting estimate and related disclosure at the assertion level, the auditor shall take into account the degree to which the accounting estimate is subject to estimation uncertainty, and the degree to which the following are affected by complexity, subjectivity or other inherent risk factors:	6.4.3. In identifying and assessing risks of material misstatement relating to an accounting estimate and related disclosure at the assertion level, the auditor shall consider the degree to which the accounting estimate is subject to estimation uncertainty, and the degree to which the following are affected by complexity, subjectivity, change or management bias:
(a) The selection and application of the method, the assumptions and data used; and	(a) The selection and application of the method, the assumptions and data used; and
(b) The selection of management's point estimate and related disclosures.	(b) The selection of management's point estimate and related disclosures.
6.5.3. The auditor shall determine whether substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the risks of material misstatement at the assertion level	[See paragraph 6.4.7.(a) below]
<i>Significant Risks</i>	<i>Significant Risks</i>

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6.5.4. The auditor shall determine whether any of the assessed risks of material misstatement are, in the auditor's professional judgment, a significant risk.	6.4.4. The auditor shall determine whether any of the assessed risks of material misstatement are, in the auditor's professional judgment, a significant risk.
6.5.5. In exercising professional judgment as to which assessed risks are significant risks, the auditor shall determine whether the assessed risks associated with related party relationships and transactions are significant risks	6.4.5. The auditor shall determine whether the assessed risks associated with related party relationships and transactions, and assessed risks relating to accounting estimates are significant risks.
6.5.6. The auditor shall determine whether risks of material misstatement assessed relating to accounting estimates are significant risks.	[See paragraph 6.4.5. above]
6.5.7. The auditor shall treat the following as significant risks:	6.4.6. The auditor shall treat the following as significant risks:
(a) Identified fraud risks including:	
(i) Management override of controls. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur it is a risk of material misstatement due to fraud and therefore a significant risk; and	(a) Risk of material misstatement from management override of controls;
(ii) Risk of fraud in revenue recognition. Based on a presumption that there are risks of fraud in revenue recognition the auditor shall evaluate which types of revenue, revenue transactions or assertions give rise to such risks; and	(b) Any other risks of material misstatement due to fraud, including risks that the auditor identified in accordance with paragraph 6.4.2; or
(b) Identified significant related party transactions outside the entity's normal course of business.	(c) Identified significant related party transactions outside the entity's normal course of business.

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<i>Assessing Control Risk</i>	<i>Assessing Control Risk</i>
6.5.8. If the auditor plans to test the operating effectiveness of controls the auditor shall assess control risk, otherwise the risk of material misstatement is the same as the assessment of inherent risk.	6.4.7. The auditor shall assess control risk if: [Also see paragraphs 6.4.7.(b) and hanging paragraph of 6.4.7. below]
[See paragraph 6.5.3. above]	(a) The auditor has determined that substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the risks of material misstatement at the assertion level; or
[See paragraph 6.5.8. above]	(b) The auditor otherwise plans to test the operating effectiveness of controls.
[See paragraph 6.5.8. above]	Otherwise, the assessed risk of material misstatement is the same as the assessment of inherent risk
<i>Evaluation of the Procedures to Identify and Assess Risks of Material Misstatement and Revision of Risk Assessment</i>	<i>Evaluation of the Procedures to Identify and Assess Risks of Material Misstatement and Revision of Risk Assessment</i>
6.5.9. The auditor shall evaluate whether the audit evidence obtained from procedures to identify and assess the risks of material misstatement provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall take into account all audit evidence obtained from the procedures to identify and assess the risks of material misstatement, whether corroborative or contradictory to assertions made by management.	6.4.8. The auditor shall evaluate whether the audit evidence obtained from procedures to identify and assess the risks of material misstatement provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall consider all audit evidence obtained from the procedures to identify and assess the risks of material misstatement, whether corroborative or contradictory to assertions made by management.

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6.5.10. The auditor's assessment of the risks of material misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. In circumstances where the auditor obtains audit evidence from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, the auditor shall revise the assessment and modify the further planned audit procedures accordingly.	6.4.9. The auditor's assessment of the risks of material misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. In circumstances where the auditor obtains audit evidence from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, the auditor shall revise the assessment and modify the further planned audit procedures accordingly.
[See paragraph 5.2.13. above]	6.4.10. The auditor shall remain alert throughout the audit for audit evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
	6.5. Evaluation of the Appropriateness of Using the ISA for LCE
<i>Evaluation of the Appropriateness of Using the [draft] ISA for LCE</i>	
6.5.11. Based on the procedures performed to identify and assess the risks of material misstatement, the engagement partner shall evaluate whether the [draft] ISA for LCE continues to be appropriate for the nature and circumstances of the entity being audited.	6.5.1. Based on the procedures performed to identify and assess the risks of material misstatement, the engagement partner shall evaluate whether the ISA for LCE continues to be appropriate for the nature and circumstances of the entity being audited.
6.6. Specific Inquiries of Management and Those Charged with Governance	
6.6.1. In designing and performing procedures to identify and assess the risks of material misstatement due to fraud or error, the auditor shall make inquiries of management regarding:	[See paragraph 6.3.1. above]

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(a) Management's assessment of the risk that the financial statements may be materially misstated due to fraud, including the nature, extent and frequency of such assessments;	[Addressed in EEM]
(b) Management's process for identifying and responding to the risks of fraud in the entity, including any specific risks of fraud that management has identified or that have been brought to its attention, or classes of transactions, account balances, or disclosures for which a risk of fraud is likely to exist	[Addressed in EEM]
(c) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity;	[Addressed in EEM]
(d) Management's communication, if any, to employees regarding its views on business practices and ethical behavior;	[Addressed in EEM]
(e) The identity of the entity's related parties, including changes from the prior period; the nature of the relationships between the entity and these related parties; and whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions;	[See paragraphs 6.3.1.(d)(i), (ii) and (iii) above]
(f) Non-compliance with law or regulation that may have a material effect on the financial statements, and inspecting correspondence, if any, with the relevant licensing or regulatory authorities; and	[See paragraphs 6.3.1.(e) above]
(g) Events or conditions that exist that individually, or collectively, may affect the ability of the entity to continue as a going concern.	[See paragraph 6.3.1.(f) above]

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6.6.2. The auditor shall make inquiries of management, and as appropriate, those charged with governance, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity.	[See paragraph 6.3.2. above]
6.7. Specific Communication Requirements	6.6. Specific Communication Requirements
6.7.1. The auditor shall communicate to management, and where appropriate, those charged with governance, the significant risks identified by the auditor.	6.6.1. The auditor shall communicate with management, and where appropriate, those charged with governance, the significant risks identified by the auditor.
6.8. Specific Documentation Requirements	6.7. Specific Documentation Requirements
6.8.1. In addition to the general documentation requirements (Part 2.5.) for an audit of an LCE, the auditor shall include the following in the audit documentation:	6.7.1. The auditor shall include the following in the audit documentation:
(a) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment, the applicable financial reporting framework and the entity's internal control system;	(a) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control;
	(b) The procedures performed on which the auditor based the assessment of risks of material misstatement;
(b) The names of the identified related parties (including changes from prior period) and the nature of the related party relationships;	(c) The names of the identified related parties (including changes from prior period) and the nature of the related party relationships;
(c) The identified and assessed risks of material misstatement, including risks due to fraud, at the financial statement level and	(d) The identified and assessed risks of material misstatement, including risks due to fraud, at the financial statement level and

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at the assertion level, including significant risks and risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, and the rationale for the significant judgments made;	at the assertion level, including significant risks and risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, and the rationale for the significant judgments made;
(d) If applicable, the reasons for the conclusion that there is not a risk of material misstatement due to fraud related to revenue recognition;	(e) If applicable, the reasons for the conclusion that there is not a risk of material misstatement due to fraud related to revenue recognition;
(e) The controls set out in paragraphs 6.3.14. and 6.3.16 and the evaluation whether the control is designed effectively and determination whether the control has been implemented; and	(f) The controls set out in paragraphs 6.3.12. and 6.3.13 and the evaluation whether the control is designed effectively and determination whether the control has been implemented; and
(f) For accounting estimates, key elements of the auditor's understanding of the accounting estimates, including controls as appropriate, the linkage of the assessed risks of material misstatements to the auditor's further procedures, and any indicators of management bias and how those were addressed.	(g) For accounting estimates, key elements of the auditor's understanding of the accounting estimates, including controls as appropriate, the linkage of the assessed risks of material misstatements to the auditor's further procedures, and any indicators of management bias and how those were addressed.
6.8.2. The auditor shall document the evaluation about whether the [draft] ISA for LCE continues to be appropriate for the nature and circumstances of the entity being audited.	6.7.2. The auditor shall document the basis for the evaluation about whether the ISA for LCE continues to be appropriate for the nature and circumstances of the entity being audited.
<u>7. Responding to Assessed Risks of Material Misstatement</u>	<u>7. Responding to Assessed Risks of Material Misstatement</u>
7.1. Objectives	7.1. Objectives
7.1.2. The objectives of the auditor are to:	7.1.1. The objectives of the auditor are to:

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(a) Obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement (the assessed risks), through designing and implementing responses to those risks;	(a) Obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement (the assessed risks), through designing and implementing responses to those risks;
(b) Respond appropriately to risks of material misstatement arising from fraud or suspected fraud;	(b) Respond appropriately to risks of material misstatement arising from fraud or suspected fraud;
(c) Obtain sufficient appropriate audit evidence regarding management's use of the going concern assumption and related disclosures; and	(c) Obtain sufficient appropriate audit evidence regarding management's use of the going concern assumption and related disclosures; and
(d) Respond appropriately to identified or suspected non-compliance with law or regulation that have been identified during the audit.	(d) Respond appropriately to identified or suspected non-compliance with law or regulation that have been identified during the audit.
7.2. Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Financial Statement Level	7.2. Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Financial Statement Level
7.2.1. The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level, whether due to fraud or error.	7.2.1. The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level, whether due to fraud or error.
7.2.2. In determining overall responses to address assessed risks of material misstatement, due to fraud or error, at the financial statement level, the auditor shall:	7.2.2. In determining overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level, the auditor shall:
(a) Assign and supervise personnel taking account of the knowledge, skill and ability of the individuals to be given significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud or error for the engagement;	[See paragraph 7.2.3. below]

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(b) Evaluate whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements, may be indicative of errors or fraudulent financial reporting resulting from management's effort to manage earnings; and	(a) Evaluate whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements, may be indicative of fraudulent financial reporting resulting from management's effort to manage earnings; and
(c) Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures.	(b) Incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures.
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraph 7.2.2. (a) above]	7.2.3. In determining overall responses to address the assessed risks of material misstatement due to fraud at the financial statement level, the auditor shall assign and supervise personnel taking account of the knowledge, skill, and ability of the individuals to be given significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud for the engagement.
7.3. Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	7.3. Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level
7.3.1. The auditor shall design and perform further audit procedures whose nature, timing and extent are based on, and responsive to, assessed risks, whether due to fraud or error, at the assertion level.	7.3.1. The auditor shall design and perform further audit procedures whose nature, timing and extent are based on, and responsive to, assessed risks, whether due to fraud or error, at the assertion level.
7.3.2. In designing the further audit procedures, the auditor shall:	7.3.2. In designing the further audit procedures, the auditor shall:
(a) Consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each significant class of transactions, account balance, or disclosure, including:	(a) Consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each significant class of transactions, account balance, or disclosure, including:

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(i) The likelihood and magnitude of misstatement due to the characteristics of the significant class of transactions, account balance, or disclosure (that is, the inherent risk); and	(i) The likelihood and magnitude of misstatement due to the characteristics of the significant class of transactions, account balance, or disclosure (that is, the inherent risk); and
(ii) Whether the risk assessment takes account of controls that address the risk of material misstatements (that is, the control risk), thereby requiring the auditor to obtain audit evidence to determine whether the controls are operating effectively (where the auditor plans to test the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures)	(ii) Whether the risk assessment takes account of controls that address the risk of material misstatements (that is, the control risk), thereby requiring the auditor to obtain audit evidence to determine whether the controls are operating effectively (where the auditor plans to test the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures);
(b) Obtain more persuasive audit evidence the higher the auditor's assessment of risk;	(b) Obtain more persuasive audit evidence the higher the auditor's assessment of risk;
(c) In designing and performing tests of controls, obtain more persuasive audit evidence the greater the reliance the auditor places on the operating effectiveness of controls; and	(c) In designing and performing tests of controls, obtain more persuasive audit evidence the greater the reliance the auditor places on the operating effectiveness of controls; and
(d) Design and perform tests of controls, to obtain sufficient appropriate audit evidence as to the operating effectiveness of such controls, if the auditor intends to test the operating effectiveness of controls or when substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.	(d) If the auditor intends to test the operating effectiveness of controls or when substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, design and perform tests of controls, to obtain sufficient appropriate audit evidence as to the operating effectiveness of such controls.
7.3.3. When designing tests of controls and tests of details, the auditor shall determine the means of selecting items for testing that are effective in meeting the purpose of the audit procedure.	7.3.3. When designing tests of controls and tests of details, the auditor shall determine the means of selecting items for testing that are effective in meeting the purpose of the audit procedure.

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	<i>Tests of Controls</i>
[See paragraph 7.3.8. below]	7.3.4. In designing and performing tests of controls, the auditor shall perform audit procedures in combination with inquiry to obtain audit evidence about the operating effectiveness of controls, including:
[See paragraph 7.3.8.(a) below]	(a) How the controls were applied at relevant times during the period;
[See paragraph 7.3.8.(b) below]	(b) The consistency with which they were applied; and
[See paragraph 7.3.8.(c) below]	(c) By whom or by what means they were applied.
[See paragraph 7.3.9. below]	7.3.5. The auditor shall determine whether the controls to be tested depend on other controls (indirect controls), and if so, consider whether it is necessary to obtain evidence about the effective operation of the indirect controls.
[See paragraph 7.3.10. below]	7.3.6. The auditor shall test controls for the period of time, or throughout the period, for which the auditor intends to rely on those controls in order to provide an appropriate basis for the auditor's reliance.
[See paragraph 7.3.11. below]	7.3.7. If the auditor obtains audit evidence about the operating effectiveness of controls in the interim period, the auditor shall obtain additional audit evidence about any subsequent significant changes and determine the additional audit evidence to be obtained for the remaining period.
[See paragraph 7.3.12. below]	7.3.8. If the auditor intends to use audit evidence about the operating effectiveness of controls obtained in previous periods, the auditor shall:

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[See paragraph 7.3.12.(a) below]	(a) Consider:
[See paragraph 7.3.12.(a) below]	(i) The effectiveness of the system of internal control,
[See paragraph 7.3.12.(a) below]	(ii) The risks from the characteristics of the control (e.g., manual or automated),
[See paragraph 7.3.12.(a) below]	(iii) The effectiveness of general IT controls,
[See paragraph 7.3.12.(a) below]	(iv) The effectiveness of the control and its application by the entity,
[See paragraph 7.3.12.(a) below]	(v) Whether the lack of a change in a particular control poses a risk due to changing circumstances; and
[See paragraph 7.3.12.(a) below]	(vi) The risk of material misstatement and the extent of reliance on the control planned; and
[See paragraph 7.3.12.(b) below]	(b) Establish the continuing relevance of that evidence by obtaining audit evidence about whether significant changes in those controls have occurred subsequent to the previous audit. If there have been significant changes the auditor shall test the control in the current period, otherwise at least once every third audit.
[See paragraph 7.3.13. below]	7.3.9. If the auditor intends to rely on a control that is a control over a significant risk, the auditor shall test the control in the current period.
[See paragraph 7.3.14. below]	7.3.10. When evaluating the operating effectiveness of controls upon which the auditor intends to rely, the auditor shall evaluate whether misstatements that have been detected by substantive procedures indicate that controls are not operating effectively. The absence of misstatements detected by substantive procedures, however, does not

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	provide audit evidence that controls related to the assertion being tested are effective.
[See paragraph 7.3.15. below]	7.3.11. If deviations from controls upon which the auditor intends to rely are detected, the auditor shall make specific inquiries to understand these matters and their potential consequences, and shall determine whether:
[See paragraph 7.3.15.(a) below]	(a) The tests of controls provide an appropriate basis for reliance on the controls;
[See paragraph 7.3.15.(b) below]	(b) Additional tests of control are necessary; or
[See paragraph 7.3.15.(c) below]	(c) The risks of material misstatement need to be addressed using substantive procedures.
	<i>Substantive Procedures</i>
[See paragraph 7.3.18. below]	7.3.12. The auditor's substantive procedures shall include substantive procedures specifically responsive to significant risks. When the response to a significant risk consists only of substantive procedures, those procedures shall include tests of details.
[See paragraph 7.3.17. below]	7.3.13. The auditor's substantive procedures shall include audit procedures related to the financial statement closing process, including:
[See paragraph 7.3.17.(a) below]	(a) Agreeing or reconciling information in the financial statements with the underlying accounting records, including agreeing or reconciling information in disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers; and

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[See paragraph 7.3.17.(b) below]	(b) Examining material journal entries and other adjustments made during the course of preparing the financial statements.
[See paragraph 7.3.16. below]	7.3.14. Irrespective of the assessed risks, substantive procedures shall be performed for each material class of transactions, account balance, and disclosure.
[See paragraph 7.3.19. below]	7.3.15. If the auditor performed substantive procedures at an interim date, the auditor shall cover the remaining period by performing:
[See paragraph 7.3.19.(a) below]	(a) Substantive procedures, combined with tests of controls for the intervening period; or
[See paragraph 7.3.19.(b) below]	(b) If the auditor determines that it is sufficient, further substantive procedures only, that provide a reasonable basis for extending the audit conclusions from the interim date to the period end.
<i>Substantive Analytical Procedures</i>	<i>Substantive Analytical Procedures</i>
7.3.4. If the auditor uses substantive analytical procedures to obtain audit evidence, the auditor shall:	7.3.16. If the auditor uses substantive analytical procedures to obtain audit evidence, the auditor shall:
(a) Determine the suitability of the substantive analytical procedure for the purpose of the test and for the given assertion(s);	(a) Determine the suitability of the substantive analytical procedure for the purpose of the test and for the given assertion(s);
(b) Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over its preparation;	(b) Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over its preparation;

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(c) Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify material misstatements;	(c) Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify material misstatements;
(d) Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation being required; and	(d) Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation being required; and
(e) Investigate fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount by inquiring of management and obtaining appropriate audit evidence relevant to management's responses and performing additional audit procedures as necessary in the circumstances.	(d) Investigate fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount by inquiring of management and obtaining appropriate audit evidence relevant to management's responses and performing additional audit procedures as necessary in the circumstances.
<i>Audit Sampling</i>	<i>Audit Sampling</i>
7.3.5. If the auditor uses audit sampling when responding to assessed risks of material misstatement as a means for selecting items for testing, the auditor shall:	7.3.17. If the auditor uses audit sampling when responding to assessed risks of material misstatement as a means for selecting items for testing, the auditor shall:
(a) Consider the purpose of the audit procedures and the characteristics of the population from which the sample will be drawn.	(a) Consider the purpose of the audit procedures and the characteristics of the population from which the sample will be drawn.
(b) Determine a sample size sufficient to reduce sampling risk to an acceptably low level.	(b) Determine a sample size sufficient to reduce sampling risk to an acceptably low level.
(c) Select items in a way that each sampling unit in the population has a chance of selection.	(c) Select items in a way that each sampling unit in the population has a chance of selection.

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<p>(d) Perform audit procedures, appropriate to the purpose, on each item selected, unless the procedure is not applicable to the selected item in which case the auditor shall select a replacement item or perform a suitable alternative procedure. If the auditor is unable to apply the designed audit procedures, or suitable alternative procedures, to the selected item unless it is not applicable, that item shall be treated as a deviation (in the case of tests of controls) or a misstatement (in the case of tests of details).</p>	<p>(d) Perform audit procedures, appropriate to the purpose, on each item selected. If the procedure is not applicable to the selected item, the auditor shall perform the procedure on a replacement item. If the auditor is unable to apply the designed audit procedures, or suitable alternative procedures, to a selected item, the auditor shall treat that item as a deviation from the prescribed control (in the case of tests of controls) or a misstatement (in the case of tests of details).</p>
<p>(e) Investigate deviations or misstatements identified in the sample as to their nature and cause, and evaluate their possible effect on the purpose of the audit procedure and other areas of the audit.</p>	<p>(e) Investigate the nature and cause of any deviations or misstatements identified and evaluate their possible effect on the purpose of the audit procedure and on other areas of the audit.</p>
<p>7.3.6. For tests of details, project misstatements found in the sample to the population. In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, the auditor shall obtain a high degree of certainty that such misstatement or deviation is not representative of the population. The auditor shall obtain this degree of certainty by performing additional audit procedures to obtain sufficient appropriate audit evidence that the misstatement or deviation does not affect the remainder of the population.</p>	<p>7.3.18. In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, the auditor shall obtain a high degree of certainty that such misstatement or deviation is not representative of the population. The auditor shall obtain this degree of certainty by performing additional audit procedures to obtain sufficient appropriate audit evidence that the misstatement or deviation does not affect the remainder of the population.</p>
<p>7.3.7. The auditor shall evaluate:</p>	<p>7.3.20. The auditor shall evaluate:</p>
<p>(a) The results of the sample; and</p>	<p>(a) The results of the sample; and</p>
<p>(b) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested.</p>	<p>(c) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested.</p>

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<i>Tests of Controls</i>	
7.3.8. In designing and performing tests of controls, the auditor shall perform audit procedures in combination with inquiry to obtain audit evidence about the operating effectiveness of controls, including:	[See paragraph 7.3.4. above]
(a) How the controls were applied at relevant times during the period;	[See paragraph 7.3.4.(a) above]
(b) The consistency with which they were applied; and	[See paragraph 7.3.4.(b) above]
(c) By whom or by what means they were applied.	[See paragraph 7.3.4.(c) above]
7.3.9. The auditor shall determine whether the controls to be tested depend on other controls (indirect controls), and if so, consider whether it is necessary to obtain evidence about the effective operation of the indirect controls.	[See paragraph 7.3.5. above]
7.3.10. The auditor shall test controls for the period of time, or throughout the period, for which the auditor intends to rely on those controls in order to provide an appropriate basis for the auditor's reliance.	[See paragraph 7.3.6. above]
7.3.11. If the auditor obtains audit evidence about the operating effectiveness of controls in the interim period, the auditor shall obtain additional audit evidence about any subsequent significant changes and determine the additional audit evidence to be obtained for the remaining period.	[See paragraph 7.3.7. above]
7.3.12. If the auditor intends to use audit evidence about the operating effectiveness of controls obtained in previous periods, the auditor shall:	[See paragraph 7.3.8. above]

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<p>(a) Consider the effectiveness of the components of the internal control system, the risks from the characteristics of the control (e.g., manual or automated), the effectiveness of general IT controls, the effectiveness of the control and its application by the entity, whether the lack of a change in a particular control poses a risk due to changing circumstances and the risk of material misstatement and the extent of reliance on the control planned; and</p>	<p>[See paragraphs 7.3.8.(a), 7.3.8.(a)(i), (ii), (iii), (iv), (v) and (vi) above]</p>
<p>(b) Establish the continuing relevance of that evidence by obtaining audit evidence about whether significant changes in those controls have occurred subsequent to the previous audit. If there have been significant changes the auditor shall test the control in the current period, otherwise at least once every third audit.</p>	<p>[See paragraph 7.3.8.(b) above]</p>
<p>7.3.13. If the auditor intends to rely on a control that is a control over a significant risk, the auditor shall test the control in the current period.</p>	<p>[See paragraph 7.3.9. above]</p>
<p>7.3.14. When evaluating the operating effectiveness of controls upon which the auditor intends to rely, the auditor shall evaluate whether misstatements that have been detected by substantive procedures indicate that controls are not operating effectively. The absence of misstatements detected by substantive procedures, however, does not provide audit evidence that controls related to the assertion being tested are effective.</p>	<p>[See paragraph 7.3.10. above]</p>
<p>7.3.15. If deviations from controls, upon which the auditor intends to rely, are detected, the auditor shall make specific inquiries to understand deviations and the potential consequences, including whether:</p>	<p>[See paragraph 7.3.11. above]</p>

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(a) The tests of controls provide an appropriate basis for reliance on the controls;	[See paragraph 7.3.11.(a) above]
(b) Additional tests of control are necessary; or	[See paragraph 7.3.11.(b) above]
(c) The risks of material misstatement need to be addressed using substantive procedures.	[See paragraph 7.3.11.(c) above]
<i>Substantive Procedures</i>	
7.3.16. Irrespective of the assessed risks, substantive procedures shall be performed for each material class of transactions, account balance, and disclosure.	[See paragraph 7.3.14. above]
7.3.17. The auditor's substantive procedures shall include audit procedures related to the financial statement closing process, including:	[See paragraph 7.3.13. above]
(a) Agreeing or reconciling information in the financial statements with the underlying accounting records, including agreeing or reconciling information in disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers; and	[See paragraph 7.3.13.(a) above]
(b) Examining material journal entries and other adjustments made during the course of preparing the financial statements.	[See paragraph 7.3.13.(b) above]
7.3.18. The auditor's substantive procedures shall include substantive procedures specifically responsive to significant risks. When the response to a significant risk consists only of substantive procedures, those procedures shall include tests of details.	[See paragraph 7.3.12. above]

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7.3.19. If the auditor performed substantive procedures at an interim date, the auditor shall cover the remaining period by performing:	[See paragraph 7.3.15. above]
(a) Substantive procedures, combined with tests of controls for the intervening period; or	[See paragraph 7.3.15.(a) above]
(b) If the auditor determines that it is sufficient, further substantive procedures only, that provide a reasonable basis for extending the audit conclusions from the interim date to the period end	[See paragraph 7.3.15.(b) above]
<i>External Confirmations</i>	<i>External Confirmations</i>
7.3.20. The auditor shall consider whether external confirmation procedures are to be performed as substantive procedures.	7.3.21. The auditor shall consider whether external confirmation procedures are to be performed as substantive procedures.
7.3.21. When using external confirmation procedures, the auditor shall maintain control over:	7.3.22. When using external confirmation procedures, the auditor shall maintain control over:
(a) Determining the information to be confirmed or requested and selecting the appropriate confirming party;	(a) Determining the information to be confirmed or requested and selecting the appropriate confirming party;
(b) Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and	(b) Designing the confirmation requests, including determining that requests are properly addressed and contain return information for responses to be sent directly to the auditor; and
(c) Sending the requests, including follow-up requests when applicable, to the confirming party.	(c) Sending the requests, including follow-up requests when applicable, to the confirming party.
7.3.22. If management refuses to allow the auditor to send a confirmation request, the auditor shall:	7.3.23. If management refuses to allow the auditor to send a confirmation request, the auditor shall:

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(a) Inquire as to management's reasons for the refusal, and seek audit evidence as to their validity and reasonableness;	(a) Inquire as to management's reasons for the refusal, and seek audit evidence as to their validity and reasonableness;
(b) Evaluate the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risk of fraud, and on the nature, timing and extent of other audit procedures; and	(b) Evaluate the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risk of fraud, and on the nature, timing and extent of other audit procedures; and
(c) Perform alternative audit procedures designed to obtain relevant and reliable audit evidence.	(c) Perform alternative audit procedures designed to obtain relevant and reliable audit evidence.
7.3.23. If the auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures, the auditor shall communicate with those charged with governance. The auditor also shall determine the implications for the audit and the auditor's opinion.	7.3.24. If the auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures, the auditor shall communicate with those charged with governance. The auditor also shall determine the implications for the audit and the auditor's opinion. ²⁰
7.3.24. If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, the auditor shall obtain further audit evidence to resolve those doubts. If the auditor determines that a response to a confirmation request is not reliable, the auditor shall evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing and extent of other audit procedures.	7.3.25. If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, the auditor shall obtain further audit evidence to resolve those doubts. If the auditor determines that a response to a confirmation request is not reliable, the auditor shall evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing, and extent of other audit procedures.
7.3.25. In the case of each non-response, the auditor shall perform alternative audit procedures to obtain relevant and reliable audit evidence.	7.3.26. In the case of each non-response, the auditor shall perform alternative audit procedures to obtain relevant and reliable audit evidence.

²⁰ For the effect on the auditor's report see Part 9, paragraph 9.5.14.

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7.3.26. The auditor shall investigate exceptions to determine whether or not they are indicative of misstatements.	7.3.27. The auditor shall investigate exceptions to determine whether they are indicative of misstatements.
7.3.27. The auditor shall evaluate whether the results of the external confirmation procedures, if any, provide relevant and reliable audit evidence, or whether further audit evidence is necessary.	7.3.28. The auditor shall evaluate whether the results of the external confirmation procedures, if any, provide relevant and reliable audit evidence, or whether further audit evidence is necessary.
7.4. Specific Focus Areas	7.4. Specific Focus Areas
<i>Going Concern</i>	<i>Going Concern</i>
7.4.1. The auditor shall evaluate management's assessment of the entity's ability to continue as a going concern.	7.4.1. The auditor shall evaluate management's assessment of the entity's ability to continue as a going concern. ²¹
7.4.2. In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall cover the same period as used by management, as required by the applicable financial reporting framework. If that period is less than twelve months from the date of the financial statements, the auditor shall ask management to extend the period. If management does not make or extend its assessment, the auditor shall consider the implications for the auditor's report. ²²	7.4.2. In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall: [Also see paragraph 7.4.2.(a) below]
[See paragraph 7.4.2. above]	(a) Cover the same period as used by management, as required by the applicable financial reporting framework. If that period is less than twelve months from the date of the financial statements, the auditor shall ask management to extend the period. If

²¹ For the effect on the auditor's report see Part 9, paragraph 9.5.17.

²² For the effect on the auditor's report see Part 9, paragraph 9.5.1.S.

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	management does not make or extend its assessment, the auditor shall consider the implications for the auditor's report. ²³
[See paragraph 7.4.3. below]	(b) Consider whether management's assessment includes all relevant information of which the auditor is aware of as a result of the audit.
7.4.3. In evaluating management's assessment, the auditor shall consider whether management's assessment includes all relevant information of which the auditor is aware of as a result of the audit.	[See paragraph 7.4.2.(b) above]
7.4.4. The auditor shall inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern.	7.4.3. The auditor shall inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern.
7.4.5. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional procedures, including consideration of mitigating factors (a "material uncertainty" related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern). These procedures shall include:	7.4.4. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether a material uncertainty exists through performing additional procedures, including consideration of mitigating factors. These procedures shall include:
(a) Where management has not yet performed an assessment of the entity's ability to continue as a going concern, requesting management to make its assessment.	(a) Where management has not yet performed an assessment of the entity's ability to continue as a going concern, requesting management to make its assessment.

²³ For the effect on the auditor's report see Part 9, paragraph 9.5.20.

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(b) Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances.	(b) Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation, and whether management's plans are feasible in the circumstances.
(c) Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future actions:	(c) Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future actions:
(i) Evaluating the reliability of the underlying data generated to prepare the forecast; and	(i) Evaluating the reliability of the underlying data generated to prepare the forecast; and
(ii) Determining whether there is adequate support for the assumptions underlying the forecast.	(ii) Determining whether there is adequate support for the assumptions underlying the forecast.
(d) Considering whether any additional facts or information have become available since the date on which management made its assessment.	(d) Considering whether any additional facts or information have become available since the date on which management made its assessment.
7.4.6. If there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, the auditor shall inquire as to the reasons for the delay. If the auditor believes that the delay could be related to events or conditions relating to the going concern assessment, the auditor shall perform additional audit procedures as necessary, as well as consider the effect on the auditor's conclusion regarding the existence of a material uncertainty.	7.4.5. If there is significant delay in the approval of the financial statements by management or those charged with governance after the date of the financial statements, the auditor shall inquire as to the reasons for the delay. If the auditor believes that the delay could be related to events or conditions relating to the going concern assessment, the auditor shall perform additional audit procedures as necessary, as well as consider the effect on the auditor's conclusion regarding the existence of a material uncertainty.
<i>Management Override of Controls</i>	<i>Management Override of Controls</i>

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7.4.7. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and therefore a significant risk.	[Addressed in EEM]
7.4.8. The auditor shall design and perform audit procedures to:	7.4.6. The auditor shall design and perform audit procedures to:
(a) Test the appropriateness of manual and automated journal entries recorded in the general ledger and other adjustments, made in the preparation of the financial statements, including:	(a) Test the appropriateness of manual and automated journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, including:
(i) Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;	(i) Making inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
(ii) Selecting journal entries and other adjustments made at the end of a reporting period; and	(ii) Selecting journal entries and other adjustments made at the end of a reporting period; and
(iii) Considering the need to test journal entries and other adjustments throughout the period.	(iii) Considering the need to test journal entries and other adjustments throughout the period.
(b) Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud, including:	(b) Review accounting estimates for biases and evaluate whether the circumstances producing the bias, if any, represent a risk of material misstatement due to fraud. In performing the review, the auditor shall:
(i) Evaluate whether the judgments and decisions made by management indicate a possible bias on the part of the entity's management, even if they are individually reasonable, that may represent a risk of material	(i) Evaluate whether the judgments and decisions made by management indicate a possible bias on the part of the entity's management, even if they are individually reasonable, that may represent a risk of material

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misstatement due to fraud. If so, the auditor shall reevaluate the accounting estimates taken as a whole; and	misstatement due to fraud. If so, the auditor shall reevaluate the accounting estimates taken as a whole; and
(ii) Perform a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the financial statements of the prior year.	(ii) Perform a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in the financial statements of the prior year.
(c) For significant unusual transactions outside the normal course of business for the entity or that otherwise appear to be unusual, evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.	(c) For significant unusual transactions outside the normal course of business for the entity or that otherwise appear to be unusual, evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.
(d) Respond to the identified risks of management override of controls to the extent not already addressed by (a) to (c).	(d) Respond to the identified risks of management override of controls to the extent not already addressed by (a) to (c).
<i>Related Parties</i>	<i>Related Parties</i>
7.4.9. The auditor shall design and perform further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions, including inspecting:	7.4.7. The auditor shall design and perform further audit procedures to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement associated with related party relationships and transactions, including inspecting:
(a) Bank and legal confirmations obtained as part of the auditor's procedures;	(a) Bank and legal confirmations obtained as part of the auditor's procedures;
(b) Minutes of meetings of shareholders and of those charged with governance; and	(b) Minutes of meetings of shareholders and of those charged with governance; and

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(c) Such other records or documents as the auditor considers necessary in the circumstances of the entity.	(c) Such other records or documents as the auditor considers necessary in the circumstances of the entity.
7.4.10. The auditor shall share relevant information obtained about the entity's related parties with other members of the engagement team.	[See paragraph 6.3.3. above]
[See paragraphs 7.4.11. and 7.4.11.(a) below]	7.4.8. If the auditor identifies arrangements or information that suggests the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor, the auditor shall determine whether the underlying circumstances confirm the existence of those relationships or transactions.
7.4.11. For identified arrangements or information that suggests the existence of related party relationships or transactions that management has not previously identified or disclosed to the auditor, the auditor shall:	7.4.9. If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor shall: [Also see paragraph 7.4.8. above]
(a) Determine whether the underlying circumstances confirm the existence of those relationships or transactions;	[See paragraph 7.4.8. above]
(b) Promptly communicate the relevant information to the other members of the engagement team;	[See paragraph 7.4.10. below]
(c) Where the applicable financial reporting framework establishes related party requirements:	(a) Where the applicable financial reporting framework establishes related party requirements:
(i) Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation;	(i) Request management to identify all transactions with the newly identified related parties for the auditor's further evaluation;

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(ii) Inquire as to why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions;	(ii) Inquire as to why the entity's controls over related party relationships and transactions failed to enable the identification or disclosure of the related party relationships or transactions;
(d) Perform appropriate substantive audit procedures for such newly identified related parties or significant related party transactions;	(b) Perform appropriate substantive audit procedures for such newly identified related parties or significant related party transactions;
(e) Reconsider the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and	(c) Reconsider the risk that other related parties or significant related party transactions may exist that management has not previously identified or disclosed to the auditor, and perform additional audit procedures as necessary; and
(f) If the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud), evaluate the implications for the audit.	(d) If the non-disclosure by management appears intentional (and therefore indicative of a risk of material misstatement due to fraud), evaluate the implications for the audit.
	Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner
[See paragraph 7.4.11.(b) above]	7.4.10. If the auditor identifies related parties or significant related party transactions that management has not previously identified or disclosed to the auditor, the auditor shall promptly communicate the relevant information to the other members of the engagement team.
7.4.12. For significant related party transactions outside of the entity's normal course of business the auditor shall inspect the underlying contracts or agreements, if any, and evaluate whether:	7.4.11. For identified significant related party transactions outside of the entity's normal course of business the auditor shall: [Also see paragraph 7.4.11.(a) below]

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[See paragraph 7.4.12. above]	(a) Inspect the underlying contracts or agreements, if any, and evaluate whether:
(a) The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets;	(i) The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets;
(b) The terms of transactions are consistent with management's explanations; and	(ii) The terms of transactions are consistent with management's explanations; and
(c) The transactions have been appropriately accounted for, presented and disclosed in accordance with the applicable financial reporting framework.	(iii) The transactions have been appropriately accounted for, presented and disclosed in accordance with the applicable financial reporting framework.
[See paragraph 7.4.13. below]	(b) Obtain audit evidence that transactions have been appropriately authorized and approved.
7.4.13. The auditor shall obtain audit evidence that identified significant related party transactions outside the entity's normal course of business have been appropriately authorized and approved.	[See paragraph 7.4.11.(b) above]
7.4.14. If the auditor identifies significant transactions outside the entity's normal course of business, the auditor shall inquire of management about the nature of these transactions and whether related parties could be involved.	7.4.12. If the auditor identifies significant transactions outside the entity's normal course of business, the auditor shall inquire of management about the nature of these transactions and whether related parties could be involved.
7.4.15. If management has made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction, the	7.4.13. If management has made an assertion in the financial statements to the effect that a related party transaction was conducted on terms equivalent to those prevailing in an arm's length transaction, the

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auditor shall obtain sufficient appropriate audit evidence about the assertion.	auditor shall obtain sufficient appropriate audit evidence about the assertion.
<i>Accounting Estimates</i>	<i>Accounting Estimates</i>
7.4.16. The auditor shall design and perform further audit procedures related to accounting estimates to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement at the assertion level, including for disclosures.	7.4.14. The auditor shall design and perform further audit procedures related to accounting estimates to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement at the assertion level, including for related disclosures.
7.4.17. The auditor's further audit procedures shall address whether, in the context of the applicable financial reporting framework, management has taken appropriate steps to understand estimation uncertainty and address that uncertainty by selecting appropriate point estimates. If management has not undertaken such steps, the auditor shall request management to perform additional procedures to address estimation uncertainty by reconsidering the selection of point estimates or providing additional disclosures related to the estimation uncertainty.	[See paragraphs 7.4.18. and 7.4.18(a) below]
7.4.18. The auditor's further audit procedures to respond to assessed risks of material misstatement at the assertion level relating to an accounting estimate shall include one or more of the following approaches:	7.4.15. The auditor's further audit procedures to respond to assessed risks of material misstatement at the assertion level relating to an accounting estimate shall include one or more of the following approaches:
(a) Obtaining audit evidence from events occurring up to the date of the auditor's report. In doing so, the auditor shall evaluate any changes in circumstances and other relevant conditions between the event and the measurement date that may affect the relevance of such evidence;	(a) Obtaining audit evidence from events occurring up to the date of the auditor's report (see paragraph 7.4.16). [Also see paragraph 7.4.16 below]

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(b) Testing how management made the accounting estimate and developed related disclosures about estimation uncertainty. In doing so, the auditor's procedures shall address whether:	(b) Testing how management made the accounting estimate (see paragraphs 7.4.17–7.4.18). [Also see paragraph 7.4.17. below]
(i) The method selected is appropriate, including any changes from the prior period;	[See paragraph 7.4.17.(a) below]
(ii) The significant assumptions and data are consistent and appropriate, and their integrity maintained in applying the method;	[See paragraph 7.4.17.(b) below]
(iii) Management has the intent to carry out specific courses of actions;	[See paragraph 7.4.17.(c) below]
(iv) The judgments made in selecting these give rise to indicators of possible management bias, and if possible indicators of bias are identified, evaluate the implications for the audit, including determining whether there is an intention to mislead such that it is fraudulent in nature;	[See paragraph 7.4.17.(d) below]
(v) Changes from prior periods are appropriate;	[See paragraph 7.4.17.(e) below]
(vi) The data is relevant and reliable in the circumstances; and	[See paragraph 7.4.17.(f) below]
(vii) Calculations are mathematically accurate and whether judgements have been applied consistently; or	[See paragraph 7.4.17.(g) below]
(c) Developing an auditor's point estimate or range. In doing so, the auditor shall:	(c) Developing an auditor's point estimate or range (see paragraph 7.4.19).

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	[Also see paragraph 7.4.19. below]
(i) Evaluate whether the methods, assumptions or data used are appropriate in the context of the applicable financial reporting framework; and	[See paragraph 7.4.19.(a) below]
(ii) Determine that the range includes only amounts that are supported by sufficient appropriate audit evidence.	[See paragraph 7.4.19.(b) below]
	Obtaining Audit Evidence from Events Occurring Up to the Date of the Auditor's Report.
[See paragraph 7.4.18.(a) above]	7.4.16. When the auditor's further audit procedures include obtaining audit evidence from events occurring up to the date of the auditor's report, the auditor shall evaluate whether the audit evidence is sufficient and appropriate, taking into account any changes in circumstances and other relevant conditions between the event and the measurement date that may affect the relevance of such evidence.
	Testing How Management Made the Accounting Estimate
[See paragraph 7.4.18.(b) above]	7.4.17. When testing how management made the accounting estimate, the auditor's further audit procedures shall address whether:
[See paragraph 7.4.18.(b)(i) above]	(a) The method selected is appropriate, including any changes from the prior period;
[See paragraph 7.4.18.(b)(ii) above]	(b) The significant assumptions and data are consistent and appropriate, and their integrity maintained in applying the method;

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[See paragraph 7.4.18.(b)(iii) above]	(c) Management has the intent to carry out specific courses of actions;
[See paragraph 7.4.18.(b)(iv) above]	(d) The judgments made in selecting the method, significant assumptions and data, give rise to indicators of possible management bias. When indicators of possible management bias are identified, the auditor shall evaluate the implications for the audit. Where there is intention to mislead, management bias is fraudulent in nature;
[See paragraph 7.4.18.(b)(v) above]	(e) Changes from prior periods are appropriate;
[See paragraph 7.4.18.(b)(vi) above]	(f) The data is relevant and reliable in the circumstances; and
[See paragraph 7.4.18.(b)(vii) above]	(g) Calculations are mathematically accurate and whether judgements have been applied consistently.
[See paragraph 7.4.17. above]	7.4.18. The auditor's further audit procedures shall address whether, in the context of the applicable financial reporting framework, management has taken appropriate steps to understand estimation uncertainty and address estimation uncertainty by selecting appropriate point estimates and developing related disclosures. When management has not undertaken appropriate steps, the auditor shall:
[See paragraph 7.4.17. above]	(a) Request management to perform additional procedures to understand estimation uncertainty or to address it by reconsidering the selection of management's point estimate or considering providing additional disclosures related to the estimation uncertainty; and

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	(b) If the auditor determines that management's response to the auditor's request does not sufficiently address estimation uncertainty, to the extent practicable, develop an auditor's point estimate or range.
	Developing an Auditor's Point Estimate or Range
[See paragraph 7.4.18.(c) above]	7.4.19. When the auditor develops a point estimate or range to evaluate management's point estimate, the auditor's further audit procedures shall include audit procedures to:
[See paragraph 7.4.18.(c)(i) above]	(a) Evaluate whether the methods, assumptions or data used are appropriate in the context of the applicable financial reporting framework; and
[See paragraph 7.4.18.(c)(ii) above]	(b) Determine that the range includes only amounts that are supported by sufficient appropriate audit evidence.
<i>Inventory</i>	<i>Inventory</i>
7.4.19. If inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:	7.4.20. If inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:
(a) Attendance at physical inventory counting, unless impracticable, to:	(a) Unless impracticable, attendance at physical inventory counting, to:
(i) Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting;	(i) Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting;

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(ii) Observe the performance of management's count procedures;	(ii) Observe the performance of management's count procedures;
(iii) Inspect the inventory; and	(iii) Inspect the inventory; and
(iv) Perform test counts;	(iv) Perform test counts;
(b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results; and	(b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results; and
(c) Performing audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements have been properly reflected if the physical inventory counting is at a date other than the date of the financial statements.	(c) If the physical inventory counting is at a date other than the date of the financial statements, performing audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded.
7.4.20. If the auditor has not attended the inventory count due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions. If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory, or if not possible, determine the effect on the auditor's report. ²⁴	7.4.21. If the auditor has not attended the inventory count due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions. If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory, or if not possible, determine the effect on the auditor's report. ²⁵
7.4.21. If inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient	7.4.22. If inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient

²⁴ For the effect on the auditor's report see Part 9, paragraph 9.5.1.O.

²⁵ For the effect on the auditor's report see Part 9, paragraph 9.5.15.

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appropriate audit evidence regarding the existence and condition of that inventory, either through confirmation as to the quantities and condition or performing inspection or other audit procedures appropriate in the circumstances.	appropriate audit evidence regarding the existence and condition of that inventory through confirmation as to the quantities and condition, or performing inspection or other audit procedures appropriate in the circumstances.
<i>Litigation and Claims</i>	<i>Litigation and Claims</i>
7.4.22. The auditor shall design and perform further audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement, including:	7.4.23. The auditor shall design and perform further audit procedures in order to identify litigation and claims involving the entity which may give rise to a risk of material misstatement, including:
(a) Inquiry of management and, where applicable, others within the entity, including in-house legal counsel;	(a) Inquiry of management and, where applicable, others within the entity, including in-house legal counsel;
(b) Inspecting minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and	(b) Inspecting minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and
(c) Inspecting legal expense accounts.	(c) Inspecting legal expense accounts.
7.4.23. If the auditor identifies a risk of material misstatement regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, the auditor shall, in addition to the procedures required by this [draft] standard, seek direct communication with the entity's external legal counsel. The auditor shall do so through a letter of inquiry, prepared by management and sent by the auditor, requesting the entity's external legal counsel to communicate directly with the auditor. ²⁶	7.4.24. If the auditor assesses a risk of material misstatement regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist, the auditor shall, in addition to the procedures required by this standard, seek direct communication with the entity's external legal counsel. The auditor shall do so through a letter of inquiry, prepared by management and sent by the auditor, requesting the entity's external legal counsel to communicate directly with the auditor. ²⁷

²⁶ For the effect on the auditor's report see Part 9, paragraph 9.5.1.N.

²⁷ For the effect on the auditor's report see Part 9, paragraph 9.5.14.

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	7.4.25. The auditor shall modify the opinion in the auditor's report, ²⁸ if:
	(a) Management refuses to give the auditor permission to communicate or meet with the entity's external legal counsel, or the entity's external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding; and
	(b) The auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures,
<i>Audit Procedures When Non-Compliance with Law or Regulation is Identified or Suspected</i>	<i>Audit Procedures When Non-Compliance with Law or Regulation is Identified or Suspected</i>
7.4.24. The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws or regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. ²⁹	7.4.26. The auditor shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements. ³⁰
7.4.25. If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with law or regulation, the auditor shall:	7.4.27. If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall:
(a) Understand the nature and circumstances, and obtain further information necessary to evaluate the possible effect on the financial statements;	(a) Understand the nature and circumstances, and obtain further information necessary to evaluate the possible effect on the financial statements;

²⁸ For the effect on the auditor's report see Part 9, paragraph 9.5.16.

²⁹ For the effect on the auditor's report see Part 9, paragraph 9.5.1.J.

³⁰ For the effect on the auditor's report see Part 9, paragraph 9.5.10.

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(b) Discuss the non-compliance with management, and where appropriate, those charged with governance, unless prohibited to do so by law or regulation	(b) Discuss the non-compliance with management, and where appropriate, those charged with governance, unless prohibited to do so by law or regulation;
(c) If sufficient information about suspected non-compliance cannot be obtained, evaluate the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion; and	(c) If sufficient information about suspected non-compliance cannot be obtained, evaluate the effect of the lack of sufficient appropriate audit evidence on the auditor's opinion; and
(d) Evaluate the implications on other aspects of the audit, including the auditor's risk assessment and the reliability of written representations and take appropriate action. ³¹	(d) Evaluate the implications on other aspects of the audit, including the auditor's risk assessment and the reliability of written representations and take appropriate action. ³²
<i>Using the Services of a Service Organization</i>	<i>Using the Services of a Service Organization</i>
7.4.26. If the entity is using the services of a service organization, the auditor shall:	7.4.28. If the entity is using the services of a service organization, the auditor shall:
(a) Determine whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available at the entity; and, if not,	(a) Determine whether sufficient appropriate audit evidence concerning the relevant financial statement assertions is available at the entity; and, if not,
(b) Perform further audit procedures to obtain sufficient appropriate audit evidence or use another auditor to perform those procedures at the service organization on the auditor's behalf.	(b) Perform further audit procedures to obtain sufficient appropriate audit evidence or use another auditor to perform those procedures at the service organization on the auditor's behalf.
	<i>Using the Work of Management's Expert</i>

³¹ For the effect on the auditor's report see Part 9, paragraphs 9.5.1.K., 9.5.1.L. and 9.5.1.M.

³² For the effect on the auditor's report see Part 9, paragraphs 9.5.11., 9.5.12. and 9.5.13.

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[See paragraph 5.2.8.(c) above]	7.4.29. If information to be used as audit evidence has been prepared using the work of management's expert, the auditor shall, having regard to the significance of that expert's work for the auditor's purpose, evaluate the appropriateness of the expert's work as audit evidence for the relevant assertion.
<i>Using the Work of an Auditor's Expert</i>	<i>Using the Work of an Auditor's Expert</i>
7.4.27. When the auditor has determined to use the work of an auditor's expert, the auditor shall evaluate the adequacy of the auditor's expert's work, including:	7.4.30. When the auditor has determined to use the work of an auditor's expert, the auditor shall evaluate the adequacy of the auditor's expert's work, including:
(a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence;	(a) The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence;
(b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and	(b) If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and
(c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data.	(c) If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data.
7.4.28. If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purposes, the auditor shall agree on further work to be done by that expert or perform additional audit procedures appropriate to the circumstances.	7.4.31. If the auditor determines that the work of the auditor's expert is not adequate for the auditor's purposes, the auditor shall agree on further work to be done by that expert or perform additional audit procedures appropriate to the circumstances.
7.5. Accumulation of Misstatements	7.5. Accumulation of Misstatements

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7.5.1. The auditor shall accumulate misstatements identified during the audit, other than those that are clearly trivial.	7.5.1. The auditor shall accumulate misstatements identified during the audit, other than those that are clearly trivial.
7.5.2. The auditor shall request management to correct all misstatements accumulated during the audit.	7.5.2. The auditor shall request management to correct all misstatements accumulated during the audit.
	7.5.3. If, at the auditor's request, management has examined a class of transactions, account balance or disclosure and corrected misstatements that were detected, the auditor shall perform additional audit procedures to determine whether misstatements remain.
7.5.3. If the auditor identifies a misstatement during the audit, the auditor shall evaluate whether the misstatement is indicative of fraud. If there is such an indication, the auditor shall determine the implications on other aspects of the audit, including on the identified and assessed risks of material misstatement and the reliability of management representations.	7.5.4. If the auditor identifies a misstatement during the audit, the auditor shall evaluate whether the misstatement is indicative of fraud. If there is such an indication, the auditor shall determine the implications on other aspects of the audit, including on the identified and assessed risks of material misstatement and the reliability of management representations.
7.5.4. If the auditor identifies a misstatement that may be the result of fraud, and suspects that management is involved, the auditor shall:	7.5.5. If the auditor identifies a misstatement that may be the result of fraud, and suspects that management is involved, the auditor shall:
(a) Reevaluate the risks of material misstatement due to fraud and the auditor's responses thereto; or	(a) Reevaluate the risks of material misstatement due to fraud and the auditor's responses thereto; or
(b) Consider whether circumstances or conditions indicate possible collusion involving employees, management or third parties when reconsidering the reliability of evidence previously obtained.	(b) Consider whether circumstances or conditions indicate possible collusion involving employees, management or third parties when reconsidering the reliability of evidence previously obtained.
7.5.5. The auditor shall determine whether the audit plan needs to be revised if:	7.5.6. The auditor shall determine whether the scope, timing and direction of the audit needs to be revised if:

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(a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the audit, could be material; and	(a) The nature of identified misstatements and the circumstances of their occurrence indicate that other misstatements may exist that, when aggregated with misstatements accumulated during the audit, could be material; and
(b) The aggregate of misstatements accumulated during the audit approaches materiality.	(b) The aggregate of misstatements accumulated during the audit approaches materiality.
7.6. Specific Communication Requirements	7.6. Specific Communication Requirements
7.6.1. The auditor shall communicate:	7.6.1. On a timely basis, the auditor shall communicate:
(a) Significant deficiencies in the entity's internal control system identified during the audit to those charged with governance in writing and on a timely basis.	(a) To those charged with governance, in writing, significant deficiencies in the entity's system of internal control identified during the audit.
(b) With management, in writing and on a timely basis, matters that have been communicated to those charged with governance (unless it would be inappropriate to communicate directly with management in the circumstances) and other deficiencies in internal control identified that have not been communicated but are of sufficient importance to merit management's attention.	(b) To management: [Also see paragraphs 7.6.1.(b)(i) and (ii) below]
[See paragraph 7.6.1.(b) above]	(i) In writing, matters that have been communicated to those charged with governance (unless it would be inappropriate to communicate directly with management in the circumstances); and
[See paragraph 7.6.1.(b) above]	(ii) Other deficiencies in internal control identified that have not been communicated but are of sufficient importance to merit management's attention.

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7.6.2. For communication of significant deficiencies to those charged with governance, the auditor shall include a description and explanation of the potential impact of the deficiencies, and sufficient information to understand the context of the communication.	7.6.2. In respect of communication of significant deficiencies to those charged with governance, the auditor shall include a description and explanation of the potential impact of the deficiencies, and sufficient information to understand the context of the communication.
7.6.3. In communicating with management and, where appropriate, those charged with governance, the auditor shall consider if there are any matters to communicate regarding accounting estimates, taking into account whether the reasons given to the risks of material misstatement relate to estimation uncertainty, or the effects of complexity, subjectivity or other inherent risk factors in making accounting estimates and related disclosures.	7.6.3. In communicating with management and, where appropriate, those charged with governance, the auditor shall consider if there are any matters to communicate regarding accounting estimates. In doing so, the auditor shall consider whether the reasons given to the risks of material misstatement relate to estimation uncertainty, or the effects of complexity, subjectivity, change, or management bias in making accounting estimates and related disclosures.
7.7. Specific Documentation Requirements	7.7. Specific Documentation Requirements
7.7.1. In addition to the general documentation requirements (Part 2.5.) for an audit engagement, the auditor shall include the following in the audit documentation:	7.7.1. The auditor shall include the following in the audit documentation:
(a) The overall responses to the assessed risks of material misstatement at the financial statement level;	(a) The overall responses to the assessed risks of material misstatement at the financial statement level;
(b) The linkage between the procedures performed and the assessed risks at the assertion level;	(b) The linkage between the procedures performed and the assessed risks at the assertion level;
(c) The results of the audit procedures, including the conclusions where these are not otherwise clear;	(c) The results of the audit procedures, including the conclusions where these are not otherwise clear;
(d) The results of audit procedures designed to address the risk of management override of controls;	(d) The results of audit procedures designed to address the risk of management override of controls;

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(e) The amount below which misstatements would be considered clearly trivial; and	[See paragraph 5.5.4.(d) above]
(f) All misstatements accumulated during the audit and whether they have been corrected.	(e) All misstatements accumulated during the audit and whether they have been corrected; and
	(f) If the auditor plans to use audit evidence about the operating effectiveness of controls obtained in previous audits, the conclusions reached about relying on such controls that were tested in a previous audit.
7.7.2. Where the assessed risk of material misstatement is due to fraud, the auditor's documentation shall include the specific fraud response.	7.7.2. Where the assessed risk of material misstatement is due to fraud, the auditor's documentation shall include the specific fraud response.
7.7.3. Where the auditor has identified or suspected non-compliance with law or regulation, the auditor shall document the audit procedures performed, the significant professional judgments made, and the conclusions reached thereon.	7.7.3. Where the auditor has identified or suspected non-compliance with laws and regulations, the auditor shall document: [Also see paragraph 7.7.3. (b) below]
[See paragraphs 2.5.2. and 2.5.5.(b) above]	(a) The results of discussion with management, and where appropriate, those charged with governance and others; including how the matter has been responded to; and
[See paragraph 7.7.3. above]	(b) The audit procedures performed, the significant professional judgments made, and the conclusions reached thereon.
7.7.4. For accounting estimates, the auditor shall document significant judgments relating to the auditor's determination of whether the accounting estimates and related disclosures are reasonable in the	7.7.4. In respect of accounting estimates, the auditor shall document significant judgments relating to the auditor's determination of whether the accounting estimates and related disclosures are reasonable in the

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context of the applicable financial reporting framework, or are misstated.	context of the applicable financial reporting framework, or are misstated.
<u>8. Concluding</u>	<u>8. Concluding</u>
8.1. Objectives	8.1. Objectives
8.1.1. The objectives of the auditor are to:	8.1.1. The objectives of the auditor are to:
(a) Evaluate, when applicable, the effect of identified misstatements on the audit and the effect of any uncorrected misstatements on the financial statements;	(a) Evaluate, the effect of identified misstatements on the audit and the effect of any uncorrected misstatements on the financial statements;
(b) Conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and	(b) Conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
(c) Conclude on whether sufficient appropriate audit evidence has been obtained on which to base the auditor's opinion.	(c) Conclude on whether sufficient appropriate audit evidence has been obtained on which to base the auditor's opinion.
8.2. Evaluation of Misstatements Identified During the Audit	8.2. Evaluation of Misstatements Identified During the Audit
8.2.1. If management refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of management's reasons for not making the corrections and shall take that understanding into account when evaluating whether the financial statements as a whole are free from material misstatement.	8.2.1. If management refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of management's reasons for not making the corrections and shall take that understanding into account when evaluating whether the financial statements as a whole are free from material misstatement.
8.2.2. Prior to evaluating the effect of uncorrected misstatements, the auditor shall reassess materiality to confirm whether it remains appropriate in the context of the entity's actual financial results.	8.2.2. Prior to evaluating the effect of uncorrected misstatements, the auditor shall reassess materiality to confirm whether it remains appropriate in the context of the entity's actual financial results

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8.2.3. The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate by considering the:	8.2.3. The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate, by considering the:
(a) Nature and size of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole, and the particular circumstances of their occurrence; and	(a) Nature and size of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole, and the particular circumstances of their occurrence; and
(b) Effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.	(b) Effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole.
8.3. Analytical Procedures that Assist When Forming an Overall Conclusion	8.3. Analytical Procedures that Assist When Forming an Overall Conclusion
8.3.1. The auditor shall design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity, and to identify any indications of a previously unidentified risk of material misstatement due to fraud or error.	8.3.1. The auditor shall design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity, and to identify any indications of a previously unidentified risk of material misstatement due to fraud.
8.3.2. The auditor shall investigate fluctuations or relationships that are inconsistent with other relevant information obtained during the course of the audit, by inquiring of management and performing other audit procedures as necessary in the circumstances.	8.3.2. The auditor shall investigate fluctuations or relationships that are inconsistent with other relevant information obtained during the course of the audit, by inquiring of management and performing other audit procedures as necessary in the circumstances.
8.4. Subsequent Events	8.4. Subsequent Events
<i>Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report</i>	<i>Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report</i>

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8.4.1. The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified.	8.4.1. The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements have been identified.
8.4.2. The auditor shall perform those procedures in accordance with paragraph 8.4.1. for the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto, including:	8.4.2. The auditor shall perform those procedures in accordance with paragraph 8.4.1. for the period from the date of the financial statements to the date of the auditor's report, or as near as practicable thereto, including:
(a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.	(a) Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.
(b) Inquiring of management, and where appropriate, those charged with governance, as to whether any subsequent events have occurred that may affect the financial statements.	(b) Inquiring of management, and where appropriate, those charged with governance, as to whether any subsequent events have occurred that may affect the financial statements.
(c) Reading minutes of meetings of the owners, those charged with governance and management held after the balance sheet date and inquiring about matters discussed at any such meetings for which minutes are not yet available.	(c) Reading minutes of meetings of the owners, management and those charged with governance held after the balance sheet date and inquiring about matters discussed at any such meetings for which minutes are not yet available.
(d) Reading the entity's monthly or quarterly information, if available.	(d) Reading the entity's monthly or quarterly information, if available.
8.4.3. If the auditor has identified events that require adjustment to the financial statements or disclosures therein to comply with the entity's applicable financial reporting framework when performing the procedures in paragraphs 8.4.1. and 8.4.2, the auditor shall determine	8.4.3. If the auditor has identified events that require adjustment to the financial statements or disclosures therein to comply with the entity's applicable financial reporting framework when performing the procedures in paragraphs 8.4.1. and 8.4.2, the auditor shall determine

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whether each such event is appropriately reflected in the financial statements.	whether each such event is appropriately reflected in the financial statements.
<i>Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued</i>	<i>Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued</i>
8.4.4. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, if the auditor becomes aware of facts or events that, had it been known to the auditor at the date of the auditor's report but before the financial statements are issued, may have caused the auditor to amend the auditor's report, the auditor shall discuss with management, and where appropriate, those charged with governance, and determine whether the financial statements need amendment and if so, inquire how management intends to address the matter.	8.4.4. The auditor has no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, if the auditor becomes aware of facts or events that, had it been known to the auditor at the date of the auditor's report but before the financial statements are issued, may have caused the auditor to amend the auditor's report, the auditor shall discuss with management, and where appropriate, those charged with governance, and determine whether the financial statements need amendment and if so, inquire how management intends to address the matter.
8.4.5. If management amends the financial statements, the auditor shall carry out the audit procedures necessary in the circumstances on the amendment, including extending the audit procedures performed to the date of the new auditor's report and providing a new auditor's report on the amended financial statements.	8.4.5. If management amends the financial statements, the auditor shall carry out the audit procedures necessary in the circumstances on the amendment, including extending the audit procedures performed to the date of the new auditor's report and providing a new auditor's report on the amended financial statements.
	8.4.6. In jurisdictions where management is not required by law, regulation or the financial reporting framework to issue amended financial statements, the auditor need not provide an amended or new auditor's report. However, if management does not amend the financial statements in circumstances where the auditor believes they need to be amended, then the auditor shall:

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	(a) If the auditor's report has not yet been provided to the entity modify the opinion and then provide the auditor's report; ³³ or
	(b) If the auditor's report has already been provided to the entity, notify management and those charged with governance not to issue the financial statements to third parties before the necessary amendments have been made. If the financial statements are nevertheless subsequently issued without the necessary amendments, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report.
<i>Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued</i>	<i>Facts Which Become Known to the Auditor after the Financial Statements Have Been Issued</i>
8.4.6. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:	8.4.7. After the financial statements have been issued, the auditor has no obligation to perform any audit procedures regarding such financial statements. However, if, after the financial statements have been issued, a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report, the auditor shall:
(a) Discuss the matter with management and, where appropriate, those charged with governance;	(a) Discuss the matter with management and, where appropriate, those charged with governance;
(b) Determine whether the financial statements need amendment; and, if so,	(b) Determine whether the financial statements need amendment; and, if so
(c) Inquire how management intends to address the matter in the financial statements.	(c) Inquire how management intends to address the matter in the financial statements.

³³ For the effect on the auditor's report see Part 9, paragraph 9.5.21.

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	8.4.8. If management amends the financial statements, the auditor shall:
	(a) Carry out the audit procedures necessary in the circumstances on the amendment, including:
	(i) Extending the audit procedures referred to in paragraphs 8.4.1. and 8.4.2. to the date of the new auditor's report, and date the new auditor's report no earlier than the date of approval of the amended financial statements; and
	(ii) Providing a new auditor's report ³⁴ on the amended financial statements; and
	(b) Review the steps taken by management to ensure that anyone in receipt of the previously issued financial statements together with the auditor's report thereon is informed of the situation.
	8.4.9. If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where the auditor believes they need to be amended, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report
8.5. The Auditor's Evaluations and Other Activities to Support the Auditor's Conclusion	8.5. The Auditor's Evaluations and Other Activities to Support the Auditor's Conclusion
<i>Evaluations Required</i>	<i>Evaluations Required</i>

³⁴ For the effect on the auditor's report see Part 9, paragraph 9.6.7.

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8.5.1. Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate whether the assessments of the risks of material misstatement at the financial statement and assertion levels remain appropriate.	8.5.1. Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate whether the assessments of the risks of material misstatement at the financial statement and assertion levels remain appropriate.
8.5.2. For accounting estimates, the auditor shall evaluate, based on the audit procedures performed and audit evidence obtained, whether:	8.5.2. For accounting estimates, the auditor shall evaluate, based on the audit procedures performed and audit evidence obtained, whether:
(a) The assessments of the risks of material misstatement at the assertion level remain appropriate, including when indicators of possible management bias have been identified;	(a) The assessments of the risks of material misstatement at the assertion level remain appropriate, including when indicators of possible management bias have been identified; and
(b) Management's decisions about the recognition, measurement, presentation and disclosure of accounting estimates in the financial statements are reasonable in the context of the applicable financial reporting framework; and	(b) Management's decisions about the recognition, measurement, presentation, and disclosure of accounting estimates in the financial statements are reasonable in the context of the applicable financial reporting framework.
(c) Sufficient appropriate audit evidence has been obtained.	[See paragraph 8.5.5. below]
8.5.3. The auditor shall evaluate whether two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor shall evaluate the effect, if any, on the audit and take action as appropriate.	8.5.3. The auditor shall evaluate whether two-way communication between the auditor and those charged with governance has been adequate for the purpose of the audit. If it has not, the auditor shall evaluate the effect, if any, on the audit and take action as appropriate.
8.5.4. The auditor shall perform audit procedures to evaluate whether the overall presentation of the financial statements is in accordance with the applicable financial reporting framework. In making this evaluation, the auditor shall consider whether the financial statements are presented in a manner that reflects the appropriate:	8.5.4. The auditor shall perform audit procedures to evaluate whether the overall presentation of the financial statements is in accordance with the applicable financial reporting framework. In making this evaluation, the auditor shall consider whether the financial statements are presented in a manner that reflects the appropriate:

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(a) Classification and description of financial information and the underlying transactions, events and conditions; and	(a) Classification and description of financial information and the underlying transactions, events and conditions; and
(b) Presentation, structure and content of the financial statements	(b) Presentation, structure and content of the financial statements.
<i>Concluding</i>	<i>Concluding</i>
<p>8.5.5. The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to be corroborative or contradictory.</p> <p>[Also see paragraph 8.5.2.(c) above]</p>	<p>8.5.5. The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to be corroborative or contradictory.</p>
<p>8.5.6. If the auditor has not obtained sufficient appropriate audit evidence as to a relevant assertion, the auditor shall attempt to obtain additional audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements.³⁵</p>	<p>8.5.6. If the auditor has not obtained sufficient appropriate audit evidence as to a relevant assertion, the auditor shall attempt to obtain additional audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements.³⁶</p>
<p>8.5.7. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.³⁷</p>	<p>8.5.7. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.³⁸</p>

³⁵ For the effect on the auditor's report see Part 9, paragraph 9.5.1.W.

³⁶ For the effect on the auditor's report see Part 9, paragraph 9.5.27.

³⁷ For the effect on the auditor's report see Part 9, paragraph 9.5.1.P.

³⁸ For the effect on the auditor's report see Part 9, paragraph 9.5.17.

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8.5.8. The auditor shall conclude, based on the audit evidence obtained, whether in the auditor's professional judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. ³⁹	8.5.8. The auditor shall conclude, based on the audit evidence obtained, whether in the auditor's professional judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. ⁴⁰
8.5.9. If the auditor concludes, based on the audit evidence obtained, that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether adequate disclosure about a material uncertainty related to going concern has been made in the financial statements, including:	8.5.9. If the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements:
(a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and	(a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans to deal with these events or conditions; and
(b) Disclosing clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.	(b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.
In such cases, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Relating to Going Concern"	In such cases, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Relating to Going Concern".

³⁹ For the effect on the auditor's report see Part 9, paragraph 9.5.1.q.

⁴⁰ For the effect on the auditor's report see Part 9, paragraph 9.5.18.

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8.5.10. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions.	8.5.10. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions.
8.5.11. If the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud, the auditor shall evaluate the implications on the audit including on the assessed risks of material misstatement and the auditor's report.	8.5.11. If the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud, the auditor shall evaluate the implications on the audit including on the assessed risks of material misstatement and the auditor's report.
8.6. Written Representations from Management and Those Charged with Governance	8.6. Written Representations
8.6.1. The auditor shall obtain written representations from management for all periods referred to in the auditor's opinion, who have appropriate knowledge of the matters concerned and responsibility for the financial statements, and where appropriate, those charged with governance about the following matters:	8.6.1. The auditor shall obtain written representations from management who have appropriate knowledge of the matters concerned and responsibility for the financial statements, and where appropriate those charged with governance, about the following matters:
(a) That they have fulfilled their responsibility for the preparation of the financial statement in accordance with the applicable financial reporting framework, including where relevant their fair presentation;	(a) That they have fulfilled their responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework, including where relevant their fair presentation; ⁴¹

⁴¹ The management responsibilities shall be described in the same way in the representation as described in the terms of engagement.

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(b) That they have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement; ⁴²	(b) That they have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement;
(c) That all transactions are recorded and are reflected in the financial statements;	(c) That all transactions are recorded and are reflected in the financial statements;
(d) That they acknowledge their responsibility for the design, implementation and maintenance of controls to prevent and detect fraud;	(d) That they acknowledge their responsibility for the design, implementation and maintenance of controls to prevent and detect fraud;
(e) That they have disclosed to the auditor the result of its assessment of the risk that the financial statements may be materially misstated because of fraud;	(e) That they have disclosed to the auditor the result of its assessment of the risk that the financial statements may be materially misstated because of fraud;
(f) That their knowledge of fraud, or suspected fraud, or allegations of fraud or suspected fraud has been disclosed to the auditor;	(f) That their knowledge of fraud, or suspected fraud, or allegations of fraud or suspected fraud has been disclosed to the auditor;
(g) That they have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware;	(g) That they have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware;
(h) That they have appropriately accounted for and disclosed related party relationships and transactions in accordance with the requirements of the financial reporting framework;	(h) That they have appropriately accounted for and disclosed related party relationships and transactions in accordance with the requirements of the financial reporting framework;
(i) That all known instances of non-compliance or suspected non-compliance with law or regulation whose effects should be considered when preparing financial statements have been disclosed to the auditor;	(i) That all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed to the auditor;

⁴² The management representation shall be described in the same way as described in the terms of engagement.

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(j) That all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework;	(j) That all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework;
(k) With regard to accounting estimates, whether the methods, significant assumptions and data used in making the accounting estimates and disclosures are appropriate to achieve recognition, measurement or disclosure is in accordance with the applicable financial reporting framework;	(k) With respect to accounting estimates, whether the methods, significant assumptions and data used in making the accounting estimates and disclosures are appropriate to achieve recognition, measurement or disclosure is in accordance with the applicable financial reporting framework;
(l) That all events occurring subsequent to date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed;	(l) That all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed;
(m) With regard to going concern, if a material uncertainty exists, information about their plans for future actions and the feasibility of these plans;	(m) With respect to going concern, if a material uncertainty exists, information about their plans for future actions and the feasibility of these plans;
(n) Regarding any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information; and	(n) Regarding any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information; and
(o) Other representations the auditor determines necessary to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements, including where necessary to support oral representations.	(o) Other representations the auditor determines necessary to support other audit evidence relevant to the financial statements or one or more specific assertions in the financial statements, including where necessary to support oral representations.

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8.6.2. The auditor shall consider the need to obtain representations about specific accounting estimates.	8.6.2. The auditor shall consider the need to obtain representations about specific accounting estimates.
8.6.3. The written representation shall be in the form of a representation letter addressed to the auditor. Appendix 6 sets out an example management representation letter.	8.6.3. The written representation shall be in the form of a representation letter addressed to the auditor.
8.6.4. The auditor shall request a written representation from management, and where appropriate, those charged with governance, whether they believe the effects of uncorrected misstatements are immaterial, individually or in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation.	8.6.4. The auditor shall request a written representation from management, and where appropriate, those charged with governance, whether they believe the effects of uncorrected misstatements are immaterial, individually or in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation.
8.6.5. If the auditor has concerns about the competence, integrity, ethical values, or diligence of management, or about its commitment to or enforcement of these, or representations received are inconsistent with other audit evidence, the auditor shall determine the effect on audit evidence more generally and take appropriate actions, including considering the possible effect on the opinion in the auditor's report. ⁴³	8.6.5. If the auditor has concerns about the competence, integrity, ethical values, or diligence of management, or about its commitment to or enforcement of these, or representations received are inconsistent with other audit evidence, the auditor shall determine the effect on audit evidence more generally and take appropriate actions, including considering the possible effect on the opinion in the auditor's report ⁴⁴ having regard to the requirement in paragraph 8.6.7.
8.6.6. If management does not provide one or more of the requested written representations, the auditor shall:	8.6.6. If management does not provide one or more of the requested written representations, the auditor shall:
(a) Discuss the matter with management;	(a) Discuss the matter with management;

⁴³ For the effect on the auditor's report see Part 9, paragraph 9.5.1.T.

⁴⁴ For the effect on the auditor's report see Part 9, paragraph 9.5.22.

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(b) Reevalue the integrity of management and evaluate the effect this may have on the reliability of oral and written representations and audit evidence in general; and	(b) Reevalue the integrity of management and evaluate the effect this may have on the reliability of oral and written representations and audit evidence in general; and
(c) Take appropriate actions, including disclaiming an opinion on the financial statements when management refuses to provide one or more required written representations or there is sufficient doubt about management's integrity. ⁴⁵	(c) Take appropriate actions, including determining the possible effect on the opinion in the auditor's report ⁴⁶ having regard to the requirement in paragraph 8.6.7.
	8.6.7. If the auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by paragraphs 8.6.1.(a)-(c) are not reliable ⁴⁷ or management does not provide the written representations required by paragraphs 8.6.1.(a)-(c), ⁴⁸ the auditor shall disclaim an opinion on the financial statements.
8.6.7. The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements. The written representations shall be for all financial statements and period(s) referred to in the auditor's report.	8.6.8. The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report on the financial statements. The written representations shall be for all financial statements and period(s) referred to in the auditor's report.
8.7. Taking Overall Responsibility for Managing and Achieving Quality	8.7. Taking Overall Responsibility for Managing and Achieving Quality
8.7.1. Prior to dating the auditor's report, the engagement partner shall determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. In doing so, the engagement partner shall determine that:	8.7.1. Prior to dating the auditor's report, the engagement partner shall determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement. In doing so, the engagement partner shall determine that:

⁴⁵ For the effect on the auditor's report see Part 9, paragraph 9.5.1.U.

⁴⁶ For the effect on the auditor's report see Part 9, paragraph 9.5.23

⁴⁷ For the effect on the auditor's report see Part 9, paragraph 9.5.24

⁴⁸ For the effect on the auditor's report see Part 9, paragraph 9.5.25

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(a) The engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement; and	(a) The engagement partner's involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement; and
(b) The nature and circumstances of the audit engagement, any changes thereto, and the firm's related policies or procedures have been taken into account.	(b) The nature and circumstances of the audit engagement, any changes thereto, and the firm's related policies or procedures have been taken into account.
8.7.2. On or before the date of the auditor's report, the engagement partner shall determine that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.	8.7.2. On or before the date of the auditor's report, the engagement partner shall determine that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.
8.7.3. Prior to dating the auditor's report, the engagement partner shall review the financial statements and the auditor's report to determine that the auditor's report being issued is appropriate in the circumstances.	8.7.3. Prior to dating the auditor's report, the engagement partner shall review the financial statements and the auditor's report to determine that the report to be issued is appropriate in the circumstances.
8.8. Specific Communication Requirements	8.8. Specific Communication Requirements
8.8.1. The auditor shall communicate, on a timely basis, all misstatements accumulated during the audit with the appropriate level of management, and as appropriate, those charged with governance, unless prohibited by law or regulation.	8.8.1. The auditor shall communicate, on a timely basis, all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation.
8.8.2. The auditor shall communicate to those charged with governance: [Also see paragraph 8.8.4. below]	8.8.2. The auditor shall communicate with those charged with governance:

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[See paragraph 8.8.4.(a) below]	(a) Uncorrected misstatements and the effect that they, individually or in aggregate, may have on the auditor's opinion, unless prohibited by law or regulation. The auditor's communication shall identify the material uncorrected misstatements individually.
[See paragraph 8.8.4.(b) below]	(b) The effect of uncorrected misstatements from prior periods on the current year's financial statements.
(a) The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.	(c) The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates, and financial statement disclosures.
(b) Significant difficulties, if any, encountered during the audit.	(d) Significant difficulties, if any, encountered during the audit.
(c) Significant matters arising during the audit that were discussed, or subject to correspondence, with management. [Also see paragraph 8.8.3. below]	(e) Significant matters arising during the audit, including in connection to the entity's related parties, that were discussed, or subject to correspondence, with management.
(d) Significant findings from the audit. If, in the auditor's professional judgment, oral communications would not be adequate this communication shall be in writing.	(f) Significant findings from the audit. If, in the auditor's professional judgment, oral communications would not be adequate this communication shall be in writing.
(e) Other matters, not already reported, related to fraud that may be relevant to the responsibilities of those charged with governance, unless prohibited by law or regulation.	(g) Other matters not already reported related to fraud that may be relevant to the responsibilities of those charged with governance, unless prohibited by law or regulation.
(f) Circumstances, if any, that affect the form and content of the auditor's report.	(h) Circumstances, if any, that affect the form and content of the auditor's report.
(g) Written representations the auditor is requesting.	(i) Written representations the auditor is requesting.

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(h) Other significant matters, if any, arising from the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process.	(j) Other significant matters, if any, arising from the audit that, in the auditor's professional judgment, are relevant to the oversight of the financial reporting process.
(i) The expectation thereof and the wording if the auditor expects to include an Emphasis of Matter or Other Matter Paragraph in the auditor's report.	(k) The expectation thereof and the wording if the auditor expects to include an Emphasis of Matter or Other Matter Paragraph in the auditor's report.
8.8.3. The auditor shall communicate to those charged with governance significant matters arising during the audit in connection with the entity's related parties.	[See paragraph 8.8.2.(e) above]
8.8.4. In regard to uncorrected misstatements, the auditor shall communicate to those charged with governance:	[See paragraph 8.8.2. above]
(a) Uncorrected material misstatements (identified individually) and the effect that they, individually or in aggregate, may have on the auditor's opinion, unless prohibited by law or regulation; and	[See paragraph 8.8.2.(a) above]
(b) The effect of uncorrected misstatements from prior periods on the current year financial statements.	[See paragraph 8.8.2.(b) above]
8.8.5. Unless all those charged with governance are involved in managing the entity, the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:	8.8.3. Unless all those charged with governance are involved in managing the entity, the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:
(a) Whether the events or conditions constitute a material uncertainty;	(a) Whether the events or conditions constitute a material uncertainty;

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(b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements;	(b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements;
(c) The adequacy of related disclosures in the financial statements; and	(c) The adequacy of related disclosures in the financial statements; and
(d) Where applicable, the implications for the auditor's report.	(d) Where applicable, the implications for the auditor's report.
8.9. Specific Documentation Requirements	8.9. Specific Documentation Requirements
8.9.1. In addition to the general documentation requirements (Part 2.5.) for an audit engagement, the auditor shall include the following in the audit documentation:	8.9.1. The auditor shall include the following in the audit documentation:
(a) The amount below which misstatements would be regarded as clearly trivial, all misstatements accumulated during the audit and whether they have been corrected, and the auditor's conclusion as to whether the uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion.	(a) All misstatements accumulated during the audit and whether they have been corrected, and the auditor's conclusion as to whether the uncorrected misstatements are material, individually or in aggregate, and the basis for that conclusion; and [Also see paragraph 5.5.4.(d) above]
(b) The nature and scope of, and conclusions from, consultations undertaken during the audit, including how such conclusions were implemented.	(b) The nature and scope of, and conclusions from, consultations undertaken during the audit, including how such conclusions were implemented.
8.9.2. The auditor's documentation shall demonstrate that information in the financial statements agrees or reconciles with the underlying accounting records, including agreeing or reconciling disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers.	8.9.2. The auditor's documentation shall demonstrate that information in the financial statements agrees or reconciles with the underlying accounting records, including agreeing or reconciling disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers.

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8.9.3. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.	8.9.3. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.
8.9.4. After assembly of the final audit file is complete, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period.	8.9.4. After assembly of the final audit file is complete, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period.
8.9.5. If applicable, the auditor shall document the failure to meet an objective of any Part of the [draft] ISA for LCE, and the resulting action (such as the effect on the auditor's opinion or withdrawal from the engagement if the overall objective of the auditor cannot be met).	8.9.5. If applicable, the auditor shall document the failure to meet an objective of any Part of the ISA for LCE, and the resulting action (such as the effect on the auditor's opinion or withdrawal from the engagement if the overall objective of the auditor cannot be met).
8.9.6. If the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document:	8.9.6. If the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document:
(a) The specific reasons for making them; and	(a) The specific reasons for making them; and
(b) When and by whom they were made and reviewed.	(b) When and by whom they were made and reviewed.
<u>9. Forming an Opinion and Reporting</u>	<u>9. Forming an Opinion and Reporting</u>
9.1. Objectives	9.1. Objectives
9.1.1. The objectives of the auditor are to:	9.1.1. The objectives of the auditor are to:
(a) Form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence	(a) Form an opinion on the financial statements based on an evaluation of the conclusions drawn from the audit evidence

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obtained and to express clearly that opinion through a written report; and	obtained and to express clearly that opinion through a written report; and
(b) Consider whether there is a material inconsistency between the other information, if any, and the:	(b) Consider whether there is a material inconsistency between the other information, if any, and the:
(i) Financial statements; and	(i) Financial statements; and
(ii) Auditor's knowledge obtained in the audit	(ii) Auditor's knowledge obtained in the audit.
9.2. Forming an Opinion on the Financial Statements	9.2. Forming an Opinion on the Financial Statements
9.2.1. The auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.	9.2.1. The auditor shall form an opinion on whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
9.2.2. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account:	9.2.2. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
(a) Whether sufficient appropriate audit evidence has been obtained;	(a) Whether sufficient appropriate audit evidence has been obtained;
(b) Whether uncorrected misstatements, individually or in aggregate are material; and	(b) Whether uncorrected misstatements are material, individually or in aggregate; and
(c) The evaluations required by paragraphs 9.2.3. to 9.2.6.	(c) The evaluations required by paragraphs 9.2.3. to 9.2.6.
9.2.3. The auditor shall evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall	9.2.3. The auditor shall evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall

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include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments.	include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments.
9.2.4. In performing the evaluation in paragraph 9.2.3., the auditor shall evaluate, in view of the applicable financial reporting framework, whether:	9.2.4. In performing the evaluation in paragraph 9.2.3., the auditor shall evaluate, in view of the requirements of the applicable financial reporting framework, whether:
(a) The financial statements appropriately disclose the entity's significant accounting policies, and whether they have been presented in an understandable way;	(a) The financial statements appropriately disclose the entity's significant accounting policies, and whether they have been presented in an understandable way;
(b) The entity's accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;	(b) The entity's accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
(c) The accounting estimates and related disclosures made by management are reasonable;	(c) The accounting estimates and related disclosures made by management are reasonable;
(d) The identified related party relationships and transactions have been appropriately accounted for, presented and disclosed in accordance with the applicable financial reporting framework;	(d) The identified related party relationships and transactions have been appropriately accounted for, presented and disclosed in accordance with the applicable financial reporting framework;
(e) The information presented in the financial statements is relevant, reliable, comparable and understandable including whether:	(e) The information presented in the financial statements is relevant, reliable, comparable and understandable including whether:
(i) The information that should have been included has been included;	(i) The information that should have been included has been included;

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(ii) Such information is appropriately classified, aggregated or disaggregated, and characterized; and	(ii) Such information is appropriately classified, aggregated or disaggregated, and characterized; and
(iii) The overall presentation of the financial statements has been undermined by including information that is not relevant or that obscures a proper understanding of the matters disclosed;	(iii) The overall presentation of the financial statements has been undermined by including information that is not relevant or that obscures a proper understanding of the matters disclosed;
(f) The financial statements provide adequate disclosures to enable intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and	(f) The financial statements provide adequate disclosures to enable intended users to understand the effect of material transactions and events on the information conveyed in the financial statements; and
(g) The terminology used in the financial statements, including the title of each financial statement, is appropriate.	(g) The terminology used in the financial statements, including the title of each financial statement, is appropriate.
9.2.5. When the financial statements are prepared in accordance with a fair presentation framework, the auditor shall also evaluate whether the financial statements achieve fair presentation. This evaluation shall include consideration of:	9.2.5. When the financial statements are prepared in accordance with a fair presentation framework, the auditor shall also evaluate whether the financial statements achieve fair presentation. This evaluation shall include consideration of:
(a) The overall presentation, structure and content of the financial statements; and	(a) The overall presentation, structure and content of the financial statements; and
(b) Whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.	(b) Whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9.2.6. The auditor shall evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.	9.2.6. The auditor shall evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework.

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9.3. Form of Opinion	9.3. Form of Opinion
9.3.1. The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.	9.3.1. The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
9.3.2. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether to modify the opinion. ⁴⁹	9.3.2. If financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, determine whether to modify the opinion. ⁵⁰
9.3.3. When the financial statements are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation. However, if in extremely rare circumstances the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report. ⁵¹	9.3.3. If the financial statements are prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial statements achieve fair presentation. However, if in extremely rare circumstances the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report. ⁵²
9.4. Auditor's Report	9.4. Auditor's Report

⁴⁹ For the effect on the auditor's report see Part 9, paragraph 9.5.1.X.

⁵⁰ For the effect on the auditor's report see Part 9, paragraph 9.5.28.

⁵¹ For the effect on the auditor's report see Part 9, paragraph 9.5.1.Y.

⁵² For the effect on the auditor's report see Part 9, paragraph 9.5.29.

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9.4.1. The auditor shall report in accordance with the specified format and content below unless:	9.4.1. The auditor shall report in accordance with the specified format and content below unless:
<p>(a) Amendment to the auditor's report is required for compliance with law or regulation, including when law or regulation prescribes the layout or wording of the auditor's report. When the layout or wording of the auditor's report is prescribed, the auditor's report shall refer to this [draft] ISA for LCE only if all significant elements of the specified format and content are included; or</p>	<p>(a) Amendment to the auditor's report is required for compliance with a specific layout, or wording of the auditor's report required by law or regulation of a jurisdiction, or if prescribed by a relevant local body with standard-setting authority. When the layout or wording of the auditor's report is prescribed, the auditor's report shall refer to this ISA for LCE only if all significant elements of the specified format and content are included; or</p>
<p>(b) The auditor's report includes a modified opinion, emphasis of matter paragraph, other matter paragraph, material uncertainty related to going concern, other reporting responsibilities, or a separate section dealing with Other Information, in which case the auditor shall modify the auditor's opinion (according to Part 9.5.) or amend the auditor's report (according to Part 9.8.).</p>	<p>(b) The auditor's report includes a modified opinion, emphasis of matter paragraph, other matter paragraph, material uncertainty related to going concern, other reporting responsibilities, or a separate section dealing with Other Information, in which case the auditor shall modify the auditor's opinion (according to Part 9.5.) or amend the auditor's report (according to Part 9.8.).</p>
<p><u>INDEPENDENT AUDITOR'S REPORT</u></p> <p>To the [Shareholders of ABC Company or Other Appropriate Addressee]⁵³</p> <p>Opinion</p> <p>We have audited⁵⁴ the financial statements of [ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income,</p>	<p><u>INDEPENDENT AUDITOR'S REPORT</u></p> <p>To the [Shareholders of ABC Company or Other Appropriate Addressee]⁶⁴</p> <p>Opinion</p>

⁵³ Matters reflected in the specified format and content of the auditor's report in square brackets (e.g. []) are to be tailored accordingly.

⁵⁴ When disclaiming an opinion, the statement which indicates that the financial statements have been audited is amended to state that the auditor was engaged to audit the financial statements.

⁶⁴ Matters reflected in the specified format and content of the auditor's report in square brackets (e.g. []) are to be tailored accordingly.

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<p><i>statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (replace these report names with the appropriate titles)].⁵⁵</i></p> <p>In our opinion, the accompanying financial statements [<i>“present fairly, in all material respects” or “give a true and fair view of”</i>]⁵⁶ the financial position of the Company as at [<i>December 31, 20X1</i>], and [<i>of</i>] its financial performance and its cash flows for the year then ended in accordance with [<i>applicable financial reporting framework</i>].⁵⁷</p> <p>Basis for Opinion</p> <p>We conducted our audit in accordance with the [International Standard for Auditing on Audits of Financial Statements of Less Complex Entities (the ISA for LCE)]. Our responsibilities under the ISA for LCE are further described in the <i>Auditor’s Responsibilities for the Audit of the Financial Statements</i></p>	<p>We have audited⁶⁵ the financial statements of [<i>ABC Company (the Entity), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (replace these report names with the appropriate titles)].⁶⁶</i></p> <p>In our opinion, the accompanying financial statements [<i>“present fairly, in all material respects” or “give a true and fair view of”</i>]⁶⁷ the financial position of the [<i>Entity</i>] as at [<i>December 31, 20X1</i>], and [<i>of</i>] its financial performance and its cash flows for the year then ended in accordance with [<i>applicable financial reporting framework</i>].⁶⁸</p> <p>Basis for Opinion</p> <p>We conducted our audit in accordance with the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA</p>

- ⁵⁵ Identify the entity whose financial statements have been audited; identify each financial statement, refer to the notes and significant accounting policies and the date and period of each financial statement covered.
- ⁵⁶ See also 9.4.2 below. When the financial statements are prepared in accordance with a compliance framework, the opinion and description of the auditor’s responsibilities refer instead to whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- ⁵⁷ Identify the jurisdiction of origin of the financial reporting framework if it is not International Financial Reporting Standards or International Public Sector Accounting Standards as issued by the International Public Sector Accounting Standards Board.
- ⁶⁵ When disclaiming an opinion, the statement which indicates that the financial statements have been audited is amended to state that the auditor was engaged to audit the financial statements.
- ⁶⁶ Identify the entity whose financial statements have been audited; identify each financial statement and its date and period, and refer to the notes and significant accounting policies or use another appropriate description in accordance with the applicable financial reporting framework.
- ⁶⁷ See also 9.4.2 below. When the financial statements are prepared in accordance with a compliance framework, the opinion and description of the auditor’s responsibilities refer instead to whether the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- ⁶⁸ Identify the jurisdiction of origin of the financial reporting framework if it is not International Financial Reporting Standards or International Public Sector Accounting Standards as issued by the International Public Sector Accounting Standards Board.

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<p>section of our report.⁵⁸ We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in <i>[jurisdiction]</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.⁵⁹</p> <p>Responsibilities of [Management] for the Financial Statements⁶⁰</p> <p><i>[Management]</i> is responsible for the preparation <i>[and fair presentation of]</i> the financial statements in accordance with <i>[applicable financial reporting framework]</i>,⁶¹ and for such internal control as <i>[management]</i> determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial statements, <i>[management]</i> is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern</p>	<p>for LCE). Our responsibilities under the ISA for LCE are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report.⁶⁹ We are independent of the <i>[Entity]</i> in accordance with the ethical requirements that are relevant to our audit of the financial statements in <i>[jurisdiction]</i>, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.⁷⁰</p> <p>Responsibilities of [Management] for the Financial Statements⁷¹</p> <p><i>[Management]</i> is responsible for the preparation <i>[and fair presentation]</i> of the financial statements in accordance with <i>[applicable financial reporting framework]</i>,⁷² and for such internal control as <i>[management]</i> determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.</p>

⁵⁸ When the auditor disclaims an opinion on the financial statements, this statement is not included in the auditor's report.

⁵⁹ When the auditor expresses a qualified or adverse opinion, the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion is amended to include the word "qualified" or "adverse", as appropriate. When the auditor disclaims an opinion on the financial statements, this statement is not included in the auditor's report.

⁶⁰ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁶¹ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with *[applicable financial reporting framework]*, and for such..."

⁶⁹ When the auditor disclaims an opinion on the financial statements, this statement is not included in the auditor's report.

⁷⁰ When the auditor expresses a qualified or adverse opinion, the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion is amended to include the word "qualified" or "adverse", as appropriate. When the auditor disclaims an opinion on the financial statements, this statement is not included in the auditor's report.

⁷¹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁷² Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of financial statements that give a true and fair view in accordance with *[applicable financial reporting framework]*, and for such..."

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<p>basis of accounting unless <i>[management]</i> either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>Auditor’s Responsibilities for the Audit of the Financial Statements⁶²</p> <p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA for LCE will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p> <p>As part of an audit in accordance with the ISA for LCE, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is 	<p>In preparing the financial statements, <i>[management]</i> is responsible for assessing the <i>[Entity’s]</i> ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless <i>[management]</i> either intends to liquidate the <i>[Entity]</i> or to cease operations, or has no realistic alternative but to do so.</p> <p>Auditor’s Responsibilities for the Audit of the Financial Statements^{73 74}</p> <p>Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISA for LCE will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.</p>

⁶² When the auditor disclaims an opinion on the financial statements, the description of the auditor’s responsibilities only includes the matters required by paragraph 9.5.4.

⁷³ The description of the auditor’s responsibilities may also be included within an appendix, or where law, regulation or national auditing standards expressly permit, as a description on a website of an appropriate authority when the description addresses, and is not inconsistent with, this ISA for LCE. In such cases, a reference to the location of appendix or description shall be included within the auditor’s report. When the auditor disclaims an opinion on the financial statements, the description of the auditor’s responsibilities only includes the matters required by paragraph 9.5.33.

⁷⁴ When Part 10 applies, further describe the auditor’s responsibilities in a group audit engagement by stating that;

- (i) The auditor’s responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements;
- (ii) The auditor is responsible for the direction, supervision and review of the audit work performed for purposes of the group audit; and
- (iii) The auditor remains solely responsible for the auditor’s opinion.

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<p>sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</p> <ul style="list-style-type: none"> Understand internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern. [Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.]⁶³ 	<p>As part of an audit in accordance with the ISA for LCE, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. To obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [Entity's] internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the [Entity's] ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

⁶³ Relevant when the financial statements are prepared in accordance with a fair presentation framework.

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<p>We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.</p> <p><i>[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]</i></p> <p><i>[Auditor Address: name the location in the jurisdiction where the auditor practices]</i></p> <p><i>[Date: No earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that (i) All the statements and disclosures that comprise the financial statements have been prepared; and (ii) Those with the recognized authority have asserted that they have taken responsibility for those financial statements.]</i></p>	<p>However, future events or conditions may cause the [Entity] to cease to continue as a going concern.</p> <ul style="list-style-type: none"> • [Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.]⁷⁵ <p>We communicate with [management, and where appropriate, those charged with governance] regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.</p> <p><i>[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]</i></p> <p><i>[Auditor Address: name the location in the jurisdiction where the auditor practices]</i></p> <p><i>[Date: No earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements, including evidence that (i) All the statements and disclosures that comprise the financial statements have been prepared; and (ii) Those with the recognized authority have asserted that they have taken responsibility for those financial statements.]</i></p>
<p>9.4.2. When the financial statements are prepared in accordance with a fair presentation framework, the auditor shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances, in the description of responsibilities for the financial statements in the auditor’s report.</p>	<p>9.4.2. When the financial statements are prepared in accordance with a fair presentation framework, the auditor shall refer to “the preparation and fair presentation of these financial statements” or “the preparation of financial statements that give a true and fair view,” as appropriate in the circumstances, in the description of responsibilities for the financial statements in the auditor’s report.</p>

⁷⁵ Relevant when the financial statements are prepared in accordance with a fair presentation framework.

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9.4.3. The auditor shall not refer to the work of an auditor's expert in an auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor's report that the reference does not reduce the auditor's responsibility for the auditor's opinion.	9.4.3. The auditor shall not refer to the work of an auditor's expert in an auditor's report containing an unmodified opinion unless required by law or regulation to do so. If such reference is required by law or regulation, the auditor shall indicate in the auditor's report that the reference does not reduce the auditor's responsibility for the auditor's opinion.
9.5. Modifications to the Opinion	9.5. Modifications to the Opinion
9.5.1.A. The auditor shall modify the opinion in the auditor's report according to Tables A to C below when:	9.5.1. The auditor shall modify the opinion in the auditor's report according to Tables A–C below when:
(a) The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or	(a) The auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are not free from material misstatement; or
(b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.	(b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.
9.5.1.B. When the auditor modifies the audit opinion, the auditor shall:	9.5.2. When the auditor modifies the audit opinion, the auditor shall:
(a) Amend the heading "Basis for Opinion" to "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion" as set out in tables A–C; and	(a) Amend the heading "Basis for Opinion" to "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion" as set out in Tables A–C; and
(b) Within the basis for opinion section, include a description of the matter giving rise to the modification.	(b) Within the basis for opinion section, include a description of the matter giving rise to the modification.
Table A	Table A

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TABLE A	<i>Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements</i>		TABLE A	Auditor's Professional Judgment about the Pervasiveness of the Effects or Possible Effects on the Financial Statements	
<i>Nature of Matter Giving Rise to the Modification</i>	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>	<i>Nature of Matter Giving Rise to the Modification</i>	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>
Financial statements are materially misstated	Qualified opinion	Adverse opinion	Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion	Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion
Table B			Table B		
TABLE B	Fair Presentation Framework	Compliance Framework	TABLE B	Fair Presentation Framework	Compliance Framework
Form of opinion			Form of opinion		
<u>9.5.1.C. Qualified opinion</u>	"In our opinion, except for the [effects or possible effects] ⁷⁶ of the matter(s) described in the Basis for Qualified Opinion section, the accompanying financial statements present fairly, in all material respects (or give a true and fair view of) [...] in accordance with [the	"...except for the [effects or possible effects] of the matter(s) described in the Basis for Qualified Opinion section, the accompanying financial statements have been prepared, in all material respects, in accordance with [the	<u>9.5.3. Qualified opinion</u>	"We were engaged to audit the financial statements of..." "In our opinion, except for the [effects or possible effects] ⁷⁷ of the matter(s) described in the Basis for Qualified Opinion section, the accompanying financial statements [present fairly, in	"We were engaged to audit the financial statements of..." "...except for the [effects or possible effects] of the matter(s) described in the Basis for Qualified Opinion section, the accompanying financial statements have
Auditor's Report–Heading for opinion: "Qualified Opinion"			Auditor's Report–Heading for opinion: "Qualified Opinion"		
Auditor's Report–Heading for Basis for Opinion:			Auditor's Report–Heading for Basis for Opinion:		

⁷⁶ Matters reflected in square brackets (e.g., []) are to be tailored accordingly

⁷⁷ Matters reflected in square brackets (e.g., []) are to be tailored accordingly

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“Basis for Qualified Opinion”	applicable financial reporting framework]”	applicable financial reporting framework]”	“Basis for Qualified Opinion”	all material respects / [give a true and fair view of] [...] in accordance with [the applicable financial reporting framework]”	been prepared, in all material respects, in accordance with [the applicable financial reporting framework]”
<u>9.5.1.D. Adverse opinion</u> Auditor’s Report–Heading for opinion: “Adverse Opinion” Auditor’s Report–Heading for Basis for Opinion: “Basis for Adverse Opinion”	“...the accompanying financial statements do not present fairly (or give a true and fair view of) [...] in accordance with [the applicable financial reporting framework]”	“...the accompanying financial statements have not been prepared, in all material respects, in accordance with [the applicable financial reporting framework]”	<u>9.5.4. Adverse opinion</u> Auditor’s Report–Heading for opinion: “Adverse Opinion” Auditor’s Report–Heading for Basis for Opinion: “Basis for Adverse Opinion”	“...the accompanying financial statements do not [present fairly /give a true and fair view of] [...] in accordance with [the applicable financial reporting framework]”	“...the accompanying financial statements have not been prepared, in all material respects, in accordance with [the applicable financial reporting framework]”
<u>9.5.1.E. Disclaimer of opinion</u> Auditor’s Report–Heading for opinion: “Disclaimer of Opinion” Auditor’s Report–Heading for Basis for Opinion: “Basis for Disclaimer of Opinion”	“[The auditor does] not express an opinion on the accompanying financial statements. Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, [the auditor has] not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.”		<u>9.5.5. Disclaimer of opinion</u> Auditor’s Report–Heading for opinion: “Disclaimer of Opinion” Auditor’s Report–Heading for Basis for Opinion: “Basis for Disclaimer of Opinion”	“We do not express an opinion on the accompanying financial statements. Because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.”	
Table C			Table C		

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Table C Specific Circumstances When the Auditor's Opinion is to be Modified	Para Ref	Qualified	Adverse	Disclaimer	TABLE C Specific Circumstances When the Auditor's Opinion is to be Modified	Para Ref	Qualified	Adverse	Disclaimer
<i>Opening Balances</i>					<i>Opening Balances</i>				
9.5.1.F. The auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances. ⁷⁸	4.6.4.	✓		✓	9.5.6. The auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances.	4.5.4.	✓		✓
9.5.1.G. The auditor concludes, based on the audit evidence obtained, that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed.	4.6.5.	✓	✓		9.5.7. The auditor concludes, based on the audit evidence obtained, that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed.	4.5.5.	✓	✓	
9.5.1.H. The auditor concludes, based on the audit evidence obtained, that the current period's accounting policies are not consistently applied in relation to opening balances in accordance with the applicable financial reporting framework or a change in accounting policies is not	4.6.6.	✓	✓		9.5.8. The auditor concludes, based on the audit evidence obtained, that the current period's accounting policies are not consistently applied in relation to opening balances in	4.5.6.	✓	✓	

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appropriately accounted for or adequately presented or disclosed, in accordance with the financial reporting framework.					accordance with the applicable financial reporting framework or a change in accounting policies is not appropriately accounted for or adequately presented or disclosed, in accordance with the financial reporting framework.				
9.5.1.I. The prior period's financial statements included a modification that remains relevant and material to the current period's financial statements.	4.6.3.	✓	✓	✓	9.5.9. The predecessor auditor's opinion regarding the prior period's financial statements included a modification that remains relevant and material to the current period's financial statements.	4.5.3.	✓	✓	✓
<i>Non-Compliance with Laws and Regulations</i>					<i>Non-Compliance with Laws and Regulations</i>				
9.5.1.J. Sufficient information about suspected non-compliance cannot be obtained.	7.4.24.	✓		✓	9.5.10. Sufficient information about suspected non-compliance cannot be obtained.	7.4.26.	✓		✓
9.5.1.K. The auditor concludes that the identified or suspected non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements.	7.4.25	✓	✓		9.5.11. The auditor concludes that the identified or suspected non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements.	7.4.27	✓	✓	
9.5.1.L. The auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to	7.4.25.	✓		✓					

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the financial statements has, or is likely to have, occurred.					9.5.12. The auditor is precluded by management or those charged with governance from obtaining sufficient appropriate audit evidence to evaluate whether non-compliance that may be material to the financial statements has, or is likely to have, occurred.	7.4.27.	✓		✓
9.5.1.M. The auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance.	7.4.25.	✓		✓					
<i>External Confirmations</i>					9.5.13. The auditor is unable to determine whether non-compliance has occurred because of limitations imposed by the circumstances rather than by management or those charged with governance.	7.4.27.	✓		✓
9.5.1.N. The auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures.	7.3.23.	✓		✓					
					<i>External Confirmations</i>				
9.5.1.O. If alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory cannot be performed.	7.4.20.	✓		✓	9.5.14. The auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures.	7.3.24.	✓		✓
<i>Going Concern</i>									
9.5.1.P. The financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgment, management's	7.4.1. 8.5.7.		✓		<i>Inventory</i>				

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use of the going concern basis of accounting in the preparation of the financial statements is inappropriate.					9.5.15. The auditor cannot perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory.	7.4.21.	✓		✓
9.5.1.Q. Adequate disclosures are not made about a material uncertainty in the financial statements.									
9.5.1.R. In this circumstance, the basis for qualified (or adverse) opinion section shall state that “a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the financial statements do not adequately disclose this matter.”	7.4.5 8.5.8	✓	✓		<i>Litigation and Claims</i>				
					9.5.16. Management refuses to give the auditor permission to communicate or meet with the entity’s external legal counsel, or the entity’s external legal counsel refuses to respond appropriately to the letter of inquiry, or is prohibited from responding; and the auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures.	7.4.25	✓		✓
9.5.1.S. When evaluating management’s assessment of the entity’s ability to continue as a going concern, if the period is less than twelve months from the date of the financial statements, and management does not make or extend its assessment, leading to the auditor being unable to obtain sufficient appropriate audit evidence.	7.4.2.	✓		✓	<i>Going Concern</i>				
<i>Written Representations</i>					9.5.17. The financial statements have been prepared using the going concern basis of accounting but, in the auditor’s professional judgment, management’s use of the going concern basis of	7.4.1. 8.5.7.		✓	
9.5.1.T. The auditor concludes that there is sufficient doubt about the	8.6.5.	✓		✓					

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competence, integrity, ethical values, or diligence of management, such that the written representations required by this [draft] standard are not reliable.					accounting in the preparation of the financial statements is inappropriate.				
9.5.1.U. The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by this [draft] standard are not reliable; or management does not provide the written representations required by paragraphs 8.6.1(a)–(c).	8.6.6.			✓	9.5.18. Adequate disclosures are not made about a material uncertainty in the financial statements. 9.5.19. In this circumstance, the basis for qualified (or adverse) opinion section shall state that “a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the financial statements do not adequately disclose this matter.”	7.4.4 8.5.8	✓	✓	
<i>Corresponding Figures</i>									
9.5.1.V. When corresponding figures are presented and the auditor’s report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved. The Basis for Modification paragraph shall either: (a) refer to both the current period’s figures and the corresponding figures in the description of the matter giving rise to the modification when the	9.7.4	✓	✓	✓	9.5.20. When evaluating management’s assessment of the entity’s ability to continue as a going concern, the period is less than twelve months from the date of the financial statements, and management does not make or extend its assessment, leading to the auditor being unable to obtain sufficient appropriate audit evidence.	7.4.2.	✓		✓

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effects or possible effects of the matter on the current period's figures are material,; or (b) in other cases, explain that the audit opinion has been modified because of the effects or possible effects of the unresolved matter on the comparability of the current period's figures and the corresponding figures.					Subsequent Events				
					9.5.21. Facts become known to the auditor after the date of the auditor's report but before the date the financial statements are issued, and management does not amend the financial statements in circumstances where the auditor believes they need to be amended.	8.4.6.	✓	✓	✓
Other Items					Written Representations				
9.5.1.W. If the auditor is unable to obtain sufficient appropriate audit evidence.	8.5.6.	✓		✓	9.5.22. The auditor concludes that the written representations required by this standard are not reliable.	8.6.5.	✓		✓
9.5.1.X. The financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation.	9.3.2.	✓	✓		9.5.23. Management does not provide one or more of the requested written representations.	8.6.6.	✓		✓
9.5.1.Y. If the financial statements are prepared in accordance with a compliance framework and, in extremely rare circumstances, the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading.	9.3.3	✓	✓	✓	9.5.24. The auditor concludes that there is sufficient doubt about the integrity of management such that the written representations required by 8.6.1.(a)–(c) are not reliable.	8.6.7.			✓

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	<p>9.5.25 When management does not provide the written representations required by paragraphs 8.6.1.(a)–(c).</p>	8.6.7.			✓	
	Corresponding Figures					
	<p>9.5.26. Corresponding figures are presented, the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved.</p> <p>The Basis for Modification paragraph shall either: (a) refer to both the current period's figures and the corresponding figures in the description of the matter giving rise to the modification when the effects or possible effects of the matter on the current period's figures are material;; or (b) in other cases, explain that the audit opinion has been modified because of the effects or possible effects of</p>	9.7.6	✓	✓	✓	

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	the unresolved matter on the comparability of the current period's figures and the corresponding figures.					
	<i>Other Items</i>					
	9.5.27. The auditor is unable to obtain sufficient appropriate audit evidence.	8.5.6.	✓		✓	
	9.5.28. The financial statements prepared in accordance with the requirements of a fair presentation framework do not achieve fair presentation.	9.3.2.		✓		
	9.5.29. The financial statements are prepared in accordance with a compliance framework and, in extremely rare circumstances, the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading.	9.3.3	✓	✓	✓	
<i>Other Matters Relating to Modifications</i>	<i>Other Matters Relating to Modifications</i>					
9.5.2. If the auditor makes reference to the work of an auditor's expert in the auditor's report because such reference is relevant to an understanding of a modification to the auditor's opinion, the auditor	9.5.30. If the auditor makes reference to the work of an auditor's expert in the auditor's report because such reference is relevant to an understanding of a modification to the auditor's opinion, the auditor					

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shall indicate in the auditor's report that such reference does not reduce the auditor's responsibility for that opinion.	shall indicate in the auditor's report that such reference does not reduce the auditor's responsibility for that opinion.
9.5.3. If there is a material misstatement of the financial statements that relates to:	9.5.31. If there is a material misstatement of the financial statements that relates to:
(a) Specific amounts in the financial statements (including quantitative disclosures), the auditor shall include in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor shall so state in this section.	(a) Specific amounts in the financial statements (including quantitative disclosures), the auditor shall include in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable. If it is not practicable to quantify the financial effects, the auditor shall so state in this section.
(b) Qualitative disclosures, the auditor shall include in the Basis for Opinion section an explanation of how the disclosures are misstated.	(b) Qualitative disclosures, the auditor shall include in the Basis for Opinion section an explanation of how the disclosures are misstated.
(c) The non-disclosure in the financial statements of information required to be disclosed, the auditor shall:	(c) The non-disclosure in the financial statements of information required to be disclosed, the auditor shall:
(i) Discuss the non-disclosure with those charged with governance;	(i) Discuss the non-disclosure with those charged with governance;
(ii) Describe in the Basis for Opinion section the nature of the omitted information; and	(ii) Describe in the Basis for Opinion section the nature of the omitted information; and
(iii) Unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information.	(iii) Unless prohibited by law or regulation, include the omitted disclosures, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information.

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	9.5.32. If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor shall include in the Basis for Opinion section the reasons for that inability.
9.5.4. When the auditor disclaims an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the description of the auditor's responsibilities in the template in paragraph 9.4.1 to include only the following:	9.5.33. When the auditor disclaims an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the Auditor's Responsibilities for the Audit of the Financial Statements section of the report under paragraph 9.4.1 to include only the following:
(a) A statement that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with the [draft] ISA for LCE and to issue an auditor's report;	(a) A statement that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with the ISA for LCE and to issue an auditor's report;
(b) A statement that because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and	(b) A statement that because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and
(c) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.	(c) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
	9.5.34. If the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof.
9.6. Other Paragraphs in the Auditor's Report	9.6. Other Paragraphs in the Auditor's Report

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<i>Emphasis of Matter Paragraphs</i>	<i>Emphasis of Matter Paragraphs</i>
9.6.1. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to the users' understanding of the financial statements, and the auditor would not be required to modify the opinion, the auditor shall include an Emphasis of Matter paragraph in the auditor's report indicating that the auditor's report is not modified in respect of the matter emphasized.	9.6.1. If the auditor considers it necessary to draw users' attention to a matter presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to the users' understanding of the financial statements, and the auditor would not be required to modify the opinion as a result of that matter, the auditor shall include an Emphasis of Matter paragraph in the auditor's report indicating that the auditor's report is not modified in respect of the matter emphasized.
<i>Other Matter Paragraphs</i>	<i>Other Matter Paragraphs</i>
9.6.2. If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to the users' understanding of the audit, the auditor's responsibilities or the auditor's report the auditor shall include an Other Matter paragraph in the auditor's report provided this is not prohibited by law or regulation.	9.6.2. If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to the users' understanding of the audit, the auditor's responsibilities or the auditor's report the auditor shall include an Other Matter paragraph in the auditor's report provided this is not prohibited by law or regulation.
9.6.3. If the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:	[See paragraphs 9.7.3 and 9.7.4. below]
(a) That the financial statements of the prior period were audited by a predecessor auditor;	[See paragraphs 9.7.3.(a) and 9.7.4.(a) below]
(b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and	[See paragraphs 9.7.3.(b) and 9.7.4.(b) below]

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(c) The date of that report, unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.					[See paragraphs 9.7.3.(c), 9.7.4.(c) and hanging paragraph below]				
					<i>Content of Other Paragraphs in the Audit Report</i>				
9.6.4. When the auditor includes an Emphasis of Matter, Other Matter paragraph, a material uncertainty relating to going concern in the auditor's report, or a section dealing with other information, the auditor shall include the paragraph or section according to Table D below:					9.6.3. When the auditor includes an Emphasis of Matter, Other Matter paragraph or a material uncertainty related to going concern in the auditor's report, the auditor shall include the paragraph or section according to Table D below:				
Table D					Table D				
Table D: Paragraph or Section	Location	Heading shall include	Content shall include		TABLE D Paragraph or Section	Location	Heading shall include	Content shall include	
9.6.5. Emphasis of Matter paragraph	A separate section of the auditor's report	Appropriate heading that includes "Emphasis of Matter"	A clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements. A reference only to information presented or disclosed in the financial statements. An indication that the auditor's opinion is not		9.6.4. Emphasis of Matter paragraph	A separate section of the auditor's report	Appropriate heading that includes "Emphasis of Matter"	A clear reference to the matter being emphasized and to where relevant disclosures that fully describe the matter can be found in the financial statements. A reference only to information presented or disclosed in the financial statements. An indication that the auditor's opinion is not	

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			modified in respect of the matter emphasized.				modified in respect of the matter emphasized.
9.6.6. Other Matter paragraph	A separate section of the auditor's report	Appropriate heading that includes "Other Matter"	As appropriate in the circumstances.	9.6.5. Other Matter paragraph	A separate section of the auditor's report	Appropriate heading that includes "Other Matter"	As appropriate in the circumstances.
9.6.7. Material Uncertainty Related to Going Concern paragraph	A separate section of the auditor's report	"Material Uncertainty Relating to Going Concern"	<p>Draw attention to the note in the financial statements that discloses the matters related to the material uncertainty.</p> <p>State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's opinion is not modified in respect of the matter.</p>	9.6.6. Material Uncertainty Related to Going Concern paragraph	A separate section of the auditor's report	"Material Uncertainty Relating to Going Concern"	<p>Draw attention to the note in the financial statements that discloses the matters related to the material uncertainty.</p> <p>State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's opinion is not modified in respect of the matter.</p>
				9.6.7. When facts become known to the auditor after the financial statements have been issued and if management amends the financial statements, the auditor shall include in the new or amended auditor's report an Emphasis of Matter paragraph or Other Matter paragraph drawing users' attention to the reason for the amendment and referring to the earlier report provided by the auditor.			

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9.7. Comparative Information—Corresponding Figures and Comparative Financial Statements	9.7. Comparative Information—Corresponding Figures and Comparative Financial Statements
9.7.1. The auditor shall determine whether the financial statements include the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified. In doing so, the auditor shall evaluate whether:	9.7.1. The auditor shall determine whether the financial statements include the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified. In doing so, the auditor shall evaluate whether:
(a) The amounts and disclosures in the prior period agree with comparative information or have been restated; and	(a) The amounts and disclosures in the prior period agree with comparative information or have been restated; and
(b) The accounting policies reflected in the comparative information are consistent with those applied in the current period or, where changes occurred, have been properly accounted for and adequately presented or disclosed.	(b) The accounting policies reflected in the comparative information are consistent with those applied in the current period or, where changes occurred, have been properly accounted for and adequately presented or disclosed.
9.7.2. If the auditor becomes aware of a possible material misstatement in the comparative information while performing the current period audit, the auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists. If the prior period financial statements are amended, the auditor shall determine that the comparative information agrees with the amended financial statements.	9.7.2. If the auditor becomes aware of a possible material misstatement in the comparative information while performing the current period audit, the auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists. If the prior period financial statements are amended, the auditor shall determine that the comparative information agrees with the amended financial statements.
[See paragraph 9.6.3. above]	9.7.3. If the financial statements of the prior period were audited by a predecessor auditor and the auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and decides to do so, the auditor shall state in an Other Matter paragraph in the auditor's report:

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[See paragraph 9.6.3.(a) above]	(a) That the financial statements of the prior period were audited by a predecessor auditor;
[See paragraph 9.6.3.(b) above]	(b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons, therefore; and
[See paragraph 9.6.3.(c) above]	(c) The date of that report.
[See paragraph 9.6.3. above]	9.7.4. If the financial statements of the prior period were audited by a predecessor auditor and are presented as comparative financial statements, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph:
[See paragraph 9.6.3.(a) above]	(a) That the financial statements of the prior period were audited by a predecessor auditor;
[See paragraph 9.6.3.(b) above]	(b) The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
[See paragraph 9.6.3.(c) above]	(c) The date of that report,
[See paragraph 9.6.3.(c) above]	unless the predecessor auditor's report on the prior period's financial statements is reissued with the financial statements.
9.7.3. If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph in the auditor's report that the corresponding figures or comparative financial statements are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the	9.7.5. If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph in the auditor's report that the corresponding figures or comparative financial statements are unaudited. Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the

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opening balances do not contain misstatements that materially affect the current period's financial statements	opening balances do not contain misstatements that materially affect the current period's financial statements.
<i>Corresponding Figures</i>	<i>Corresponding Figures</i>
9.7.4. When corresponding figures are presented, the auditor's opinion shall not refer to the corresponding figures except in accordance with paragraph 9.7.3 or in the following circumstances:	9.7.6. When corresponding figures are presented, the auditor's opinion shall not refer to the corresponding figures except in accordance with paragraph 9.7.5 or in the following circumstances:
(a) If the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements. ⁷⁹	(a) If the auditor's report on the prior period, as previously issued, included a qualified opinion, a disclaimer of opinion, or an adverse opinion and the matter which gave rise to the modification is unresolved, the auditor shall modify the auditor's opinion on the current period's financial statements. ⁸⁰
(b) If the auditor obtains audit evidence that a material misstatement exists in the prior period financial statements on which an unmodified opinion has been previously issued, and the corresponding figures have not been properly restated or appropriate disclosures have not been made, the auditor shall express a qualified opinion or an adverse opinion in the auditor's report on the current period financial statements, modified with respect to the corresponding figures included therein.	(b) If the auditor obtains audit evidence that a material misstatement exists in the prior period financial statements on which an unmodified opinion has been previously issued, and the corresponding figures have not been properly restated or appropriate disclosures have not been made, the auditor shall express a qualified opinion or an adverse opinion in the auditor's report on the current period financial statements, modified with respect to the corresponding figures included therein.
<i>Comparative Financial Statements</i>	<i>Comparative Financial Statements</i>

⁷⁹ For the effect on the auditor's report see Part 9, paragraph 9.5.1.V.

⁸⁰ For the effect on the auditor's report see Part 9, paragraph 9.5.26.

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9.7.5. When comparative financial statements are presented, the auditor's opinion shall refer to each period for which financial statements are presented and on which an audit opinion is expressed.	9.7.7. When comparative financial statements are presented, the auditor's opinion shall refer to each period for which financial statements are presented and on which an audit opinion is expressed.
9.7.6. When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph.	9.7.8. When reporting on prior period financial statements in connection with the current period's audit, if the auditor's opinion on such prior period financial statements differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph.
9.8. Other Information	9.8. Other Information
9.8.1. The auditor shall determine, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s).	9.8.1. The auditor shall determine, through discussion with management, which document(s) comprises the annual report, and the entity's planned manner and timing of the issuance of such document(s).
9.8.2. The auditor shall read the other information, and:	9.8.2. The auditor shall read the other information, and:
(a) Consider whether there is a material inconsistency between the other information and the financial statements; and	(a) Consider whether there is a material inconsistency between the other information and the financial statements; and
(b) Consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit.	(b) Consider whether there is a material inconsistency between the other information and the auditor's knowledge obtained in the audit.
9.8.3. As the basis for the considerations in paragraph 9.8.2.(a), the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements.	9.8.3. As the basis for the considerations in paragraph 9.8.2.(a), the auditor shall, to evaluate their consistency, compare selected amounts or other items in the other information (that are intended to be the same as, to summarize, or to provide greater detail about, the amounts or other items in the financial statements) with such amounts or other items in the financial statements.

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9.8.4. While reading the other information, the auditor shall also remain alert for indications that the remainder of the other information, which is unrelated to the financial statements or the auditor's knowledge obtained in the audit, appears to be materially misstated.	9.8.4. While reading the other information, the auditor shall also remain alert for indications that the remainder of the other information, which is unrelated to the financial statements or the auditor's knowledge obtained in the audit, appears to be materially misstated.
9.8.5. If the auditor identifies that a material inconsistency appears to exist (or becomes aware that the other information appears to be materially misstated), the auditor shall discuss the matter with management and, if necessary, perform other procedures to conclude whether:	9.8.5. If the auditor identifies that a material inconsistency appears to exist (or becomes aware that the other information appears to be materially misstated), the auditor shall discuss the matter with management and, if necessary, perform other procedures to conclude whether:
(a) A material misstatement of the other information exists;	(a) A material misstatement of the other information exists;
(b) A material misstatement of the financial statements exists; or	(b) A material misstatement of the financial statements exists; or
(c) The auditor's understanding of the entity and its environment needs to be updated.	(c) The auditor's understanding of the entity and its environment needs to be updated.
9.8.6. If the auditor concludes, based on the audit evidence obtained, that a material misstatement of the other information exists, the auditor shall request management to correct the other information. If management:	9.8.6. If the auditor concludes, based on the audit evidence obtained, that a material misstatement of the other information exists, the auditor shall request management to correct the other information. If management:
(a) Agrees to make the correction, the auditor shall determine that the correction has been made; or	(a) Agrees to make the correction, the auditor shall determine that the correction has been made; or
(b) Refuses to make the correction, the auditor shall communicate the matter with those charged with governance and request that the correction be made. If the correction is still not made, the auditor shall consider the implications for the auditor's report in accordance with Table E below or withdraw from the engagement where this is possible.	(b) Refuses to make the correction, the auditor shall communicate the matter with those charged with governance and request that the correction be made. If the correction is still not made, the auditor shall consider the implications for the auditor's report in accordance with Table E below or withdraw from the engagement where this is possible.

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9.8.7. If the auditor obtained some or all of the other information at the date of the auditor's report, the auditor shall include an Other Information section in the auditor's report in accordance with Table E.	9.8.7. If the auditor obtained some, or all of, the other information at the date of the auditor's report, the auditor shall include an Other Information section in the auditor's report in accordance with Table E.			
	Table E			
[See Table E below]	TABLE E: Paragraph or Section	Location	Heading shall include	Content shall include
	9.8.8. Other Information Section	A separate section of the auditor's report	"Other Information" or other appropriate title	(a) A statement that management is responsible for the other information; (b) An identification of the other information, if any, obtained by the auditor prior to the date of the auditor's report; (c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express an audit opinion or any form of assurance conclusion thereon; (d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this ISA for LCE; and

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							<p>(e) When other information has been obtained prior to the date of the auditor's report, either:</p> <p>(i) A statement that the auditor has nothing to report; or</p> <p>(ii) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.</p>
9.8.8. Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include an Other Information section.				9.8.9. Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include an Other Information section.			
9.8.9. The auditor shall document the procedures performed in relation to other information and the final version of the other information.				9.8.10. The auditor shall document the procedures performed in relation to other information and the final version of the other information.			
Table E							
Table E:	Location	Heading shall include	Content shall include	[See Table E above]			
Paragraph or Section							
9.8.10. Other Information Section	A separate section of	"Other Information" or	(a) A statement that management is responsible for the other information;				

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	the auditor's report	other appropriate title	<p>(b) An identification of the other information, if any, obtained by the auditor prior to the date of the auditor's report;</p> <p>(c) A statement that the auditor's opinion does not cover the other information and, accordingly, that the auditor does not express an audit opinion or any form of assurance conclusion thereon;</p> <p>(d) A description of the auditor's responsibilities relating to reading, considering and reporting on other information as required by this [draft] ISA for LCE; and</p> <p>(e) When other information has been obtained prior to the date of the auditor's report, either:</p> <p>(i) A statement that the auditor has nothing to report; or</p> <p>(i) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.</p>	

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<u>10. Audits of Group Financial Statements</u>	<u>10. Audits of Group Financial Statements</u>
10.1. Objective	10.1. Objective
10.1.1. The objective of the auditor is to identify and assess the risks of material misstatement of the group financial statements, whether due to fraud or error, and plan and perform further audit procedures to appropriately respond to those assessed risks.	10.1.1. The objective of the auditor is to identify and assess the risks of material misstatement of the group financial statements, whether due to fraud or error, and plan and perform further audit procedures to appropriately respond to those assessed risks.
10.2. Planning Activities	10.2. Planning Activities
10.2.1. In applying Part 5, the auditor shall establish, and update as necessary, the scope, timing and direction of the group audit. In doing so, the auditor shall determine:	10.2.1. In applying Part 5, the auditor shall establish, and update as necessary, the scope, timing and direction of the group audit. In doing so, the auditor shall determine:
(a) The components at which audit work will be performed; and	(a) The components at which audit work will be performed; and
(b) The resources needed to perform the group audit engagement.	(b) The resources needed to perform the group audit engagement.
10.2.2. If, after the acceptance or continuance of the group audit engagement, the engagement partner concludes that sufficient appropriate audit evidence cannot be obtained, the engagement partner shall consider the possible effects on the group audit.	10.2.2. If, after the acceptance or continuance of the group audit engagement, the engagement partner concludes that sufficient appropriate audit evidence cannot be obtained, the engagement partner shall consider the possible effects on the group audit.
10.3. Materiality	10.3. Materiality
10.3.1. In applying Part 5, when classes of transactions, account balances or disclosures in the group financial statements are disaggregated across components, for purposes of planning and performing audit procedures, the auditor shall determine component performance	10.3.1. In applying Part 5, when classes of transactions, account balances or disclosures in the group financial statements are disaggregated across components, for purposes of planning and performing audit procedures, the auditor shall determine component performance

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materiality. To address aggregation risk, such amount shall be lower than group performance materiality.	materiality. To address aggregation risk, such amount shall be lower than group performance materiality.
10.4. Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control	10.4. Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control
10.4.1. In applying Part 6, the auditor shall obtain an understanding of:	10.4.1. In applying Part 6, the auditor shall obtain an understanding of:
(a) The group's organizational structure and business model, including the locations in which the group has its operations or activities and the extent to which they are similar across the group	(a) The group's organizational structure and business model, including: [Also see paragraph 10.4.1.(a)(i) below]
[See paragraph 10.4.1.(a) above]	(i) The locations in which the group has its operations or activities and the extent to which they are similar across the group.
	(ii) The extent to which the group's business model integrates the use of IT.
	(b) The applicable financial reporting framework and the consistency of accounting policies and practices across the group.
(b) The group's system of internal control, including:	(c) The group's system of internal control, including:
(i) The consolidation process used by the group and consolidation adjustments;	(i) The consolidation process used by the group and consolidation adjustments;
(ii) The nature and extent of commonality of controls; and	(ii) The nature and extent of commonality of controls;

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(iii) How the group centralizes activities relevant to financial reporting.	(iii) How the group centralizes activities relevant to financial reporting; and
	(iv) How group management communicates significant matters that support the preparation of the group financial statements to management of entities or business units.
10.5. Identifying and Assessing the Risks of Material Misstatement	10.5. Identifying and Assessing the Risks of Material Misstatement
10.5.1. In applying Part 6, based on the understanding obtained in paragraph 10.4.1. the auditor shall identify and assess the risks of material misstatement of the group financial statements, including with respect to the consolidation process.	10.5.1. In applying Part 6, based on the understanding obtained in paragraph 10.4.1. the auditor shall identify and assess the risks of material misstatement of the group financial statements, including with respect to the consolidation process.
10.6. Responding to the Assessed Risks of Material Misstatement	10.6. Responding to the Assessed Risks of Material Misstatement
10.6.1. In applying Part 7, the auditor shall determine the components at which to perform further audit procedures and the nature, timing and extent of the work to be performed at those components.	10.6.1. In applying Part 7, the auditor shall determine the components at which to perform further audit procedures, and the nature, timing and extent of the work to be performed at those components.
<i>Consolidation Process</i>	<i>Consolidation Process</i>
10.6.2. The auditor shall design and perform further audit procedures to respond to the assessed risks of material misstatement of the group financial statements arising from the consolidation process. This shall include:	10.6.2. The auditor shall design and perform further audit procedures to respond to the assessed risks of material misstatement of the group financial statements arising from the consolidation process. This shall include:
(a) Evaluating whether all entities and business units have been included in the group financial statements as required by the applicable financial reporting framework;	(a) Evaluating whether all entities and business units have been included in the group financial statements as required by the applicable financial reporting framework;

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(b) Evaluating the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications;	(b) Evaluating the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications;
(c) Evaluating whether management's judgments made in the consolidation process give rise to indicators of possible management bias; and	(c) Evaluating whether management's judgments made in the consolidation process give rise to indicators of possible management bias; and
(d) Responding to assessed risks of material misstatement due to fraud arising from the consolidation process.	(d) Responding to assessed risks of material misstatement due to fraud arising from the consolidation process.
10.7. Specific Communication Requirements	10.7. Specific Communication Requirements
<i>Communication with Group Management and Those Charged with Governance of the Group</i>	<i>Communication with Those Charged with Governance of the Group</i>
10.7.1. If fraud has been identified by the auditor, or information indicates that a fraud may exist, the auditor shall communicate this on a timely basis to the appropriate level of group management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities.	[See paragraph 1.8.7. above]
10.7.2. The auditor shall communicate the following matters with those charged with governance:	10.7.1. The auditor shall communicate the following matters with those charged with governance:
(a) An overview of the work to be performed at the components of the group.	(a) An overview of the work to be performed at the components of the group.
(b) Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others when the fraud	(b) Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others when the fraud

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resulted in a material misstatement of the group financial statements.	resulted in a material misstatement of the group financial statements.
10.8. Specific Documentation Requirements	10.8. Specific Documentation Requirements
10.8.1. In addition to the general documentation requirements (Part 2.5.) for an audit engagement, the auditor shall include in the audit documentation:	10.8.1. The auditor shall include in the audit documentation:
(a) The basis for the auditor's determination of components for purposes of planning and performing the group audit.	(a) The basis for the auditor's determination of components for purposes of planning and performing the group audit.
(b) The basis for the determination of component performance materiality.	(b) The basis for the determination of component performance materiality.
	(c) Key elements of the understanding of the group's system of internal control.