

Extracts - Proposed ISA for LCE

Turnaround of Selected Paragraphs [Marked from Agenda Item 2-C]

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1.1. Effective Date

- 1.1.1. This standard is effective for audits of financial statements for periods beginning on or after [December 15, 2025].

~~If not prohibited by law or regulation, the auditor is permitted to apply this standard before the effective date specified.~~

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- 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.

Professional skepticism includes being alert to, for example:

- *Audit evidence that contradicts other audit evidence obtained.*
- *Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence.*
- *Conditions that may indicate possible fraud.*
- *Circumstances that suggest the need for audit procedures in addition to those required by this standard.*

Professional skepticism is necessary to the critical assessment of audit evidence. This includes questioning contradictory audit evidence and the reliability of documents and responses to inquiries and other information obtained from management, and where appropriate, those charged with governance. It also includes consideration of the sufficiency and appropriateness of audit evidence obtained in the light of the circumstances.

The auditor cannot be expected to disregard past experience of the honesty and integrity of the entity's management, and where appropriate, those charged with governance. Nevertheless, a belief that management and those charged with governance are honest and have integrity does not relieve the auditor of the need to maintain professional skepticism or allow the auditor to be satisfied with less than persuasive audit evidence when obtaining reasonable assurance.

Conditions of the engagement can create pressures on the engagement team that may impede the appropriate exercise of professional skepticism when designing and performing audit procedures and when evaluating audit evidence. ~~For example, the contradictory audit evidence that can be obtained is expected to be less in the case of an LCE with less developed systems of internal control.~~

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~~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.~~

Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner

5.5.3. The auditor shall include in the audit documentation the discussion among the engagement team and significant decisions reached, ~~including during the discussion among the engagement team the significant decisions~~ regarding the susceptibility of the entity's financial statements to material misstatement due to fraud.

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Testing How Management Made the Accounting Estimate

7.4.17. When testing how management made the accounting estimate, the auditor's further audit procedures shall address whether:

- (a) The method selected is appropriate, ~~including any changes from the prior period~~;
- (b) The significant assumptions and data are consistent and appropriate, and their integrity maintained in applying the method;
- (c) Management has the intent to carry out specific courses of actions;
- (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;
- (e) Changes from prior periods in the method, significant assumptions and data are appropriate;
- (f) The data is relevant and reliable in the circumstances; and
- (g) Calculations are mathematically accurate and whether judgements have been applied consistently.

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Using the Services of a Service Organization

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,
- (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.~~

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9.4. Auditor's Report

9.4.1. The auditor shall report in accordance with the specified format and content below unless:

- (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 by law or regulation, the auditor's report shall refer to this ISA for LCE only if ~~all significant the~~ elements of the specified format and content illustrated below are included;
or
- (b) The auditor is required to conduct the audit in accordance with the auditing standard of a specific jurisdiction for less complex entities (the "national LCE auditing standard") that prescribes a layout or wording of the auditor's report different from that required by the ISA for LCE. If this is the case, the auditor's report may refer to the ISA for LCE in addition to the national LCE auditing standard only if the auditor has otherwise complied with the ISA for LCE, and the auditor's report includes the elements of the specified form and content illustrated below; or
- (~~b~~c) 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.).