

Agenda Item C.3 For Reference

Please note: This Agenda Item includes the conforming amendments arising from proposed ISA for LCE that will be discussed by the Board at the September 2023 IAASB quarterly meeting (Agenda Item 2–D).

CONFORMING AMENDMENTS ARISING FROM PROPOSED ISA FOR LCE¹ – MARKED FROM EXTANT

This paper includes the paragraphs identified across the IAASB standards that may be affected as a result of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE). The proposed conforming and consequential amendments arising from Proposed ISA for LCE are shown in markup.

PREFACE TO THE INTERNATIONAL QUALITY MANAGEMENT, AUDITING, REVIEW, OTHER ASSURANCE AND RELATED SERVICES PRONOUNCEMENTS

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The Authority Attaching to International Standards Issued by the International Auditing and Assurance Standards Board

5. International standards to be applied in the audit of historical financial information are:

(a) International Standards on Auditing (ISAs); or

(b) The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE), which may only be applied in accordance with the preface and the authority set out in the ISA for LCE.

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9. ISAs, the ISA for LCE, ISREs, ISAEs, and ISRSs are collectively referred to as the IAASB's Engagement Standards.

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The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities

11A. The ISA for LCE is written in the context of an audit of financial statements of a less complex entity by an independent auditor. The authority of the ISA for LCE is set out in the Preface and Part A of the standard.

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¹ Proposed International Standard on Auditing (ISA) for Audits of Financial Statements of Less Complex Entities (ISA for LCE)

International Auditing Practice Notes

21. International Auditing Practice Notes (IAPNs) do not impose additional requirements on auditors beyond those included in the ISAs or the ISA for LCE, nor do they change the auditor's responsibility to comply with all ISAs, or the ISA for LCE, relevant to the audit. IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

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ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

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Application and Other Explanatory Material

Scope of this ISQM (Ref: Para. 3-4)

- A1. Other pronouncements of the IAASB, including [the ISA for LCE](#),² ISRE 2400 (Revised)³ and ISAE 3000 (Revised),⁴ also establish requirements for the engagement partner for the management of quality at the engagement level.

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Authority of this ISQM (Ref: Para. 12)

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- A8. Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying them out. In particular, it may:
- Explain more precisely what a requirement means or is intended to cover; and
 - Include examples that illustrate how the requirements might be applied.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in this ISQM. In certain instances, references are included to individual ISAs. If the audit engagement is conducted in accordance with the ISA for LCE, the ISA for LCE may also address related matters in the context of an audit of the financial statements of a less complex entity but these are not referenced in this ISQM. Where appropriate, additional considerations specific to public sector audit organizations are included within the application and other explanatory material. These additional considerations assist in the application of the requirements in this ISQM. They do not, however, limit or reduce the responsibility of the firm to apply and comply with the requirements in this ISQM.

² [International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\)](#)

³ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

⁴ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

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Engagement Performance

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Engagement Documentation (Ref: Para. 31(f))

A83. Law, regulation or professional standards may prescribe the time limits by which the assembly of final engagement files for specific types of engagements are to be completed. Where no such time limits are prescribed in law or regulation, the time limit may be determined by the firm. In the case of engagements conducted under the ISAs, [the ISA for LCE](#) or ISAEs, an appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the engagement report.

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A85. Law, regulation or professional standards may prescribe the retention periods for engagement documentation. If the retention periods are not prescribed, the firm may consider the nature of the engagements performed by the firm and the firm's circumstances, including whether the engagement documentation is needed to provide a record of matters of continuing significance to future engagements. In the case of engagements conducted under the ISAs, [the ISA for LCE](#) or ISAEs, the retention period is ordinarily no shorter than five years from the date of the engagement report, or, if later, the date of the auditor's report on the group financial statements, when applicable.

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ISQM 2, ENGAGEMENT QUALITY REVIEWS

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Authority of this ISQM

10. This ISQM contains the objective for the firm in following this ISQM, and requirements designed to enable the firm and the engagement quality reviewer to meet that stated objective. In addition, this ISQM contains related guidance in the form of application and other explanatory material and introductory material that provides context relevant to a proper understanding of this ISQM, and definitions. ISQM 1 explains the terms objective, requirements, application and other explanatory material, introductory material, and definitions. [\(Ref: Para. A0A\)](#)

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Application and Other Explanatory Material

[Authority of this ISQM](#) (Ref: Para. 10)

[A0A. The application and other explanatory material may also provide background information on matters addressed in this ISQM. In certain instances, references are included to individual ISAs. If the audit engagement is conducted in accordance with the ISA for LCE,⁵ the ISA for LCE may also address](#)

⁵ [International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\)](#)

related matters in the context of an audit of the financial statements of a less complex entity but these are not referenced in this ISQM.

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ISAE 3000 (REVISED), ASSURANCE ENGAGEMENTS OTHER THAN AUDITS OR REVIEWS OF HISTORICAL FINANCIAL INFORMATION

Introduction

1. This International Standard on Assurance Engagements (ISAE) deals with assurance engagements other than audits or reviews of historical financial information, which are dealt with in International Standards on Auditing (ISAs), the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and International Standards on Review Engagements (ISREs), respectively. (Ref: Para. A21–A22)

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ISRE 2400 (REVISED), ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL STATEMENTS

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The Practitioner's Report

86. The practitioner's report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A124–A127, A148, A150)

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- (g) A description of a review of financial statements and its limitations, and the following statements: (Ref: Para. A134)
 - (i) A review engagement under this ISRE is a limited assurance engagement;
 - (ii) The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained; and
 - (iii) The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with auditing standards issued by the International Auditing and Assurance Standards Board ~~International Standards on Auditing (ISAs)~~ and, accordingly, the practitioner does not express an audit opinion on the financial statements;

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Illustration 1

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Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with [auditing standards issued by the International Auditing and Assurance Standards Board](#) ~~International Standards on Auditing~~. Accordingly, we do not express an audit opinion on these financial statements.

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Illustration 2

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Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with [auditing standards issued by the International Auditing and Assurance Standards Board](#) ~~International Standards on Auditing~~. Accordingly, we do not express an audit opinion on these financial statements.

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Illustration 3

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Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised),

Engagements to Review Historical Financial Statements. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with [auditing standards issued by the International Auditing and Assurance Standards Board](#)~~International Standards on Auditing~~. Accordingly, we do not express an audit opinion on these financial statements.

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Illustration 4

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Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying consolidated financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the consolidated financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of consolidated financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with [auditing standards issued by the International Auditing and Assurance Standards Board](#)~~International Standards on Auditing~~. Accordingly, we do not express an audit opinion on these consolidated financial statements.

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Illustration 6

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Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude

whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with [auditing standards issued by the International Auditing and Assurance Standards Board](#)~~International Standards on Auditing~~. Accordingly, we do not express an audit opinion on these financial statements.

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Illustration 7

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Practitioner's Responsibility

Our responsibility is to express a conclusion on the accompanying financial statement. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the financial statement is not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2400 (Revised) is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with [auditing standards issued by the International Auditing and Assurance Standards Board](#)~~International Standards on Auditing~~. Accordingly, we do not express an audit opinion on this financial statement.

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INTERNATIONAL FRAMEWORK FOR ASSURANCE ENGAGEMENTS

Introduction

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2. This Framework is issued solely to facilitate understanding of the elements and objectives of an assurance engagement and the engagements to which International Standards on Auditing (ISA), [the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\)](#), International Standards on Review Engagements (ISRE) and International Standards on Assurance Engagements (ISAE) (hereinafter referred to as Assurance Standards) apply.

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Appendix 1

Pronouncements Issued by the IAASB, and Their Relationship to Each Other and the IESBA Code

This Appendix illustrates the ambit of pronouncements issued by the IAASB, and their relationship to each other and to the IESBA Code of Ethics for Professional Accountants



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INTERNATIONAL AUDITING PRACTICE NOTE 1000, SPECIAL CONSIDERATIONS IN AUDITING FINANCIAL INSTRUMENTS

International Auditing Practice Note (IAPN) 1000, Special Considerations in Auditing Financial Instruments, should be read in conjunction with the Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements. IAPNs do not impose additional requirements on auditors beyond those included in the [auditing standards issued by the International Auditing and Assurance Standards Board](#)~~International Standards on Auditing (ISAs)~~, nor do they change the auditor’s responsibility to comply with all [International Standards on Auditing \(ISAs\)](#) relevant to the audit [or the International Standard on Auditing for Audits of Financial Statements of Less Complex \(ISA for LCE\)](#). IAPNs provide practical assistance to auditors. They are intended to be disseminated by those responsible for national standards, or used in developing corresponding national material. They also provide material that firms can use in developing their training programs and internal guidance.

Introduction

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- An audit in accordance with ISAs [or the ISA for LCE](#) is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged certain responsibilities. Such responsibilities subsume making fair value measurements. This IAPN does not impose responsibilities on management or those charged with governance nor override laws and regulation that govern their responsibilities.

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